

2022-2023 FINANCIALS



Kempsey Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

22 Tozer Street
WEST KEMPSEY NSW 2440

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.kempsey.nsw.gov.au.

Kempsey Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 November 2023.



Leo Hauville
Mayor
12 February 2024



Kerri Riddington
Councillor
12 February 2024



Craig Milburn
General Manager
12 February 2024



Stephen Mitchell
Responsible Accounting Officer
12 February 2024

Kempsey Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Restated Actual 2022 ¹ \$ '000
	Income from continuing operations			
47,532	Rates and annual charges	B2-1	47,737	45,871
19,385	User charges and fees	B2-2	18,642	17,915
2,024	Other revenues	B2-3	2,647	2,300
13,672	Grants and contributions provided for operating purposes	B2-4	22,124	14,844
52,797	Grants and contributions provided for capital purposes	B2-4	35,917	34,532
1,830	Interest and investment income	B2-5	3,487	786
137,240	Total income from continuing operations		130,554	116,248
	Expenses from continuing operations			
29,641	Employee benefits and on-costs	B3-1	28,793	27,566
23,655	Materials and services	B3-2	30,952	26,014
2,091	Borrowing costs	B3-3	2,727	1,895
23,153	Depreciation, amortisation and impairment of non-financial assets	B3-4	22,366	24,012
3,976	Other expenses	B3-5	2,480	2,796
–	Net loss from the disposal of assets	B4-1	5,483	4,123
82,516	Total expenses from continuing operations		92,801	86,406
54,724	Operating result from continuing operations		37,753	29,842
54,724	Net operating result for the year attributable to Council		37,753	29,842
1,928	Net operating result for the year before grants and contributions provided for capital purposes		1,836	(4,690)

(1) See Note G4-1 for details regarding restatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	Actual 2023 \$ '000	Restated Actual 2022 ¹ \$ '000
Net operating result for the year – from Income Statement ¹		37,753	29,842
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	115,853	63,993
Total items which will be reclassified subsequently to the operating result when specific conditions are met		115,853	63,993
Total other comprehensive income for the year		115,853	63,993
Total comprehensive income for the year attributable to Council		153,606	93,835

(1) See note G4-1 for details regarding restatements as a result of prior period error.

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

Kempsey Shire Council

Statement of Financial Position

as at 30 June 2023

		Actual	<i>Restated</i>	<i>Restated</i>
		2023	2022 ¹	1 July 2021 ¹
	Notes	\$ '000	\$ '000	\$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	36,801	36,712	35,767
Investments	C1-2	76,312	68,008	52,220
Receivables	C1-4	26,895	25,726	21,217
Inventories	C1-5	527	530	508
Contract assets and contract cost assets	C1-6	4,666	2,240	4,337
Other		365	430	412
Total current assets		145,566	<u>133,646</u>	<u>114,461</u>
Non-current assets				
Receivables	C1-4	1	18	54
Infrastructure, property, plant and equipment (IPPE)	C1-7	1,357,739	1,208,574	1,118,159
Intangible assets	C1-8	1,308	1,378	1,723
Right of use assets		36	39	41
Total non-current assets		1,359,084	<u>1,210,009</u>	<u>1,119,977</u>
Total assets		1,504,650	<u>1,343,655</u>	<u>1,234,438</u>
LIABILITIES				
Current liabilities				
Payables	C2-1	14,353	10,704	9,779
Contract liabilities	C2-2	35,073	26,545	12,989
Lease liabilities		5	15	31
Borrowings	C2-3	4,592	4,391	4,635
Employee benefit provisions	C2-4	7,381	7,605	7,709
Total current liabilities		61,404	<u>49,260</u>	<u>35,143</u>
Non-current liabilities				
Lease liabilities		35	43	40
Borrowings	C2-3	47,177	51,769	56,160
Employee benefit provisions	C2-4	1,212	1,275	1,310
Provisions	C2-5	6,842	6,934	1,246
Total non-current liabilities		55,266	<u>60,021</u>	<u>58,756</u>
Total liabilities		116,670	<u>109,281</u>	<u>93,899</u>
Net assets		1,387,980	<u>1,234,374</u>	<u>1,140,539</u>
EQUITY				
Accumulated surplus		575,002	537,249	507,407
IPPE revaluation reserve	C3-1	812,978	697,125	633,132
Total equity		1,387,980	<u>1,234,374</u>	<u>1,140,539</u>

(1) See Note G4-1 for details regarding restatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022 ¹		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity ¹
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		526,981	692,128	1,219,109	496,093	633,132	1,129,225
Correction of prior period errors	G4-1	10,268	4,997	15,265	11,314	–	11,314
Restated opening balance		537,249	697,125	1,234,374	507,407	633,132	1,140,539
Net operating result for the year		37,753	–	37,753	30,888	–	30,888
Correction of prior period errors	G4-1	–	–	–	(1,046)	–	(1,046)
Restated net operating result for the period		37,753	–	37,753	29,842	–	29,842
Other comprehensive income							
Correction of prior period errors	G4-1	–	–	–	–	4,997	4,997
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	115,853	115,853	–	58,996	58,996
Other comprehensive income		–	115,853	115,853	–	63,993	63,993
Total comprehensive income		37,753	115,853	153,606	29,842	63,993	93,835
Closing balance at 30 June		575,002	812,978	1,387,980	537,249	697,125	1,234,374

(1) See note G4-1 for details regarding reinstatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

<i>Original unaudited budget 2023 \$ '000</i>		<i>Actual 2023 \$ '000</i>	<i>Restated Actual 2022 \$ '000</i>
	Notes		
Cash flows from operating activities			
<i>Receipts:</i>			
47,412	Rates and annual charges	48,416	45,397
19,183	User charges and fees	19,107	18,553
1,841	Interest received	2,911	646
68,532	Grants and contributions	52,265	56,665
–	Bonds, deposits and retentions received	678	–
1,898	Other	11,204	8,479
<i>Payments:</i>			
(29,628)	Payments to employees	(28,704)	(27,705)
(24,447)	Payments for materials and services	(29,458)	(24,877)
(2,096)	Borrowing costs	(2,712)	(1,862)
–	Bonds, deposits and retentions refunded	–	(163)
(4,004)	Other	(9,200)	(3,938)
78,691	Net cash flows from operating activities	64,507	71,195
	G1-1		
Cash flows from investing activities			
<i>Receipts:</i>			
13,661	Sale of investments	–	–
–	Proceeds from sale of IPPE	515	8,663
<i>Payments:</i>			
(5,713)	Purchase of investments	(7,304)	(3,288)
–	Acquisition of term deposits	(1,000)	(12,500)
(107,247)	Payments for IPPE	(51,878)	(58,424)
–	Purchase of intangible assets	(307)	–
–	Deferred debtors and advances made	(35)	(52)
(99,299)	Net cash flows from investing activities	(60,009)	(65,601)
Cash flows from financing activities			
<i>Receipts:</i>			
25,000	Proceeds from borrowings	–	–
<i>Payments:</i>			
(4,391)	Repayment of borrowings	(4,391)	(4,635)
–	Principal component of lease payments	(18)	(14)
20,609	Net cash flows from financing activities	(4,409)	(4,649)
1	Net change in cash and cash equivalents	89	945
7,500	Cash and cash equivalents at beginning of year	36,712	35,767
7,501	Cash and cash equivalents at end of year	36,801	36,712
	C1-1		

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

Kempsey Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 21 November 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.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated asset remediation provisions – refer Note C2-5
- (iii) employee benefit provisions – refer Note C2-4

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.

Going concern

Council has considered its updated Operational Plan 2023 – 2024 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

Monies and other assets received by Council

A1-1 Basis of preparation (continued)

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has immaterial dependance on volunteer services received and therefore does not recognise these contributions in the income statement.

Areas where volunteer services are utilised include Library services, Visitor Information Centres and Community events.

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

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

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets ^{1, 2}

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.

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Functions or activities										
Leadership	64,435	56,022	22,651	19,887	41,784	36,135	18,427	11,154	16,576	14,365
Environment	52,155	49,900	41,133	41,207	11,022	8,693	11,082	20,181	487,284	467,698
Economy	10,657	7,682	20,285	18,025	(9,628)	(10,343)	25,866	14,979	757,498	694,311
Community	3,307	2,644	8,732	7,287	(5,425)	(4,643)	2,666	3,062	243,292	167,281
Total functions and activities	130,554	116,248	92,801	86,406	37,753	29,842	58,041	49,376	1,504,650	1,343,655

(1) Refer note G4-1 for details regarding restatement as a result of prior period error

(2) See B1-2 for details of Functions adopted for 2022-2023 onwards

B1-2 Components of functions or activities

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

Leadership

In prior year(s) this was classed as Governance, but in 2022-2023 was reclassified as Leadership. Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, as well as financial and administrative services, human resources, public relations and information technology.

Environment

In prior year(s) this was classed as Healthy, but in 2022-2023 was reclassified as Environment. Water, sewerage, strategic planning, development control, environmental control and projects, domestic waste management and rubbish tips, noxious weeds, ranger services, community services and lifestyle management, public cemeteries, sporting fields and pools, animal control, drainage and building control.

Economy

In prior year(s) this was classed as Wealthy, but in 2022-2023 was reclassified as Economy. Roads, bridges, footpaths and cycleways, kerb and guttering, road and traffic signs, traffic facilities, bus shelters, quarries, caravan parks, saleyards, airport, library, tourism and economic development.

Community

In prior year(s) this was classed as Safe & Connected, but in 2022-2023 was reclassified as Community. Bushfire and emergency services, community safety and crime prevention, flood plain mitigation and management, beach patrols and street lighting.

Cultural, aboriginal and youth services, art galleries, civic maintenance, community centres and community buildings, car parking, parks and reserves, boat ramps, wharves and jetties and public privies.

B2 Sources of income

B2-1 Rates and annual charges

	2023	2022
	Actual	Actual
	\$ '000	\$ '000
Ordinary rates		
Residential	16,824	16,525
Farmland	3,308	3,116
Business	2,271	2,121
Less: pensioner rebates	(728)	(713)
Rates levied to ratepayers	21,675	21,049
Pensioner rate subsidies received	378	383
Total ordinary rates	22,053	21,432
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	5,155	5,085
Stormwater management services	205	203
Water supply services	5,542	5,335
Sewerage services	14,079	13,182
Waste management services (non-domestic)	492	446
On-site sewerage management charge	489	475
Less: pensioner rebates (mandatory)	(646)	(663)
Annual charges levied	25,316	24,063
Pensioner annual charges subsidies received:		
– Water	145	148
– Sewerage	108	110
– Domestic waste management	115	118
Total annual charges	25,684	24,439
Total rates and annual charges	47,737	45,871

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

		2023	2022
	<i>Timing</i>	Actual	Actual
		\$ '000	\$ '000
User charges			
Water supply services	1	8,081	7,599
Sewerage services	1	1,361	1,239
Waste management services (non-domestic)	1	2,014	2,423
User charges		11,456	11,261
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Inspection services	2	181	97
Planning and building regulation	2	450	518
Private works – section 67	1	341	484
Regulatory/ statutory fees	2	165	222
Section 10.7 certificates (EP&A Act)	2	106	107
Section 603 certificates	2	58	75
Total fees and charges – statutory/regulatory		1,301	1,503
(ii) Fees and charges – other (incl. general user charges (per s608))			
Aerodrome	2	18	16
Cemeteries	2	325	284
Lease rentals	2	26	10
Leaseback fees – Council vehicles	2	236	229
Library and art gallery	2	10	3
Saleyards	2	–	2
Water connection fees	2	195	217
Caravan parks and camping grounds	2	4,382	3,598
Sewerage services	2	310	375
Water supply	2	116	52
Other	2	267	365
Total fees and charges – other		5,885	5,151
Total other user charges and fees		7,186	6,654
Total user charges and fees		18,642	17,915
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		11,797	11,745
User charges and fees recognised at a point in time (2)		6,845	6,170
Total user charges and fees		18,642	17,915

Accounting policy

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

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

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

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

B2-3 Other revenues

		2023	2022
	<i>Timing</i>	Actual	Actual
		\$ '000	\$ '000
Commissions and agency fees	2	30	29
Diesel rebate	2	90	144
Fines – other	2	5	2
Fines – parking	2	185	173
Insurance claims recoveries	2	88	6
Legal fees recovery – rates and charges (extra charges)	2	168	17
Long service leave contributions	2	89	55
OH&S incentive rebate	2	92	132
Recycling income (non-domestic)	2	320	274
Rental income – investment property	2	8	16
Rental income – other council properties	2	632	604
Sales – general	2	400	199
Other	2	540	649
Total other revenue		2,647	2,300
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,647	2,300
Total other revenue		2,647	2,300

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

B2-4 Grants and contributions

		Operating 2023 Actual \$ '000	Operating 2022 Actual \$ '000	Capital 2023 Actual \$ '000	Capital 2022 Actual \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	1,721	3,493	–	–
Payment in advance - future year allocation					
Financial assistance ¹	2	7,776	5,371	–	–
Other					
Other grants	2	–	89	–	153
Amount recognised as income during current year		9,497	8,953	–	153
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	2	–	–	676	359
Sewerage services	1	–	–	(150)	1,938
Bushfire and emergency services	2	995	889	310	859
Economic development	2	180	36	–	–
Employment and training programs	2	213	295	–	–
Environmental programs	2	403	221	–	–
Library	2	65	37	–	471
Library – per capita	2	86	79	–	–
LIRS subsidy	2	38	57	–	–
Library – special projects	2	–	–	–	100
Noxious weeds	2	803	732	–	–
Public halls	1	–	–	171	112
Recreation and culture	1	–	–	1,255	6,507
Aerodrome	1	–	–	768	(44)
Caravan parks and camping grounds	1	–	–	3	37
Community services	1	483	211	54	–
Emergency services	2	12	–	–	–
Flood mitigation	2	53	262	–	–
Waste levy	2	9	71	–	–
Street lighting	2	81	81	–	–
Transport (roads to recovery)	2	1,827	11	–	–
Transport (other roads and bridges funding)	1	1,593	717	19,157	13,982
Other specific grants	2	4,092	296	417	1,006
Community services	2	–	–	–	223
Kerb and gutter	2	–	–	33	–
Transport for NSW contributions (regional roads, block grant)	2	1,382	1,776	–	–
Sewerage (excl. section 64 contributions)	2	–	–	–	664
Other contributions	2	20	–	386	25
Water supplies (excl. section 64 contributions)	2	292	120	–	–
Total special purpose grants and non-developer contributions – cash		12,627	5,891	23,080	26,239
Non-cash contributions					
Dedications	2	–	–	7,064	1,656
Roads and bridges	2	–	–	2,354	2,792
Total other contributions – non-cash		–	–	9,418	4,448
Total special purpose grants and non-developer contributions (tied)		12,627	5,891	32,498	30,687

continued on next page ...

B2-4 Grants and contributions (continued)

	Operating 2023 Actual Timing \$ '000	Operating 2022 Actual \$ '000	Capital 2023 Actual \$ '000	Capital 2022 Actual \$ '000
Total grants and non-developer contributions	22,124	14,844	32,498	30,840
Comprising:				
– Commonwealth funding	11,359	9,293	1,745	2,795
– State funding	10,611	4,962	21,090	25,916
– Other funding	154	589	9,663	2,129
	22,124	14,844	32,498	30,840

(1) \$7.776M of the 2023-2024 Financial Assistance Grant from Commonwealth Government was received in June 2023 and therefore reported as 2022-2023 income although it relates to 2023-2024 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2023 Actual \$ '000	Operating 2022 Actual \$ '000	Capital 2023 Actual \$ '000	Capital 2022 Actual \$ '000
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	1,396	1,652
S 64 – water supply contributions		2	–	–	1,179	1,218
S 64 – sewerage service contributions		2	–	–	844	822
Total developer contributions – cash			–	–	3,419	3,692
Total developer contributions			–	–	3,419	3,692
Total contributions			–	–	3,419	3,692
Total grants and contributions			22,124	14,844	35,917	34,532
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	928	–	22,532
Grants and contributions recognised at a point in time (2)			22,124	13,916	35,917	12,000
Total grants and contributions			22,124	14,844	35,917	34,532

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:

	Operating 2023 Actual \$ '000	Operating 2022 Actual \$ '000	Capital 2023 Actual \$ '000	Capital 2022 Actual \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	2,576	2,668	16,043	2,801
Add: Funds received and not recognised as revenue in the current year	3,050	1,899	21,704	15,501
Less: Funds received in prior year but revenue recognised and funds spent in current year	(2,576)	(1,991)	(16,043)	(2,259)
Unspent funds at 30 June	3,050	2,576	21,704	16,043
Contributions				
Unspent funds at 1 July	–	–	19,237	15,549
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	4,146	3,688
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(864)	–
Unspent contributions at 30 June	–	–	22,519	19,237

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. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

For construction projects, this is generally 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

	2023	2022
	Actual	Actual
	\$ '000	\$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	245	294
– Cash and investments	3,242	492
Total interest and investment income (losses)	3,487	786

Accounting policy

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

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023	2022 ¹
	Actual	Actual
	\$ '000	\$ '000
Salaries and wages	24,291	23,100
Travel expenses	46	15
Employee leave entitlements (ELE)	5,327	4,516
ELE on-costs	129	40
Superannuation	2,975	2,785
Workers' compensation insurance	504	508
Fringe benefit tax (FBT)	76	74
Payroll tax	204	186
Training costs (other than salaries and wages)	329	423
Protective clothing	106	97
Other	47	37
Total employee costs	34,034	31,781
Less: capitalised costs	(5,241)	(4,215)
Total employee costs expensed	28,793	27,566

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.

(1) Refer Note G4-1 for details regarding restatement as a result of prior period error.

B3-2 Materials and services

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
Raw materials and consumables	7,702	6,538
Contractor costs	15,987	13,624
Audit Fees	90	105
Councillor and Mayoral fees and associated expenses	254	227
Advertising	160	231
Bank charges	119	105
Computer software charges	1,199	999
Election expenses	–	206
Electricity and heating	1,213	1,194
Insurance	1,295	1,131
Office expenses (including computer expenses)	–	9
Postage	77	77
Printing and stationery	178	143
Street lighting	1,334	469
Subscriptions and publications	174	199
Telephone and communications	453	394
Valuation fees	104	89
Other expenses	157	131
Legal expenses: planning and development	–	50
Legal expenses: debt recovery	166	15
Legal expenses: other	307	94
Variable lease expense relating to usage	(17)	(16)
Total materials and services	30,952	26,014
Total materials and services	30,952	26,014

Accounting policy

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

B3-3 Borrowing costs

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
(i) Interest bearing liability costs		
Interest on leases	1	2
Interest on loans	2,069	2,281
Total interest bearing liability costs	2,070	2,283
Total interest bearing liability costs expensed	2,070	2,283
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	35	52
Discount adjustments relating to movements in provisions (other than ELE)	622	(440)
Total other borrowing costs	657	(388)
Total borrowing costs expensed	2,727	1,895

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

	Notes	2023 \$ '000	2022 \$ '000
Depreciation and amortisation			
Plant and equipment	C1-7	1,370	1,283
Office equipment	C1-7	154	182
Furniture and fittings	C1-7	21	21
Land improvements (depreciable)	C1-7	573	554
Infrastructure:			
– Buildings – non-specialised	C1-7	987	1,198
– Buildings – specialised		434	927
– Other structures		48	45
– Roads		6,322	6,227
– Bridges		1,087	1,036
– Footpaths		359	340
– Stormwater drainage		1,266	1,194
– Water supply network		4,187	5,773
– Sewerage network		4,000	4,088
– Swimming pools		78	100
– Other open space/recreational assets		634	550
Right of use assets		3	3
Other assets:			
– Other	C1-7	46	46
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7	410	80
– Quarry assets	C1-7	10	20
Intangible assets	C1-8	377	345
Total gross depreciation and amortisation costs		22,366	24,012
Total depreciation and amortisation costs		22,366	24,012
Total depreciation, amortisation and impairment for non-financial assets		22,366	24,012

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

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

	2023	2022
	Actual	Actual
	\$ '000	\$ '000
Impairment of receivables		
Other	2	59
Total impairment of receivables	2	59
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	56	42
– NSW fire brigade levy	83	96
– NSW rural fire service levy	377	378
– Waste levy	1,472	1,653
– Other contributions/levies	362	468
Donations, contributions and assistance to other organisations (Section 356)	128	100
Total other	2,478	2,737
Total other expenses	2,480	2,796

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

	2023	2022
	Actual	Actual
	\$ '000	\$ '000
Gain (or loss) on disposal of property (excl. investment property)		
Proceeds from disposal – property	350	84
Gain (or loss) on disposal	350	84
Gain (or loss) on disposal of plant and equipment		
Proceeds from disposal – plant and equipment	165	8,579
Less: carrying amount of plant and equipment assets sold/written off	(1,133)	(2,003)
Gain (or loss) on disposal	(968)	6,576
Gain (or loss) on disposal of infrastructure		
Less: carrying amount of infrastructure assets sold/written off	(4,865)	(10,783)
Gain (or loss) on disposal	(4,865)	(10,783)
Net gain (or loss) from disposal of assets	(5,483)	(4,123)

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

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Revenues

Other revenues	2,024	2,647	623	31%	F
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Operating grants and contributions	13,672	22,124	8,452	62%	F
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This is mainly due to the receipt of \$5M of natural disaster funding payments relating to the 2022 floods. Additionally, Council received \$3.8M more than budgeted in 2022-23 for the Financial Assistance Grant (FAG) with this higher-than-expected payment being made to all Councils just prior to 30 June 2023.

Capital grants and contributions	52,797	35,917	(16,880)	(32)%	U
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The unfavourable variance is explained by the deferral of several major grant funded capital programs, which resulted in a similar deferral in capital grant income being recognised.

Interest and investment revenue	1,830	3,487	1,657	91%	F
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Interest and investment revenue exceeded budget due to a combination of greater cash and investment holdings over the financial year, as well as the higher interest rate environment.

Expenses

Materials and services	23,655	30,952	(7,297)	(31)%	U
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The variance relates to a number of items such as:

- Grant funded natural disaster rectification works, including Toose Road.
- Waste management costs associated with diverting waste to Port Macquarie Hastings Council's landfill due to the delays in the construction of Council's new waste cell.
- \$1.1M streetlighting LED lamp replacement project.

Borrowing costs	2,091	2,727	(636)	(30)%	U
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Borrowing costs are higher due to the non-cash discount adjustment relating to the movement in provisions. Actual interest on loans was in line with the budgeted amount.

Other expenses	3,976	2,480	1,496	38%	F
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The favourable variance relates to a number of expense areas including lower waste levy due to waste being diverted to Port Macquarie Hastings Council's landfill due to the delays in the construction of Council's new waste cell.

Net losses from disposal of assets	-	5,483	(5,483)	∞	U
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This item is not budgeted as it is too difficult to accurately estimate.

Statement of cash flows

Cash flows from operating activities	78,691	64,507	(14,184)	(18)%	U
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This variance is mainly due to the deferral of several large grant funded capital expenditure programs.

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----		
Cash flows from investing activities	(99,299)	(60,009)	39,290	(40)%	F
This variance is due to the deferral of several large capital expenditure programs.					
Cash flows from financing activities	20,609	(4,409)	(25,018)	(121)%	U
This is the result of deferring borrowings.					

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
Cash assets		
Cash on hand and at bank	21,237	14,935
Cash equivalent assets		
– Deposits at call	15,564	17,277
– Short-term deposits	–	4,500
Total cash and cash equivalents	36,801	36,712

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	36,801	36,712
Balance as per the Statement of Cash Flows	36,801	36,712

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

	2023 <i>Current</i> <i>Actual</i> \$ '000	2022 <i>Current</i> <i>Actual</i> \$ '000
Financial assets at fair value through the profit and loss		
Managed funds	1,136	1,071
Total	1,136	1,071
Debt securities at amortised cost		
Long term deposits	34,000	33,000
NCD's, FRN's (with maturities > 3 months)	41,176	33,937
Total	75,176	66,937
Total financial investments	76,312	68,008
Total cash assets, cash equivalents and investments	113,113	104,720

Accounting policy

Equity securities designated as at FVOCI

The investments shown designated as equity securities as at FVOCI represent investments that the NSW Council intends to hold for long-term strategic purposes.

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

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

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

C1-2 Financial investments (continued)

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

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Term Deposits and managed funds in the Statement of Financial Position.

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

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

(a) Externally restricted cash, cash equivalents and investments

Total cash, cash equivalents and investments	113,113	104,720
Less: Externally restricted cash, cash equivalents and investments	(98,234)	(85,587)
Cash, cash equivalents and investments not subject to external restrictions	14,879	19,133

External restrictions

External restrictions – included in liabilities

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

Transport for NSW advances	–	9
Specific purpose unexpended grants – general fund	19,162	18,608
Specific purpose unexpended grants – water fund	4,032	–
Specific purpose unexpended grants – sewer fund	1,560	11
External restrictions – included in liabilities	24,754	18,628

External restrictions – other

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

Contributions – ancillary works	38	38
Developer contributions – general	7,597	6,840
Developer contributions – sewer fund	5,696	4,716
Developer contributions – water fund	9,226	7,777
Domestic waste management	1,624	2,488
Environmental Levy	2,384	3,301
Holiday Parks Reserve	7,933	5,439
On-site sewerage management reserve	664	664
Sewer fund	17,415	14,690
Stormwater Levy	669	754
Deposits, retentions and bonds	2,295	1,617
Water fund	17,939	18,635
External restrictions – other	73,480	66,959
Total external restrictions	98,234	85,587

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.

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	14,879	19,133
Less: Internally restricted cash, cash equivalents and investments	(8,791)	(8,119)
Unrestricted and unallocated cash, cash equivalents and investments	6,088	11,014

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

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Cemetery headstone restoration reserve	114	114
Corporate	5,371	5,371
General fleet	3,306	2,634
Total internal allocations	8,791	8,119

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

	2023 Current Actual \$ '000	2023 Non-current Actual \$ '000	2022 Current Actual \$ '000	2022 Non-current Actual \$ '000
Rates and annual charges	4,384	–	4,828	–
User charges and fees	2,792	–	3,257	–
Accrued revenues				
– Interest on investments	794	–	218	–
– Other income accruals	272	–	1,414	–
Amounts due from other councils	5,524	–	5,860	–
Government grants and subsidies	8,071	1	5,594	18
Net GST receivable	1,158	–	655	–
Amounts due from other levels of government	3,954	–	3,954	–
Total	26,949	1	25,780	18
Less: provision for impairment				
Other debtors	(54)	–	(54)	–
Total provision for impairment – receivables	(54)	–	(54)	–
Total net receivables	26,895	1	25,726	18

Accounting policy

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

Impairment

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

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

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. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, whichever occurs first.

No receivables were written off during the reporting period.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
(i) Inventories at cost				
Stores and materials	527	-	530	-
Total inventories at cost	527	-	530	-
Total inventories	527	-	530	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

	2023 Current Actual \$ '000	2023 Non-current Actual \$ '000	2022 Current Actual \$ '000	2022 Non-current Actual \$ '000
Contract assets	4,666	-	2,240	-
Total contract assets and contract cost assets	4,666	-	2,240	-

Contract assets

Work relating to infrastructure grants	3,901	-	1,195	-
Other	765	-	1,045	-
Total contract assets	4,666	-	2,240	-

Significant changes in contract assets

There has been significant expenditure against grant funded works which have been incurred in 2022-23 which have not yet triggered the program funding milestones including programs across: Fixing Country Bridges, Essential Public Asset Restoration, Regional Roads, Bushfire Resilience program, and the Regional Airport. These expenditures result in Contract Assets for Council reflective of the income recognised in the financial year in which the expenditure has been incurred.

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022 ²			Asset movements during the reporting period								At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	34,348	–	34,348	22,435	6,553	–	–	–	(23,464)	(160)	–	39,712	–	39,712
Plant and equipment	19,906	(8,512)	11,394	2,944	1,007	–	(804)	(1,370)	3	(4)	–	21,604	(8,434)	13,170
Office equipment	1,855	(749)	1,106	822	–	–	–	(154)	–	(443)	–	2,676	(1,345)	1,331
Furniture and fittings	243	(142)	101	–	–	–	–	(21)	–	1	–	244	(163)	81
Land:														
– Crown land	55,368	–	55,368	–	–	–	–	–	–	(1)	4,775	60,142	–	60,142
– Operational land	34,117	–	34,117	–	8	–	–	–	48	1	12,098	46,272	–	46,272
– Community land	12,540	–	12,540	–	–	–	–	–	–	–	4,439	16,979	–	16,979
Land improvements	50,542	(12,761)	37,781	42	2,308	–	–	(573)	34	(604)	2,651	56,525	(14,886)	41,639
Infrastructure:														
– Buildings – non-specialised	59,218	(31,250)	27,968	220	7,451	–	(338)	(987)	1,398	(3,157)	2,123	72,246	(37,568)	34,678
– Buildings – specialised	30,158	(18,085)	12,073	199	1,432	–	(22)	(434)	5,205	(1)	1,203	39,322	(19,667)	19,655
– Other structures	1,972	(1,049)	923	–	93	–	–	(48)	171	–	74	2,382	(1,169)	1,213
– Roads	372,694	(130,143)	242,551	8,013	1,694	413	(3,342)	(6,322)	6,071	2	21,981	416,564	(145,503)	271,061
– Bridges	102,695	(39,285)	63,410	2,699	1,474	–	(1,163)	(1,087)	1,978	(1)	4,333	113,438	(41,795)	71,643
– Footpaths	26,894	(11,989)	14,905	68	273	–	(16)	(359)	501	–	1,262	29,987	(13,352)	16,635
– Bulk earthworks (non-depreciable)	245,179	–	245,179	–	501	–	–	–	–	–	28,450	274,130	–	274,130
– Stormwater drainage	142,707	(46,554)	96,153	10	958	–	(2)	(1,266)	488	–	8,420	156,757	(51,996)	104,761
– Water supply network	293,838	(117,244)	176,594	1,567	818	–	(291)	(4,187)	1,484	1	13,568	319,532	(129,978)	189,554
– Sewerage network	233,075	(116,037)	117,038	520	1,570	108	(322)	(4,000)	4,093	(3)	9,175	256,873	(128,694)	128,179
– Swimming pools	6,201	(3,439)	2,762	–	–	–	–	(78)	–	1	175	6,605	(3,745)	2,860
– Other open space/recreational assets	27,816	(12,768)	15,048	93	346	–	(285)	(634)	1,990	(1)	1,126	31,347	(13,664)	17,683
Other assets:														
– Other	1,243	(831)	412	321	–	–	–	(46)	–	(1)	–	1,564	(878)	686
Reinstatement, rehabilitation and restoration assets (refer Note C2-5):														
– Tip assets	6,978	(299)	6,679	–	–	–	–	(410)	–	(686)	–	6,234	(651)	5,583
– Quarry assets	228	(104)	124	–	–	–	–	(10)	–	(22)	–	163	(71)	92
Total infrastructure, property, plant and equipment	1,759,815	(551,241)	1,208,574	39,953	26,486	521	(6,585)	(21,986)	–	(5,078)	115,853	1,971,298	(613,559)	1,357,739

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

(2) See note G4-1 for details regarding restatement as a result of prior period error.

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

By aggregated asset class	At 1 July 2021 ²			Asset movements during the reporting period									At 30 June 2022 ²		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	17,095	–	17,095	22,767	1,681	–	–	–	(7,195)	–	–	–	34,348	–	34,348
Plant and equipment	18,190	(8,652)	9,538	4,880	240	–	(2,003)	(1,283)	22	–	–	–	19,906	(8,512)	11,394
Office equipment	3,485	(2,641)	844	422	–	–	–	(182)	22	–	–	–	1,855	(749)	1,106
Furniture and fittings	349	(228)	121	1	–	–	–	(21)	–	–	–	–	243	(142)	101
Land:															
– Operational land	21,578	–	21,578	–	–	–	(208)	–	–	–	–	12,747	34,117	–	34,117
– Community land	10,426	–	10,426	–	–	–	–	–	–	–	–	2,114	12,540	–	12,540
– Crown land	39,520	–	39,520	–	–	–	–	–	–	–	–	15,848	55,368	–	55,368
Land improvements	49,795	(11,713)	38,082	19	240	–	(6)	(554)	–	–	–	–	50,542	(12,761)	37,781
Infrastructure:															
– Buildings – non-specialised	42,312	(24,488)	17,824	127	19	–	(22)	(1,198)	10	–	–	11,208	59,218	(31,250)	27,968
– Buildings – specialised	29,990	(17,725)	12,265	158	66	–	(142)	(927)	212	(157)	–	598	30,158	(18,085)	12,073
– Other structures	1,410	(573)	837	17	18	–	–	(45)	–	60	–	36	1,972	(1,049)	923
– Roads	351,141	(120,414)	230,727	3,206	4,847	554	(1,399)	(6,227)	3,284	(540)	–	8,099	372,694	(130,143)	242,551
– Bridges	95,106	(37,115)	57,991	798	3,731	–	(185)	(1,036)	5	–	–	2,106	102,695	(39,285)	63,410
– Footpaths	25,035	(11,286)	13,749	201	208	–	(56)	(340)	40	540	–	563	26,894	(11,989)	14,905
– Bulk earthworks (non-depreciable)	235,842	–	235,842	48	1,159	–	–	–	–	–	–	8,130	245,179	–	245,179
– Stormwater drainage	135,414	(45,698)	89,716	94	1,166	–	(1,512)	(1,194)	–	–	–	7,883	142,707	(46,554)	96,153
– Water supply network	297,531	(104,176)	193,355	1,428	592	–	(739)	(5,773)	504	–	(12,773)	–	293,838	(117,244)	176,594
– Sewerage network	233,627	(119,366)	114,261	861	513	–	(47)	(4,088)	149	–	–	5,389	233,075	(116,037)	117,038
– Swimming pools	3,470	(2,424)	1,046	–	–	–	–	(100)	–	157	–	1,659	6,201	(3,439)	2,762
– Other open space/recreational assets	24,451	(12,343)	12,108	145	379	–	(307)	(550)	2,947	(60)	–	386	27,816	(12,768)	15,048
Other assets:															
– Other	1,308	(850)	458	65	–	–	(65)	(46)	–	–	–	–	1,243	(831)	412
Reinstatement, rehabilitation and restoration assets:															
– Tip assets	800	(219)	581	–	–	–	–	(80)	–	6,178	–	–	6,978	(299)	6,679
– Quarry assets	279	(84)	195	–	–	–	–	(20)	–	(51)	–	–	228	(104)	124
Total infrastructure, property, plant and equipment	1,638,154	(519,995)	1,118,159	35,237	14,859	554	(6,691)	(23,664)	–	6,127	(12,773)	76,766	1,759,815	(551,241)	1,208,574

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

(2) See Note G4-1 for details regarding restatement as a result of prior period error.

C1-7 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 Planning and Environment – Water.

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

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

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	Buildings	Years
Office equipment	5 to 10	Buildings	12 to 150
Office furniture	4 to 10		
Computer equipment	3 to 10		
Vehicles	5 to 13		
Heavy plant/road making equipment	5 to 13		
Other plant and equipment	3 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	15 to 200	Drains	80 to 100
Water mains	10 to 100	Flood mitigation systems	70 to 80
Sewer mains	40 to 120	Flood Drains	Infinite
Treatment works	15 to 100		
Pumps and telemetry	15 to 30		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	60 to 225	Swimming pools	80
Unsealed roads	7 to 90	Land improvements	10 to 180
Bridge	40 to 100	Other open space/recreational assets	10 to 180
Footpaths	40 to 85	Other structures	20 to 80

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. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases.

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".

Only land and building Rural Fire Service assets are recognised as assets of the Council in these financial statements as it is Council's position it does not control firefighting plant and equipment.

C1-8 Intangible assets

Intangible assets are as follows:

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
Software		
Opening values at 1 July		
Gross book value	1,723	1,723
Accumulated amortisation	(345)	–
Net book value – opening balance	1,378	1,723
Movements for the year		
Purchases	307	–
Amortisation charges	(377)	(345)
Closing values at 30 June		
Gross book value	2,029	1,723
Accumulated amortisation	(721)	(345)
Total software – net book value	1,308	1,378
Total intangible assets – net book value	1,308	1,378

Accounting policy

IT development, software and software implementation

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll and payroll related costs of employees time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

C2 Liabilities of Council

C2-1 Payables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
– Interest on leases	2	–	1	–
Goods and services – operating expenditure	7,907	–	6,416	–
Accrued expenses:				
– Borrowings	185	–	206	–
– Salaries and wages	376	–	–	–
– Other expenditure accruals	1,150	–	256	–
Security bonds, deposits and retentions	2,295	–	1,617	–
Prepaid rates	2,436	–	2,201	–
Other	2	–	7	–
Total payables	14,353	–	10,704	–

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

	2023 Actual \$ '000	2022 Actual \$ '000

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	1,073	1,293
Total payables	1,073	1,293

Accounting policy

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

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

Payables

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

C2-2 Contract Liabilities

	2023 Current Actual \$ '000	2023 Non-current Actual \$ '000	2022 Current Actual \$ '000	2022 Non-current Actual \$ '000
Notes				
Grants and contributions received in advance:				
Unexpended capital grants (to construct Council controlled assets) (i)	34,028	–	23,724	–
Unexpended operating grants (received prior to performance obligation being satisfied) (ii)	1,045	–	2,821	–
Total grants received in advance	35,073	–	26,545	–
Total contract liabilities	35,073	–	26,545	–

Notes

(i) Council has received funding to construct assets including roads, bridges, sporting fields, bushfire and flood recovery,

C2-2 Contract Liabilities (continued)

stronger communities, water security 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.

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

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	5,514	2,285
Operating grants (received prior to performance obligation being satisfied)	1,905	101
Total revenue recognised that was included in the contract liability balance at the beginning of the period	7,419	2,386

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.

C2-3 Borrowings

	2023 <i>Current</i> <i>Actual</i> \$ '000	2023 <i>Non-current</i> <i>Actual</i> \$ '000	2022 <i>Current</i> <i>Actual</i> \$ '000	2022 <i>Non-current</i> <i>Actual</i> \$ '000
Bank overdraft	-	-	-	-
Loans – secured ¹	4,592	47,177	4,391	51,769
Total borrowings	4,592	47,177	4,391	51,769

(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

	2022		Non-cash movements				2023
	<i>Opening Balance</i> \$ '000	<i>Cash flows</i> \$ '000	<i>Acquisition</i> \$ '000	<i>Fair value changes</i> \$ '000	<i>Acquisition due to change in accounting policy</i> \$ '000	<i>Other non-cash movement</i> \$ '000	<i>Closing balance</i> \$ '000
Loans – secured	56,160	(4,391)	-	-	-	-	51,769
Lease liability	58	(18)	-	-	-	-	40
Total liabilities from financing activities	56,218	(4,409)	-	-	-	-	51,809

	2021		Non-cash movements				2022
	<i>Opening Balance</i> \$ '000	<i>Cash flows</i> \$ '000	<i>Acquisition</i> \$ '000	<i>Fair value changes</i> \$ '000	<i>Acquisition due to change in accounting policy</i> \$ '000	<i>Other non-cash movement</i> \$ '000	<i>Closing balance</i> \$ '000
Loans – secured	60,795	(4,635)	-	-	-	-	56,160
Lease liability	71	(13)	-	-	-	-	58

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C2-3 Borrowings (continued)

Total liabilities from financing activities	60,866	(4,648)	–	–	–	–	56,218
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(b) Financing arrangements

	2023	2022
	Actual	Actual
	\$ '000	\$ '000
Total facilities		
Bank overdraft facilities ¹	–	–
Credit cards/purchase cards	450	450
Total financing arrangements	450	450
Drawn facilities		
– Bank overdraft facilities	–	–
– Credit cards/purchase cards	23	6
Total drawn financing arrangements	23	6
Undrawn facilities		
– Credit cards/purchase cards	427	444
Total undrawn financing arrangements	427	444

Additional financing arrangements information**Breaches and defaults**

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

Security over loans

Council loans are secured over the general rating income of Council.

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Accounting policy

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

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

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

C2-4 Employee benefit provisions

	2023	2023	2022 ¹	2022 ¹
	Current	Non-current	Current	Non-current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	2,961	–	3,037	–
Sick leave	673	–	623	–
Long service leave	3,747	1,212	3,945	1,275
Total employee benefit provisions	7,381	1,212	7,605	1,275

(1) Refer Note G4-1 for details regarding restatement as a result of prior period error.

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

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	4,208	4,416
	4,208	4,416

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C2-5 Provisions

	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000

Asset remediation/restoration:

Asset remediation/restoration (future works)	–	6,842	–	6,934
Sub-total – asset remediation/restoration	–	6,842	–	6,934

continued on next page ...

C2-5 Provisions (continued)

Total provisions	–	6,842	–	6,934
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Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2023		
At beginning of year	6,934	6,934
Other	(92)	(92)
Total other provisions at end of year	6,842	6,842
2022		
At beginning of year	1,246	1,246
Other	5,688	5,688
Total other provisions at end of year	6,934	6,934

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 council tip and quarry as a result of past operations.

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C3 Reserves

C3-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General	Water	Sewer
	2023	2023	2023
	\$ '000	\$ '000	\$ '000
Income from continuing operations			
Rates and annual charges	28,143	5,521	14,073
User charges and fees	8,382	8,646	1,614
Interest and investment revenue	2,347	588	552
Other revenues	2,289	147	211
Grants and contributions provided for operating purposes	21,579	437	108
Grants and contributions provided for capital purposes	31,984	2,687	1,246
Total income from continuing operations	94,724	18,026	17,804
Expenses from continuing operations			
Employee benefits and on-costs	22,803	2,983	3,007
Materials and services	19,704	5,667	5,581
Borrowing costs	1,009	994	724
Depreciation, amortisation and impairment	14,090	4,243	4,033
Other expenses	2,480	–	–
Net losses from the disposal of assets	4,870	291	322
Calculated Taxation Equivalents	–	–	–
Total expenses from continuing operations	64,956	14,178	13,667
Operating result from continuing operations	29,768	3,848	4,137
Net operating result for the year	29,768	3,848	4,137
Net operating result attributable to each council fund	29,768	3,848	4,137
Net operating result for the year before grants and contributions provided for capital purposes	(2,216)	1,161	2,891

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	9,849	17,081	9,871
Investments	47,396	14,116	14,800
Receivables	22,351	3,082	1,462
Inventories	485	21	21
Contract assets and contract cost assets	4,666	–	–
Other	365	–	–
Total current assets	85,112	34,300	26,154
Non-current assets			
Receivables	1	–	–
Infrastructure, property, plant and equipment	1,024,636	198,327	134,776
Intangible assets	1,308	–	–
Right of use assets	36	–	–
Total non-current assets	1,025,981	198,327	134,776
Total assets	1,111,093	232,627	160,930
LIABILITIES			
Current liabilities			
Payables	14,163	97	93
Contract liabilities	29,480	4,032	1,561
Lease liabilities	5	–	–
Borrowings	1,490	1,757	1,345
Employee benefit provision	7,381	–	–
Total current liabilities	52,519	5,886	2,999
Non-current liabilities			
Lease liabilities	35	–	–
Borrowings	14,231	21,897	11,049
Employee benefit provision	1,212	–	–
Provisions	6,842	–	–
Total non-current liabilities	22,320	21,897	11,049
Total liabilities	74,839	27,783	14,048
Net assets	1,036,254	204,844	146,882
EQUITY			
Accumulated surplus	443,061	66,858	65,083
Revaluation reserves	593,193	137,986	81,799
Council equity interest	1,036,254	204,844	146,882
Total equity	1,036,254	204,844	146,882

D2 Interests in other entities

D2-1 Interests in joint arrangements

(i) Joint operations

	<i>Principal activity</i>	<i>Place of business</i>	<i>Interest in ownership</i>		<i>Interest in voting</i>	
			2023	2022	2023	2022
(a) Council is involved in the following joint operations (JO's)						
Maria River Road upgrade	Upgrade of Maria River Road, a joint operation between Port Macquarie-Hastings Council and Kempsey Shire Council with a total project cost of \$17.01m	Port Macquarie NSW	52%	52%	48%	48%

Accounting policy

Council has determined that it has only a joint operation.

Joint operations

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

	<i>Carrying value</i> 2023 \$ '000	<i>Carrying value</i> 2022 \$ '000	<i>Fair value</i> 2023 \$ '000	<i>Fair value</i> 2022 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	36,801	36,712	36,801	32,212
Receivables	26,896	25,744	26,896	27,930
Investments				
– Debt securities at amortised cost	75,176	66,937	77,062	71,437
Fair value through profit and loss				
Investments				
– Held for trading	1,136	1,071	1,136	1,071
Total financial assets	140,009	130,464	141,895	132,650
Financial liabilities				
Payables	14,353	10,704	14,353	10,703
Loans/advances	51,769	56,160	51,769	56,160
Total financial liabilities	66,122	66,864	66,122	66,863

Fair value is determined as follows:

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investment portfolio with the assistance of independent advisers.

Council has an investment policy which complies with s625 of the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Interest rate risk** – the risk that movements in interest rates could affect returns.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council.

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

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 its independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

	2023 \$ '000	2022 \$ '000
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement

919	898
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Impact of a 10% movement in price of investments

– Equity / Income Statement

4,081	3,501
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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. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue rates and annual charges			Total \$ '000
	Not yet overdue \$ '000	< 5 years \$ '000	≥ 5 years \$ '000	
2023				
Gross carrying amount	–	4,384	–	4,384
2022				
Gross carrying amount	3,271	1,557	–	4,828

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue		Overdue debts			Total \$ '000
	Not yet overdue \$ '000	0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2023						
Gross carrying amount	19,148	5,394	323	2,067	300	27,232
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	18.00%	0.20%
ECL provision	–	–	–	–	54	54
2022						
Gross carrying amount	21,902	927	116	6	259	23,210
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	20.80%	0.23%
ECL provision	–	–	–	–	54	54

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

(c) Liquidity risk

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

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

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

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

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

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

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in:</i>			<i>Total contractu al cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
			<i>≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>		
2023							
Payables	0.00%	2,295	12,058	–	–	14,353	14,353
Borrowings	3.79%	–	1,353	12,683	42,124	56,160	51,769
Total financial liabilities		2,295	13,411	12,683	42,124	70,513	66,122
2022							
Payables	0.00%	1,617	8,624	–	–	10,241	10,704
Borrowings	3.86%	–	439	1,981	58,375	60,795	56,160
Total financial liabilities		1,617	9,063	1,981	58,375	71,036	66,864

E2-1 Fair value measurement

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

- Financial assets
- Infrastructure, property, plant and equipment

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

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

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

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

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

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2023	2022	2023	2022 ¹	2023	2022
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss		1,136	1,071	–	–	1,136	1,071
Total financial assets		1,136	1,071	–	–	1,136	1,071
Infrastructure, property, plant and equipment							
	C1-7						
Plant and equipment		–	–	13,170	11,394	13,170	11,394
Office equipment		–	–	1,331	1,106	1,331	1,106
Furniture and fittings		–	–	81	101	81	101
Crown Land		–	–	60,142	55,368	60,142	55,368
Operational land		–	–	46,272	34,117	46,272	34,117
Community land		–	–	16,979	12,540	16,979	12,540
Land Improvements		–	–	41,639	37,781	41,639	37,781
Buildings – non specialised		–	–	34,678	27,968	34,678	27,968
Buildings – specialised		–	–	19,655	12,073	19,655	12,073
Other Structures		–	–	1,213	923	1,213	923
Roads, bridges, footpaths, bulk earthwork		–	–	633,469	566,045	633,469	566,045
Stormwater drainage		–	–	104,761	96,153	104,761	96,153
Water supply network		–	–	189,554	176,594	189,554	176,594
Sewerage network		–	–	128,179	117,038	128,179	117,038
Swimming pools		–	–	2,860	2,762	2,860	2,762
Other open space/recreational assets		–	–	17,683	15,048	17,683	15,048
Other		–	–	686	412	686	412
Tip Assets		–	–	5,583	6,679	5,583	6,679
Quarry assets		–	–	92	124	92	124
Total infrastructure, property, plant and equipment		–	–	1,318,027	1,174,226	1,318,027	1,174,226

(1) See note G4-1 for details regarding restatement as a result of prior period error

Transfers between level 1 and level 2 fair value hierarchies

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

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 uses a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Fair value measurements using significant unobservable inputs (level 3)

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

	<i>Plant and equipment</i>		<i>Office equipment</i>		<i>Furniture and fittings</i>		<i>Crown Land</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i> ¹
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	11,394	9,538	1,106	844	101	121	55,368	39,520
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	4,775	15,848
Other movements								
Adjustments and transfers from/(to) another asset class	(4)	–	(443)	–	1	–	(1)	–
Purchases (GBV)	3,954	5,142	822	444	–	1	–	–
Disposals (WDV)	(804)	(2,003)	–	–	–	–	–	–
Depreciation and impairment	(1,370)	(1,283)	(154)	(182)	(21)	(21)	–	–
Closing balance	13,170	11,394	1,331	1,106	81	101	60,142	55,368

(1) See Note G4-1 for details regarding restatement as a result of prior period error.

	<i>Operational land</i>		<i>Community Land</i>		<i>Land improvement</i>		<i>Buildings non specialised</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	34,117	21,578	12,540	10,426	37,781	38,082	27,968	17,824
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	12,098	12,747	4,439	2,114	2,651	–	2,123	11,208
Other movements								
Adjustments and transfers from/(to) another asset class	1	–	–	–	(604)	–	(3,157)	–
Purchases (GBV)	56	–	–	–	2,384	259	9,069	156
Disposals (WDV)	–	(208)	–	–	–	(6)	(338)	(22)
Depreciation and impairment	–	–	–	–	(573)	(554)	(987)	(1,198)
Closing balance	46,272	34,117	16,979	12,540	41,639	37,781	34,678	27,968

E2-1 Fair value measurement (continued)

	<i>Building specialised</i>		<i>Other Structures</i>		<i>Roads bridges</i>		<i>Stormwater drainage</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>footpaths</i>	<i>earthworks</i>	<i>2023</i>	<i>2022</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	12,073	12,265	923	837	566,045	538,309	96,153	89,716
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	1,203	598	74	36	56,026	18,898	8,420	7,883
Other movements								
Adjustments and transfers from/(to) another asset class	(1)	(157)	–	60	2	–	–	–
Purchases (GBV)	6,836	436	264	35	23,685	18,081	1,456	1,260
Disposals (WDV)	(22)	(142)	–	–	(4,521)	(1,640)	(2)	(1,512)
Depreciation and impairment	(434)	(927)	(48)	(45)	(7,768)	(7,603)	(1,266)	(1,194)
Closing balance	19,655	12,073	1,213	923	633,469	566,045	104,761	96,153

	<i>Water supply network</i>		<i>Sewerage network</i>		<i>Swimming pools</i>		<i>Open space/recreational</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	176,594	193,355	117,038	114,261	2,762	1,046	15,048	12,108
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	13,568	(12,773)	9,175	5,389	175	1,659	1,126	386
Other movements								
Adjustments and transfers from/(to) another asset class	1	–	(3)	–	1	157	(1)	(60)
Purchases (GBV)	3,869	2,524	6,291	1,523	–	–	2,429	3,471
Disposals (WDV)	(291)	(739)	(322)	(47)	–	–	(285)	(307)
Depreciation and impairment	(4,187)	(5,773)	(4,000)	(4,088)	(78)	(100)	(634)	(550)
Closing balance	189,554	176,594	128,179	117,038	2,860	2,762	17,683	15,048

E2-1 Fair value measurement (continued)

	<i>Other</i>		<i>Tip assets</i>		<i>Quarry Assets</i>		<i>Total</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i> ²
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	412	458	6,679	581	124	195	1,174,226	1,101,064
Recognised in other comprehensive income – revaluation surplus	–	–	–	6,178	–	(51)	115,853	70,120
Adjustments and transfers from/(to) another asset class	(1)	–	(686)	–	(22)	–	(4,917)	–
Purchases (GBV)	321	65	–	–	–	–	61,436	33,397
Disposals (WDV)	–	(65)	–	–	–	–	(6,585)	(6,691)
Depreciation and impairment	(46)	(46)	(410)	(80)	(10)	(20)	(21,986)	(23,664)
Closing balance	686	412	5,583	6,679	92	124	1,318,027	1,174,226

(2) See Note G4-1 for details regarding restatement as a result of prior period error.

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There were no transfers into and out of the level 3 fair valuation hierarchy.

c. The valuation process for level 3 fair value measurements

Property, plant and equipment, furniture and fittings incorporates:

Major plant
Fleet vehicles
Minor plant
Furniture and fittings
Office equipment

All are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs include:

- Pattern Consumption
- Useful life
- Asset Condition
- Residual Value

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

Operational land

Council's 'Operational' Land by definition has no special restriction other than those that may apply to any piece of land. Operational Land was revalued by an external valuer at 30 June 2022 using Level 3 inputs. Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer.

This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account the current market price in an active and liquid market of the same or similar asset.

The 'Market Approach' is used to value Operational land.

Indexation was applied to operational assets at 30 June 2023.

Community land

Council's 'Community' land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land has been split into Community Land owned by Council and Crown Land that is managed by Council.

Community Land:
- Cannot be sold

E2-1 Fair value measurement (continued)

- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
 - Must have a plan of management for it.

In relation to Community Land, the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Division has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Market Approach' is used to value Community land. Land identified as crown land was revalued at 30 June 2023. Please note, not all community land was revalued at 30 June 2023.

Land improvements – non depreciable and depreciable

Council's Land Improvements incorporates fencing, landscaping, earthworks and playgrounds.

Council carries fair values of land using the following unobservable Level 3 inputs:

- Gross replacement cost
- Asset condition
- Non Depreciable
 - Remaining useful life.

Indexation was applied to land improvement assets at 30 June 2023.

Buildings – non-specialised and specialised

Council Buildings include libraries, public amenities, sporting club houses, depot buildings, workshops, community centres, rural fire service buildings and tourist caravan parks.

Valuations are carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking into account a range of factors. Buildings are physically inspected and values are provided based on extensive professional judgement, condition and consumption rates.

As such, these assets are classified as having been valued using the following unobservable Level 3 inputs:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful life of an asset.

Indexation was applied to building assets at 30 June 2023.

Roads, water and sewer networks

This asset class comprises the Roads, Bridges, Car Parks, Kerb & Guttering, Footpaths, Cycleways together with Water and Sewerage Networks.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter.

Council fair values road infrastructure using unobservable Level 3 inputs at a component level. Council fair values kerb and guttering and footpaths using unobservable Level 3 inputs at a non-componentised level.

The 'Cost Approach' is used to value these assets by componentising the assets into significant parts and then rolling up these component values to provide an overall valuation for each significant assets (e.g. road, water treatment facility, dam, pump station, sewer treatment plant) within Council's Asset System. Kerb and guttering, footpaths, water mains and sewers are also valued using the "Cost Approach" however this is done on a non componentised basis.

The level of componentisation adopted by Council is in accordance with AASB 116 and OLG Circular 09-09.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset condition
- Remaining useful life
 - Current replacement cost.

E2-1 Fair value measurement (continued)

Indexation was applied to road, water and sewer assets at 30 June 2023.

Stormwater drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and flood mitigation levees, drains and gate structures.

Council carries fair values of drainage assets using unobservable Level 3 inputs which include:

- Pattern of Consumption
- Asset condition
- Residual value
 - Current replacement cost.

Indexation was applied to storm water drainage assets at 30 June 2023.

Other assets, swimming pools and other open space/recreational assets

Council's Other Assets includes powerheads, waste systems, water tanks, landfill lids and recycling facilities.

Council carries fair values of Other Assets using Level 3 inputs. The unobservable Level 3 inputs include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost.

Indexation was applied to other assets at 30 June 2023.

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

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 payment is available.

Council participates in a defined benefits superannuation scheme called the the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers from a sub-group of the Scheme with over 150 employers supporting around 5,000 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan 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.

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The future 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 employer contribution rates are:

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

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ended 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 entities obligations under the terms and conditions of the multi-employer plan

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

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

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

E3-1 Contingencies (continued)

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

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

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for Financial Year 2022-23 2.5% per annum thereafter

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

(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.

(iii) Contract liabilities

Council has entered into a contract for the future purchase of the freehold at the Slim Dusty Centre within the next five years at a future price to be determined based on market value. The exact timing of this has not been determined as of reporting date.

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 June 2008..

(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.

(iii) Mid North Coast Co-Op Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Mid North Coast Co-Op Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	1,097	1,145
Post-employment benefits	76	79
Other long-term benefits	24	30
Total	1,197	1,254

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 library or Council swimming pool) will not be disclosed.

Transactions of a minor / immaterial nature were made to companies associated with Council's KMP. The transactions related to:

- Maintenance to Council's assets.
- Venue hire.

F1-2 Councillor and Mayoral fees and associated expenses

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	46	45
Councillors' fees	205	178
Other Councillors' expenses (including Mayor)	3	4
Total	254	227

F2 Other relationships

F2-1 Audit fees

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

Remuneration for audit and other assurance services

Total Auditor-General remuneration

86	105
86	105
86	105

(i) Audit and other assurance services

Audit and review of financial statements

Remuneration for audit and other assurance services

Total audit fees

4	–
4	–
90	105

G Other matters

G1-1 Statement of Cash Flows information

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

	2023 <i>Actual</i> \$ '000	2022 ¹ <i>Actual</i> \$ '000
Net operating result from Income Statement	37,753	29,842
Add / (less) non-cash items:		
Depreciation and amortisation	22,366	23,667
(Gain) / loss on disposal of assets	5,483	4,123
Non-cash capital grants and contributions	(9,418)	(4,448)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	35	52
– Revaluation decrements / impairments of IPP&E direct to P&L	–	345
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,152)	(4,473)
(Increase) / decrease of inventories	3	(22)
(Increase) / decrease of other current assets	65	(18)
(Increase) / decrease of contract asset	(2,426)	2,097
Increase / (decrease) in payables	1,491	1,159
Increase / (decrease) in accrued interest payable	(20)	(19)
Increase / (decrease) in other accrued expenses payable	1,270	(423)
Increase / (decrease) in other liabilities	908	208
Increase / (decrease) in contract liabilities	8,528	13,556
Increase / (decrease) in employee benefit provision	(287)	(139)
Increase / (decrease) in other provisions	(92)	5,688
Net cash flows from operating activities	64,507	71,195

(1) See note G4-1 for details regarding restatement as a result of prior period error

(b) Non-cash investing and financing activities

Dedications	7,064	1,656
Developer dedicated assets	2,354	2,792
Total non-cash investing and financing activities	9,418	4,448

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023	2022
	Actual	Actual
	\$ '000	\$ '000

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	20	489
Land Improvements	929	2,604
Building - Specialised	-	540
Bridges	8,115	420
Roads	925	636
Total commitments	9,989	4,689

Details of capital commitments

Capital expenditure commitments relate to the construction of Cell 4 at the Kempsey Shire Council Waste Management Centre, design and construction of sportsfield lighting at Kemp Street, Crescent Head Netball Courts and Smithtown oval, remediation works of landslip on Armidale Road, refurbishment of Frederickton reservoir, and the supply of bridges and culverts as part of the Fixing Country Bridges replacement program.

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior period error

Council has identified two prior period corrections relating to:

- Infrastructure Property Plant and Equipment - Crown Land and Income Statement - Statement of Comprehensive Income: First time recognition and revaluation adjustments for crown land not previously valued. In 2022-23 Council engaged an independent valuer to value these properties. The Financial Statements have been restated taking into account impacts of indexation / valuation adjustments reported in the prior years as follows:
 - 1 July 2021 Infrastructure, Property, Plant and Equipment increased by \$12,460,987 - Crown Land recognition.
 - 30 June 2022 Infrastructure, Property, Plant and Equipment increased by \$4,997,013 - Crown Land revaluation.
- Provisions & Expenses - Employee benefits and on-costs: Corrections of prior period errors in Provisions for Annual Leave, Sick Leave, related oncosts as follows:
 - 1 July 2021 Employee Benefit Provisions increased by \$1,147,764 (increases in Annual Leave Provision \$818,362, Long Service Leave Provision \$532,644, decrease in Sick Leave Provision \$203,242).
 - 30 June 2022 Employee Benefit Provisions increased by \$2,191,366 ((increases in Annual Leave Provision \$1,182,647, Long Service Leave Provision \$741,876, Sick Leave Provision \$268,843).

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021), and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of errors. The impact on each line item at 1 July 2021 is shown in the table below.

Changes to the opening Statement of Financial Position at 1 July 2021

Statement of Financial Position

	Notes	Original Balance 1 July, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2021 \$ '000
Infrastructure, property, plant & equipment	C1-7	1,105,698	12,461	1,118,159
Total non-current assets		1,107,516	12,461	1,119,977
Total assets		1,221,977	12,461	1,234,438
Employee benefit provisions		6,692	1,017	7,709
Total current liabilities		34,126	1,017	35,143
Employee benefit provisions		1,180	130	1,310
Total non-current liabilities		58,626	130	58,756
Total liabilities		92,752	1,147	93,899
Net assets		1,129,225	11,314	1,140,539
Accumulated Surplus		496,093	11,314	507,407
Total equity		1,129,225	11,314	1,140,539

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

G4-1 Correction of errors (continued)

	<i>Original Balance 30 June, 2022 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2022 \$ '000</i>
Infrastructure, property, plant & equipment	1,191,116	17,458	1,208,574
Total non-current assets	1,192,551	17,458	1,210,009
Total assets	1,326,197	17,458	1,343,655
Employee benefit provision	5,593	2,012	7,605
Total current liabilities	47,248	2,012	49,260
Employee benefit provision	1,094	181	1,275
Total non-current liabilities	59,840	181	60,021
Total liabilities	107,088	2,193	109,281
Net assets	1,219,109	15,265	1,234,374
Accumulated Surplus	526,981	10,268	537,249
Revaluation Reserve	692,128	4,997	697,125
Total equity	1,219,109	15,265	1,234,374

Income Statement

	<i>Original Balance 30 June, 2022 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2022 \$ '000</i>
Employee Benefits and on-costs	26,520	1,046	27,566
Total expenses from continuing operations	85,360	1,046	86,406
Net operating result for the year	30,888	(1,046)	29,842
Net operating result for the year before grants and contributions provided for capital purposes	(3,644)	(1,046)	(4,690)

Statement of Comprehensive Income

	<i>Original Balance 30 June, 2022 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2022 \$ '000</i>
Net operating result for the year	30,888	(1,046)	29,842
Gain (loss) on revaluation of infrastructure, property, plant and equipment	58,996	4,997	63,993
Other comprehensive income	58,996	4,997	63,993
Total comprehensive income for the year	89,884	3,951	93,835

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Drainage	31	–	–	–	1	–	–	32	–
Roads	2,524	270	–	–	66	(764)	–	2,096	–
Parking	50	–	–	–	2	–	–	52	–
Community facilities	387	17	–	–	12	–	–	416	–
SWR plan	3,321	1,009	–	–	124	(100)	–	4,354	–
Public domain	264	36	–	–	10	–	–	310	–
Administration	263	64	–	–	10	–	–	337	–
S7.11 contributions – under a plan	6,840	1,396	–	–	225	(864)	–	7,597	–
Total S7.11 and S7.12 revenue under plans	6,840	1,396	–	–	225	(864)	–	7,597	–
S64 contributions	12,493	1,992	–	–	437	–	–	14,922	–
Total contributions	19,333	3,388	–	–	662	(864)	–	22,519	–

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.

G5-2 Developer contributions by plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
CONTRIBUTION PLAN NUMBER 1									
Drainage	31	–	–	–	1	–	–	32	–
Roads	2,524	270	–	–	66	(764)	–	2,096	–
Parking	50	–	–	–	2	–	–	52	–
Community facilities	387	17	–	–	12	–	–	416	–
SWR plan	3,321	1,009	–	–	124	(100)	–	4,354	–
Public domain	264	36	–	–	10	–	–	310	–
Administration	263	64	–	–	10	–	–	337	–
Total	6,840	1,396	–	–	225	(864)	–	7,597	–

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

G5-3 Contributions not under plans

S64 contributions

S64 Water contributions	7,777	1,179	–	–	270	–	–	9,226	–
S64 Sewerage contributions	4,716	813	–	–	167	–	–	5,696	–
Total	12,493	1,992	–	–	437	–	–	14,922	–

G6 Statement of performance measures *

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicators		Benchmark
	Actual 2023	Actual 2023	Restated Actual 2022	Actual 2021	
\$ '000					
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7,321	7.74%	(0.62)%	2.55%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	94,637				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	72,513	55.54%	57.53%	63.74%	> 60.00%
Total continuing operating revenue ¹	130,554				
3. Unrestricted current ratio					
Current assets less all external restrictions	42,746	1.52x	1.92x	2.61x	> 1.50x
Current liabilities less specific purpose liabilities	28,077				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	32,414	4.54x	3.88x	4.70x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,136				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	4,384	8.28%	9.63%	8.25%	< 10.00%
Rates and annual charges collectable	52,978				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	70,801	11.41 months	13.24 months	10.17 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	6,207				

(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

* See Note G4-1 for details regarding restatement as a result of prior period error

G6-2 Statement of performance measures by fund

\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	Actual	Restated	Actual	Restated	Actual	Restated	
	2023	Actual 2022	2023	Actual 2022	2023	Actual 2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.23%	(5.31)%	9.47%	(0.68)%	19.40%	16.15%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding all grants and contributions ¹	43.45%	48.11%	82.67%	84.21%	92.39%	77.06%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.52x	1.92x	13.52x	12.24x	13.14x	13.19x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.20x	7.58x	2.50x	2.26x	3.99x	3.40x	> 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	6.11%	9.41%	22.88%	21.61%	7.68%	5.33%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.61 months	6.99 months	20.65 months	29.84 months	16.37 months	20.14 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

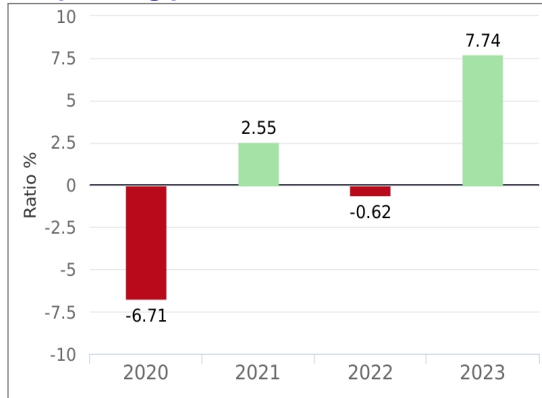
(1) - (2) Refer to Notes at Note G6-1 above.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 7.74%

Results for this ratio continue to be impacted by high levels of operating grant funding in response to natural disasters. As grant funding declines it is expected this result will revert to negative results pending further work on financial sustainability.

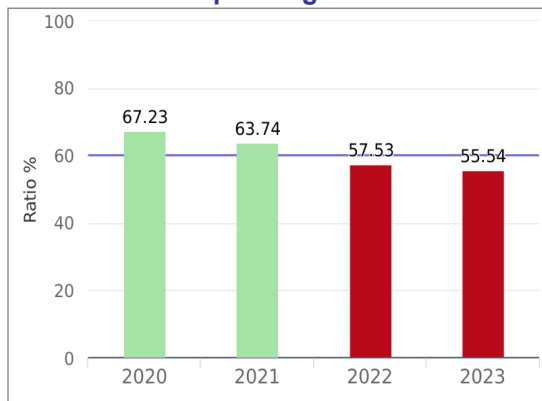
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 55.54%

This ratio continues to be impacted by the high levels of grant funding.

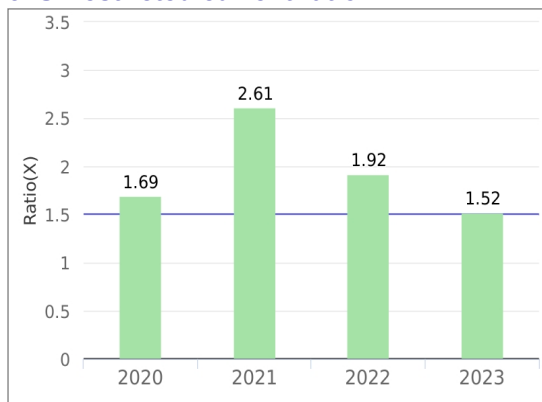
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 1.52x

This is below benchmark due to a combination of a reduction in the level of unrestricted cash and increased contract liabilities (unexpended capital grants) at 30 June 2023.

Benchmark: — > 1.50x

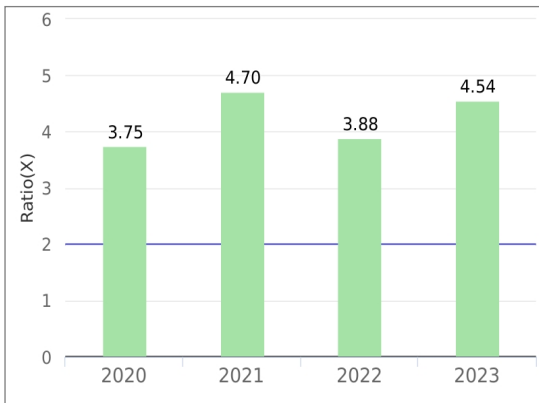
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 4.54x

Results are satisfactory and above benchmark.

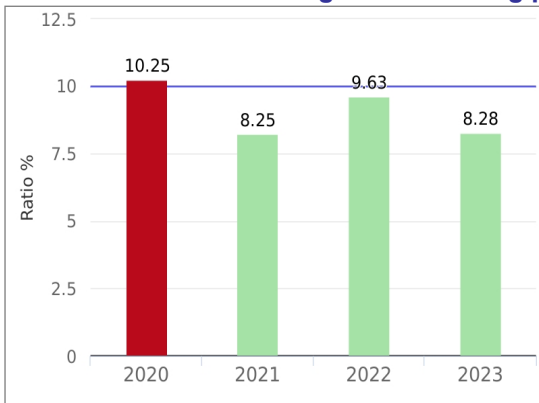
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 8.28%

Results are satisfactory and below benchmark.

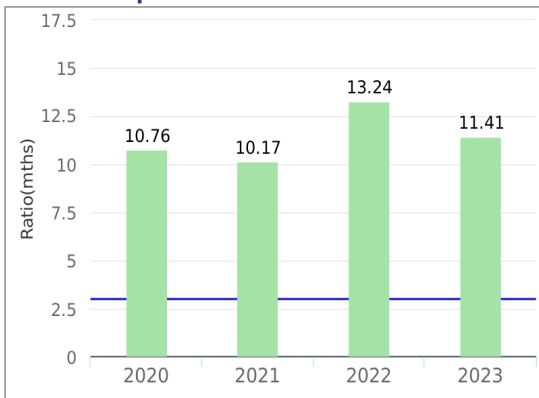
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 11.41 months

Council remains in a relatively strong position with this result.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

22 Tozer Street
WEST KEMPSEY NSW 2440

Contact details

Mailing Address:

P O Box 3078
WEST KEMPSEY NSW 2440

Telephone: 02 6566 3200

Facsimile: 02 6566 3205

Opening hours:

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

Internet: www.kempsey.nsw.gov.au

Email: ksc@council.nsw.gov.au

Officers

General Manager

Craig Milburn

Responsible Accounting Officer

Stephen Mitchell

Elected members

Mayor

Leo Hauville

Other information

ABN: 70 705 618 663



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-7 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

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

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

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

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations'
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

13 February 2024
SYDNEY



Cr Leo Hauville
Mayor
Kempsey Shire Council
PO Box 78
West Kempsey NSW 2440

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: [R008-16585809-50521](#)

13 February 2024

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting

equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 1 July 2010

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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







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

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

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

INCOME STATEMENT

Operating result

	2023	2022*	Variance
	\$m	\$m	%
Rates and annual charges revenue	47.7	45.9	 3.9
Grants and contributions revenue	58.0	49.4	 17.4
Materials and services	31.0	26.0	 19.2
Depreciation and amortisation and impairment of non-financial assets	22.4	24.0	 6.7
Operating result from continuing operations	37.8	29.8	 26.8
Net operating result before capital grants and contributions	1.8	(4.7)	 138.3

* The 2022 comparatives have been restated to correct a prior period. Note G4-1 of the financial statements provides details of the prior period error.

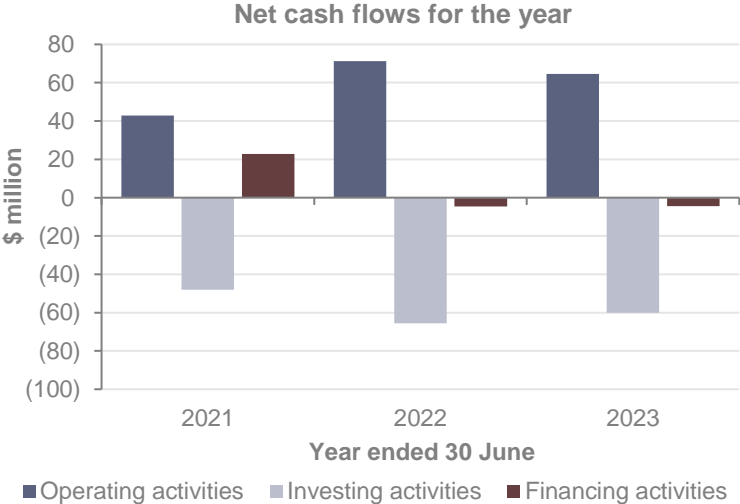
The Council’s operating result from continuing operations (\$37.8 million including depreciation, amortisation and impairment expense of \$22.4 million) was \$8 million higher than the 2021–22 result. The increase is largely attributable to the following:

- Rates and annual charges revenue (\$47.7 million) increased by \$1.8 million (3.9 percent) in 2022–23, mainly due to rate increase of 2 per cent (Rate peg of 0.8 percent and additional special variation of 1.2 percent).
- Grants and contributions revenue (\$58.0 million) increased by \$8.6 million (17.4 percent) in 2022–23 due to increases of:
- \$6.1 million of grants recognised for Transport (other roads and bridges funding)
 - \$1.8 million of grants recognised for Transport (roads to recovery)
 - \$3.2 million of funding for other specific purpose grants
 - \$2.4 million of financial assistance grants, for 2023-24 in which was received 100 percent in advance (75 percent in 2021-22).
- Materials and services expenses (\$31.0 million) increasing by \$5 million (19.2 percent) relating to the expenditure of the grants discussed above
 - Depreciation expense (\$22.4 million) reduced by \$1.6 million due to the reassessment of asset useful lives in the prior year

The net operating result before capital grants and contributions \$1.8 million improved by \$6.5 million on the 2021–22 result.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by \$6.7 million largely due to an increase in payments for materials and services.
- Net cash used in investing activities decreased by \$5.6 million. This was largely due to a decrease in the purchase of term deposits as well as payments for infrastructure, property, plant and equipment.
- Net cash used in financing activities remained largely consistent with the prior year and comprised the repayment of borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	113.1	104.7	<ul style="list-style-type: none"> Externally restricted balances largely comprise of developer contributions and sewer funds and unexpended specific purpose grants. Externally restricted cash and investments increased by \$12.6 million on the prior year from the collection of developer contributions and movements in operating cash relating to holiday parks, water and sewer activities. Internal allocations are determined by council policies or decisions, which are subject to change. Internally restricted cash and investments have remained consistent with the prior year.
Restricted and allocated cash, cash equivalents and investments:			
<ul style="list-style-type: none"> External restrictions Internal allocations 	98.2 8.8	85.6 8.1	

PERFORMANCE

Performance measures

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

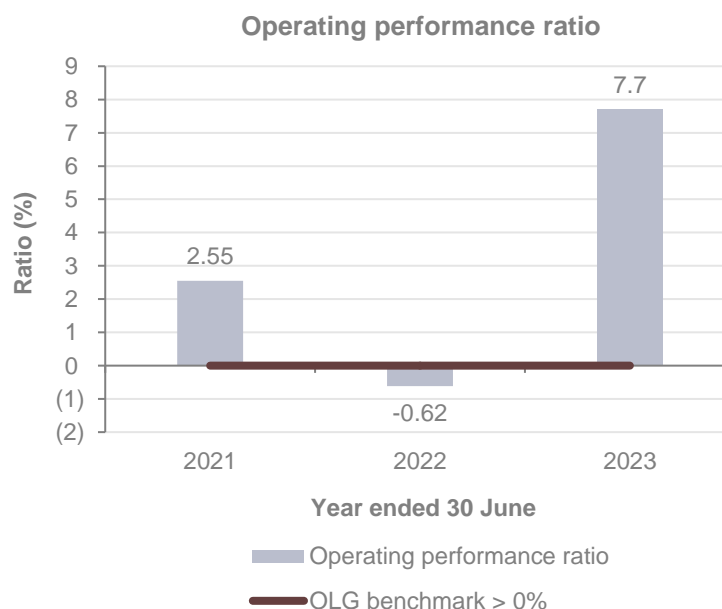
Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

This ratio has improved due to the increase in operating grants revenue recognised compared to prior years.

The 2022 ratio was restated to correct a prior period error.

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

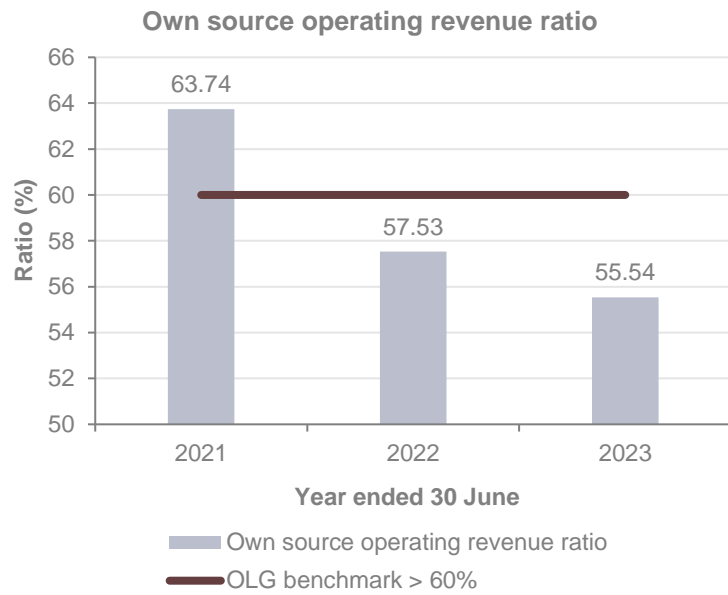


Own source operating revenue ratio

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

This ratio has been impacted by a higher level of capital grants and contributions received when compared to prior years.

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.



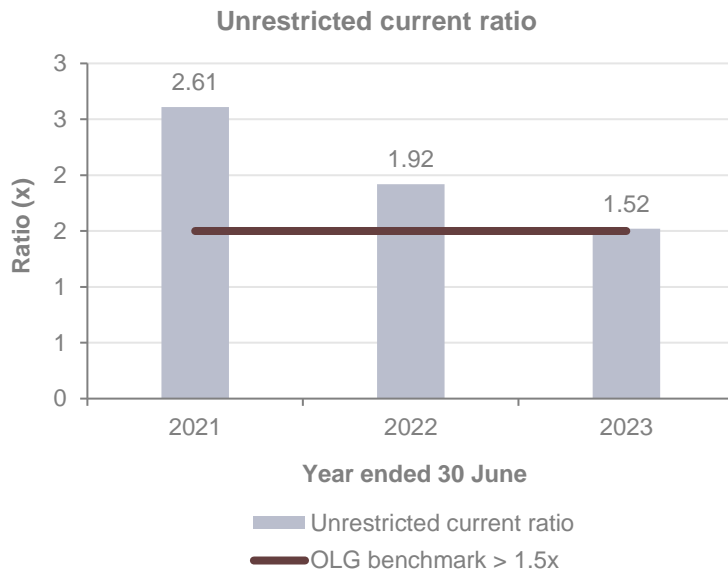
Unrestricted current ratio

The Council met the benchmark for the current reporting period.

The ratio has seen a downward trend over the past three years as Council's unrestricted cash has reduced.

The 2022 ratio was restated to correct a prior period error.

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.

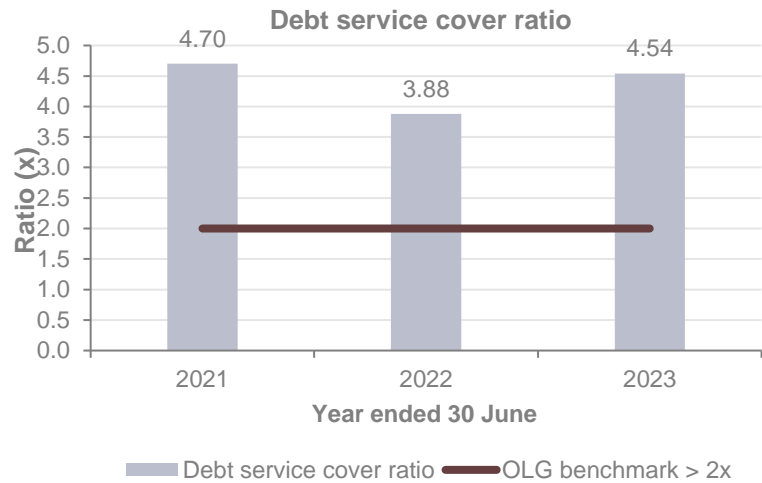


Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

The 2022 ratio was restated to correct a prior period error.

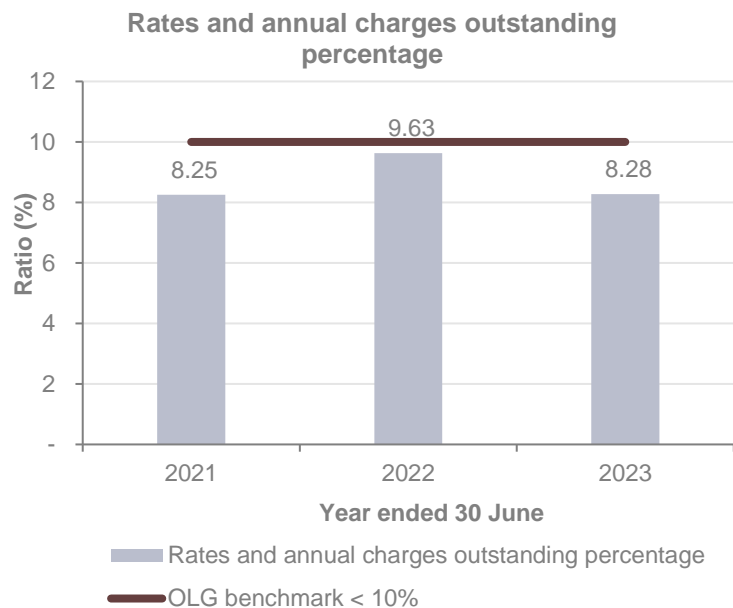
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

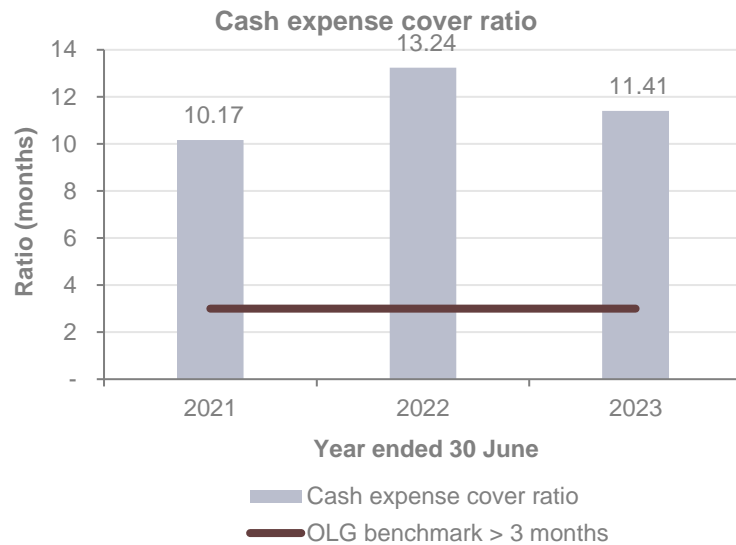
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$40 million of infrastructure, property, plant and equipment during the 2022-23 financial year. In 2022-23, major renewal projects included:

- Timber Bridge replacement program
- Road renewals throughout the Shire

OTHER MATTERS

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements due to the non-recognition of rural fire-fighting equipment which will be reported in the Management Letter.

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

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

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Mr Craig Milburn, General Manager
Mr Stephen Coates, Chair of the Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of Department of Planning, Housing and Infrastructure

Kempsey Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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Background

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

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

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

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

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

Kempsey Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

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

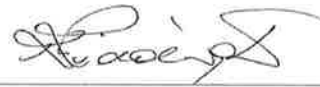
Signed in accordance with a resolution of Council made on 21 November 2023.



Leo Hauville

Mayor

12 February 2024



Kerri Riddington

Councillor

12 February 2024



Craig Milburn

General Manager

12 February 2024



Stephen Mitchell

Responsible Accounting Officer

12 February 2024

Kempsey Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
Income from continuing operations		
Access charges	5,521	5,294
User charges	8,335	7,893
Fees	311	269
Interest and investment income	588	83
Grants and contributions provided for operating purposes	437	268
Other income	147	147
Total income from continuing operations	15,339	13,954
Expenses from continuing operations		
Employee benefits and on-costs	2,983	2,813
Borrowing costs	994	1,079
Materials and services	5,667	4,649
Depreciation, amortisation and impairment	4,243	5,802
Net loss from the disposal of assets	291	740
Calculated taxation equivalents	39	39
Debt guarantee fee (if applicable)	155	165
Total expenses from continuing operations	14,372	15,287
Surplus (deficit) from continuing operations before capital amounts	967	(1,333)
Grants and contributions provided for capital purposes	2,687	2,299
Surplus (deficit) from continuing operations after capital amounts	3,654	966
Surplus (deficit) from all operations before tax	3,654	966
Less: corporate taxation equivalent (25%) [based on result before capital]	(242)	–
Surplus (deficit) after tax	3,412	966
Plus accumulated surplus	63,049	61,918
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	39	39
– Debt guarantee fees	155	165
– Corporate taxation equivalent	242	–
Less:		
– Tax equivalent dividend paid	(39)	(39)
Closing accumulated surplus	66,858	63,049
Return on capital %	1.0%	(0.1)%
Subsidy from Council	6,012	6,954
Calculation of dividend payable:		
Surplus (deficit) after tax	3,412	966
Less: capital grants and contributions (excluding developer contributions)	(2,687)	(2,299)
Surplus for dividend calculation purposes	725	–
Potential dividend calculated from surplus	363	–

Kempsey Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
Income from continuing operations		
Access charges	14,073	13,163
User charges	1,100	1,039
Liquid trade waste charges	299	239
Fees	215	264
Interest and investment income	552	65
Grants and contributions provided for operating purposes	108	110
Other income	211	238
Total income from continuing operations	16,558	15,118
Expenses from continuing operations		
Employee benefits and on-costs	3,007	2,647
Borrowing costs	724	799
Materials and services	5,581	5,166
Depreciation, amortisation and impairment	4,033	4,103
Net loss from the disposal of assets	322	48
Calculated taxation equivalents	28	28
Debt guarantee fee (if applicable)	62	68
Total expenses from continuing operations	13,757	12,859
Surplus (deficit) from continuing operations before capital amounts	2,801	2,259
Grants and contributions provided for capital purposes	1,246	4,357
Surplus (deficit) from continuing operations after capital amounts	4,047	6,616
Surplus (deficit) from all operations before tax	4,047	6,616
Less: corporate taxation equivalent (25%) [based on result before capital]	(700)	(565)
Surplus (deficit) after tax	3,347	6,051
Plus accumulated surplus	60,974	54,290
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	28	28
– Debt guarantee fees	62	68
– Corporate taxation equivalent	700	565
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	65,083	60,974
Return on capital %	2.6%	2.4%
Subsidy from Council	1,893	1,515
Calculation of dividend payable:		
Surplus (deficit) after tax	3,347	6,051
Less: capital grants and contributions (excluding developer contributions)	(1,246)	(4,357)
Surplus for dividend calculation purposes	2,101	1,694
Potential dividend calculated from surplus	1,050	847

Kempsey Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	17,081	13,013
Investments	14,116	13,399
Receivables	3,082	3,151
Inventories	21	5
Total current assets	34,300	29,568
Non-current assets		
Infrastructure, property, plant and equipment	198,327	183,055
Total non-current assets	198,327	183,055
Total assets	232,627	212,623
LIABILITIES		
Current liabilities		
Contract liabilities	4,032	–
Payables	97	102
Borrowings	1,757	1,678
Total current liabilities	5,886	1,780
Non-current liabilities		
Borrowings	21,897	23,654
Total non-current liabilities	21,897	23,654
Total liabilities	27,783	25,434
Net assets	204,844	187,189
EQUITY		
Accumulated surplus	66,858	63,049
Revaluation reserves	137,986	124,140
Total equity	204,844	187,189

Kempsey Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 <i>Actual</i> \$ '000	2022 <i>Actual</i> \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	9,871	8,862
Investments	14,800	10,555
Receivables	1,462	2,976
Inventories	21	5
Total current assets	26,154	22,398
Non-current assets		
Infrastructure, property, plant and equipment	134,776	124,934
Total non-current assets	134,776	124,934
Total assets	160,930	147,332
LIABILITIES		
Current liabilities		
Contract liabilities	1,561	11
Payables	93	67
Borrowings	1,345	1,273
Total current liabilities	2,999	1,351
Non-current liabilities		
Borrowings	11,049	12,395
Total non-current liabilities	11,049	12,395
Total liabilities	14,048	13,746
Net assets	146,882	133,586
EQUITY		
Accumulated surplus	65,083	60,974
Revaluation reserves	81,799	72,612
Total equity	146,882	133,586

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

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

a. Water Supply

Water supply services within the Kempsey Shire Council area

b. Sewerage Service

Sewerage services within the Kempsey Shire Council area

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%

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 **1.6% + \$100**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred to regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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

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

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(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 DPIE – 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 section 4 of DPE - Water's regulatory and assurance framework, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPE – Water.



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

To the Councillors of Kempsey Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

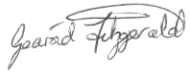
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

13 February 2024
SYDNEY

Kempsey Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

Special Schedules

for the year ended 30 June 2023

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

Kempsey Shire Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	21,967	22,704
Plus or minus adjustments ²	b	285	203
Notional general income	c = a + b	22,252	22,907
Permissible income calculation			
Rate peg percentage	e	2.00%	3.70%
Or plus rate peg amount	i = e x (c + g)	445	848
Sub-total	k = (c + g + h + i + j)	22,697	23,755
Plus (or minus) last year's carry forward total	l	11	4
Sub-total	n = (l + m)	11	4
Total permissible income	o = k + n	22,708	23,759
Less notional general income yield	p	22,704	23,755
Catch-up or (excess) result	q = o - p	4	4
Carry forward to next year ³	t = q + r - s	4	4
Notes			

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.

(3) 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

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:


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

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

13 February 2024
SYDNEY

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings – non-specialised	200	200	746	616	34,678	72,246	9.7%	36.2%	45.1%	5.5%	3.5%	
	Buildings – specialised	200	200	379	313	19,655	39,322	21.0%	16.0%	47.7%	8.4%	6.9%	
	Sub-total	400	400	1,125	929	54,333	111,568	13.7%	29.1%	46.0%	6.5%	4.7%	
Other structures	Other structures	199	199	23	19	1,213	2,382	26.8%	6.6%	58.3%	6.9%	1.4%	
	Sub-total	199	199	23	19	1,213	2,382	26.8%	6.6%	58.3%	6.9%	1.4%	
Roads	Sealed roads	14,122	14,122	5,694	5,694	196,069	286,007	5.1%	15.4%	70.8%	8.1%	0.6%	
	Unsealed roads	2,048	2,048	2,324	1,524	16,261	30,248	7.5%	53.8%	32.0%	5.5%	1.2%	
	Bridges	1,746	1,746	157	157	71,643	113,438	26.5%	15.5%	48.5%	6.5%	3.0%	
	Footpaths	577	577	31	31	16,635	29,987	30.0%	8.5%	46.0%	14.8%	0.7%	
	Other road assets	8,223	8,223	156	156	58,731	100,309	17.8%	36.4%	36.9%	7.1%	1.8%	
	Bulk earthworks	–	–	–	–	274,130	274,130	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	26,716	26,716	8,362	7,562	633,469	834,119	41.7%	14.0%	38.1%	5.2%	1.0%	
Water supply network	Water supply network	11,581	11,581	1,714	1,714	189,554	319,532	31.1%	28.2%	30.7%	6.4%	3.6%	
	Sub-total	11,581	11,581	1,714	1,714	189,554	319,532	31.1%	28.2%	30.7%	6.4%	3.6%	
Sewerage network	Sewerage network	37,598	37,598	164	164	128,179	256,873	27.1%	27.2%	14.7%	16.4%	14.6%	
	Sub-total	37,598	37,598	164	164	128,179	256,873	27.1%	27.2%	14.7%	16.4%	14.6%	
Stormwater drainage	Stormwater drainage	3,367	3,367	1,178	1,178	104,761	156,757	47.7%	34.0%	11.5%	5.8%	1.0%	
	Sub-total	3,367	3,367	1,178	1,178	104,761	156,757	47.7%	34.0%	11.5%	5.8%	1.0%	
Open space / recreational assets	Swimming pools	149	149	746	746	2,860	6,605	0.0%	0.0%	97.7%	2.3%	0.0%	
	Other	1,431	1,431	3,999	3,999	17,683	31,347	35.0%	12.9%	42.6%	5.7%	3.8%	
	Sub-total	1,580	1,580	4,745	4,745	20,543	37,952	28.9%	10.7%	52.2%	5.1%	3.1%	
Total – all assets		81,441	81,441	17,311	16,311	1,132,052	1,719,183	36.0%	21.3%	31.7%	7.3%	3.7%	

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

Kempsey Shire Council

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

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

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

	Amounts		Indicator		Indicators		Benchmark
	Actual 2023	Actual 2023	Restated Actual 2022	Actual 2021			
\$ '000							
Buildings and infrastructure renewals ratio							
Asset renewals ¹	7,869	40.56%	37.34%	37.28%	> 100.00%		
Depreciation, amortisation and impairment	19,402						
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	81,441	6.95%	8.56%	8.83%	< 2.00%		
Net carrying amount of infrastructure assets	1,171,764						
Asset maintenance ratio							
Actual asset maintenance	16,311	94.22%	96.51%	94.10%	> 100.00%		
Required asset maintenance	17,311						
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	81,441	4.74%	5.97%	5.99%			
Gross replacement cost	1,719,183						

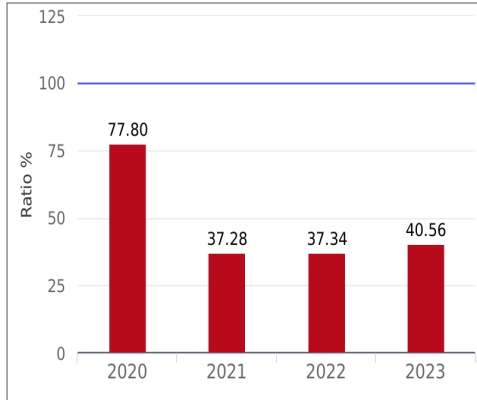
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 40.56%

The ratio is in line with prior year results and demonstrates Council's Capital Works Program is still dominated by external funding which contains significant upgrade / new components to address functional deficiencies.

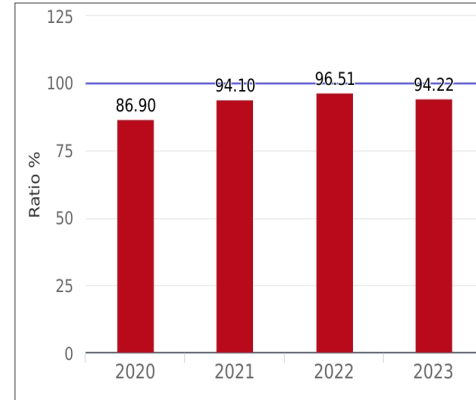
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 94.22%

Asset maintenance is slightly below benchmark levels but is comparable with prior year.

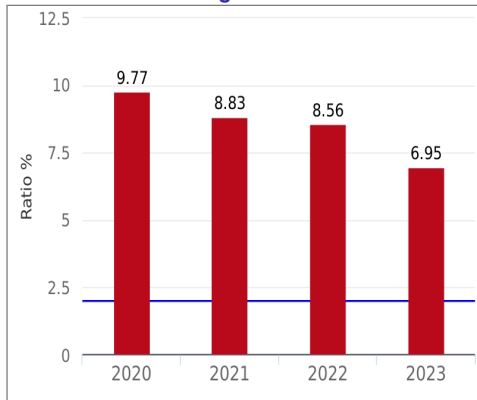
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 6.95%

The ratio is trending towards benchmark and is in line with the buildings and infrastructure renewals ratio. This year saw a major increase in capital works completion.

Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 4.74%

The ratio is in line with prior year results and work is continuing to better understand service levels and associated risk.

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	53.23%	54.88%	30.55%	22.07%	15.50%	9.08%	> 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	3.78%	5.79%	6.11%	6.32%	29.33%	29.83%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	93.52%	96.07%	100.00%	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	2.82%	4.46%	3.62%	3.84%	14.64%	14.98%	
Gross replacement cost							

(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.