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FINANCIAL STATEMENTS 2022-23

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MidCoast Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023



MidCoast Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



General Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	83
On the Financial Statements (Sect 417 [3])	86

Overview

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

Yalawanyi Ganya
2 Biripi Way
Taree NSW 2430

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.midcoast.nsw.gov.au.

MidCoast Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to Section 413 (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.

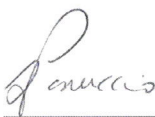
Signed in accordance with a resolution of Council made on 25 October 2023.



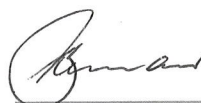
Claire Pontin
Mayor
25 October 2023



Katheryn Stinson
Councillor
25 October 2023



Adrian Panuccio
General Manager
25 October 2023



Phil Brennan
Responsible Accounting Officer
25 October 2023

MidCoast Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
168,201	Rates and annual charges	B2-1	168,844	163,221
56,453	User charges and fees	B2-2	55,930	52,826
4,277	Other revenues	B2-3	7,234	5,402
35,011	Grants and contributions provided for operating purposes	B2-4	46,628	44,359
43,027	Grants and contributions provided for capital purposes	B2-4	81,433	71,830
3,010	Interest and investment income	B2-5	9,006	2,966
2,273	Other income	B2-6	9,001	5,870
312,252	Total income from continuing operations		378,076	346,474
	Expenses from continuing operations			
96,168	Employee benefits and on-costs	B3-1	85,196	77,604
82,797	Materials and services	B3-2	101,565	82,668
8,942	Borrowing costs	B3-3	9,193	9,757
80,301	Depreciation, amortisation and impairment of non-financial assets	B3-4	107,413	78,351
10,385	Other expenses	B3-5	16,300	11,840
923	Net loss from the disposal of assets	B4-1	22,373	5,509
279,516	Total expenses from continuing operations		342,040	265,729
32,736	Operating result from continuing operations		36,036	80,745
32,736	Net operating result for the year attributable to Council		36,036	80,745
(10,291)	Net operating result for the year before grants and contributions provided for capital purposes		(45,397)	8,915

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

MidCoast Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net result for the year (as per Income Statement)		36,036	80,745
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	191,944	395,859
Total items which will not be reclassified subsequently to the operating result		191,944	395,859
Total other comprehensive income for the year		191,944	395,859
Total comprehensive income for the year attributable to Council		227,980	476,604

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

MidCoast Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	50,691	61,855
Investments	C1-2	120,550	99,740
Receivables	C1-4	68,300	51,872
Inventories	C1-5	1,394	1,556
Other		981	3,560
Total current assets		241,916	218,583
Non-current assets			
Investments	C1-2	159,377	159,927
Receivables	C1-4	628	3,328
Inventories	C1-5	1,034	1,034
Infrastructure, property, plant and equipment (IPPE)	C1-6	4,273,132	4,036,580
Investment property	C1-7	27,912	27,802
Right of use assets	C2-1	2,525	3,001
Total non-current assets		4,464,608	4,231,672
Total assets		4,706,524	4,450,255
LIABILITIES			
Current liabilities			
Payables	C3-1	39,485	32,014
Contract liabilities	C3-2	36,504	24,945
Lease liabilities	C2-1	694	660
Borrowings	C3-3	17,331	19,325
Employee benefit provisions	C3-4	23,591	24,566
Provisions	C3-5	6,546	—
Total current liabilities		124,151	101,510
Non-current liabilities			
Lease liabilities	C2-1	2,037	2,575
Borrowings	C3-3	148,368	158,507
Employee benefit provisions	C3-4	1,799	458
Provisions	C3-5	28,858	13,874
Total non-current liabilities		181,062	175,414
Total liabilities		305,213	276,924
Net assets		4,401,311	4,173,331
EQUITY			
Accumulated surplus	C4-1	3,067,777	3,031,741
IPPE revaluation surplus	C4-1	1,333,534	1,141,590
Total equity		4,401,311	4,173,331

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

MidCoast Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation surplus	Total equity	Accumulated surplus	IPPE revaluation surplus	Total equity
Opening balance at 1 July		3,031,741	1,141,590	4,173,331	2,950,996	745,731	3,696,727
Net operating result for the year		36,036	–	36,036	80,745	–	80,745
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	191,944	191,944	–	395,859	395,859
Total comprehensive income		36,036	191,944	227,980	80,745	395,859	476,604
Closing balance at 30 June		3,067,777	1,333,534	4,401,311	3,031,741	1,141,590	4,173,331

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

MidCoast 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				
Receipts:				
168,201	Rates and annual charges		165,693	167,334
56,453	User charges and fees		56,569	55,766
78,038	Grants and contributions		124,017	105,919
3,010	Interest received		6,940	2,475
–	Bonds, deposits and retentions received		150	1,045
6,550	Other		30,478	23,346
Payments:				
(94,078)	Payments to employees		(84,678)	(81,419)
(82,797)	Payments for materials and services		(104,922)	(90,030)
(8,942)	Borrowing costs		(8,943)	(9,574)
(10,385)	Other		(5,126)	(24,273)
116,050	Net cash flows from operating activities	G1-1	180,178	150,589
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		86,200	69,070
–	Sale of investments		13,540	12,500
–	Sale of real estate assets		1,300	8,472
1,500	Proceeds from sale of IPPE		1,033	4,125
Payments:				
–	Acquisition of term deposits		(112,000)	(117,550)
–	Purchase of investments		(8,000)	(19,300)
(131,157)	Payments for IPPE		(160,510)	(99,697)
(129,657)	Net cash flows from investing activities		(178,437)	(142,380)
Cash flows from financing activities				
Receipts:				
8,625	Proceeds from borrowings		7,100	8,625
Payments:				
(20,153)	Repayment of borrowings		(19,233)	(25,677)
–	Principal component of lease payments		(772)	(694)
(11,528)	Net cash flows from financing activities		(12,905)	(17,746)
(25,135)	Net change in cash and cash equivalents		(11,164)	(9,537)
61,855	Cash and cash equivalents at beginning of year		61,855	71,392
36,720	Cash and cash equivalents at end of year	C1-1	50,691	61,855
259,667	plus: Investments on hand at end of year	C1-2	279,927	259,667
296,387	Total cash, cash equivalents and investments		330,618	321,522

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

MidCoast Council

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

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	13
B1 Functions or activities	13
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
B2 Sources of income	15
B2-1 Rates and annual charges	15
B2-2 User charges and fees	16
B2-3 Other revenues	17
B2-4 Grants and contributions	18
B2-5 Interest and investment income	21
B2-6 Other income	21
B3 Costs of providing services	22
B3-1 Employee benefits and on-costs	22
B3-2 Materials and services	23
B3-3 Borrowing costs	23
B3-4 Depreciation, amortisation and impairment of non-financial assets	24
B3-5 Other expenses	25
B4 Gains or losses	26
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	26
B5 Performance against budget	27
B5-1 Material budget variations	27
C Financial position	29
C1 Assets we manage	29
C1-1 Cash and cash equivalents	29
C1-2 Financial investments	30
C1-3 Restricted and allocated cash, cash equivalents and investments	31
C1-4 Receivables	33
C1-5 Inventories	34
C1-6 Infrastructure, property, plant and equipment	35
C1-7 Investment properties	39
C2 Leasing activities	40
C2-1 Council as a lessee	40
C2-2 Council as a lessor	43
C3 Liabilities of Council	44
C3-1 Payables	44
C3-2 Contract Liabilities	45
C3-3 Borrowings	46
C3-4 Employee benefit provisions	48
C3-5 Provisions	49
C4 Reserves	50

MidCoast Council

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

C4-1 Nature and purpose of reserves	50
D Council structure	51
D1 Results by fund	51
D1-1 Income Statement by fund	51
D1-2 Statement of Financial Position by fund	52
E Risks and accounting uncertainties	53
E1-1 Risks relating to financial instruments held	53
E2-1 Fair value measurement	56
E3-1 Contingencies	68
F People and relationships	71
F1 Related party disclosures	71
F1-1 Key management personnel (KMP)	71
F1-2 Councillor and Mayoral fees and associated expenses	71
F2 Other relationships	72
F2-1 Audit fees	72
G Other matters	73
G1-1 Statement of Cash Flows information	73
G2-1 Commitments	74
G3-1 Events occurring after the reporting date	75
G4 Statement of developer contributions as at 30 June 2023	76
G4-1 Summary of developer contributions	76
G4-2 Developer contributions by plan	77
G4-3 Contributions not under plans	80
G4-4 S7.4 planning agreements	80
G4-5 S64 contributions	80
G5 Statement of performance measures	81
G5-1 Statement of performance measures – consolidated results	81
G5-2 Statement of performance measures by fund	82

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 consolidated financial statements are set out below.

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

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

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars, except where amounts are shown in text.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain infrastructure, property, plant and equipment and investment property.

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- i. fair values of investment properties – refer Note C1-7
- ii. fair values of infrastructure, property, plant and equipment – refer Note C1-6
- iii. tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service.

A1-1 Basis of preparation (continued)

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council has elected not to apply any of these pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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 standards which were mandatorily effective for the first time from 1 July 2022. None of these standards had a significant impact on reported position, performance or disclosures.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Our Unique Diverse & Culturally Rich Communities	22,904	20,990	37,468	29,109	(14,564)	(8,119)	6,765	6,138	265,152	250,714
Our Connected Community	208,525	191,095	233,075	181,075	(24,550)	10,020	94,352	85,605	4,157,762	3,931,374
Our Environment	9,096	8,336	15,522	12,059	(6,426)	(3,723)	3,096	2,809	25,439	24,053
Our Thriving & Growing Economy	4,524	4,145	7,926	6,157	(3,402)	(2,012)	1,887	1,712	60,803	57,492
Strong Leadership & Shared Vision	133,027	121,908	48,049	37,329	84,978	84,579	21,961	19,925	197,368	186,622
Total functions and activities	378,076	346,474	342,040	265,729	36,036	80,745	128,061	116,189	4,706,524	4,450,255

B1-2 Components of functions or activities

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

Our Unique, Diverse and Culturally Rich Communities

- We are a diverse community that works together to care for all our members
- We will embrace the uniqueness and creativity of our communities

Our Connected Community

- We feel connected to each other
- It is safe and easy to get around our region
- We utilise technologies to connect us locally and beyond
- We protect the health and safety of our communities

Our Environment

- We protect maintain and restore our natural environment
- We manage resources wisely
- We balance the needs of our natural and built environments

Our Thriving and Growing Economy

- Our region is a popular place to visit, live, work and invest
- Our villages and business precincts are vibrant commercial, cultural and social hubs
- We encourage greater rural and agricultural diversity

Strong Leadership & Shared Vision

- We work in partnership with our community and government to ensure council is a trusted and flexible organisation that delivers on their needs
- We maintain strong organisational health that contributes to council's success and community-focussed culture
- We make opportunities available for the community to inform decisions that shape our future
- We develop and encourage community and civic leadership

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	67,338	65,329
Farmland	9,602	9,450
Business	11,112	10,816
Mining	213	278
Less: pensioner rebates (mandatory)	(2,282)	(2,342)
Rates levied to ratepayers	85,983	83,531
Pensioner rate subsidies received	1,253	1,277
Total ordinary rates	87,236	84,808
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	18,645	18,154
Stormwater management services	886	878
Water supply services	15,080	14,469
Waste management services (non-domestic)	6,953	6,656
Sewerage services	41,107	39,328
Less: pensioner rebates (mandatory)	(2,351)	(2,400)
Annual charges levied	80,320	77,085
Pensioner annual charges subsidies received:		
– Water	485	503
– Sewerage	446	463
– Domestic waste management	357	362
Total annual charges	81,608	78,413
Total rates and annual charges	168,844	163,221

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 at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)		
Water supply services	26,155	24,581
Sewerage services	2,600	2,313
Trade Waste	108	113
Total specific user charges	28,863	27,007
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Planning and building regulation	3,128	3,679
Section 149 certificates (EPA Act)	326	329
Section 603 certificates	272	379
Laboratory Fees	121	54
Water & Sewerage Connection Fees	644	1,002
Animal control	109	110
Beach vehicle licencing	757	702
Caravan park and camping grounds licence	31	51
Community health fees (food inspection fees etc.)	212	246
Engineering – fixing levels and DA fees	51	54
Freedom of information fees	8	8
On site sewer waste management fees	1,050	1,045
Section 735a charges	26	52
Total fees and charges – statutory/regulatory	6,735	7,711
(ii) Fees and charges – other (incl. general user charges (per s608))		
Cemeteries	1,343	1,018
Tourism	30	19
Waste disposal tipping fees	7,041	6,151
Leaseback fees – Council vehicles	1,201	1,172
Library and art gallery	56	19
Saleyards	210	263
Swimming centres	222	146
Private works – section 67	65	192
Entertainment centre	533	395
Landing fees	33	48
Ageing services	1,938	2,023
Community land / property rentals	46	46
Damage bonds	199	193
Mooring fees	134	121
Other service fees and misc income	1,461	978
Transport for NSW fees for service	621	774
Parks and recreation	188	75
National disability insurance scheme	5,011	4,475
Total fees and charges – other	20,332	18,108
Total other user charges and fees	27,067	25,819
Total user charges and fees	55,930	52,826
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	44,473	41,602
User charges and fees recognised at a point in time	11,457	11,224
Total user charges and fees	55,930	52,826

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.

B2-2 User charges and fees (continued)

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 upfront. There is no material obligation for Council in relation to refunds or returns.

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

B2-3 Other revenues

\$ '000	2023	2022
Fines	494	503
Legal fees recovery – rates and charges (extra charges)	3	2
Commissions and agency fees	189	193
Diesel rebate	213	187
Insurance claims recoveries	1,840	1,175
Other	1,058	1,061
Recycling	1,610	1,513
Reimbursements	1,827	768
Total other revenue	7,234	5,402

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	7,234	5,402
Total other revenue	7,234	5,402

Accounting policy for other revenue

Where the revenue is earned the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the 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)				
Current year allocation				
Financial assistance – general component	3,553	6,733	–	–
Financial assistance – local roads component	1,754	2,975	–	–
Payment in advance - future year allocation				
Financial assistance – general component	14,842	10,338	–	–
Financial assistance – local roads component	6,789	4,590	–	–
Amount recognised as income during current year	26,938	24,636	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Water supplies	–	–	935	776
Library	145	321	108	430
Storm/flood damage	8,158	1,000	796	–
Bushfire and emergency services	2,699	7,279	131	56
Community care	1,293	1,331	–	–
Employment and training programs	924	704	–	–
Heritage and cultural	122	193	450	1,977
Local Infrastructure Renewal Scheme subsidy	43	131	–	–
Street lighting	216	47	–	–
Transport for NSW contributions (regional roads, block grant)	1,102	1,135	3,844	3,719
Transport (roads to recovery)	–	3,579	–	–
Transport (other roads and bridges funding)	839	250	46,833	35,561
Waste and sustainability	–	30	252	339
Environmental works	1,144	671	162	85
Recreation improvements	–	25	3,769	2,371
Stronger country community funding	56	105	444	1,270
Crown reserve contribution (caravan parks)	616	608	–	–
Misc. contributions	240	361	–	–
Other specific grants	1,383	132	283	3
Other contributions	565	874	176	1,535
Total special purpose grants and non-developer contributions – cash	19,545	18,776	58,183	48,122
Non-cash contributions				
Bushfire services	145	947	947	4,208
Sewerage (excl. section 64 contributions)	–	–	1,489	1,497
Water supplies (excl. section 64 contributions)	–	–	1,651	1,331
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	4,987	2,578
Total other contributions – non-cash	145	947	9,074	9,614
Total special purpose grants and non-developer contributions (tied)	19,690	19,723	67,257	57,736
Total grants and non-developer contributions	46,628	44,359	67,257	57,736
Comprising:				
– Commonwealth funding	29,550	30,160	4,721	3,935
– State funding	17,035	14,199	54,233	47,295
– Other funding	43	–	8,303	6,506
	46,628	44,359	67,257	57,736

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):					
Cash contributions					
S 7.11 – contributions towards amenities/services	G4	–	–	7,988	4,338
S 64 – sewerage service contributions		–	–	3,311	4,991
S 64 – water supply contributions		–	–	2,877	4,765
Total developer contributions – cash		–	–	14,176	14,094
Total developer contributions		–	–	14,176	14,094
Total contributions		–	–	14,176	14,094
Total grants and contributions		46,628	44,359	81,433	71,830
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		56	130	54,163	42,868
Grants and contributions recognised at a point in time		46,572	44,229	27,270	28,962
Total grants and contributions		46,628	44,359	81,433	71,830

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants				
Unspent funds at 1 July	4,851	4,582	23,395	14,605
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	9	60	–	–
Add: Funds received and not recognised as revenue in the current year	2,470	1,246	26,582	17,390
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,293)	(959)	(460)	(107)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(597)	(78)	(16,044)	(8,493)
Unspent funds at 30 June	4,440	4,851	33,473	23,395
Unspent Contributions				
Unspent funds at 1 July	–	1,599	58,313	47,789
Add: contributions recognised as revenue in the reporting year but not yet spent	–	–	15,660	18,723
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	(1,599)	(18,974)	(8,199)
Unspent contributions at 30 June	–	–	54,999	58,313

B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include programs, workshops, events. 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 services through the year).

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

Capital grants

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

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

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

Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	876	694
– Cash and investments	7,954	2,178
– Other	176	94
Total interest and investment income (losses)	9,006	2,966

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Reversal of revaluation decrements on IPPE previously expensed			
Footpaths		6,225	–
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-6	6,225	–
Fair value increment on investment properties			
Fair value increment on investment properties		110	3,637
Total fair value increment on investment properties	C1-7	110	3,637
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,344	1,234
Lease income relating to variable lease payments not dependent on an index or a rate		161	132
Total Investment properties		1,505	1,366
Other lease income			
Other Council properties		1,161	867
Total other lease income		1,161	867
Total rental income	C2-2	2,666	2,233
Total other income		9,001	5,870

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	72,071	70,079
Employee leave entitlements (ELE)	9,214	5,523
Superannuation	8,910	8,205
Workers' compensation insurance	3,394	2,467
Fringe benefit tax (FBT)	15	27
Payroll tax	1,277	1,047
Training costs (other than salaries and wages)	341	207
Protective clothing	349	224
Other	34	55
Total employee costs	95,605	87,834
Less: capitalised costs	(10,409)	(10,230)
Total employee costs expensed	85,196	77,604

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		15,523	14,239
Contractor costs		58,041	43,880
Consultancy costs		3,417	2,912
Audit Fees	F2-1	227	247
Councillor and Mayoral fees and associated expenses	F1-2	437	326
Advertising		452	501
Bank charges		494	474
Electricity and heating		6,995	5,596
Insurance		3,285	2,951
Office expenses (including computer expenses)		76	61
Postage		405	378
Printing and stationery		360	395
Street lighting		1,112	1,004
Subscriptions and publications		550	641
Telephone and communications		848	1,358
Valuation fees		418	454
Travel expenses		135	101
Other expenses		2,031	1,682
Plant running costs		4,845	4,511
Legal expenses:			
– Legal expenses: planning and development		1,419	417
– Legal expenses: other		73	97
Expenses from short-term leases		20	78
Expenses from leases of low value assets		348	338
Variable lease expense relating to usage		54	27
Total materials and services		101,565	82,668
Total materials and services		101,565	82,668

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2023	2022
(i) Interest bearing liability costs			
Interest on loans		8,803	9,572
Interest on leases		95	83
Total interest bearing liability costs		8,898	9,655
Total interest bearing liability costs expensed		8,898	9,655
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	295	102
Total other borrowing costs		295	102
Total borrowing costs expensed		9,193	9,757

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		5,580	5,841
Office equipment		26	88
Furniture and fittings		175	238
Computer equipment		1,244	1,731
Land improvements (depreciable)		334	316
Infrastructure:	C1-6		
– Buildings		11,556	8,883
– Other structures		626	580
– Roads		28,987	26,651
– Bridges		3,374	3,400
– Footpaths		773	777
– Stormwater drainage		4,291	3,600
– Water supply network		14,112	12,869
– Sewerage network		10,539	9,860
– Swimming pools		244	155
– Other open space/recreational assets		2,140	1,861
Right of use assets	C2-1	649	600
Other assets:			
– Library books		362	396
– Cemetery assets		28	31
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-6	249	249
– Quarry assets	C3-5, C1-6	16	1
Total depreciation and amortisation costs		85,305	78,127
Impairment / revaluation decrement of IPPE and other non-financial assets			
Land improvements (depreciable)		–	224
Infrastructure:	C1-6		
– Bridges		22,108	–
Total IPPE and other non-financial assets impairment / revaluation decrement costs charged to Income Statement		22,108	224
Total depreciation, amortisation and impairment for non-financial assets		107,413	78,351

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 and Note C2-1 for right of use 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.

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

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

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
Rates and annual charges		–	80
User charges and fees		90	212
Total impairment of receivables	C1-4	90	292
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		–	71
Total Fair value decrement on investments	C1-2	–	71
Other			
– Emergency services levy		253	133
– NSW fire brigade levy		250	211
– NSW rural fire service levy		2,047	2,499
– Waste levy		6,375	7,327
– Other contributions/levies		651	808
Donations, contributions and assistance to other organisations (Section 356)		486	499
Adjustment to Asset Remediation Provision		6,148	–
Total other		16,210	11,477
Total other expenses		16,300	11,840

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	135
Less: carrying amount of property assets sold/written off		–	(856)
Gain (or loss) on disposal		–	(721)
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		1,033	867
Less: carrying amount of plant and equipment assets sold/written off		(2,089)	(1,167)
Gain (or loss) on disposal		(1,056)	(300)
Gain (or loss) on disposal of infrastructure			
	C1-6		
Proceeds from disposal – infrastructure		–	315
Less: carrying amount of infrastructure assets sold/written off		(22,538)	(9,627)
Gain (or loss) on disposal		(22,538)	(9,312)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		1,300	8,503
Less: carrying amount of real estate assets sold/written off		(79)	(3,698)
Gain (or loss) on disposal		1,221	4,805
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		13,540	12,500
Less: carrying amount of financial assets sold/redeemed/matured		(13,540)	(12,500)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		86,200	69,070
Less: carrying amount of term deposits sold/redeemed/matured		(86,200)	(69,070)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		–	2,808
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(2,789)
Gain (or loss) on disposal		–	19
Net gain (or loss) from disposal of assets		(22,373)	(5,509)

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	168,201	168,844	643	0% F
User charges and fees	56,453	55,930	(523)	(1)% U
Other revenues	4,277	7,234	2,957	69% F
The material variations from the original budget include:				
- Insurance recoveries not included in original budget and related to prior year events (\$1.5 million)				
- Reimbursement of expenditure incurred by Council on behalf of sporting groups on facility upgrades (\$500,000)				
- Additional income from the sale of scrap metal in excess of original expectations (\$500,000)				
- Additional recovery of lost investment principal and interest associated with legal action against Lehman Brothers (\$400,000)				
Operating grants and contributions	35,011	46,628	11,617	33% F
The material variations in respect of this item are impacted by the Accounting Standard revenue recognition requirements for grants and contributions and by the manner in which Council budgets for grants and contributions.				
Council's budget reflects the expected total grant funding provided under the grant agreement for the relevant project, not the anticipated amount that may be recognised during the financial period. As such it is difficult to reconcile actual grant income with the original budget.				
Material variations from the original budget include:				
- Financial assistance grant (FAG) whereby the Commonwealth Government paid 100% of the 2023-2024 FAG in advance in June 2023 which is recognised as revenue on receipt. This has generated a positive variation to the budget amount of \$7.688 million.				
- Additional subsidy for the employment of trainees and apprentices (\$475,000)				
- Additional Storm Damage grant approvals for prior year events				
Capital grants and contributions	43,027	81,433	38,406	89% F
The material variations in respect of this item are impacted by the Accounting Standard revenue recognition requirements for grants and contributions and by the manner in which Council budgets for grants and contributions.				
Council's budget reflects the expected total grant funding provided under the grant agreement for the relevant project, not the anticipated amount that may be recognised during the financial period. As such it is difficult to reconcile actual grant income with the original budget.				
The following variations are included in the actual amount:				
- Non-cash contributions of assets (\$3.846 million)				
- Additional Section 7.11 developer contributions (\$5.80 million)				
- Additional grant funding of road-related programs (\$28 million)				
Interest and investment income	3,010	9,006	5,996	199% F
Material variations from the original budget relates to the additional investment interest revenue earned, being \$5.509 million greater than the original budget due to the significant increases in interest rates in the 2023-23 financial year as a result of the increases in the cash rate by the Reserve Bank of Australia. A further \$175,000 relates to additional interest charges on outstanding rates and annual charges which is driven by a higher prescribed interest rate and a growth in outstanding rates and charges.				
Other income	2,273	9,001	6,728	296% F

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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The material variation from the original budget relates to the reversal of a revaluation decrement on Footpaths previously expensed of \$6.225 million.

Expenses

Employee benefits and on-costs	96,168	85,196	10,972	11%	F
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Council's original budget does not exclude employee costs that will be capitalised, from the Income Statement. When these costs are taken into account the favourable variance to budget reduces to under 10%.

Materials and services	82,797	101,565	(18,768)	(23)%	U
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Council experienced general cost increases in excess of budget estimates across all aspects of its operations during 2022-2023. It also took on additional works that were not expected at the time of preparing the original budget. Material variations from the original budget include:

- Natural Disaster works undertaken by contractors (\$12 million)
- Grant funded works on non-Council owned assets that would ordinarily be capitalised (\$1.993 million)
- Additional legal expenses in respect of planning and development matters (\$1.2 million)
- Increased fuel expenses (\$880,000)

Borrowing costs	8,942	9,193	(251)	(3)%	U
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Depreciation, amortisation and impairment of non-financial assets	80,301	107,413	(27,112)	(34)%	U
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Material variations from the original budget relate to:

- The revaluation decrement of \$22.108 million on bridges
- Additional depreciation expense on a number of asset classes totaling \$4.989 million, the largest being buildings (\$2.196 million), water supply network (\$1.212 million), roads (\$987,000) and sewerage network (\$639,000).

Other expenses	10,385	16,300	(5,915)	(57)%	U
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The variance in this item is related to an adjustment to an asset remediation provision (\$6.148 million). Council engaged an external contractor to review its waste management remediation plans and estimates at 30 June 2023. That review identified the need to increase asset remediation provisions for future works in respect of some facilities that had been closed. The corresponding expense was booked to the Income Statement. This was not included in the original budget.

Net losses from disposal of assets	923	22,373	(21,450)	(2,324)%	U
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Council's original budget does not provide for a significant estimate of movements in this item. The original budget acknowledges some losses through the capitalisation process associated with water and sewer network assets but does not cover other asset classes. The actual result in the current year reflects the value of assets written-off as part of the capitalisation process across all asset classes, offset by the net gains associated with real estate land sales in the current year.

Statement of cash flows

Cash flows from operating activities	116,050	180,178	64,128	55%	F
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The budget Cash Flow Statement is largely based on the Income Statement with adjustments for significant non-cash items, namely depreciation expense. The variations are therefore reflective of the variances outlined in the Income Statement categories above.

Cash flows from investing activities	(129,657)	(178,437)	(48,780)	38%	U
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The variation is related to an increase in the holdings of term deposits, an additional \$30 million in capital expenditure on IPP&E and several components that are not included within Council's annual budgeting.

Cash flows from financing activities	(11,528)	(12,905)	(1,377)	12%	U
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The variation is related to Council not borrowing the full amount originally projected in the budget as the total amount of funding was not required.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	23,823	32,832
Cash equivalent assets		
– Deposits at call	26,868	29,023
Total cash and cash equivalents	50,691	61,855

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	50,691	61,855
Balance as per the Statement of Cash Flows	50,691	61,855

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				
Unlisted equity securities	–	227	–	227
Total	–	227	–	227
Debt securities at amortised cost				
Long term deposits	106,550	105,500	86,200	100,050
NCD's, FRN's (with maturities > 3 months)	14,000	53,650	13,540	59,650
Total	120,550	159,150	99,740	159,700
Total financial investments	120,550	159,377	99,740	159,927
Total cash assets, cash equivalents and investments	171,241	159,377	161,595	159,927

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income 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 Council's 8.1% interest in Arrow Collaborative Services Limited.

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	330,618	321,522
Less: Externally restricted cash, cash equivalents and investments	(258,727)	(252,566)
Cash, cash equivalents and investments not subject to external restrictions	71,891	68,956
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	2,630	7,829
Subdivision bonds	4,813	4,916
Sundry bonds and deposits	4,854	3,630
Other sale of land, planning guarantee and relocation, tender and sundry deposits	34	49
Specific purpose unexpended grants – general fund	36,504	24,945
External restrictions – included in liabilities	48,835	41,369
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	29,686	26,789
Developer contributions – water fund	5,986	9,759
Developer contributions – sewer fund	19,327	21,765
Specific purpose unexpended grants (recognised as revenue) – general fund	1,409	3,301
Water fund	27,061	25,360
Domestic waste management	41,888	44,789
Stormwater management	940	2,107
Sewer fund	78,748	72,276
Stratford-Duralie Coal Contributions	1,490	1,504
Crown Lands Act – Section 106 (Forster Boat Harbour)	363	310
Other contributions to works	678	695
ARTC Rail Crossing	521	521
Cattai Wetlands – Environmental Trust	474	461
Nabiac Showground	213	204
Other	1,108	1,356
External restrictions – other	209,892	211,197
Total external restrictions	258,727	252,566

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
(b) Internal allocations		
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	7,286	5,224
Employees leave entitlement	4,282	4,282
Carry over works	2,099	6,849
Building Infrastructure Reserves	2,385	3,700
Environmental Levy Reserve	6,021	5,826
Commercial Waste	1,823	2,473
Election	516	291
Emergency Management	1,263	1,335
Land & Property Reserves	4,468	3,820
IT Infrastructure Reserves	3,214	101
Budget Management Reserves	851	851
Parks Infrastructure Reserves	511	546
Road Infrastructure Reserves	2,226	2,236
SRV Infrastructure Reserve	13,249	12,828
FAG in advance	15,000	14,927
Other	3,351	3,070
Total internal allocations	68,545	68,359

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 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	18,611	–	14,919	–
Interest and extra charges	2,170	–	2,303	–
User charges and fees	6,926	–	6,153	–
Accrued revenues				
– Interest on investments	3,027	–	828	–
– Water & Sewerage Accrued Income	3,191	–	3,225	–
– Other income accruals	1,427	–	1,491	–
Government debtors	28,997	–	22,245	–
Net GST receivable	2,369	–	1,688	–
On site sewer management charges	134	–	71	–
Building and land rentals	2	–	3	–
Other receivables	2,787	628	197	3,328
Total	69,641	628	53,123	3,328
Less: provision for impairment				
Rates and annual charges	(473)	–	(473)	–
Interest and extra charges	(406)	–	(406)	–
User charges and fees	(462)	–	(372)	–
Total provision for impairment – receivables	(1,341)	–	(1,251)	–
Total net receivables	68,300	628	51,872	3,328

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 estimating ECL, 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 and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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.

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

Where 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.

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Real estate for resale	302	1,034	426	1,034
Stores, materials and/or trading stock	1,092	–	1,130	–
Total inventories at cost	1,394	1,034	1,556	1,034
Total inventories	1,394	1,034	1,556	1,034

(i) Other disclosures

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(a) Details for real estate development				
Residential	92	115	216	115
Industrial/commercial	210	919	210	919
Total real estate for resale	302	1,034	426	1,034

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.

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

C1-6 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	Impairment loss / revaluation decrements (recognised in P/L)	Impairment reversal / prior period revaluation decrements reversal (via P&L)	WIP transfers	Adjustments and transfers	Tfrs from / (to) Inventory	Revaluation increments (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress	125,729	–	125,729	118,555	36,082	–	–	–	–	(119,854)	–	–	–	160,512	–	160,512
Plant and equipment	74,775	(40,238)	34,537	–	–	(730)	(5,580)	–	–	5,692	–	–	–	77,700	(43,782)	33,918
Office equipment	4,418	(4,305)	113	–	–	(2)	(26)	–	–	–	–	–	–	264	(180)	84
Furniture and fittings	5,137	(3,203)	1,934	–	–	–	(175)	–	–	78	–	–	–	5,215	(3,378)	1,837
Computer equipment	9,836	(5,324)	4,512	–	–	(1,357)	(1,244)	–	–	–	–	–	–	4,253	(2,341)	1,912
Land:																
– Operational land	97,183	–	97,183	–	–	–	–	–	–	476	–	42	–	97,701	–	97,701
– Community land	140,047	–	140,047	–	–	–	–	–	–	–	–	–	51,499	191,546	–	191,546
– Land under roads (post 30/6/08)	164	–	164	–	7	–	–	–	–	–	–	–	–	171	–	171
Land improvements – depreciable	6,260	(3,534)	2,726	–	–	–	(334)	–	–	356	–	–	153	6,985	(4,083)	2,902
Infrastructure:																
– Buildings	438,604	(176,944)	261,660	–	–	(206)	(11,556)	–	–	10,140	(208)	–	14,405	473,559	(199,324)	274,235
– Other structures	14,587	(3,806)	10,781	–	–	(7)	(626)	–	–	572	(39)	–	–	15,102	(4,422)	10,680
– Roads	1,498,913	(729,493)	769,420	–	–	(14,995)	(28,987)	–	–	63,504	(572)	–	328,881	1,802,787	(685,536)	1,117,251
– Bridges	356,388	(149,186)	207,202	–	–	(700)	(3,374)	(22,108)	–	4,093	147	–	(38,073)	201,802	(54,616)	147,186
– Footpaths	37,378	(20,379)	16,999	–	–	(24)	(773)	–	6,225	1,368	1,860	–	8,636	49,092	(14,802)	34,290
– Bulk earthworks (non-depreciable)	1,071,748	–	1,071,748	–	–	(1,463)	–	–	–	8,867	207	–	(279,184)	800,176	–	800,176
– Stormwater drainage	388,805	(183,906)	204,899	–	–	(1,078)	(4,291)	–	–	8,073	298	–	126,894	506,769	(171,975)	334,794
– Water supply network	929,657	(403,008)	526,649	–	–	(1,542)	(14,112)	–	–	8,080	–	–	34,717	805,529	(251,735)	553,794
– Sewerage network	793,571	(276,668)	516,903	–	–	(2,368)	(10,539)	–	–	5,591	–	–	(58,146)	656,143	(204,702)	451,441
– Swimming pools	11,168	(6,399)	4,769	–	–	–	(244)	–	–	314	–	–	270	12,123	(7,015)	5,108
– Other open space/recreational assets	54,558	(18,866)	35,692	–	–	(155)	(2,140)	–	–	2,204	(1,693)	–	1,892	57,025	(21,226)	35,799
Other assets:																
– Library books	4,350	(3,386)	964	–	–	–	(362)	–	–	446	–	–	–	4,797	(3,747)	1,050
– Cemetery assets	1,249	(681)	568	–	–	–	(28)	–	–	–	–	–	–	1,249	(709)	540
– Other	1,117	–	1,117	–	–	–	–	–	–	–	–	–	–	1,117	–	1,117
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	11,023	(10,775)	248	–	–	–	(249)	–	–	–	15,088	–	–	26,111	(11,023)	15,088
– Quarry assets	182	(166)	16	–	–	–	(16)	–	–	–	–	–	–	182	(182)	–
Total infrastructure, property, plant and equipment	6,076,847	(2,040,267)	4,036,580	118,555	36,089	(24,627)	(84,656)	(22,108)	6,225	–	15,088	42	191,944	5,957,910	(1,684,778)	4,273,132

(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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period										At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) investment properties	Revaluation increments (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																
Capital work in progress	104,197	–	104,197	80,601	30,824	–	–	–	(89,892)	–	–	–	–	125,729	–	125,729
Plant and equipment	70,030	(36,940)	33,090	–	–	(1,167)	(5,841)	–	8,386	69	–	–	–	74,775	(40,238)	34,537
Office equipment	4,418	(4,217)	201	–	–	–	(88)	–	–	–	–	–	–	4,418	(4,305)	113
Furniture and fittings	3,217	(2,965)	252	–	–	–	(238)	–	–	1,920	–	–	–	5,137	(3,203)	1,934
Computer equipment	10,335	(4,679)	5,656	–	–	–	(1,731)	–	581	7	–	–	–	9,836	(5,324)	4,512
Land:																
– Operational land	74,830	–	74,830	–	–	(82)	–	–	630	–	–	–	21,805	97,183	–	97,183
– Community land	107,102	–	107,102	–	–	–	–	–	–	–	–	–	32,945	140,047	–	140,047
– Land under roads (post 30/6/08)	153	–	153	–	11	–	–	–	–	–	–	–	–	164	–	164
Land improvements – non-depreciable	20	–	20	–	–	–	–	–	–	(20)	–	–	–	–	–	–
Land improvements – depreciable	5,992	(2,746)	3,246	–	–	–	(316)	(224)	–	20	–	–	–	6,260	(3,534)	2,726
Infrastructure:																
– Buildings	388,609	(170,270)	218,339	–	–	(774)	(8,900)	–	2,403	(3,198)	–	–	53,790	438,604	(176,944)	261,660
– Other structures	12,092	(1,102)	10,990	–	–	–	(580)	–	898	(401)	–	–	(127)	14,587	(3,806)	10,781
– Roads	1,327,065	(643,169)	683,896	–	–	(4,081)	(26,634)	–	42,337	1,231	–	–	72,671	1,498,913	(729,493)	769,420
– Bridges	318,369	(132,819)	185,550	–	–	(215)	(3,400)	–	5,828	(131)	–	–	19,570	356,388	(149,186)	207,202
– Footpaths	30,481	(16,353)	14,128	–	–	(26)	(777)	–	408	1,660	–	–	1,606	37,378	(20,379)	16,999
– Bulk earthworks (non-depreciable)	965,918	–	965,918	–	–	–	–	–	4,279	326	–	–	101,226	1,071,748	–	1,071,748
– Stormwater drainage	353,456	(166,149)	187,307	–	–	(3,816)	(3,600)	–	5,018	4	–	–	19,986	388,805	(183,906)	204,899
– Water supply network	872,953	(370,310)	502,643	–	–	(539)	(12,869)	–	8,790	–	–	–	28,624	929,657	(403,008)	526,649
– Sewerage network	743,889	(252,812)	491,077	–	–	(736)	(9,860)	–	8,324	–	–	–	28,098	793,571	(276,668)	516,903
– Swimming pools	7,646	(4,638)	3,008	–	–	(48)	(155)	–	8	1	–	–	1,955	11,168	(6,399)	4,769
– Other open space/recreational assets	44,650	(20,846)	23,804	–	–	(164)	(1,861)	–	1,691	(1,488)	–	–	13,710	54,558	(18,866)	35,692
Other assets:																
– Library books	4,039	(2,990)	1,049	–	–	–	(396)	–	311	–	–	–	–	4,350	(3,386)	964
– Other	1,117	–	1,117	–	–	–	–	–	–	–	–	–	–	1,117	–	1,117
– Cemetery assets	1,249	(650)	599	–	–	–	(31)	–	–	–	–	–	–	1,249	(681)	568
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	12,239	(10,526)	1,713	–	–	–	(249)	–	–	(1,216)	–	–	–	11,023	(10,775)	248
– Quarry assets	182	(164)	18	–	–	–	(1)	–	–	–	–	–	–	182	(166)	16
Total infrastructure, property, plant and equipment	5,464,248	(1,844,345)	3,619,903	80,601	30,835	(11,648)	(77,527)	(224)	–	(1,216)	–	–	395,859	6,076,847	(2,040,267)	4,036,580

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

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five 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.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE revaluation surplus. 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 surplus to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 10	Playground equipment	5 to 15
Office furniture	4 to 30	Benches, seats etc.	5 to 40
Computer equipment	3 to 10		
Vehicles	3 to 20	Buildings	
Heavy plant/road making equipment	3 to 30	Buildings	5 to 100
Other plant and equipment	4 to 25		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	10 to 200	Drains	20 to 100
Bores	20 to 80	Culverts	50 to 100
Sewer Pipe Network	25 to 131	Long life assets	to 200
Water Pipe Network	15 to 90		
Pumps and telemetry	10 to 70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 100	Bulk earthworks	Infinite
Sealed roads: structure	15 to 100	Swimming pools	3 to 50
Unsealed roads	15 to 100	Other open space/recreational assets	3 to 100
Bridges	50 to 100	Other structures	4 to 80
Road pavements	15 to 100		
Kerb, gutter and footpaths	2 to 100		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Council has elected to use the Englobo valuation method for land under roads. This requires an average site value (SV) across the Council area on a dollar per square metre to be calculated.

The site value is the value of the underlying land assuming that any existing improvements have not been made. Adjustment factors for 65% and 25% respectively have been applied when calculating the englobo value.

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.

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

Rural Fire Service assets

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

Council has recognised assets including red fleet, land and buildings as assets of the Council in these financial statements.

C1-7 Investment properties

Owned investment property

\$ '000	2023	2022
At fair value		
Opening balance at 1 July	27,802	24,165
Net gain/(loss) from fair value adjustments	110	3,637
Closing balance at 30 June	27,912	27,802

Accounting policy

Investment property, principally comprising freehold buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Land

Council leases operational land; the leases are generally between 5 and 20 years and some of them include a renewal option to allow Council to renew for up to half the noncancellable lease term at its discretion. The leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office Equipment

Council leases office equipment with lease terms generally for 5 years. The lease payments are fixed during the lease term.

Plant and equipment

Council leases plant and equipment with lease terms generally for 4 years. The lease payments are fixed during the lease term.

Computer Equipment

Council leases computer equipment with lease terms generally for 5 years. The lease payments are fixed during the lease term.

Buildings

Council leases buildings with lease terms generally for 5 years. The leases include renewal options to allow Council to renew for up to 2 additional lease terms at its discretion. The leases contain an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Extension options

Council includes options in the measurement of its land leases to provide flexibility and certainty to Council operations and reduce costs of moving operational fixtures. At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

(a) Right of use assets

\$ '000	Land	Office Equipment	Plant and Equipment	Computer Equipment	Buildings	Total
2023						
Opening balance at 1 July	317	575	61	1,240	808	3,001
Additions to right-of-use assets	–	–	153	–	–	153
Adjustments to right-of-use assets due to re-measurement of lease liability	5	(39)	–	–	54	20
Depreciation charge	(22)	(153)	(37)	(383)	(54)	(649)
Balance at 30 June	300	383	177	857	808	2,525
2022						
Opening balance at 1 July	335	614	–	1,623	36	2,608
Additions to right-of-use assets	–	–	78	–	813	891
Adjustments to right-of-use assets due to re-measurement of lease liability	3	99	–	–	–	102
Depreciation charge	(21)	(138)	(17)	(383)	(41)	(600)
Balance at 30 June	317	575	61	1,240	808	3,001

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	694	2,037	660	2,575
Total lease liabilities	694	2,037	660	2,575

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	765	1,347	922	3,034	2,731
2022					
Cash flows	760	1,869	960	3,589	3,235

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	95	83
Variable lease payments based on usage not included in the measurement of lease liabilities	54	27
Depreciation of right of use assets	649	600
Expenses relating to short-term leases	20	78
Expenses relating to low-value leases	348	338
	1,166	1,126

(e) Statement of Cash Flows

Total cash outflow for leases	1,194	1,138
	1,194	1,138

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

C2-1 Council as a lessee (continued)

right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-7)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-6).

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

Investment property operating leases relate to the Tuncurry Supermarket, Wallis Street Motel and Muldoon Street office building.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	1,344	1,234
Lease income relating to variable lease payments not dependent on an index or a rate	161	132
Total income relating to operating leases for investment property assets	1,505	1,366
Operating lease expenses		
Direct operating expenses that generated rental income	191	225
Total expenses relating to operating leases - investment properties	191	225

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	1,161	867
Total income relating to operating leases for Council assets	1,161	867

(iii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for all operating leases:

< 1 year	1,905	1,943
1–2 years	1,727	1,734
2–3 years	1,546	1,427
3–4 years	1,221	1,308
4–5 years	1,125	1,026
> 5 years	4,745	5,165
Total undiscounted lease payments to be received	12,269	12,603

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepaid rates	4,739	–	4,198	–
Goods and services	18,463	–	11,656	–
Accrued expenses:				
– Borrowings	925	–	1,064	–
– Salaries and wages	4,431	–	3,902	–
Security bonds, deposits and retentions	10,587	–	10,437	–
Other	340	–	757	–
Total payables	39,485	–	32,014	–

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	9,956	9,405
Total payables	9,956	9,405

Accounting policy

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

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

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Funds to construct Council controlled assets	(i)	33,247	–	23,562	–
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	(ii)	3,257	–	1,383	–
Total contract liabilities		36,504	–	24,945	–

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

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

(i) Revenue recognised (during the financial year) from opening contract liability balances

\$ '000	2023	2022
Funds to construct Council controlled assets	16,896	8,493
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	596	78
Total revenue recognised that was included in the contract liability balance at the beginning of the period	17,492	8,571

Accounting policy

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

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured ¹	17,331	148,368	19,325	158,507
Total borrowings	17,331	148,368	19,325	158,507

(1) Loans are secured over the general rating income of Council.

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

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	177,832	(12,133)	–	–	–	–	165,699
Lease liability (Note C2-1b)	3,235	(772)	153	20	–	95	2,731
Total liabilities from financing activities	181,067	(12,905)	153	20	–	95	168,430

\$ '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	194,884	(17,052)	–	–	–	–	177,832
Lease liability (Note C2-1b)	2,855	(696)	993	–	–	83	3,235
Total liabilities from financing activities	197,739	(17,748)	993	–	–	83	181,067

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Credit cards/purchase cards	250	750
Total financing arrangements	250	750
Drawn facilities		
– Credit cards/purchase cards	82	72
Total drawn financing arrangements	82	72
Undrawn facilities		
– Credit cards/purchase cards	168	678
Total undrawn financing arrangements	168	678

Additional financing arrangements information

Breaches and defaults

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

Accounting policy

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

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

C3-3 Borrowings (continued)

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 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	8,575	–	8,655	–
Long service leave	15,016	1,799	15,911	458
Total employee benefit provisions	23,591	1,799	24,566	458

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	15,973	16,356
	15,973	16,356

Accounting policy

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 which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Asset remediation/restoration (future works)	6,546	28,858	–	13,874
Total provisions	6,546	28,858	–	13,874

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	13,874	13,874
Unwinding of discount	294	294
Additional provisions	21,236	21,236
Total other provisions at end of year	35,404	35,404
2022		
At beginning of year	14,987	14,987
Unwinding of discount	102	102
Other	(1,215)	(1,215)
Total other provisions at end of year	13,874	13,874

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate. Once the related asset has reached the end of its useful life, all subsequent changes in the liability are recognised in profit or loss as they occur.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation Surplus

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	113,412	14,694	40,738
User charges and fees	23,818	28,608	3,504
Interest and investment income	6,568	520	1,918
Other revenues	6,324	505	405
Grants and contributions provided for operating purposes	46,628	—	—
Grants and contributions provided for capital purposes	71,169	5,463	4,801
Other income	9,001	—	—
Total income from continuing operations	276,920	49,790	51,366
Expenses from continuing operations			
Employee benefits and on-costs	68,247	8,829	8,120
Materials and services	70,037	15,353	16,175
Borrowing costs	2,019	4,194	2,980
Depreciation, amortisation and impairment of non-financial assets	80,621	15,486	11,306
Other expenses	15,685	470	145
Net losses from the disposal of assets	17,121	2,213	3,039
Total expenses from continuing operations	253,730	46,545	41,765
Operating result from continuing operations	23,190	3,245	9,601
Net operating result for the year	23,190	3,245	9,601
Net operating result attributable to each council fund	23,190	3,245	9,601
Net operating result for the year before grants and contributions provided for capital purposes	(47,979)	(2,218)	4,800

D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Water 2023	Sewer 2023
ASSETS			
Current assets			
Cash and cash equivalents	16,319	16,547	17,825
Investments	82,050	13,500	25,000
Receivables	53,425	8,847	6,028
Inventories	1,394	—	—
Other	923	29	29
Total current assets	154,111	38,923	48,882
Non-current assets			
Investments	101,127	3,000	55,250
Receivables	628	—	—
Inventories	1,034	—	—
Infrastructure, property, plant and equipment	3,151,170	627,302	494,660
Investment property	25,065	1,424	1,423
Right of use assets	2,225	231	69
Total non-current assets	3,281,249	631,957	551,402
Total assets	3,435,360	670,880	600,284
LIABILITIES			
Current liabilities			
Payables	36,594	1,547	1,344
Contract liabilities	36,300	204	—
Lease liabilities	694	(6)	6
Borrowings	6,539	5,347	5,445
Employee benefit provision	17,645	2,973	2,973
Provisions	6,546	—	—
Total current liabilities	104,318	10,065	9,768
Non-current liabilities			
Lease liabilities	1,713	258	66
Borrowings	43,905	65,639	38,824
Employee benefit provision	1,320	239	240
Provisions	28,858	—	—
Total non-current liabilities	75,796	66,136	39,130
Total liabilities	180,114	76,201	48,898
Net assets	3,255,246	594,679	551,386
EQUITY			
Accumulated surplus	2,176,066	445,368	446,343
Revaluation reserves	1,079,180	149,311	105,043
Council equity interest	3,255,246	594,679	551,386
Total equity	3,255,246	594,679	551,386

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by Council's finance section under policies approved by the Council. The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Council's objective is to minimise the risk to capital. Preservation of capital is the principal consideration of the investment policy and portfolio construction. The second consideration is to ensure that there are sufficient liquid funds to meet all reasonably anticipated cash flow requirements. Council then aims to achieve the best possible return given the above considerations. Council's finance team manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the s625 of the Local Government 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 and performance of the portfolio as required by local government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the 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 contracting entity will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature

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

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

(a) Market risk – interest rate

\$ '000	2023	2022
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The impact on result for the year and equity of a reasonably possible movement in the 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	1,183	1,350
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(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.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required.

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

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

Credit risk profile

Receivables – rates and annual charges, interest and extra charges and on site sewer management charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2023				
Gross carrying amount	–	18,910	2,004	20,914
2022				
Gross carrying amount	–	15,566	1,727	17,293

Receivables - non-rates and annual charges, interest and extra charges and on site sewer management charges

Council applies the simplified approach for non-rates and annual charges, interest and extra charges and on site sewer management charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days	Overdue debts 31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	46,439	566	206	315	1,829	49,355
Expected loss rate (%)	0.42%	8.56%	11.58%	7.10%	9.51%	0.94%
ECL provision	194	48	24	22	174	462
2022						
Gross carrying amount	36,032	963	162	160	1,841	39,158
Expected loss rate (%)	0.38%	7.40%	9.14%	10.39%	7.29%	0.95%
ECL provision	135	71	15	17	134	372

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Borrowings	5.26%	–	25,745	82,208	116,576	224,529	165,699
Payables	0.00%	10,587	28,899	–	–	39,486	39,485
Total financial liabilities		10,587	54,644	82,208	116,576	264,015	205,184
2022							
Borrowings	4.60%	–	28,237	88,040	126,104	242,381	177,832
Payables	0.00%	10,437	21,577	–	–	32,014	32,014
Total financial liabilities		10,437	49,814	88,040	126,104	274,395	209,846

Loan agreement breaches

There were no occurrences of breaches to loan agreements during the reporting year.

E2-1 Fair value measurement

Council measures the following assets at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property

Fair value hierarchy

All assets and liabilities measured at fair value are 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 Council can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by Council:

E2-1 Fair value measurement (continued)

		Fair value measurement hierarchy						
\$ '000	Notes	Date of latest valuation	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2023	2022	2023	2022	2023	2022
Recurring fair value measurements								
Investment property		C1-7						
Tuncurry Supermarket		30/06/23	21,500	21,500	—	—	21,500	21,500
Wallis Street Motel		30/06/23	3,565	3,565	—	—	3,565	3,565
Muldoon Street office building		30/06/23	2,847	2,737	—	—	2,847	2,737
Total investment property			27,912	27,802	—	—	27,912	27,802
Infrastructure, property, plant and equipment		C1-6						
Work In Progress		n/a	—	—	160,512	125,729	160,512	125,729
Plant & Equipment		n/a	—	—	33,918	34,537	33,918	34,537
Office Equipment		n/a	—	—	84	113	84	113
Furniture & Fittings		n/a	—	—	1,837	1,934	1,837	1,934
Computer Equipment		n/a	—	—	1,912	4,512	1,912	4,512
Operational Land		30/06/22	—	—	97,701	97,183	97,701	97,183
Community Land		30/06/23	—	—	191,546	140,047	191,546	140,047
Land Under Roads (pre 1/7/2008)		30/06/23	—	—	171	164	171	164
Land Improvements								
Depreciable		30/06/23	—	—	2,902	2,726	2,902	2,726
Buildings		30/06/23	—	—	274,235	261,660	274,235	261,660
Other Structures		30/06/22	—	—	10,680	10,781	10,680	10,781
Roads		30/06/23	—	—	1,117,251	769,420	1,117,251	769,420
Bridges		30/06/23	—	—	147,186	207,202	147,186	207,202
Footpaths		30/06/23	—	—	34,290	16,999	34,290	16,999
Bulk Earthworks		30/06/23	—	—	800,176	1,071,748	800,176	1,071,748
Stormwater Drainage		30/06/23	—	—	334,794	204,899	334,794	204,899
Swimming Pools		30/06/23	—	—	5,108	4,769	5,108	4,769
Other Open Space								
Recreational		30/06/23	—	—	35,799	35,692	35,799	35,692
Library books		n/a	—	—	1,050	964	1,050	964
Cemetery Assets		n/a	—	—	540	568	540	568
Other		30/06/21	—	—	1,117	1,117	1,117	1,117
Tip Assets		30/06/23	—	—	15,088	248	15,088	248
Quarry Assets		30/06/23	—	—	—	16	—	16
Water Network		30/06/23	—	—	553,794	526,649	553,794	526,649
Sewerage Network		30/06/23	—	—	451,441	516,903	451,441	516,903
Total infrastructure, property, plant and equipment			—	—	4,273,132	4,036,580	4,273,132	4,036,580

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Investment property

Council obtains an independent fair valuation of its investment property on an annual basis at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation.

The valuations used for the period ending 30 June 2023 were as follows:

The valuations were obtained from First State Property Valuers, AAPI, Registered Valuer Number 19471.

Tuncurry Supermarket:

Fair value was determined using the capitalisation of net income approach.

Wallis Street Motel, Forster:

Fair value was determined using the capitalisation of net income approach and direct comparison approach relying upon sales of comparable properties with adjustments for differences.

Muldoon Street office building:

Fair value was determined using the capitalisation of net income approach.

The valuation techniques utilised Level 2 inputs.

The observable inputs included current rental income, rent reviews, capitalisation rate, price per square metre, direct comparison of the sales evidence, zoning, planning controls, land area, configuration and sale data of comparable properties.

Art Works

Artworks were revalued as at 30 June 2021. Council currently owns individual Artworks comprising paintings, drawings, etchings, pottery, engravings, photographs and sculptures. The value of the collection has been determined through engaging external experts, the Art Gallery's trained staff and the original cost.

The valuations were completed using the replacement cost approach and market value. The replacement value was determined by the price the items could be purchased from a reputable dealer, gallery or retail outlet.

This asset class is categorised as Level 3 as some of the inputs mentioned above used to value these assets required significant professional judgement and are unobservable. Valuation techniques remained unchanged during the reporting period.

Cemetery Assets

Assets in this class comprise improvements to our cemeteries including columbarium walls, concrete beams and plinths. This asset class is valued at cost less accumulated depreciation and reported at fair value. Other inputs include remaining useful life, condition and residual value which require professional judgement to assess.

Cemetery assets are reviewed on a regular basis for evidence of change in condition/value.

This asset class is categorised as Level 3 as some of the inputs mentioned above used to value these assets required significant professional judgement and are unobservable. Valuation techniques remained unchanged during the reporting period.

Plant, Office & Computer Equipment, Furniture & Fittings

Plant, Office & Computer Equipment and Furniture & Fittings are valued at cost. Typical examples of assets within these classes are as follows:

E2-1 Fair value measurement (continued)

Plant & Equipment: Trucks, Motor Vehicles, Street Sweepers, Earthmoving and other heavy equipment.

Office Equipment: Scanners, GPS Mappers and other equipment.

Computer Equipment: Computers, Monitors, Software and other equipment.

Furniture & Fittings: Workstations, Office fit out and other fittings.

The key unobservable inputs to the valuation of these assets are the useful and remaining useful life and any residual value that may be applicable. All assets in these classes are deemed to be Level 3 inputs. The asset class is reviewed and adjusted each year for any impairment.

Operational Land

Council obtains an independent fair valuation of its operational land every 5 years. The last full revaluation was on the 30 June 2022.

The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

The valuations were determined by establishing the nature of the asset, characteristics important to market participants, the appropriate market & valuation premise.

Given that some of the valuation techniques used are unobservable, the land is classified as Level 3.

Council obtains new independent valuations every five years. Any assets acquired between valuations are recorded at cost and deemed to reflect level 3.

There has been no change to the valuation process during the reporting period.

Community Land

Community land was revalued at 30 June 2023. Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General. These are the same values used for rating purposes. The last valuation obtained by Council is July 2022.

As these rates were not considered to be observable market evidence they have been classified as Level 3 inputs.

There has been no change to the valuation process during the reporting period.

Land Under Roads

Council has elected to recognise land under roads in accordance with AASB 1051. Council has used the "Englobo" valuation method for land under roads.

This requires an average Site Value (SV) across the Council area on a \$ per m2 to be calculated.

The site value is "the value of the underlying land assuming that any existing improvements have not been made.

Adjustment factors for 65% and 25% respectively have been applied for Englobo value. Land under roads acquired is recognised in accordance with AASB 116 - Property, Plant and Equipment.

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

Given the unobservable characteristics of valuing land under roads they have been classified as Level 3.

There has been no change to the valuation process during the reporting period.

Land Improvements - Depreciable

Land Improvements were comprehensively revalued at 30 June 2022. Council indexed land improvements at 30 June 2023 by 5.58% based on the movement in the building price index from Rawlinson since last revaluation. This asset class comprises land improvements such as foreshore improvements, streetscaping and landscaping. These assets may be

E2-1 Fair value measurement (continued)

located on parks, reserves and also within road reserves. 'Land Improvements' The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

Inputs such as estimates of pattern of consumption, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Buildings Non Specialised & Specialised

Council obtains an independent fair valuation of all buildings, both specialised and non-specialised every 5 years. The last full revaluation was on the 30 June 2022. Council indexed buildings at 30 June 2023 by 5.58% based on the movement in the building price index from Rawlinson since last revaluation.

The last valuation obtained was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Registered Valuer No. 2144.

The valuation was determined by establishing the nature of the asset, characteristics important to market participants, the appropriate market & valuation premise. Having maximised the level of valuation input the adopted technique deemed appropriate for Non Specialised and Specialised Buildings was predominately the cost approach and as such these assets were all classified as having been valued using Level 3 valuation inputs.

The key unobservable inputs include the replacement cost, remaining useful life and condition rating.

Council obtains new independent valuations every five years, any assets acquired between valuations are recorded at cost.

There has been no change to the valuation process during the reporting period.

Other Structures, Other Open Space & Recreation Assets and Swimming Pools

Council revalued Other Structures at 30 June 2021. Council indexed other structures at 30 June 2022 by 5.30% based on the movement in the building price index from Rawlinson since last revaluation.

Other open space/recreational assets and Swimming Pools were revalued at 30 June 2022. Council indexed other open space/recreational assets and Swimming Pools at 30 June 2023 by 5.58% based on the movement in the building price index from Rawlinson since last revaluation.

The valuation was determined by establishing the nature of the asset, characteristics important to market participants, the appropriate market & valuation premise. Having maximised the level of valuation input the adopted technique deemed appropriate for these assets was predominately the cost approach and as such these assets were all classified as having been valued using Level 3 valuation inputs.

The key unobservable inputs include the replacement cost, remaining useful life and condition rating.

Council obtains new independent valuations every five years. Any assets acquired between valuations are recorded at cost.

There has been no change to the valuation process during the reporting period.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The carrying amount of these assets is deemed to approximate the fair value without any material discrepancy due to the nature of the items.

The key unobservable inputs include the replacement cost, remaining useful life and condition rating and as such they have been classified as Level 3 inputs.

There has been no change to the valuation process during the reporting period.

Landfill Remediation

E2-1 Fair value measurement (continued)

Council operates landfills for the management of waste throughout the local government area.

Closure of a landfill will involve a wide range of activities including final capping of the landfill, site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An evaluation of the cost associated with the closure of the landfills was performed at 30 June 2023.

The key unobservable inputs are the discount factor, timing and any escalation in costs and future environmental issues and as such the asset has been classified as level 3.

There has been no change to the valuation process during the reporting period.

Infrastructure Assets

Infrastructure assets represent the bulk of Council's assets and comprise roads, bridges, footpaths, cycle ways, kerb & guttering, roundabouts and drainage.

Infrastructure Assets were revalued at 31 March 2023.

Infrastructure assets generally have long useful lives and as there is no ready market for their sale determining an appropriate fair value requires the use of considerable unobservable inputs.

The following components are included in the valuation process:

- Sealed Roads Surface (flexible seal and asphalt)
- Sealed Roads Pavement
- Unsealed Roads Pavement
- Formation/Earthworks
- Roundabouts
- Kerb & Gutter
- Footpaths and Cycle Ways
- Ancillary Assets (signs, guard fencing, line marking)
- Bridges (timber and concrete)

Standard replacement costs were developed for each of the asset components using achieved unit rates of like assets recently constructed by Council.

The useful life of assets was determined by using data from sample assets within the component types and the remaining useful life for roads were determined from a condition assessment by Council officers and independent contractors using multi laser profilometry and video and visual surveys.

The key unobservable inputs are the unit rates, residual values, useful life and remaining useful life and as such the asset has been classified as level 3.

Work In Progress

Assets within the category of work in progress are incomplete.

The assets are valued at cost but disclosed as fair value in the notes. Upon completion they will be transferred to the asset class that best fits the asset and subject to the valuation process for that asset class.

The key unobservable include type of asset, unit rate and as such they have been classified as level 3.

There has been no change to the valuation process during the reporting period.

Sewer & Water Network Infrastructure

This asset class comprises of sewer pressure reticulation mains, rising mains, gravity mains, vent shafts, sewer manholes, and water mains, water meters.

Water, sewer and stormwater were revalued at 31 March 2023.

E2-1 Fair value measurement (continued)

The 'cost approach' using level 3 inputs was used to value the sewer and water infrastructure asset class. There has been no change to the valuation process during the reporting period.

Sewer Manholes are an integral part of the sewer services. The lifetime of concrete manholes is considered to be between 35 and 50 years with any defects in the manhole usually identified only a few years prior to replacement.

The pipes may have a lifespan of 30 - 70 years depending on environmental conditions. Pipes retain no residual value as once failure occur the pipes or section of pipe will be replaced. The time to replace is a short span of time as leaks and breaks become more frequent and it usually indicates serious structural problems with the pipe and replacement is inevitable.

The useful life of sewer and water mains varies according to pipe material for example Ductile Iron Cement Lined (DICTL) and Vitrified Clay (VC) may reach 100 years in service. Asbestos Cement (AC) has been revised to 45 years according to WSAA standards. The material being transported has an effect on useful life and sewer rising mains are subject to fluctuations in exposure to corrosive materials and oxygen hence will experience shorter time in service than gravity mains. The ground conditions also have an effect on useful life and acid sulphate soils will corrode the exterior of the pipe. The residual value is set at zero.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Cost Approach	Useful life Residual value Asset condition
Office equipment	Cost Approach	Useful life Asset condition
Furniture and fittings	Cost Approach	Useful life Asset condition
Computer equipment	Cost Approach	Useful life Asset condition
Community land	Land value as supplied by Valuer-General	Land value may not reflect market value Varies significantly from asset to asset
Operational land	Market Value /Cost Approach	Methods used by external valuers may include unobservable inputs
Land under roads	Price Per Square Metre	Area of Council rateable land
Land improvements depreciable	Discount factors Cost Approach	Area of Council road pattern Useful life Asset condition
Buildings specialised and non-specialised	Cost Approach	Useful life Asset condition Methods used by external valuers may include unobservable inputs
Other structures	Cost Approach	Useful life Asset condition
Other open space and recreational assets	Cost Approach	Useful life Asset condition
Swimming pools	Cost Approach	Useful life Asset condition
Other assets	Cost Approach	Useful life Asset condition
Library books	Cost Approach	Useful life Asset condition

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Landfill remediation	Cost Approach	Cost Assessment Discount Rates Environmental Issues Future costs
Roads	Cost Approach	Useful life Asset condition Unit rate methodology
Earthworks	Cost Approach	Asset condition Unit rate methodology
Bridges	Cost Approach	Useful life Asset condition Unit rate methodology
Footpaths	Cost Approach	Useful life Asset condition Unit rate methodology
Stormwater drainage	Cost Approach	Useful life Asset condition Unit rate methodology
Work in progress	Cost Approach	Incomplete work Useful life Asset condition Unit rate methodology
Other infrastructure	Cost Approach	Useful life Asset condition Unit rate methodology
Water network assets	Cost Approach	Useful life Asset condition Unit rate methodology
Sewerage network assets	Cost Approach	Useful life Asset condition Unit rate methodology
Cemetery assets	Cost Approach	Useful life Asset condition Unit rate methodology
Quarry assets	Cost Approach	Useful life Asset condition Unit rate methodology

E2-1 Fair value measurement (continued)

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

\$ '000	Work in progress		Plant and equipment		Office equipment		Furniture and fittings		Computer equipment		Operational land		Community land	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	125,729	104,197	34,537	33,090	113	201	1,934	252	4,512	5,655	97,183	74,830	140,047	107,102
Total gains or losses for the period														
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	–	–	–	–	–	21,805	51,499	32,945
Other movements														
Transfer from another asset category	–	–	–	–	–	–	–	–	–	–	42	–	–	–
Transfers from/(to) another asset class	(119,854)	(89,892)	5,691	8,455	–	–	78	1,920	–	588	476	630	–	–
Purchases (GBV)	154,637	111,424	–	–	–	–	–	–	–	–	–	–	–	–
Disposals (WDV)	–	–	(730)	(1,167)	(2)	–	–	–	(1,357)	–	–	(82)	–	–
Depreciation and impairment	–	–	(5,580)	(5,841)	(26)	(88)	(174)	(238)	(1,244)	(1,731)	–	–	–	–
Closing balance	160,512	125,729	33,918	34,537	85	113	1,838	1,934	1,911	4,512	97,701	97,183	191,546	140,047

\$ '000	Water network		Sewerage network		Buildings		Roads		Bridges		Footpaths stormwater earthworks		Other structures	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	526,649	502,643	516,904	491,078	261,660	218,339	769,420	683,896	207,202	185,550	1,293,646	1,167,353	10,781	10,990
Total gains or losses for the period														
Recognised in other comprehensive income – revaluation surplus	34,717	28,624	(58,146)	28,098	14,405	53,790	328,881	72,671	(38,073)	19,570	(143,654)	122,817	–	(126)
Other movements														
Transfer from another asset category	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers from/(to) another asset class	8,080	8,790	5,591	8,324	9,931	(795)	62,932	43,568	4,240	5,697	20,673	11,695	533	497
Disposals (WDV)	(1,542)	(539)	(2,368)	(736)	(206)	(774)	(14,995)	(4,081)	(700)	(215)	(2,565)	(3,842)	(7)	–
Depreciation and impairment	(14,112)	(12,869)	(10,539)	(9,860)	(11,555)	(8,900)	(28,987)	(26,634)	(25,482)	(3,400)	1,161	(4,377)	(626)	(580)
Closing balance	553,792	526,649	451,442	516,904	274,235	261,660	1,117,251	769,420	147,187	207,202	1,169,261	1,293,646	10,681	10,781

\$ '000	Open space swimming pools		Other asset classes		Total	
	2023	2022	2023	2022	2023	2022
Opening balance	40,461	26,812	5,802	7,913	4,036,580	3,619,901

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Open space swimming pools		Other asset classes		Total	
	2023	2022	2023	2022	2023	2022
Recognised in other comprehensive income – revaluation surplus	2,162	15,665	153	–	191,944	395,859
Transfer from another asset category	–	–	–	–	42	–
Transfers from/(to) another asset class	825	212	15,891	311	15,087	–
Purchases (GBV)	–	–	7	(1,205)	154,644	110,219
Disposals (WDV)	(155)	(212)	–	–	(24,627)	(11,648)
Depreciation and impairment	(2,385)	(2,016)	(989)	(1,217)	(100,538)	(77,751)
Closing balance	40,908	40,461	20,864	5,802	4,273,132	4,036,580

E2-1 Fair value measurement (continued)

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the 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.
- 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 member contributions

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

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

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding 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.

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Fund and recognised as an expense for the year ending 30 June 2023 was \$531,034.33. The last formal valuation of the Fund was performed by the Fund Actuary, Mr Richard Boyfield, as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$495,495.

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

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

* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$346,874.64 as at 30 June 2023.

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Council's 11 Councillors and 4 senior staff, comprising the general manager and 3 directors, have been identified as representing Council's KMP.

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	1,570	1,502
Post-employment benefits	165	121
Total	1,735	1,623

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to Council swimming pool) will not be disclosed.

Nature of the transaction	Ref	Transactions during the year	Outstanding balances
\$ '000			
2023			
Employee expenses relating to close family members	1	170	–
Property rental from grazing lease	2	1	–
Provision of Services - Planning and Building regulation	3	12	–
2022			
Employee expenses relating to close family members	1	151	–
Property rental from grazing lease	2	5	–

1 There are three (2022: three) close family members of Council's KMP employed by MidCoast Council under current Council award on an arms length basis.

2 1 KMP had a grazing lease over Council property which is used for agistment of cattle with rental paid on a quarterly basis. This lease expired on 31 December 2022.

3 Council purchased planning and building regulation services during the year from a company controlled by a member of the KMP and their close family members of Council. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.

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	63	55
Councillors' fees	278	231
Other Councillors' expenses (including Mayor)	96	40
Total	437	326

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
Audit and other assurance services: Auditors of the Council - NSW Auditor General:		
Audit of financial statements	227	247
Total fees paid or payable to the Auditor-General	227	247

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	36,036	80,745
Add / (less) non-cash items:		
Depreciation and amortisation	85,305	78,127
(Gain) / loss on disposal of assets	22,373	5,509
Non-cash capital grants and contributions	(9,219)	(10,561)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	(6,225)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	–	71
– Investment property	(110)	(3,637)
– Revaluation decrements / impairments of IPP&E direct to P&L	22,108	224
Unwinding of discount rates on reinstatement provisions	294	102
Interest on leases	95	81
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(13,818)	(6,384)
Increase / (decrease) in provision for impairment of receivables	90	291
(Increase) / decrease of inventories	38	99
(Increase) / decrease of other current assets	2,579	(2,762)
Increase / (decrease) in payables	6,807	962
Increase / (decrease) in accrued interest payable	(139)	–
Increase / (decrease) in other accrued expenses payable	529	(265)
Increase / (decrease) in other liabilities	274	1,617
Increase / (decrease) in contract liabilities	11,559	10,917
Increase / (decrease) in employee benefit provision	366	(3,332)
Increase / (decrease) in other provisions	21,236	(1,215)
Net cash flows from operating activities	180,178	150,589

(b) Non-cash investing and financing activities

Bushfire services	947	5,155
Subdivider contributions ‘in kind’	8,127	5,406
Total non-cash investing and financing activities	9,074	10,561

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Sewerage and water infrastructure	6,509	6,139
Road infrastructure	24,612	18,129
Buildings	2,881	7,098
Other	9,515	10,530
Total commitments	43,517	41,896

These expenditures are payable as follows:

Within the next year	43,517	41,896
Total payable	43,517	41,896

Sources for funding of capital commitments:

Unexpended Loans	1,855	4,932
Future grants and contributions	723	11,876
Externally restricted reserves	38,325	18,409
Internally restricted reserves	2,614	6,679
Total sources of funding	43,517	41,896

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	491	6	–	–	14	–	–	511	–
Roads	10,070	2,171	–	–	228	(4,304)	–	8,166	–
Parking	712	815	–	–	44	–	–	1,571	(500)
Open space	5,329	1,603	–	–	192	(814)	–	6,310	500
Community facilities	1,099	193	–	–	38	–	–	1,330	–
Other	3,386	2,124	–	–	144	(554)	–	5,100	–
Surf Life Saving	203	67	–	–	7	–	–	277	–
Bushfire Facilities	680	147	–	–	21	(89)	–	759	–
Administration Building	406	(293)	–	–	3	–	–	116	–
Multi Purpose Community Centre	216	130	–	–	10	–	–	356	–
Library Book Stock	411	55	–	–	14	–	–	480	–
Aquatic Centre	509	133	–	–	18	(28)	–	632	–
Rec & Community Facilities	132	3	–	–	4	–	–	139	–
Central Library Building	1,267	256	–	–	42	(74)	–	1,491	–
GLW Admin	–	–	–	–	–	–	–	–	–
Other – Surf Life Saving Hawks Nest	–	–	–	–	–	–	–	–	–
Bridges	–	–	–	–	–	–	–	–	–
Rural Fire Fighting	–	–	–	–	–	–	–	–	–
Plan Preparatory	–	–	–	–	–	–	–	–	–
Other - Finance	123	90	–	–	5	–	–	218	–
Section 94 Officer	–	–	–	–	–	–	–	–	–
Plan Administration	742	136	–	–	25	–	–	903	–
Other - Finance - contra	–	–	–	–	–	–	–	–	–
S7.11 contributions – under a plan	25,776	7,636	–	–	809	(5,863)	–	28,359	–
S7.12 levies – under a plan	458	227	–	–	20	–	–	705	–
Total S7.11 and S7.12 revenue under plans	26,234	7,863	–	–	829	(5,863)	–	29,064	–
S7.11 not under plans	161	–	–	–	5	–	–	166	–
S7.4 planning agreements	394	50	–	–	13	–	–	457	–
S64 contributions	31,524	6,188	–	–	711	(13,111)	–	25,312	–
Total contributions	58,313	14,101	–	–	1,558	(18,974)	–	54,999	–

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		Non-cash Other	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						
CONTRIBUTION PLAN (former Gloucester Shire Council)									
Roads	497	4	–	–	14	–	–	515	–
Parking	7	–	–	–	–	–	–	7	–
Rec & Community Facilities	132	3	–	–	4	–	–	139	–
Total	636	7	–	–	18	–	–	661	–
CONTRIBUTION PLAN - FORSTER DISTRICT (former Great Lakes Council)									
Drainage	478	6	–	–	14	–	–	498	–
Roads	3,942	1,209	–	–	33	(4,012)	–	1,173	–
Parking	646	815	–	–	42	–	–	1,503	–
Open space	3,083	499	–	–	84	(670)	–	2,996	–
Community facilities	959	170	–	–	33	–	–	1,162	–
Surf Life Saving	19	31	–	–	1	–	–	51	–
Central Library	1,267	182	–	–	42	–	–	1,491	–
Aquatic Centre	509	105	–	–	18	–	–	632	–
Total	10,903	3,017	–	–	267	(4,682)	–	9,506	–
CONTRIBUTION - GREAT LAKES WIDE (former Great Lakes Council)									
Library Book stocks	236	34	–	–	8	–	–	278	–
Bushfire facilities	680	58	–	–	21	–	–	759	–
Administration building	406	(293)	–	–	3	–	–	116	–
Plan Administration	435	84	–	–	15	–	–	534	–
Total	1,757	(117)	–	–	47	–	–	1,687	–
CONTRIBUTION PLAN - TEA GARDENS / HAWKS NEST (former Great Lakes Council)									
Roads	126	56	–	–	5	–	–	187	–
Parking	59	–	–	–	2	–	–	61	(500)
Open space	371	61	–	–	27	–	–	459	500
Community facilities	140	23	–	–	5	–	–	168	–
Surf Life Saving	43	3	–	–	1	–	–	47	–
Total	739	143	–	–	40	–	–	922	–
CONTRIBUTION PLAN - ROAD HAULAGE (former Great Lakes Council)									
Roads	389	392	–	–	22	–	–	803	–
Total	389	392	–	–	22	–	–	803	–
CONTRIBUTION PLAN - RURAL ROADS BULADHDELAH, STROUD & RURAL OPEN SPACE (former Great Lakes Council)									
Roads	628	46	–	–	19	–	–	693	–

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G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	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						
Open space	165	29	–	–	6	–	–	200	–
Total	793	75	–	–	25	–	–	893	–
CONTRIBUTION PLAN - THE BRANCH LANE (former Great Lakes Council)									
Roads	118	2	–	–	3	–	–	123	–
Total	118	2	–	–	3	–	–	123	–
CONTRIBUTION PLAN - COOMBA RD & SHALLOW BAY RD (former Great Lakes Council)									
Roads	191	1	–	–	6	–	–	198	–
Total	191	1	–	–	6	–	–	198	–
CONTRIBUTION PLAN - 2001 PLAN GREATER TAREE (former Greater Taree City Council)									
Open Space	147	68	–	–	6	–	–	221	–
Surf Life Saving	141	33	–	–	5	–	–	179	–
Central Library Building	–	74	–	–	–	(74)	–	–	–
Library Book Stock	175	21	–	–	6	–	–	202	–
Aquatic Centre	–	28	–	–	–	(28)	–	–	–
Bushfire Facilities	–	66	–	–	–	(66)	–	–	–
Other - Finance	43	29	–	–	2	–	–	74	–
Plan Administration	307	52	–	–	10	–	–	369	–
Total	813	371	–	–	29	(168)	–	1,045	–
CONTRIBUTION PLAN 2001 PLAN TAREE (former Greater Taree City Council)									
Roads	534	24	–	–	16	–	–	574	–
Open space	239	35	–	–	8	(8)	–	274	–
Other - Finance	6	–	–	–	–	–	–	6	–
Total	779	59	–	–	24	(8)	–	854	–
CONTRIBUTION PLAN - 2001 PLAN WINGHAM (former Greater Taree City Council)									
Roads	732	–	–	–	13	(292)	–	453	–
Open Space	108	–	–	–	–	(108)	–	–	–
Bushfire Facilities	–	–	–	–	–	–	–	–	–
Total	840	–	–	–	13	(400)	–	453	–
CONTRIBUTION PLAN - 2001 HALLIDAYS POINT (former Greater Taree City Council)									
Roads	632	329	–	–	28	–	–	989	–
Open Space	826	122	–	–	27	(28)	–	947	–
Bushfire facilities	–	20	–	–	–	(20)	–	–	–
MP Community Centre	129	20	–	–	4	–	–	153	–
Other - Finance	1	–	–	–	–	–	–	1	–
Total	1,588	491	–	–	59	(48)	–	2,090	–
CONTRIBUTION PLAN - 2010 PLAN OLD BAR (former Greater Taree City Council)									

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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					
Drainage	13	–	–	–	–	–	–	13	–
Roads	1,310	108	–	–	41	–	–	1,459	–
Open Space	193	789	–	–	28	–	–	1,010	–
Bushfire Facilities	–	3	–	–	–	(3)	–	–	–
MP Community Centre	52	110	–	–	5	–	–	167	–
Other - Finance	29	23	–	–	2	–	–	54	–
Total	1,597	1,033	–	–	76	(3)	–	2,703	–
CONTRIBUTION PLAN - 2001 PLAN HARRINGTON (former Greater Taree City Council)									
Roads	971	–	–	–	28	–	–	999	–
Open space	197	–	–	–	6	–	–	203	–
Bushfire Facilities	–	–	–	–	–	–	–	–	–
MP Community Centre	35	–	–	–	1	–	–	36	–
Other – Finance	1	–	–	–	–	–	–	1	–
Total	1,204	–	–	–	35	–	–	1,239	–
CONTRIBUTION PLAN NUMBER 2016									
Other	3,386	2,124	–	–	144	(554)	–	5,100	–
Other - Finance	43	38	–	–	1	–	–	82	–
Total	3,429	2,162	–	–	145	(554)	–	5,182	–
S7.12 Levies – under a plan									
CONTRIBUTION PLAN OLD BAR (former Greater Taree City Council)									
General Purpose	79	–	–	–	2	–	–	81	–
Total	79	–	–	–	2	–	–	81	–
CONTRIBUTION PLAN MCC 2016 (covers former Greater Taree City Council area)									
General Purpose	337	212	–	–	16	–	–	565	–
Total	337	212	–	–	16	–	–	565	–
CONTRIBUTION PLAN GLOUCESTER 2015 (former Gloucester Shire Council)									
General Purpose	42	15	–	–	2	–	–	59	–
Total	42	15	–	–	2	–	–	59	–

G4-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Non-cash Other	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						
(former Great Lakes Council)									
Roads	161	—	—	—	5	—	—	166	—
Total	161	—	—	—	5	—	—	166	—

G4-4 S7.4 planning agreements

363 Diamond Beach Road, Diamond Beach (Seashells)

Other	59	-	-	-	1	-	-	60	-
Total	59	-	-	-	1	-	-	60	-

391 Diamond Beach Road, Diamond Beach

Other	88	-	-	-	3	-	-	91	-
Total	88	-	-	-	3	-	-	91	-

Murray Road, Wingham

Other	119	-	-	-	4	-	-	123	-
Total	119	-	-	-	4	-	-	123	-

Sanderling Avenue, Hawks Nest

Other	128	-	-	-	4	-	-	132	-
Total	128	-	-	-	4	-	-	132	-

72 Clarkson Street, Nabitac

Other	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-

Bulahdelah Highway Service Centre

Other	-	50	-	-	1	-	-	51	-
Total	-	50	-	-	1	-	-	51	-

G4-5 S64 contributions

Former MidCoast Water Contributions

Water Contributions	9,759	2,877	-	-	168	(6,818)	-	5,986	-
Sewer Contributions	21,765	3,311	-	-	543	(6,293)	-	19,326	-
Total	31,524	6,188	-	-	711	(13,111)	-	25,312	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicator 2022	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(7,161)	(2.47)%	4.20%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	290,308			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	243,680	65.55%	66.11%	> 60.00%
Total continuing operating revenue ¹	371,741			
3. Unrestricted current ratio				
Current assets less all external restrictions	97,532	2.58x	2.80x	> 1.50x
Current liabilities less specific purpose liabilities	37,742			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	87,337	2.99x	2.75x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	29,198			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	19,902	10.70%	8.89%	< 10.00%
Rates and annual charges collectable	186,066			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	262,741	14.10 months	12.85 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	18,639			

(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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(7.48)%	2.14%	(0.05)%	1.73%	16.74%	15.31%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	56.48%	57.91%	89.02%	85.83%	90.64%	87.03%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.58x	2.80x	3.95x	4.16x	5.00x	6.15x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.25x	3.38x	2.08x	2.01x	2.44x	2.28x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	10.80%	9.02%	11.46%	7.50%	10.15%	9.05%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.16 months	9.09 months	14.41 months	15.38 months	37.98 months	34.76 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

MidCoast Council

To the Councillors of MidCoast Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

31 October 2023
SYDNEY



Councillor Claire Pontin
Mayor
MidCoast Council
PO Box 482
TAREE NSW 2430

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: R008-16585809-46667

31 October 2023

Dear Mayor Pontin

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

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

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

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

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.

User access management for a key system

Our review of user access management for a key system identified the following issues:

- no periodic user access review performed this financial year
- privileged user activity log was not reviewed on a periodic basis, even though the log was enabled.

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	168.8	163.2	3.4
Grants and contributions revenue	128.1	116.2	10.2
Operating result from continuing operations	36.0	80.7	55.4
Net operating result before capital grants and contributions	(45.4)	8.9	610.1

Rates and annual charges revenue (\$168.8 million) increased by \$5.6 million (3.4 per cent) in 2022–23 mainly due to rate peg increase of 2.3 per cent.

Grants and contributions revenue (\$128.1 million) increased by \$11.9 million (10.2 per cent) in 2022–23, mainly due to an increase in capital grants received for transport (other roads and bridges funding) of \$11.3 million.

The Council's operating result from continuing operations (\$36.0 million including depreciation, amortisation and impairment expense of \$107.4 million) was \$44.7 million lower than the 2021–22 result. This was due to an increase in materials and services and \$22.1 million revaluation decrement for bridges that was recognised in the income statement.

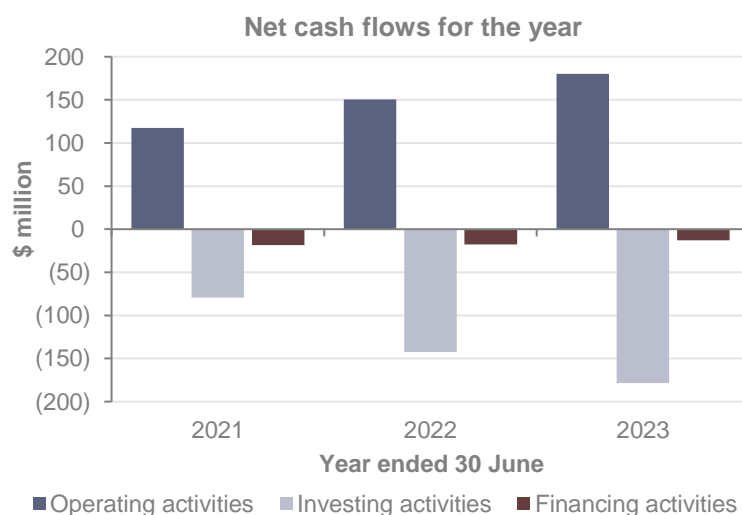
The net operating result before capital grants and contributions (-\$45.4 million) was \$54.3 million lower than the 2021–22 result. This was due to \$18.9 million increase in materials and services and \$22.1 million revaluation decrement for bridges that was recognised in the income statement.

STATEMENT OF CASH FLOWS

Cash flows from operating activities increased by \$29.6 million mainly due to an increase in receipts from grants and contributions and a reduction in other payments.

Cash flows from investing activities increased by \$36.1 million due to additional payments for infrastructure, property, plant and equipment of \$60.8 million, which is offset by a redemption of term deposits of \$17.1 million and a reduction in purchases of investments of \$11.3 million.

Cash flows from financing activities reduced by \$4.8 million, mainly due to repayment of borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	330.6	321.5	Externally restricted balances comprise mainly of developer contributions, water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			Internal allocations are determined by council policies or decisions, which are subject to change.
• External restrictions	258.7	252.6	Externally restricted cash and internal allocations have remained steady compared to the prior year.
• Internal allocations	68.5	68.4	

Debt

At 30 June 2023, Council had:

- \$165.7 million in external borrowings (\$177.8 million in 2021-22), including \$17.3 million classified as current, with the remaining balance classified as non-current
- \$0.25 million in credit card facility with \$0.17 million unused.

PERFORMANCE

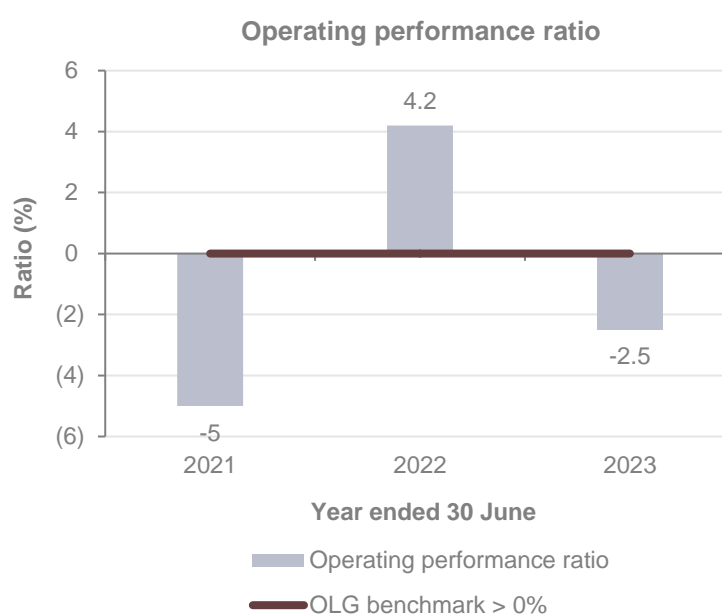
Performance measures

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

Operating performance ratio

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

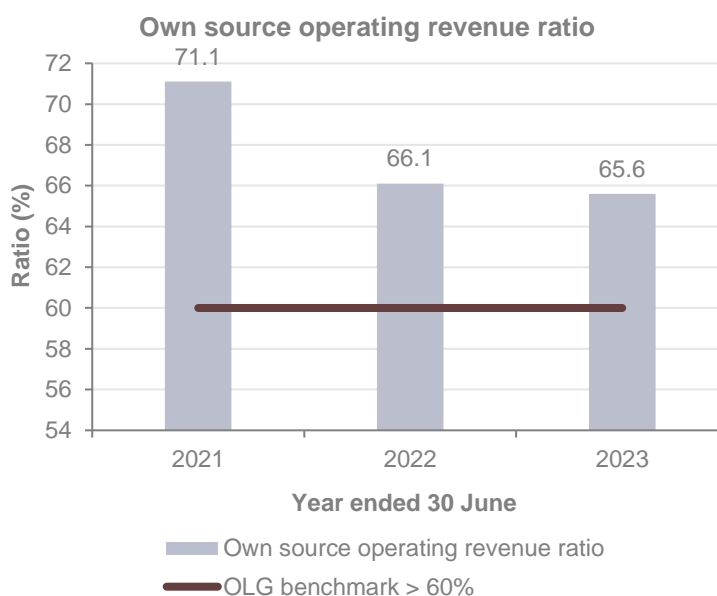
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council exceeded the benchmark for the current reporting period.

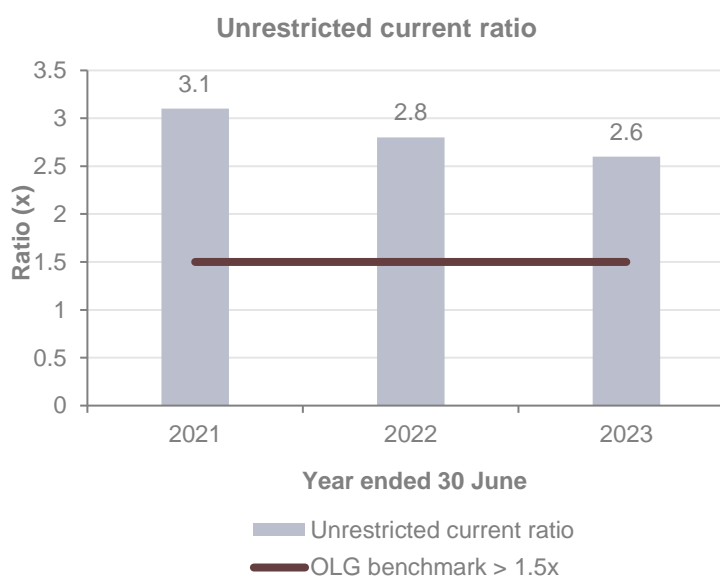
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

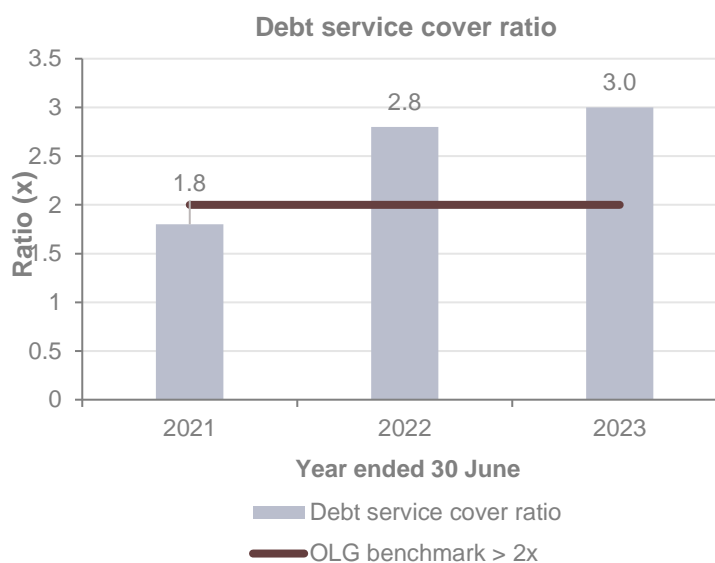
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

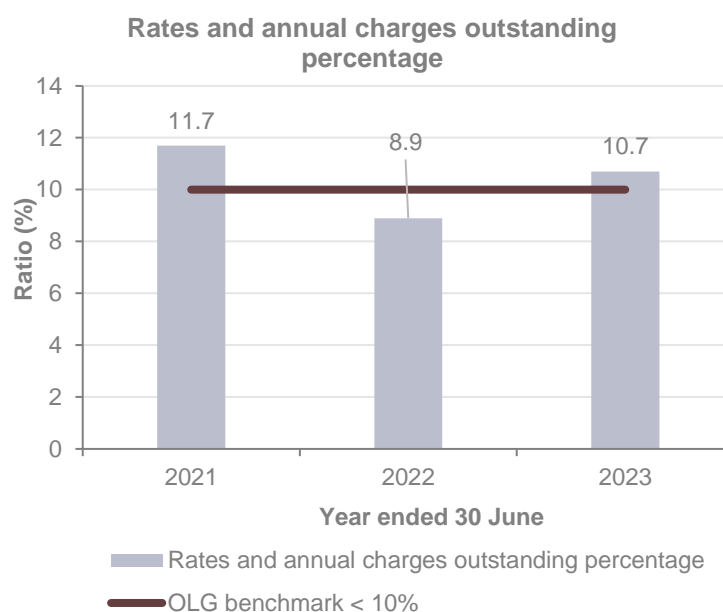
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

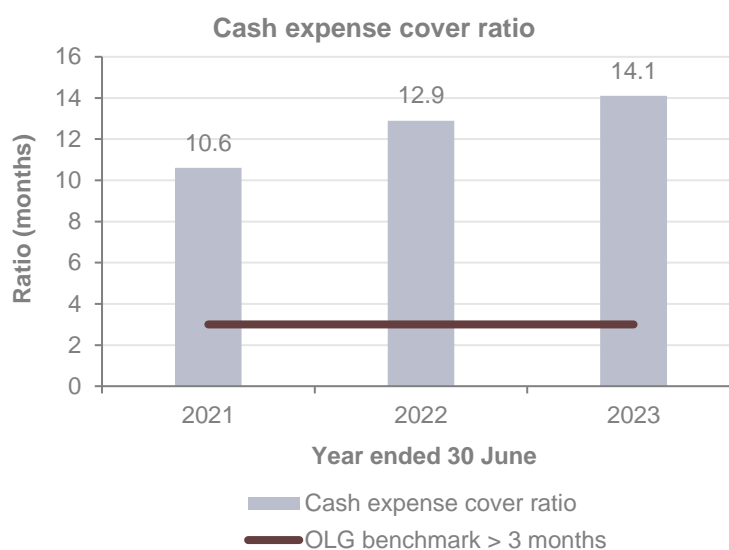
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$118.6 million of infrastructure, property, plant and equipment during the 2022–23 financial year, compared to \$80.6 million in the prior year. A further \$36.1 million was spent on new assets, compared to \$30.8 million in the prior year.

OTHER MATTERS

Legislative compliance

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

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

Lawrissa Chan
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

MidCoast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Special Purpose Financial Statements

for the year ended 30 June 2023

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Income Statement of Midcoast Assist	6
Statement of Financial Position of water supply business activity	7
Statement of Financial Position of sewerage business activity	8
Statement of Financial Position of Midcoast Assist	9
Note – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

Background

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

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

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

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

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

MidCoast Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

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

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*
- The Local Government Code of Accounting Practice and Financial Reporting
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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

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

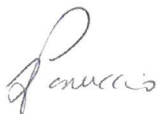
Signed in accordance with a resolution of Council made on 25 October 2023.



Claire Pontin
Mayor
25 October 2023



Katheryn Stinson
Councillor
25 October 2023



Adrian Panuccio
General Manager
25 October 2023



Phil Brennan
Responsible Accounting Officer
25 October 2023

MidCoast Council

Income Statement of water supply business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	14,694	14,076
User charges	27,401	25,982
Fees	1,207	1,291
Interest and investment income	520	178
Other income	505	307
Total income from continuing operations	44,327	41,834
Expenses from continuing operations		
Employee benefits and on-costs	8,829	7,577
Borrowing costs	4,194	4,553
Materials and services	15,353	14,357
Depreciation, amortisation and impairment	15,486	13,963
Net loss from the disposal of assets	2,213	529
Calculated taxation equivalents	269	275
Debt guarantee fee (if applicable)	710	762
Other expenses	470	525
Total expenses from continuing operations	47,524	42,541
Surplus (deficit) from continuing operations before capital amounts	(3,197)	(707)
Grants and contributions provided for capital purposes	5,463	6,872
Surplus (deficit) from continuing operations after capital amounts	2,266	6,165
Surplus (deficit) from all operations before tax	2,266	6,165
Surplus (deficit) after tax	2,266	6,165
Plus opening retained profits	442,251	435,049
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	269	275
– Debt guarantee fees	710	762
Less:		
– Tax equivalent dividend paid	(127)	–
Closing accumulated surplus	445,369	442,251
Return on capital %	0.2%	0.6%
Subsidy from Council	24,221	17,869
Calculation of dividend payable:		
Surplus (deficit) after tax	2,266	6,165
Less: capital grants and contributions (excluding developer contributions)	(935)	(775)
Surplus for dividend calculation purposes	1,331	5,390
Potential dividend calculated from surplus	666	2,695

MidCoast Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	40,738	38,961
User charges	3,222	3,152
Fees	282	403
Interest and investment income	1,918	651
Other income	405	593
Total income from continuing operations	46,565	43,760
Expenses from continuing operations		
Employee benefits and on-costs	8,120	6,992
Borrowing costs	2,980	3,418
Materials and services	16,175	15,710
Depreciation, amortisation and impairment	11,306	10,610
Net loss from the disposal of assets	3,039	727
Calculated taxation equivalents	233	238
Debt guarantee fee (if applicable)	443	504
Other expenses	145	147
Total expenses from continuing operations	42,441	38,346
Surplus (deficit) from continuing operations before capital amounts	4,124	5,414
Grants and contributions provided for capital purposes	4,801	6,488
Surplus (deficit) from continuing operations after capital amounts	8,925	11,902
Surplus (deficit) from all operations before tax	8,925	11,902
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,031)	(1,354)
Surplus (deficit) after tax	7,894	10,548
Plus opening retained profits	436,856	424,212
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	233	238
– Debt guarantee fees	443	504
– Corporate taxation equivalent	1,031	1,354
Less:		
– Tax equivalent dividend paid	(116)	–
Closing accumulated surplus	446,341	436,856
Return on capital %	1.4%	1.6%
Subsidy from Council	12,781	11,452
Calculation of dividend payable:		
Surplus (deficit) after tax	7,894	10,548
Surplus for dividend calculation purposes	7,894	10,548
Potential dividend calculated from surplus	3,947	5,274

MidCoast Council

Income Statement of Midcoast Assist

for the year ended 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
Income from continuing operations		
Fees	8,352	7,239
Grants and contributions provided for operating purposes	1,042	1,146
Other income	243	12
Total income from continuing operations	9,637	8,397
Expenses from continuing operations		
Employee benefits and on-costs	7,465	7,434
Borrowing costs	2	1
Materials and services	1,418	2,292
Depreciation, amortisation and impairment	105	127
Calculated taxation equivalents	335	236
Total expenses from continuing operations	9,325	10,090
Surplus (deficit) from continuing operations before capital amounts	312	(1,693)
Surplus (deficit) from continuing operations after capital amounts	312	(1,693)
Surplus (deficit) from all operations before tax	312	(1,693)
Less: corporate taxation equivalent (25%) [based on result before capital]	(78)	—
Surplus (deficit) after tax	234	(1,693)
Plus accumulated surplus	767	2,224
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments Payroll	335	236
– Corporate taxation equivalent	78	—
Add:		
Less:		
Closing accumulated surplus	1,414	767
Return on capital %	72.9%	(368.6)%
Subsidy from Council	—	1,709

MidCoast Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	16,547	16,619
Investments	13,500	15,500
Receivables	8,847	8,845
Other	29	6
Total current assets	38,923	40,970
Non-current assets		
Right of use assets	231	245
Investments	3,000	3,000
Infrastructure, property, plant and equipment	627,302	593,300
Investment property	1,424	1,369
Total non-current assets	631,957	597,914
Total assets	670,880	638,884
LIABILITIES		
Current liabilities		
Contract liabilities	204	852
Lease liabilities	(6)	7
Payables	1,547	1,635
Borrowings	5,347	5,199
Employee benefit provisions	2,973	3,012
Total current liabilities	10,065	10,705
Non-current liabilities		
Lease liabilities	258	266
Borrowings	65,639	71,009
Employee benefit provisions	239	59
Total non-current liabilities	66,136	71,334
Total liabilities	76,201	82,039
Net assets	594,679	556,845
EQUITY		
Accumulated surplus	445,368	442,251
Revaluation reserves	149,311	114,594
Total equity	594,679	556,845

MidCoast Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	17,825	37,291
Investments	25,000	22,000
Receivables	6,028	5,306
Other	29	—
Total current assets	48,882	64,597
Non-current assets		
Right of use assets	69	72
Investments	55,250	34,750
Infrastructure, property, plant and equipment	494,660	554,216
Investment property	1,423	1,369
Total non-current assets	551,402	590,407
Total assets	600,284	655,004
LIABILITIES		
Current liabilities		
Lease liabilities	6	6
Payables	1,344	1,457
Borrowings	5,445	6,024
Employee benefit provisions	2,973	3,012
Total current liabilities	9,768	10,499
Non-current liabilities		
Lease liabilities	66	68
Borrowings	38,824	44,333
Employee benefit provisions	240	59
Total non-current liabilities	39,130	44,460
Total liabilities	48,898	54,959
Net assets	551,386	600,045
EQUITY		
Accumulated surplus	446,343	436,856
Revaluation reserves	105,043	163,189
Total equity	551,386	600,045

MidCoast Council

Statement of Financial Position of Midcoast Assist

as at 30 June 2023

\$ '000	2023 Category 1	2022 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,041	1,786
Receivables	554	635
Total current assets	2,595	2,421
Non-current assets		
Infrastructure, property, plant and equipment	431	459
Right of use assets	92	61
Total non-current assets	523	520
Total assets	3,118	2,941
LIABILITIES		
Current liabilities		
Payables	795	1,297
Lease liabilities	31	19
Employee benefit provisions	779	806
Total current liabilities	1,605	2,122
Non-current liabilities		
Lease liabilities	62	42
Employee benefit provisions	37	10
Total non-current liabilities	99	52
Total liabilities	1,704	2,174
Net assets	1,414	767
EQUITY		
Retained earnings	1,414	767
Total equity	1,414	767

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2021* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

Water Services

The provision of Water Services throughout the Midcoast Council region.

Sewerage Services

The provision of Sewerage Services throughout the MidCoast Council region.

MidCoast Assist

Council provides Ageing and Disability Services to its community as a National Disability Insurance Scheme provider.

Council declared at a Council Meeting held on 26 June 2019 that MidCoast Assist was to be considered as a Category 1 business activity.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

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

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

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$1,200,000. This applies to the MidCoast Assist Business Activity. Water & Sewer Funds are not exempt from Payroll Tax and actual payments are included.

In accordance with the Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to the DPIE – Water guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (21/22 25%).

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

Rates and charges have been included as an expense for all Category 1 businesses.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities. A rate of 1% has been used in relation to the 2022/2023 financial period.

(i) Subsidies

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

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

(ii) Return on investments (rate of return)

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

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

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/2023.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

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

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

MidCoast Council

To the Councillors of MidCoast Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of MidCoast Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- MidCoast Assist.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', with a stylized, cursive script.

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

31 October 2023
SYDNEY

MidCoast Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



MidCoast Council

Special Schedules

for the year ended 30 June 2023

Contents	Page
Special Schedules:	
Permissible income for general rates (Merger Councils)	3
Report on infrastructure assets as at 30 June 2023	6

MidCoast Council

Permissible income for general rates (Merger Councils)

		2022/23	2023/24
\$ '000	Notes	MidCoast Council	MidCoast Council
Notional general income calculation ¹			
Last year notional general income yield	a	86,414	88,742
Plus or minus adjustments ²	b	336	642
Notional general income	$c = a + b$	86,750	89,384
Permissible income calculation			
Or rate peg percentage	e	2.25%	3.90%
Or plus rate peg amount	$i = e \times (c + g)$	1,952	3,486
Sub-total	$k = (c + g + h + i + j)$	88,702	92,870
Plus (or minus) last year's carry forward total	l	83	32
Less valuation objections claimed in the previous year	m	(11)	-
Sub-total	$n = (l + m)$	72	32
Total permissible income	$o = k + n$	88,774	92,902
Less notional general income yield	p	88,742	92,817
Catch-up or (excess) result	$q = o - p$	32	85
Carry forward to next year ⁶	$t = q + r + s$	32	85

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

MidCoast Council

To the Councillors of MidCoast Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

31 October 2023
SYDNEY

MidCoast Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other Buildings	6,984	6,984	1,004	395	60,674	91,279	7.0%	61.0%	19.0%	13.0%	0.0%
	Council Offices/Administration Centres	14,880	14,880	982	622	53,600	89,250	41.0%	5.0%	2.0%	52.0%	0.0%
	Council Works Depots	2,100	2,100	139	86	6,460	12,673	9.0%	7.0%	56.0%	28.0%	0.0%
	Council Public Halls	4,003	4,003	274	12	12,449	24,945	0.0%	16.0%	50.0%	34.0%	0.0%
	Libraries	890	890	104	87	5,369	9,450	0.0%	18.0%	75.0%	7.0%	0.0%
	Cultural/Community Facilities	31,734	31,734	2,706	1,837	135,683	245,962	4.0%	25.0%	47.0%	23.0%	1.0%
	Sub-total	60,591	60,591	5,209	3,039	274,235	473,559	11.39%	27.07%	34.08%	26.93%	0.50%
Other structures	Other structures Not Included In Buildings	1,268	1,268	166	736	10,680	15,102	20.0%	52.0%	10.0%	18.0%	0.0%
	Sub-total	1,268	1,268	166	736	10,680	15,102	20.00%	52.00%	10.00%	18.00%	0.00%
Roads	Sealed roads	150,566	150,566	13,575	33,143	951,408	1,523,619	13.0%	39.0%	31.0%	14.0%	3.0%
	Unsealed roads	6,708	6,708	3,562	650	46,996	75,002	12.0%	28.0%	57.0%	2.0%	1.0%
	Bridges	7,728	7,728	2,016	607	147,186	201,802	20.0%	59.0%	16.0%	4.0%	1.0%
	Footpaths/Cycleways	3,084	3,084	672	160	34,290	49,092	29.0%	29.0%	39.0%	2.0%	1.0%
	Kerb & Guttering	22,419	22,419	336	48	118,847	204,165	11.0%	10.0%	74.0%	4.0%	1.0%
	Bulk earthworks	—	—	—	—	800,176	800,176	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	190,505	190,505	20,161	34,608	2,098,903	2,853,856	37.99%	26.94%	25.14%	8.13%	1.90%
Water supply network	Water supply network	57,201	57,201	9,219	9,625	553,794	805,529	36.0%	35.0%	16.0%	9.0%	4.0%
	Sub-total	57,201	57,201	9,219	9,625	553,794	805,529	36.00%	35.00%	16.00%	9.00%	4.00%
Sewerage network	Sewerage network	50,962	50,962	9,533	8,598	451,441	656,143	36.0%	27.0%	24.0%	9.0%	4.0%
	Sub-total	50,962	50,962	9,533	8,598	451,441	656,143	36.00%	27.00%	24.00%	9.00%	4.00%
Stormwater drainage	Stormwater drainage	36,551	36,551	2,513	422	334,794	506,769	20.0%	45.0%	30.0%	4.0%	1.0%
	Sub-total	36,551	36,551	2,513	422	334,794	506,769	20.00%	45.00%	30.00%	4.00%	1.00%

MidCoast Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Swimming pools	2,866	2,866	133	1,255	5,108	12,123	1.0%	5.0%	50.0%	39.0%	5.0%
	Other Recreational/Open Space Assets	5,542	5,542	627	6,286	35,799	57,025	11.0%	50.0%	25.0%	10.0%	4.0%
	Sub-total	8,408	8,408	760	7,541	40,907	69,148	9.25%	42.11%	29.38%	15.08%	4.20%
Total – all assets		405,486	405,486	47,561	64,569	3,764,754	5,380,106	33.00%	30.13%	24.89%	9.75%	2.30%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
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

MidCoast Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicator 2022	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	118,555	128.13%	117.43%	> 100.00%
Depreciation, amortisation and impairment	92,525			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	405,486	10.33%	2.98%	< 2.00%
Net carrying amount of infrastructure assets	3,925,266			
Asset maintenance ratio				
Actual asset maintenance	64,569	135.76%	114.03%	> 100.00%
Required asset maintenance	47,561			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	405,486	7.54%	2.00%	
Gross replacement cost	5,380,106			

(*) 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.

MidCoast Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

	General fund		Water fund		Sewer fund		Benchmark
\$ '000	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	158.21%	137.37%	42.01%	103.06%	49.77%	43.37%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	10.18%	2.82%	10.33%	4.07%	11.29%	2.70%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	160.87%	130.17%	104.40%	92.55%	90.19%	95.84%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	7.59%	1.97%	7.10%	2.31%	7.77%	1.76%	

(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.

