

13.2 Presentation of the 2021/22 Annual Financial Statements

CSP Objective: Outcome 12: Public funds and assets are managed strategically, transparently and efficiently

CSP Strategy: 12.1 Manage Public Funds in accordance with Financial Management Standards and the Local Government Act

Delivery Program: 12.1.1 Improved financial reporting and legislative compliance through reporting, scrutiny and oversight processes.

Item 13.2

Summary

Council is required to advertise a summary of Audited Financial Statements for the year and formally present them to the public in accordance with the Local Government Act 1993.

Any person may make a submission with respect to the financial reports within seven days of them being presented to Council.

Financial implication

N/A

Risk implication

Audits provide assurance to Council and the community that the Financial Statements accurately represent Council's financial position at the end of the financial year.

Policy

In accordance with sections 418 and 419 of the Local Government Act 1993, Council is required to advertise a summary of the financial result for the year and formally present the Annual Financial Statements to the public.

Any person may make a written submission with respect to the financial reports within seven (7) days of the reports being presented to the public.

As required under the Local Government Act 1993, Council will provide all submissions to the auditors and, in addition, may take action as considered appropriate.

Consultation (External)

Audit Office of NSW

Consultation (internal)

Audit, Risk & Improvement Committee meetings – 8 August & 7 September 2023

Mayor and Councillors

CEO

COO

Communication/Community engagement

Public Notice of a summary of the financials has been advertised locally to give the community an opportunity to provide a submission.

Report of the Chief Executive Officer

13.2 Presentation of the 2021/22 Annual Financial Statements (cont)

Attachments

- 1 Financial Statements 2021-22 [↓](#)

Enclosures

Nil

RECOMMENDATION

That Council

1. Note the report on the presentation of the 2021/22 Annual Financial Statements.
2. Formally present the 2021/22 Audited Financial Statements and Audit Reports to the public in accordance with sections 418 and 419 of the Local Government Act 1993.

Background

Kiama Municipal Council's audited 2021/22 Annual Financial Statements have been finalised. The NSW Audit Office has provided their audit reports and the Audited Financial Statements were submitted to the Office of Local Government on 28 September 2023.

Report

Council has provided public notice that the Financial Statements and Auditor's reports will be presented at this meeting in accordance with Section 418 of the Local Government Act 1993 and has invited public submissions. Public submissions will remain open until 25 October 2023.

The 2021/22 Audited Financial Statements have been the focus and attention of both Council, external auditors, NSW Audit Office and NSW OLG with the financial sustainability and ability of Council to demonstrate going concern status being a major issue.

Note A1-1 on page 12 of the Financial Statements refers to going concern as follows:

Council is a not-for-profit entity.

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

This is quite different to the separate disclosure required for the 2021 Financial Statements signed earlier this year. This again reflects the decisions and actions of Council to improve its financial position, together with Council's Financial Sustainability and Cash Flow Strategy, are providing confidence to Auditors and Regulatory Bodies

Council and CEO also addressed the issue of 'self-disclosure' of its financial issues and underlying difficulties with internal records and systems through the Statement by Councillors and Management. In addition, a specific note to the accounts was disclosed addressing deficiencies in Infrastructure, Property, Plant and Equipment revaluations and restricted and allocated cash, cash equivalents and investments.

Report of the Chief Executive Officer

13.2 Presentation of the 2021/22 Annual Financial Statements (cont)

Councillors are well aware of the Audit Office of NSW's disclaimer of opinion on the 2020/21 financial statements. However, the recent audit of the 2021/22 financial statements has provided an opportunity to make progress towards obtaining an unmodified audit opinion. This progress has been achieved by gradually reducing the number of financial statement lines for which sufficient audit evidence could not be provided.

During the preparation of the 2021/22 financial statements, management has made significant strides towards obtaining an unmodified audit opinion.

The Auditor indicated to Council at its meeting on 19 September that significant improvements had been made and that they were supportive and comfortable of the actions and plans that Council has in place to restore its financial position and sustainability including upcoming asset divestment and operational efficiency reviews. The auditor also indicated that the impacts of the unqualified opinion from 2021 would likely take a "few years" to work its way through and out of upcoming audits. The audit opinion had not been finalized but an unqualified and modified opinion subject to opening balances carried forward from 2021 and asset balances requiring re-valuation at 2022 was a likely conclusion.

Since the meeting, the Deputy Auditor General in their final review of the audit, concluded that a qualified and disclaimed opinion because of the opening balances carried forward from 2021, asset balances requiring re-valuation at 2022 and some of the internal restricted fund balances at 2022 was more appropriate.

This was communicated with Councillors out of session and approval was received to proceed with the finalised audit opinion and that regulatory timeframes with OLG and public exhibition processes be maintained.

A copy of the out of session email is provided below:

Report of the Chief Executive Officer

13.2 Presentation of the 2021/22 Annual Financial Statements (cont)

From: Joe Gaudiosi
Sent: Wednesday, 27 September 2023 3:25 PM
To: Councillors
Cc:
Subject: FW: Updated Statement by Councillors and Management
Attachments: Statement by Councillors and Management SPFS.pdf; Statement by Councillors and Management GPFS.pdf; Signed copy 19.09.2023.pdf

Dear Councillors

Please find attached a late change required by NSW Audit Office regarding the Statement by Councillors & Management subsequent to the Council meeting last week. The change was required after the audit and related information was reviewed by the Deputy Auditor General further to the review that had been undertaken by the Technical Issues Committee.

It stems from a technicality regarding the audit opinion and therefore (re)aligning the Statement by Councillors & Management with the audit opinion. The technicality does not change the Financial Statements nor the resulting management letter points that Council will receive and the underlying work or actions that will be required of Management in improving or remedying the points raised, but nonetheless is disappointing. On a positive note, it does demonstrate the decision was a very carefully considered process having passed through several layers at the NSW AO before being changed at Deputy AG level, and therefore encouraging that the improved disclosure should occur in the 2023 Statements.

has provided the different version in the email below for your information and consideration. If I can try and explain the change from a very generalised perspective, the subtlety of the technicality is that the audit opinion was originally framed as "the statements and information are in accordance with except for the matters noted above" this has changed to "because of the matters noted above, the statements and information are not in accordance with"

The Director from NSW AO, and ourselves, are comfortable that a separate meeting with ARIC and Councillors is not required.

The Recommendation passed by Council at its meeting last week was:

RECOMMENDATION

That Council:

1. resolves to release all internal reserve balances held as at 30 June 2022 for accounting purposes to address unrestricted cash deficit as presented in Note C1-3 of 2021/22 General Purpose Financial Statements. Internal reserves to be re-established for management reporting purposes in the following month.
2. notes the financial result for the year ending 30 June 2022.
3. notes the governance role played by Council's Audit, Risk and Improvement Committee in overseeing the preparation and finalisation of the audited 2021/22 financial statements.
4. authorises the Statement by Councillors and Management be signed by the Chief Executive Officer, the Responsible Accounting Officer, the Mayor and a Councillor as required by the Local Government Act 1993.

We believe the Recommendation can still apply but as the actual wording of the Statement by Councillors & Management has changed from that presented, it is important that this is highlighted and your return email endorsement is received so that the audit opinion can be issued by 30 September and Council timeframes regarding completion of 2022 Financial Statements with NSW OLG can be met. This out of session process can and will be captured for reporting to Council's October meeting.

Can each of you please "reply all" with your response and endorsement for the 2022 Financial Statements and the Statement by Councillors & Management to proceed with the late change as shown above. Once we have 5 endorsements, we will instruct NSW AO to proceed with finalisation and issuance of their audit opinion.

Regards
 Joe



Joe Gaudiosi
 Chief Operating Officer
 Kiama Municipal Council

Report of the Chief Executive Officer

13.2 Presentation of the 2021/22 Annual Financial Statements (cont)

Management will continue to work diligently to address remaining issues and provide the necessary evidence to support all financial statement items in the upcoming periods.

Progress against the Performance Improvement Order and Strategic Improvement Plan has also been made.

There has also been significant media attention and coverage of the audited financial statements that Council Management has covered by way of media release along with CEO and Mayor media interviews. Overall, the remaining issues and the audit process in general reflect a significantly improved position compared to 2021.

A summary of the Financial Statements is provided below.

	2022 \$ '000	2021 \$ '000
Income Statement		
Total income from continuing operations	78,646	82,386
Total expenses from continuing operations	97,345	76,371
Operating result from continuing operations	(18,699)	6,015
Net operating result for the year	(18,699)	6,015
Net operating result before grants and contributions provided for capital purposes	(21,593)	1,269
Statement of Financial Position		
Total current assets	70,205	46,092
Total current liabilities	(152,060)	(141,107)
Total non-current assets	697,321	656,502
Total non-current liabilities	(52,197)	(53,393)
Total equity	563,269	508,094
Other financial information		
Unrestricted current ratio (times)	0.79	—
Operating performance ratio (%)	(13.65)%	0.00%
Debt service cover ratio (times)	1.26	—
Rates and annual charges outstanding ratio (%)	0.41%	0.00%
Infrastructure renewals ratio (%)	43.08%	104.71%
Own source operating revenue ratio (%)	73.49%	0.00%
Cash expense cover ratio (months)	8.62	—

Please refer to the attached 2021/22 Annual Financial Statements for details.

Final Management Letter

The Auditors Management Letter on the Final Phase of the Audit for the year ended 30 June 2022 has not been received at the time of the preparation of this report.

This letter is deemed by the Audit Office of NSW to fall within the definition of 'excluded information' contained in Schedule 2(2) of the Government Information (Public Access) Act 2009 contains an audit observation, risk assessment, recommendation(s) and managements formal response addressing each matter.

Report of the Chief Executive Officer

13.2 Presentation of the 2021/22 Annual Financial Statements (cont)

Once the letter is received it will be provided to the Audit, Risk and Improvement Committee for review and ongoing follow-up.

Item 13.2



KIAMA MUNICIPAL COUNCIL
your council, your community



Kiama Municipal Council

General Purpose Financial Statements for the year ended 30 June 2022



Item 13.2

Attachment 1

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

During preparation of the 2020-21 financial statements, Council identified underlying issues in relation to its internal control environment and the maintenance of appropriate books and records. These issues related to the year ended 30 June 2021. There were several factors that contributed to these issues, including:

- High turnover in key management and senior staff positions which resulted in a loss of corporate knowledge.
- Finance team turnover and vacancies.
- Operational challenges and additional costs due to the impact of the COVID-19 pandemic.
- Insufficient controls and testing over the implementation of a new finance IT system.
- Weaknesses in internal controls over reconciliations and working papers.

Although Council prepared the 2021-21 financial statements based on the underlying books and records, due to the pervasive nature of the issues identified above, Councillors and Management were unable to warrant the completeness and reliability of the financial statements taken as a whole.

Accordingly, in preparing the 2021-22 financial statements, Councillors and Management are unable to rely on the prior year comparative information presented, which make up the opening balances in the 2021-22 financial statements. This impacts items in the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity and related notes.

During preparation of the 2021-22 financial statements, the following could not be verified by management:

Infrastructure, Property, Plant and Equipment (IPPE)

Note C1-8 discloses Council's total net carrying value of IPPE at 30 June 2022 as \$551.0 million. For the year ended 30 June 2022, management conducted a comprehensive revaluation for buildings and operational land, with net carrying values of \$151.3 million and \$49.9 million, respectively. Councillors and Management are satisfied that the closing net carrying values of buildings and operational land are fairly stated as at 30 June 2022.

The completeness, accuracy and valuation of the remaining categories within the IPPE balance, with a total closing net carrying value of \$349.8 million, could not be verified for the year ended 30 June 2022. Councillors and management are unable to warrant the completeness, accuracy and valuation of these balances. A plan has been put into place to continue the revaluation cycle for these asset classes in future years.

For those categories of IPPE that are unable to be verified for the year ended 30 June 2022, Councillors and Management are also unable to attest to the completeness, accuracy and valuation of the following related disclosures in the financial statements:

- Employee Benefits and on-costs, relating to employee related expenses capitalised into assets, disclosed as \$0.39 million.
- Depreciation expense disclosed as \$11.81 million.
- Gain or loss from the disposal, replacement and de-recognition of assets, relating to the gain or loss on disposal of plant and equipment, disclosed as \$0.38 million.
- Material budget variations relating to depreciation expense.
- Operating performance ratio in Note F5-1 'Statement of performance measures - consolidated results'
- Note B1-1 'Functions or activities - income, expenses and assets'
- Fair value measurement note (excluding buildings and operational land)

Restricted and allocated cash, cash equivalents and investments

Note C1-3 discloses \$53.91 million as Council's total restricted and allocated cash, cash equivalents and investments balance at 30 June 2022. Although Councillors and Management are satisfied that Council's total cash, cash equivalents and investments balance at 30 June 2022 can be verified, Councillors and Management could not verify the accuracy of the balances related to Holiday Parks (Crown Land); Blue Haven aged in-home care unspent client funds; domestic waste management; Blue Haven ILU maintenance levy carried forward surplus (Terralong and Bonaira); and Blue Haven Community Services Bus replacement fund. These five components total \$7.1 million. With regards to the Blue Haven residential aged care prudential standards, Councillors and Management have externally restricted \$4.4 million which accords with an outdated liquidity management strategy. This strategy has been updated effective 30 June 2022 and this balance should have been disclosed as \$4.75 million.

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management (continued)


Due to the issues described above, Management and Councillors are unable to determine the impact on the unrestricted current ratio in Note F5-1 'Statement of performance measures – consolidated results'.

Because of the issues raised above we are unable to certify that the attached general purpose financial statements have been prepared in accordance with:

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

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

Signed in accordance with a resolution of Council made on 19 September 2023.



Neil Reilly
Mayor
26 September 2023



Imogen Draisma
Deputy Mayor
26 September 2023



Jane Stroud
Chief Executive Officer
26 September 2023



Olena Tulubinska
Responsible Accounting Officer
26 September 2023

Kiama Municipal Council | Income Statement | for the year ended 30 June 2022

Kiama Municipal Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
26,503	Rates and annual charges	B2-1	25,764	25,411
22,141	User charges and fees	B2-2	22,904	21,543
5,156	Other revenues	B2-3	5,839	5,011
16,763	Grants and contributions provided for operating purposes	B2-4	16,872	14,625
5,597	Grants and contributions provided for capital purposes	B2-4	2,894	4,746
212	Interest and investment income	B2-5	289	247
–	Other income	B2-6	4,084	10,803
378	Net gain from the disposal of assets	B4-1	–	–
76,750	Total income from continuing operations		78,646	82,386
	Expenses from continuing operations			
33,924	Employee benefits and on-costs	B3-1	35,729	35,526
21,789	Materials and services	B3-2	31,224	26,195
2,812	Borrowing costs	B3-3	1,510	1,248
10,898	Depreciation, amortisation and impairment of non-financial assets	B3-4	11,814	11,314
4,479	Other expenses	B3-5	1,402	924
–	Net loss from the disposal of assets	B4-1	15,666	1,164
73,902	Total expenses from continuing operations		97,345	76,371
2,848	Operating result from continuing operations		(18,699)	6,015
2,848	Net operating result for the year attributable to Council		(18,699)	6,015
(2,749)	Net operating result for the year before grants and contributions provided for capital purposes		(21,593)	1,269

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

Kiama Municipal Council | Statement of Comprehensive Income | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		(18,699)	6,015
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	73,874	26,451
Other comprehensive income – joint ventures and associates	D2-2	–	(59)
Total items which will not be reclassified subsequently to the operating result		73,874	26,392
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain / (loss) on revaluation of other reserves		–	(5,350)
Gain / (loss) on revaluation of equity instruments at fair value through Other Comprehensive Income		–	59
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(5,291)
Total other comprehensive income for the year		73,874	21,101
Total comprehensive income for the year attributable to Council		55,175	27,116

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

Kiama Municipal Council | Statement of Financial Position | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	15,224	15,429
Investments	C1-2	31,587	22,214
Receivables	C1-4	2,587	3,233
Inventories	C1-5	302	246
Contract assets and contract cost assets	C1-6	216	1,218
Current assets classified as held for sale	C1-7	20,178	3,752
Other		111	–
Total current assets		70,205	46,092
Non-current assets			
Investments	C1-2	7,000	9,014
Receivables	C1-4	191	233
Infrastructure, property, plant and equipment (IPPE)	C1-8	550,979	508,009
Investment property	C1-9	139,030	139,078
Right of use assets		121	168
Total non-current assets		697,321	656,502
Total assets		767,526	702,594
LIABILITIES			
Current liabilities			
Payables	C2-1	139,339	128,454
Contract liabilities	C2-2	3,719	3,931
Lease liabilities		36	99
Borrowings	C2-3	1,000	1,219
Employee benefit provisions	C2-4	7,966	7,404
Total current liabilities		152,060	141,107
Non-current liabilities			
Payables	C2-1	–	27
Lease liabilities		6	78
Borrowings	C2-3	51,427	52,520
Employee benefit provisions	C2-4	764	768
Total non-current liabilities		52,197	53,393
Total liabilities		204,257	194,500
Net assets		563,269	508,094
EQUITY			
Accumulated surplus		187,229	205,928
IPPE revaluation reserve	C3-1	376,040	302,166
Council equity interest		563,269	508,094
Total equity		563,269	508,094

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

Kiama Municipal Council

Statement of Changes in Equity for the year ended 30 June 2022

	2022				2021			
	Accumulated surplus	IPPE revaluation reserve	Other reserves (specify)	Total equity	Accumulated surplus	IPPE revaluation reserve	Other reserves (specify)	Total equity
\$ '000								
Opening balance at 1 July	205,928	302,166	-	508,094	199,913	275,715	5,350	480,978
Restated opening balance	205,928	302,166	-	508,094	199,913	275,715	5,350	480,978
Net operating result for the year	(18,699)	-	-	(18,699)	6,015	-	-	6,015
Restated net operating result for the period	(18,699)	-	-	(18,699)	6,015	-	-	6,015
Other comprehensive income								
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	73,874	-	73,874	-	26,451	-	26,451
Realised (gain) loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(5,350)	(5,350)
Other comprehensive income	-	73,874	-	73,874	-	26,451	(5,350)	21,101
Total comprehensive income	(18,699)	73,874	-	55,175	6,015	26,451	(5,350)	27,116
Closing balance at 30 June	187,229	376,040	-	563,269	205,928	302,166	-	508,094

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

Kiama Municipal Council | Statement of Cash Flows | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
26,503	Rates and annual charges		25,994	25,199
22,141	User charges and fees		23,084	21,842
212	Interest received		115	510
22,360	Grants and contributions		22,118	19,894
–	Bonds, deposits and retentions received		200	27
5,156	Other		3,398	3,086
Payments:				
(35,775)	Payments to employees		(34,977)	(35,966)
(21,789)	Payments for materials and services		(34,701)	(25,900)
(2,812)	Borrowing costs		(1,615)	(1,665)
(4,479)	Other		(800)	5,523
11,517	Net cash flows from operating activities	G1-1	2,816	12,550
Cash flows from investing activities				
Receipts:				
378	Proceeds from sale of IPPE		925	588
Payments:				
–	Purchase of investments		(13)	(65)
–	Acquisition of term deposits		(7,346)	(19,154)
–	Purchase of investment property		–	(8)
(15,865)	Payments for IPPE		(9,810)	(13,051)
–	Contributions paid to joint ventures and associates		–	59
(15,487)	Net cash flows from investing activities		(16,244)	(31,631)
Cash flows from financing activities				
Receipts:				
9,517	Proceeds from retirement villages and residential aged care bonds		14,530	22,086
Payments:				
–	Repayment of borrowings		(1,219)	(1,395)
–	Principal component of lease payments		(88)	(127)
9,517	Net cash flows from financing activities		13,223	20,564
5,547	Net change in cash and cash equivalents		(205)	1,483
39,169	Cash and cash equivalents at beginning of year		15,429	13,946
44,716	Cash and cash equivalents at end of year	C1-1	15,224	15,429
–	plus: Investments on hand at end of year	C1-2	38,587	31,228
44,716	Total cash, cash equivalents and investments		53,811	46,657

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

Kiama Municipal Council

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Kiama Municipal Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government (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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

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

In preparing the 2021-22 financial statements, Council has formed the view that it has accessed restricted funds during the 2021-22 financial year without the approval of Council (for internal restrictions) or the Minister (for external restrictions), as required by the Local Government Act 1993.

Council is a not for-profit entity.

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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 investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables (refer Note C1-4)
- (ii) Revenue recognition (AASB 15 and AASB 1058)

Monies and other assets received by Council

The Consolidated Fund

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

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

A1-1 Basis of preparation (continued)

- General purpose operations
- Holiday Parks
- Pavilion function centre operations
- Blue Haven Aged Care and Retirement Village operations

The Trust Fund

Council does not have Trust Funds.

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 not accounted for the volunteer services received in the income statement on the basis that the volunteer services were not material, not be purchased if not donated or could not be reliably measured during the reporting year.

New accounting standards and interpretations issued but not yet effective

Certain new interpretations have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

As at the date of authorisation of these financial statements Council does not consider that any of new interpretations have a material impact on Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2022. For this period, no new standards had been introduced and hence there was no significant impact on Council's reported position or performance.

Kiamia Municipal Council | Notes to the Financial Statements 30 June 2022

B Financial Performance**B1 Functions or activities****B1-1 Functions or activities – income, expenses and assets**

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.							
\$ '000	Income		Expenses		Operating result		Carrying amount of assets
	2022	2021	2022	2021	2022	2021	
Functions or activities							
Office of Chief Executive Officer	838	482	3,272	5,145	(2,434)	(4,663)	–
Office of Chief Operating Officer	51,146	52,901	62,435	39,273	(11,289)	13,628	70,187
Planning, Environment and Communities	18,589	21,062	14,970	13,001	3,619	8,061	233,932
Infrastructure and Liveability	8,073	7,941	16,668	18,952	(8,595)	(11,011)	463,407
Total functions and activities	78,646	82,386	97,345	76,371	(18,699)	6,015	767,526
							702,594

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B1-2 Components of functions or activities

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

Office of Chief Executive Officer

Governance costs relating to Council's role as a component of democratic government; including elections, meetings of council and policy making committees, members' fees and expenses, subscriptions to local authority associations, area representation and public disclosure and tourism.

Office of Chief Operating Officer

Corporate and other support services, human resources, finance, information technology, governance, member services, risk management, aged care and retirement village operations.

Planning, Environment and Communities

Animal control, building control, compliance, enforcement of local government regulations, food control, public conveniences, public halls, immunisation, town planning, environmental protection, community centre, youth services, family history centre, public libraries other community services.

Infrastructure and Liveability

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters, fire protection, RTA works, street lighting, emergency services, street cleaning, public cemeteries, swimming pools, sporting grounds, parks and gardens, private works, stormwater drainage, engineering support services, holiday and caravan parks, real estate development, indoor sports complex, leisure centre, waste unit and waste management, property maintenance and beach control.

The functions are based on the Council's structure as at the date of authorisation of financial statements.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	16,950	16,867
Business	1,509	1,518
Farmland	722	699
Less: pensioner rebates (Council policy)	(152)	(155)
Less: pensioner rebates (mandatory)	(192)	(190)
Rates levied to ratepayers	18,837	18,739
Pensioner rate subsidies received	173	172
Total ordinary rates	19,010	18,911
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,348	6,118
Waste management services (non-domestic)	243	222
Stormwater management services	226	224
Less: pensioner rebates (Council policy)	(57)	(57)
Less: pensioner rebates (mandatory)	(70)	(70)
Annual charges levied	6,690	6,437
Pensioner subsidies received:		
– Domestic waste management	64	63
Total annual charges	6,754	6,500
Total rates and annual charges	25,764	25,411

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates and 2% rates increase.

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	2022	2021
User charges		
Domestic waste management services	1,700	175
Contract plant and truck hire	705	995
Waste management services (non-domestic)	6	25
Trade waste	–	13
Total user charges	2,411	1,208
Other user charges and fees		
Planning and building regulation	763	702
Building services – other	278	293
Registration fees	99	79
Inspection services	55	55
Section 603 certificates	42	55
Holiday parks	10,340	10,879
Blue Haven aged care	5,503	5,037
Leisure centre	1,588	1,131
Council properties	1,011	1,426
Public cemeteries	382	314
Waste disposal tipping fees	140	126
Engineering services	121	114
Saddleback mountain tower	88	(10)
Blue Haven care – in home support packages	26	52
Cemeteries	6	–
Library and family history centre	5	7
Footpath Dining	1	1
Other	45	74
Total other user charges and fees	20,493	20,335
Total user charges and fees	22,904	21,543

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

\$ '000	2022	2021
Deferred payment liabilities amortisation	4,555	3,468
Visitor Information Centre	369	134
Motor vehicle leaseback	221	245
Fines – other	202	175
Recycling income (non-domestic)	145	107
Insurance claims recoveries	111	69
Section 88 rebate	78	75
Diesel fuel rebate	53	67
Legal Settlements	25	9
Rental income – investment property	19	17
Commissions and agency fees	11	103
Return & Earn	11	41
Fines – parking	5	10
Other	128	46
Workers Compensation Rebate	–	101
Sales – general	(94)	344
Total other revenue	5,839	5,011

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

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

Rental income is accounted for on a straight-line basis over the lease term.

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

B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
Current year allocation				
Financial assistance	950	861	—	—
Payment in advance - future year allocation				
Financial assistance	1,460	922	—	—
Amount recognised as income during current year	2,410	1,783	—	—
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Residential Aged Care and Home Care Funding (HCP)	10,733	6,810	—	1,473
Commonwealth Home Support Program (CHSP)	1,250	3,636	—	—
Transport for NSW contributions (regional roads, block grant)	647	660	—	—
Transport (roads to recovery)	323	323	—	—
Community transport	295	343	—	—
Bushfire and emergency services	253	250	—	—
Tourism	200	—	221	—
Library	119	116	85	1,283
Youth opportunities	87	165	—	—
Road safety program	48	58	—	—
Environmental programs	36	91	—	—
LIRS subsidy	32	42	—	—
Cultural development	31	41	—	—
Recreation and culture	21	—	909	693
Community services	1	190	—	—
Economic development	—	2	—	60
Other specific grants	386	74	—	—
Transport (other roads and bridges funding)	—	—	875	369
Community bus	—	41	—	—
Total special purpose grants and non-developer contributions (tied)	14,462	12,842	2,090	3,878
Total grants and non-developer contributions	16,872	14,625	2,090	3,878
Comprising:				
– Commonwealth funding	11,802	12,742	415	2,803
– State funding	5,036	1,801	1,675	1,079
– Other funding	34	82	—	(4)
	16,872	14,625	2,090	3,878

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
S 7.11 – contributions towards amenities/services	F4	—	—	795	857
Other developer contributions		—	—	9	11
Total developer contributions		—	—	804	868
Total grants and contributions		16,872	14,625	2,894	4,746

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B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	1,423	95	543	467
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,651	33	–	–
Add: Funds received and not recognised as revenue in the current year	–	1,379	–	458
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	(84)	–	(200)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	(182)
Unspent funds at 30 June	3,074	1,423	543	543
Funds relate to unspent capital grants. These funds are externally restricted.				
Contributions				
Unspent funds at 1 July	–	4,355	9,683	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	876	794	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	(463)	–	–
Unspent contributions at 30 June	–	4,768	10,477	–

Unspent developer contributions were restricted as required by legislation.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include performance obligations within AASB 15 grants such as completion of milestones. 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.

B2-4 Grants and contributions (continued)

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Cash and investments	260	227
– Overdue rates and annual charges (incl. special purpose rates)	29	20
Total interest and investment income (losses)	289	247
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
General Council cash and investments	221	208
Overdue rates and annual charges (general fund)	29	20
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	39	19
Total interest and investment income	289	247

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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

B2-6 Other income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		4,060	10,803
Total fair value increment on investment properties	C1-9	4,060	10,803
Fair value increment on investments			
Fair value increment on investments through profit and loss		24	–
Total fair value increment on investments		24	–
Total other income		4,084	10,803

Item 13.2

Attachment 1

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	28,272	29,782
Employee leave entitlements (ELE)	3,533	2,545
Superannuation	2,801	2,809
Workers' compensation insurance	742	798
Training costs (other than salaries and wages)	498	63
Fringe benefit tax (FBT)	103	134
Other	170	193
Total employee costs	36,119	36,324
Less: capitalised costs	(390)	(798)
Total employee costs expensed	35,729	35,526
Number of 'full-time equivalent' employees (FTE) at year end	329	330

Accounting policy

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

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.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		14,662	15,207
Contractor and consultancy costs		3,848	2,128
Agency Staff - Blue Haven Aged Care Operations		3,363	3,240
Computer software charges		1,570	391
Insurance		1,481	1,199
Electricity and heating		1,031	926
Other expenses		249	40
Audit Fees	E2-1	762	92
Telephone and communications		695	167
Subscriptions and publications		417	477
Street lighting		363	315
Cleaning		341	330
Advertising		291	315
Councillor and Mayoral fees and associated expenses	E1-2	284	274
Election expenses		184	–
Bank charges		124	252
Postage		98	86
Printing and stationery		81	340
Valuation fees		64	–
Waste Disposal		676	–
Legal expenses:			
– Legal expenses: planning and development		389	198
– Legal expenses: other		208	204
– Legal expenses: debt recovery		43	14

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B3-2 Materials and services (continued)

Total materials and services	31,224	26,195
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Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on loans	1,588	1,597
Interest on leases	10	16
Other debts	6	4
Total interest bearing liability costs	1,604	1,617
Total interest bearing liability costs expensed	1,604	1,617
(ii) Other borrowing costs		
Fair value adjustment on loans (to Council)	(94)	(369)
Total other borrowing costs	(94)	(369)
Total borrowing costs expensed	1,510	1,248

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		2,332	2,089
Office equipment		473	560
Furniture and fittings		182	195
Land improvements (depreciable)		133	163
Infrastructure:	C1-8		
– Roads		3,655	3,610
– Buildings – specialised		2,628	2,530
– Buildings – non-specialised		512	508
– Stormwater drainage		471	318
– Bridges		370	193
– Footpaths		330	330
– Other open space/recreational assets		233	228
– Other structures		212	206
– Swimming pools		34	24
Right of use assets		–	128
Other assets:			
– Other		156	146
– Library books		93	86
Total gross depreciation and amortisation costs		11,814	11,314
Total depreciation and amortisation costs		11,814	11,314
Total depreciation, amortisation and impairment for non-financial assets		11,814	11,314

Accounting policy

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C1-10 for intangible assets.

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since 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.

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 its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		229	(2)
Total impairment of receivables	C1-4	229	(2)
Other			
Contributions/levies to other levels of government			
– Crown reserve levy		539	348
– Emergency services levy (includes FRNSW, SES, and RFS levies)		312	412
Fines and Penalties		162	–
Donations, contributions and assistance to other organisations (Section 356)		160	166
Total other		1,173	926
Total other expenses		1,402	924

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of plant and equipment	C1-8		
Proceeds from disposal – plant and equipment		885	536
Less: carrying amount of plant and equipment assets sold/written off		(508)	(1,248)
Gain (or loss) on disposal		377	(712)
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		40	52
Less: carrying amount of property assets sold/written off		(7,457)	(106)
Gain (or loss) on disposal		(7,417)	(54)
Gain (or loss) on disposal of infrastructure	C1-8		
Carrying amount of infrastructure assets written off		(4,518)	(397)
Gain (or loss) on disposal		(4,518)	(397)
Loss on de-recognition of investment property	C1-9		
Carrying amount of investment property de-recognised		(4,108)	–
Loss on de-recognition		(4,108)	–
Net gain (or loss) from disposal of assets		(15,666)	(1,164)

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 2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors including Covid-19 pandemic, and by decisions of Council during the year.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	26,503	25,764	(739)	(3)% U
User charges and fees	22,141	22,904	763	3% F
Other revenues	5,156	5,839	683	13% F
Other revenues reported a favourable variance against budget largely due to increased tourism to the Kiama region as Covid-19 restrictions were eased in the later part of the year. Events such as Kiama Winter Festival contributed positively. Deferred Management Fees (DMF) revenue from retirement village operation was higher than expected due to full year occupancy at the new Bonaira site.				
Operating grants and contributions	16,763	16,872	109	1% F
Capital grants and contributions	5,597	2,894	(2,703)	(48)% U
Capital grants and contributions were unfavourable against budget. This variance is largely related to the unpredictable timing of the recognition of capital grant income. Many planned capital projects experienced significant delays due to Covid-19 restrictions. As such, the payment of capital grants which relied on the completion of these projects was also delayed or carried over into the following financial year. The Covid-19 pandemic restrictions also impacted the inflow of developer contributions revenue.				
Net gains from disposal of assets	378	–	(378)	(100)% U
Budgeted gain on sale of motor vehicles was in line with actuals. However, it was offset by loss on disposal of other assets.				
Other income	–	4,084	4,084	∞ F
Expenses				
Employee benefits and on-costs	33,924	35,729	(1,805)	(5)% U
Materials and services	21,789	31,224	(9,435)	(43)% U
Materials and contracts were unfavourable against budget. A portion of this variance relates to a significant budget overspend within the Blue Haven Aged Care Facility and associated support services. Covid-19 added substantial business cost increases in order to comply with government restrictions and to ensure the protection of both residents and staff, but the general increasing regulatory environment also required additional resources. Furthermore, due to a continued nationwide shortage of aged care workers and consistently high staff turnover at both Blue Haven and in all areas of council, the widespread use of agency staff, contractors and consultants further contributed to the highly unfavourable budget variance. Additional IT costs were required to support the provision of work from home capabilities for staff and the re-classification of other expenses to materials and contracts for the purposes of financial statement presentation are other explanations for the unfavourable variance.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Borrowing costs	2,812	1,510	1,302	46% F
Borrowing costs were unfavourable against budget as a result of the original budget incorrectly including estimates on the repayment of both principal loan amounts, in addition to interest repayments. Excluding this error, the budget variance on loan interest is immaterial.				
Depreciation, amortisation and impairment of non-financial assets	10,898	11,814	(916)	(8)% U
Other expenses	4,479	1,402	3,077	69% F
This positive variance partially offsets unfavourable variance in materials and services.				

Statement of cash flows

Cash flows from operating activities	11,517	2,816	(8,701)	(76)% U
This variance is the result of over expenditures noted above and difference in accounting for Deferred Management Fees in the budget vs. actuals.				
Cash flows from investing activities	(15,487)	(16,244)	(757)	5% U
Cash flows from financing activities	9,517	13,223	3,706	39% F
Original budget omitted repayments of borrowings which resulted in the unfavourable variance.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash on hand and at bank	15,224	15,429
Total cash and cash equivalents	15,224	15,429

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	15,224	15,429
Balance as per the Statement of Cash Flows	15,224	15,429

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Long term deposits	30,500	7,000	22,154	8,000
NCD's, FRN's (with maturities > 3 months)	1,003	–	–	1,014
Total	31,503	7,000	22,154	9,014
Other financial assets				
Interest in CivicRisk Mutual	84	–	60	–
Total	84	–	60	–
Total financial investments	31,587	7,000	22,214	9,014
Total cash assets, cash equivalents and investments	46,811	7,000	37,643	9,014

Accounting policy

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

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

Financial assets

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

Classification

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

- amortised cost
- 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.

C1-2 Financial investments (continued)

Amortised cost

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

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income 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 investment in CivicRisk Mutual Limited is valued at fair value through profit and loss. Its value of \$84,000 in the Statement of Financial Position by comparison with the face value of \$129,000 in CivicRisk Mutual Limited's accounts at 30 June 2022. The valuation of CivicRisk Mutual Limited investment was undertaken by David Minty FIAA from Finity Consulting.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	53,811	46,657
Less: External restrictions	(53,913)	(41,222)
Cash, cash equivalents and investments not subject to external restrictions	(102)	5,435
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	500	500
Specific purpose unexpended grants – general fund	3,617	1,966
External restrictions – included in liabilities	4,117	2,466
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	10,516	9,683
Holiday Parks (Crown Land)	446	446
Blue Haven aged in-home care unspent client fund	408	690
Domestic waste management	4,105	4,105
Debt Loan Restrictions – TCorp	27,788	18,699
Blue Haven - ILU Maintenance Levy carried forward surplus (Terralong)	1,640	1,640
Blue Haven - ILU Maintenance Levy carried forward surplus (Bonaira)	178	178
Blue Haven – Residential aged care prudential standards	4,400	3,000
Blue Haven - Community Services Bus replacement fund	315	315
External restrictions – other	49,796	38,756
Total external restrictions	53,913	41,222

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2022	2021
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Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022	2021
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	(102)	5,435
Internal restrictions	-	(6,683)
Unrestricted and unallocated cash, cash equivalents and investments	(102)	(1,248)

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

Carry over works	-	1,477
Council Elections	-	145
Employees leave entitlement	-	1,500
Energy efficiency	-	122
Land development	-	1,601
Plant replacement	-	280
Risk Improvement Incentive	-	105
Unspent Loan Funding	-	-
Waste and sustainability	-	490
Waste business unit	-	963
Total internal allocations	-	6,683

As at 30 June 2022 all internally restricted reserves were temporarily released in order to improve unrestricted cash requirements. The movement in internally restricted funds is allowed in Council's Restricted Funds Policy.

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	108	–	665	–
User charges and fees	858	–	926	–
Private works	39	–	39	–
Accrued revenues				
– Interest on investments	174	–	–	–
– Other income accruals	528	–	392	–
Government grants and subsidies	270	–	536	–
Other debtors	2	–	176	–
Net GST receivable	309	–	142	–
Other – advances to public	–	191	–	233
Other – holiday park charges	293	–	347	–
Employee deductions and on costs	6	–	10	–
Total	2,587	191	3,233	233
Total net receivables	2,587	191	3,233	233

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	224	64
Balance at the end of the year	224	64

Accounting policy

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

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Inventories at cost				
Stores and materials	222	–	174	–
Trading stock	80	–	72	–
Total inventories at cost	302	–	246	–
Total inventories	302	–	246	–

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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants	216	–	1,218	–
Total contract assets	216	–	1,218	–

Accounting policy

Contract assets

Contract assets represent Council's 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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

C1-7 Non-current assets classified as held for sale

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Land and Building ¹	20,178	–	3,752	–
Total non-current assets classified as held for sale	20,178	–	3,752	–

(1) Change in value of assets held for sale relate to correction of historical error. Council resolved in June 2022 to dispose of 4 parcels of land situated in Akuna Street, Kiama. Shortly thereafter, Council put into place mechanisms to approach the market and in December 2022 the landholdings were sold for \$28 million. This was within 12 months from the date of reclassification.

Accounting policy

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	Asset movements during the reporting period										At 30 June 2022	
	At 1 July 2021											
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Transferred to held for sale	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	6,126	–	6,126	1,813	–	–	–	–	–	7,939	–	7,939
Plant and equipment	28,537	(14,974)	13,563	–	1,314	(508)	(2,332)	–	–	28,592	(16,555)	12,037
Office equipment	5,401	(4,267)	1,134	–	–	–	(473)	–	–	5,400	(4,739)	661
Furniture and fittings	3,815	(2,854)	961	–	–	–	(182)	–	–	3,816	(3,037)	779
Land:												
– Operational land	41,014	–	41,014	–	–	(7,456)	–	(13,397)	29,749	49,910	–	49,910
– Community land	82,302	–	82,302	–	–	–	–	–	–	82,302	–	82,302
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	4,728	–	4,728	–	–	–	–	–	–	4,728	–	4,728
Land improvements – depreciable	3,103	(1,636)	1,467	–	–	–	(133)	–	–	3,102	(1,768)	1,334
Infrastructure:												
– Buildings – non-specialised	22,747	(7,967)	14,780	–	–	–	(512)	–	3,129	22,960	(5,563)	17,397
– Buildings – specialised	146,738	(52,888)	93,850	–	4,829	(127)	(2,628)	(3,030)	40,996	169,101	(35,211)	133,890
– Other structures	13,042	(5,860)	7,182	–	–	–	(212)	–	–	13,042	(6,072)	6,970
– Roads	193,865	(59,228)	134,637	1,119	–	(80)	(3,655)	–	–	194,719	(62,698)	132,021
– Bridges	36,038	(13,159)	22,879	706	–	–	(370)	–	–	36,744	(13,529)	23,215
– Footpaths	15,594	(5,788)	9,806	–	6	–	(330)	–	–	15,599	(6,117)	9,482
– Bulk earthworks (non-depreciable)	22,311	–	22,311	–	15	–	–	–	–	22,326	–	22,326
– Stormwater drainage	56,571	(15,797)	40,774	–	–	–	(471)	–	–	56,571	(16,268)	40,303
– Swimming pools	1,208	(307)	901	–	–	–	(34)	–	–	1,208	(341)	867
– Other open space/recreational assets	6,526	(3,231)	3,295	–	16	–	(233)	–	–	6,542	(3,464)	3,078
Other assets:												
– Library books	2,148	(1,712)	436	–	–	–	(93)	–	–	2,149	(1,806)	343
– Other	6,154	(319)	5,835	–	–	(4,310)	(156)	–	–	1,751	(382)	1,369
Total infrastructure, property, plant and equipment	697,996	(189,987)	508,009	3,638	6,180	(12,481)	(11,814)	(16,427)	73,874	728,529	(177,550)	550,979

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

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C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	Asset movements during the reporting period							At 30 June 2021	
	At 1 July 2020							Gross carrying amount	Net carrying amount
\$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	
Capital work in progress	2,568	–	2,568	2,641	962	(45)	–	–	6,126
Plant and equipment	28,954	(14,074)	14,880	66	1,945	(1,247)	(2,089)	8	28,537
Office equipment	5,401	(3,707)	1,694	–	–	–	(560)	–	5,401
Furniture and fittings	3,675	(2,659)	1,016	44	97	(2)	(195)	1	3,815
Land:									
– Operational land	39,010	–	39,010	–	–	–	–	2,003	41,014
– Community land	82,292	–	82,292	113	–	(103)	–	–	82,302
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	28
Land Improvements – non-depreciable	4,751	(20)	4,731	–	–	–	–	–	4,728
Land improvements – depreciable	3,079	(1,487)	1,592	36	–	(2)	(163)	4	3,103
Infrastructure:									
– Buildings – non-specialised	22,565	(7,533)	15,032	324	20	(88)	(508)	–	22,747
– Buildings – specialised	146,157	(50,508)	95,649	869	117	(137)	(2,530)	(118)	146,738
– Other structures	5,982	(3,644)	2,338	195	57	(14)	(206)	4,812	13,042
– Roads	192,443	(55,928)	136,515	1,694	169	(130)	(3,610)	(1)	193,865
– Bridges	18,483	(6,980)	11,503	–	–	–	(193)	1	36,038
– Footpaths	15,472	(5,461)	10,011	34	94	(3)	(330)	–	15,594
– Bulk earthworks (non-depreciable)	22,294	(7)	22,287	18	–	(8)	–	14	22,311
– Stormwater drainage	38,188	(10,137)	28,051	161	–	–	(318)	–	56,571
– Swimming pools	461	(275)	186	123	–	(18)	(24)	634	1,208
– Other open space/recreational assets	13,637	(5,052)	8,585	–	300	–	(228)	(5,362)	6,526
Other assets:									
– Library books	2,076	(1,626)	450	–	73	–	(86)	(1)	2,148
– Other	6,004	(173)	5,831	133	17	(1)	(146)	1	6,154
Total infrastructure, property, plant and equipment	653,520	(169,271)	484,249	6,451	3,851	(1,798)	(11,186)	(9)	697,996
									(189,987)
									508,009

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

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C1-8 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. As in previous years, the accounting policy hasn't changed.

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.

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 for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	2 to 35	Playground equipment	5 to 15
Furniture & fittings	3 to 50	Benches, seats etc.	10 to 25
Computer equipment	3 to 5		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings	50 to 117
Other plant and equipment	5 to 40		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	12 to 30	Bulk earthworks	infinite
Sealed roads: structure	80 to 100	Swimming pools	50 to 100
Unsealed roads	20	Other open space/recreational assets	10
Bridge: concrete	100	Other infrastructure	15 to 95
Bridge: other	55		
Kerb, gutter and footpaths	40 to 190		
Stormwater assets			
Drains	80 to 120		
Culverts	50 to 100		
Flood control structures	20 to 120		

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.

Crown reserves

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

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

C1-8 Infrastructure, property, plant and equipment (continued)

Rural Fire Service assets

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

Council has performed an assessment of its Rural Fire Service "red fleet assets" and concluded that they are not material. On this basis, Council has elected not to recognise the red fleet assets. Buildings however continue to be recognised.

C1-9 Investment properties

Owned investment property

\$ '000	2022	2021
At fair value		
Opening balance at 1 July	139,078	128,267
Disposals during year	(4,108)	–
Net gain/(loss) from fair value adjustments	4,060	10,803
Other movements	–	8
Closing balance at 30 June	139,030	139,078

Accounting policy

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

C2 Liabilities of Council**C2-1 Payables**

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Payables				
Prepaid rates	36	–	363	–
Goods and services	1,921	–	1,577	–
Accrued expenses:				
– Borrowings	548	–	559	–
– Salaries and wages	545	–	351	–
– Other expenditure accruals	1,675	–	739	–
Residential aged care accommodation bonds	30,823	–	29,533	–
Retirement village loan licence agreement	101,203	–	92,519	–
Security bonds, deposits and retentions	2,101	–	1,901	–
In-home aged care unspent client funds	404	–	691	–
ELE oncosts	–	–	235	27
Other	83	–	(14)	–
Total payables	139,339	–	128,454	27

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	107,000	33,887
Total payables	107,000	33,887

Accounting policy

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

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

C2-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	3,617	–	2,524	–
Other user fees and charges	(ii)	102	–	1,407	–
Total contract liabilities		3,719	–	3,931	–

Notes

(i) Council has received funding to construct assets including sporting facilities and playgrounds, Hindmarsh park upgrade, Kiama showground upgrades, various footpaths and carparks, 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) Deposits received in advance for the Holiday Parks do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue in the following financial year.

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring

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C2-2 Contract Liabilities (continued)

a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C2-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured	1,000	51,427	1,219	52,520
Total borrowings	1,000	51,427	1,219	52,520

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	53,739	(1,312)	–	–	–	–	52,427
Lease liability	177	(135)	–	–	–	–	42
Total liabilities from financing activities	53,916	(1,447)	–	–	–	–	52,469

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,295	47,444	–	–	–	–	53,739
Government advances	49,208	(49,208)	–	–	–	–	–
Lease liability	285	(108)	–	–	–	–	177
Total liabilities from financing activities	55,788	(1,872)	–	–	–	–	53,916

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	400	400
Total financing arrangements	2,400	2,400
Drawn facilities		
Credit cards/purchase cards	35	171
Total drawn financing arrangements	35	171
Undrawn facilities		
Bank overdraft facilities	2,000	2,000
Credit cards/purchase cards	365	229
Total undrawn financing arrangements	2,365	2,229

Breaches and defaults

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

Security over loans

Loans secured over future cash flows

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

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C2-3 Borrowings (continued)

Accounting policy

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

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

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

C2-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	2,347	–	2,447	–
Sick leave	358	–	446	–
Long service leave	3,866	682	4,026	719
TOIL Leave	565	–	–	–
ELE on-costs	830	82	485	49
Total employee benefit provisions	7,966	764	7,404	768

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,878	5,694
Other	527	579
	6,405	6,273

Description of and movements in provisions

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

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

C3 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.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	15,224	15,429	15,224	5,246
Receivables	2,778	3,466	2,777	3,465
Investments				
– Debt securities at amortised cost	38,503	31,168	38,503	41,351
Fair value through other comprehensive income				
Investments				
– Equity securities at fair value through other comprehensive income	84	60	84	60
Total financial assets	56,589	50,123	56,588	50,122
Financial liabilities				
Payables	139,339	128,481	139,339	128,481
Loans/advances	52,427	53,739	52,427	53,739
Total financial liabilities	191,766	182,220	191,766	182,220

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 **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.

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

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

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
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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	538	414
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Impact of a 10% movement in price of investments

– Equity / Income Statement	5,381	–
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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, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

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

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	overdue rates and annual charges				Total
		< 5 years	1 - 2 years	2 - 5 years	≥ 5 years	
2022						
Gross carrying amount	103	1	1	3	–	108
2021						
Gross carrying amount	631	9	9	16	–	665

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,

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

non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	2,886	—	—	—	—	2,886
Expected loss rate (%)	7.76%	0.00%	0.00%	0.00%	0.00%	7.76%
ECL provision	224	—	—	—	—	224
2021						
Gross carrying amount	4,019	—	—	—	—	4,019
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000							
2022							
Payables	0.00%	2,101	40,389	96,849	–	139,339	139,339
Borrowings	3.44%	–	1,000	48,755	2,672	52,427	52,427
Total financial liabilities		2,101	41,389	145,604	2,672	191,766	191,766
2021							
Payables	0.00%	1,901	38,025	88,192	–	128,118	128,481
Borrowings	5.30%	–	2,818	50,437	5,324	58,579	53,739
Total financial liabilities		1,901	40,843	138,629	5,324	186,697	182,220

D2-1 Fair value measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

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

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

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

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

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

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Financial assets							
Other financial assets		84	60	–	–	84	1,074
Total financial assets		84	60	–	–	84	1,074
Investment property							
	C1-9						
Blue Haven ILU		139,030	139,078	–	–	139,030	139,078
Total investment property		139,030	139,078	–	–	139,030	139,078
Infrastructure, property, plant and equipment							
	C1-8						
Work in Progress		–	–	7,969	6,126	7,969	6,126
Plant and equipment		–	–	12,037	13,563	12,037	13,563
Office equipment		–	–	661	1,134	661	1,134
Furniture and fittings		–	–	779	961	779	961
Operational land		49,910	44,766	–	–	49,910	44,766
Community land		–	–	82,302	82,302	82,302	82,302
Land under roads		–	–	28	28	28	28
Land improvements – non-depreciable		–	–	4,728	4,728	4,728	4,728
Land improvements – depreciable		–	–	1,334	1,467	1,334	1,467
Buildings – non-specialised		17,397	14,780	–	–	17,397	14,780
Buildings – specialised		133,890	93,850	–	–	133,890	93,850
Roads bridges footpaths		–	–	164,688	167,322	164,688	167,322
Stormwater drainage		–	–	40,303	40,774	40,303	40,774
Bulk earthworks – non depreciable		–	–	22,326	22,311	22,326	22,311
Other Open Space		–	–	–	–	–	–
Recreation Assets		–	–	3,945	4,196	3,945	4,196
Other structures		–	–	6,970	7,182	6,970	7,182
Library books		–	–	343	436	343	436
Other		–	–	1,369	5,835	1,369	5,835

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D2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Total infrastructure, property, plant and equipment		201,197	153,396	349,782	358,365	550,979	511,761
Non-recurring fair value measurements							
Non-current assets classified as held for sale	C1-7						
Land		20,178	3,752	–	–	20,178	3,752
Total NCA's classified as held for sale		20,178	3,752	–	–	20,178	3,752

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D2-1 Fair value measurement (continued)

Valuation techniques

Pre-amble

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

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

Cost Approach – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach – Valuation technique that converts future amounts (cash flow inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Investment property

As at 30 June 2022 the valuation of Blue Haven Independent Living Units was performed by Nelson Partners Australia. The valuation has been prepared on the basis of market value and realisation by the owners in a willing seller/willing purchaser situation, given appropriate marketing and on the basis of there being no financial pressure or a Receivership situation.

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at Fair Value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Trucks, tractors, jet skis, ride on mowers, street sweepers, earth moving equipment, buses and motor vehicles
- Office Equipment – Refrigerators, monitors and computer equipment
- Furniture & Fittings – Chairs and desks

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input into the valuation is the price per square metre. Operational land was revalued on 30 June 2022 based land values provided by Valuer General.

Community Land

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metre rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

Land Improvements – non depreciable

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

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the pattern of consumption, estimated useful life and the residual value. There has been no change to the valuation process during the reporting period.

D2-1 Fair value measurement (continued)

Land Improvements – depreciable

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. Last year, 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Buildings – Specialised and Non Specialised

Buildings valuation was undertaken at 30 June 2022 and was performed by APV. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs. For example, a pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class includes sporting facilities, park furniture, signs, skate facilities etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

The revaluation of Roads, Bridges and Culverts was undertaken by an Independent Valuer, Local Government Engineering Services, as at 30 June 2021.

Bulk Earthworks – non depreciable

The 'Cost Approach' estimated the replacement cost for each asset. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Stormwater Drainage

Stormwater drainage refers to the system for the collection, storage and removal of stormwater. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater drainage assets is undertaken every 5 years and the last revaluation was undertaken as at 30 June 2021.

The Cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

Library Books

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

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

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

Other

Assets within this class comprise Drainage inspection data. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

D2-1 Fair value measurement (continued)

Non-current assets classified as ‘held for sale’

This asset class comprises a parcel of land “held for sale” is valued at fair value.

D2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Community land	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	13,563	14,880	1,134	1,695	961	1,016	82,302	82,292
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	-	-	-	-	1	-	-
Purchases (GBV)	1,314	2,011	-	-	-	141	-	113
Disposals (WDV)	(508)	(1,247)	-	-	-	(2)	-	(103)
Depreciation and impairment	(2,332)	(2,089)	(473)	(560)	(182)	(195)	-	-
Other movement (details here)	-	8	-	(1)	-	-	-	-
Closing balance	12,037	13,563	661	1,134	779	961	82,302	82,302

\$ '000	Land under roads		Land improvements non-depreciable		Land improvements depreciable		Other structures	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	28	28	4,728	4,731	1,467	1,593	11,378	11,109
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	-	-	(3)	-	4	-	84
Purchases (GBV)	-	-	-	-	-	36	-	675
Disposals (WDV)	-	-	-	-	-	(2)	-	(32)
Depreciation and impairment	-	-	-	-	(133)	(163)	(463)	(458)
Other movement (details here)	-	-	-	-	-	(1)	-	-
Closing balance	28	28	4,728	4,728	1,334	1,467	10,915	11,378

\$ '000	Roads		Bulk earthworks		Stormwater drainage		Library books	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	167,322	158,028	22,311	22,287	40,774	28,051	436	450
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	-	11,568	-	-	-	12,880	-	-
Other movements								
Transfers from/(to) another asset class	-	1	-	14	-	-	-	-
Purchases (GBV)	1,831	1,991	15	18	-	161	-	73
Disposals (WDV)	(80)	(133)	-	(8)	-	-	-	-
Depreciation and impairment	(4,355)	(4,133)	-	-	(471)	(318)	(93)	(86)
Other movement (details here)	-	-	-	-	-	-	-	(1)
Closing balance	164,718	167,322	22,326	22,311	40,303	40,774	343	436

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D2-1 Fair value measurement (continued)

\$ '000	2022	2021	2022	2021	2022	2021
Opening balance	5,835	5,832	6,126	1,559	358,365	333,551
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	24,448
Transfers from/(to) another asset class	–	1	–	(51)	–	51
Purchases (GBV)	–	150	1,843	5,866	5,003	11,235
Disposals (WDV)	(4,310)	(1)	–	(1,249)	(4,898)	(2,777)
Depreciation and impairment	(156)	(146)	–	–	(8,658)	(8,148)
Other movement (details here)	–	(1)	–	1	–	5
Closing balance	1,369	5,835	7,969	6,126	349,812	358,365

Highest and best use

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

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

Division B	1.9 times 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 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021 followed by \$20 million per annum thereafter, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. The assessed funding requirements remaining for the defined benefits scheme is estimated to be \$98,569 for past service contributions. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$228,637. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2021.

D3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$210,903.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.49% as at 30 June 2022.

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

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

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

* Plus promotional increases

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

(ii) CivicRisk Mutual Limited

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

(iii) 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.

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.

D3-1 Contingencies (continued)

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,326	1,371
Other long-term benefits	148	–
Termination benefits	224	180
Total	1,698	1,551

Other transactions with KMP and their related parties

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

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	41	44
Councillors' fees	175	183
Other Councillors' expenses (including Mayor)	68	47
Total	284	274

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

E2 Other relationships

E2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
Audit and review of 2021/22 financial statements	378	81
Audit and review of 2020/21 financial statements	274	—
Remuneration for audit and other assurance services	652	81
Total Auditor-General remuneration	652	81
Non NSW Auditor-General audit firms		
Other audit and assurance services	110	11
Total remuneration of non NSW Auditor-General audit firms	110	11
Total audit fees	762	92

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	(18,699)	6,015
Add / (less) non-cash items:		
Depreciation and amortisation	11,814	11,314
(Gain) / loss on disposal of assets	15,666	1,164
Non-cash capital grants and contributions	(9)	–
Deferred Management Fees	(4,555)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(4,060)	(10,803)
– Fair valuation adjustment (re-measurement) of existing loans to Council	(94)	(369)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	688	(843)
Increase / (decrease) in provision for impairment of receivables	–	(64)
(Increase) / decrease of inventories	(56)	(45)
(Increase) / decrease of other current assets	(111)	–
(Increase) / decrease of contract asset	1,002	(1,063)
Increase / (decrease) in payables	344	(17)
Increase / (decrease) in accrued interest payable	(11)	(48)
Increase / (decrease) in other accrued expenses payable	1,130	(1,389)
Increase / (decrease) in other liabilities	(579)	6,447
Increase / (decrease) in contract liabilities	(212)	2,579
Increase / (decrease) in employee benefit provision	558	(328)
Net cash flows from operating activities	2,816	12,550

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Footpaths and cycleways	272	–
Holiday parks	345	–
Plant and equipment	–	2,969
Playgrounds	271	–
Open space and recreation	473	–
Total commitments	1,361	2,969

F3-1 Events occurring after the reporting date

Residential Aged Care - Accommodation Deposits

Council received a Notice of Request for Information from the Federal Department of Health and Aged Care in August 2022 due to concerns pertaining to the financial management of resident accommodation deposits in accordance with the Fees & Payments Principles of the Aged Care Act 1997. The Council has addressed the concerns raised and the matter has been closed by the Department of Health and Aged Care in November 2022.

Residential Aged Care - Accreditation Assessment

The Council's Blue Haven Residential Aged Care service underwent the Aged Care Quality and Safety Commission Accreditation Assessment in October 2022, achieving accreditation to April 2025. A follow up visit of the Aged Care Quality and Safety Commission assessment team in July 2023 confirmed Council's Blue Haven accreditation to April 2025.

Performance Improvement Order

In November 2022, Minister for Local Government under section 438A of Local Government Act 1993 issued a Performance Improvement Order (PIO) to Kiama Municipal Council due to concerns pertaining to the financial sustainability of the Council and its ability to operate as a going concern. The PIO required an OLG appointed Financial Advisor to assist the Council. The PIO noted governance and operational criteria that the Council is required to progress and satisfy by June 2023 with bimonthly progress report to be submitted to the OLG up to the end of June 2023. Council is in the process of providing information on a range of matters to the Office of Local Government to provide a briefing to the Minister for Local Government as to whether the terms of the PIO have been complied with.

Akuna Street landholdings Divestment

At the October 2021 Council meeting, Councillors resolved to begin the process of disposing of the Akuna Street landholdings (which comprised four lots being sold) by engaging a commercial agent to handle the tender. Council appointed Savills Australia as the agent for the public tender, which closed on 14 April 2022. The process of evaluating the tenders continued past the year end and in December 2022 the property sold for \$28 million to Level 33 Property Developers. This is a significant sale, the results of which will be reflected in the 30 June 2023 financial statements and accordingly, the Akuna Street landholdings were classified as an Asset Held for Sale as at 30 June 2022.

Blue Haven - Bonaira Divestment

Council resolved in October 2022 to begin the sale process of its Blue Haven Aged Care and Retirement Living services at Bonaira. This was confirmed at a follow up meeting in February 2023. This forms part of Council's asset divestment initiatives and will assist Council's financial sustainability strategy. The sale process is expected to be finalised by February 2024, but conservatively has been included in budget and cash flow forecasts by June 2024. At the date of authorisation of these financial statements, an Expression of Interest was advertised as a part of the overall sale process.

Borrowings - NSW Treasury Corporation

At 30 June 2022 Council owed the NSW Treasury Corporation (TCorp) \$45 million. During the 2022-23 financial year, Council has repaid \$30 million of this debt and successfully renegotiated longer settlement terms for the remaining \$15 million. Council has agreed with TCorp that the residual loan balance is not required to be settled until 9 August 2025.

Legal Matter

An unsuccessful tender applicant has taken issue with the fact that the successful tender applicant became the purchaser of a parcel of council land. The Council completed the legislative process and awarded the sale. The sale is complete. These proceedings were brought by the unsuccessful tender applicant in the Federal Court on 30 September 2022 seeking compensation in the amount of \$56,800,000 which is alleged to have been incurred due to the loss of opportunity to complete the development resulting in a loss of profit or to otherwise acquire the land. Council is presently defending the unsuccessful tenderer's proceedings and finalised and served a substantive amount of evidence on 28 August 2023. There is a case management hearing that is listed for 25 October 2023 and the unsuccessful tenderer's evidence in reply to Council's evidence is due to be filed on 3 November 2023. Council will continue to monitor the progress of the matter as the 30 June 2023 financial statements are prepared.

F4 Statement of developer contributions as at 30 June 2022

F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Traffic facilities	32	31	-	-	-	-	63	-
Parking	183	-	-	-	-	-	183	-
Open space	(27)	-	-	-	-	-	(27)	-
Community facilities	3,285	219	-	14	-	-	3,518	-
Other – Council chambers	3,712	68	-	17	-	-	3,797	-
Other	119	6	-	1	-	-	126	-
S7.11 contributions – under a plan	7,304	324	-	32	-	-	7,660	-
S7.12 levies – under a plan	2,379	470	-	7	-	-	2,856	-
Total S7.11 and S7.12 revenue under plans	9,683	794	-	39	-	-	10,516	-
Total contributions	9,683	794	-	39	-	-	10,516	-

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

F4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 1								
Traffic facilities	58	20	-	-	-	-	78	-
Community facilities	2,976	184	-	14	-	-	3,174	-
Other – Council chambers	3,712	68	-	17	-	-	3,797	-
Other	112	5	-	1	-	-	118	-
Total	6,858	277	-	32	-	-	7,167	-
CONTRIBUTION PLAN NUMBER 2								
Traffic facilities	20	2	-	-	-	-	22	-
Community facilities	66	18	-	-	-	-	84	-
Other	7	1	-	-	-	-	8	-
Total	93	21	-	-	-	-	114	-
CONTRIBUTION PLAN NUMBER 3								
continued on next page								

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

F4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash						
Traffic facilities	(4)	9	-	-	-	-	-	5	-
Community facilities	39	17	-	-	-	-	-	56	-
Total	35	26	-	-	-	-	-	61	-
CONTRIBUTION PLAN NUMBER 4									
Parking	183	-	-	-	-	-	-	183	-
Total	183	-	-	-	-	-	-	183	-
CONTRIBUTION PLAN NUMBER 7									
Traffic facilities	(17)	-	-	-	-	-	-	(17)	-
Open space	(28)	-	-	-	-	-	-	(28)	-
Community facilities	197	-	-	-	-	-	-	197	-
Total	152	-	-	-	-	-	-	152	-
CONTRIBUTION PLAN NUMBER 7a									
Traffic facilities	(25)	-	-	-	-	-	-	(25)	-
Open space	1	-	-	-	-	-	-	1	-
Community facilities	7	-	-	-	-	-	-	7	-
Total	(17)	-	-	-	-	-	-	(17)	-
S7.12 Levies – under a plan									
CONTRIBUTION PLAN NUMBER A									
Traffic facilities	613	139	-	2	-	-	-	754	-
Open space	1,766	331	-	5	-	-	-	2,102	-
Total	2,379	470	-	7	-	-	-	2,856	-

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F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

pre-ample

No last year comparatives were provided as prior year financial statements were disclaimed by auditors.

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(9,782)	(13.65)%	∞	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	71,668			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	54,796	73.49%	∞	> 60.00%
Total continuing operating revenue ¹	74,562			
3. Unrestricted current ratio				
Current assets less all external restrictions	23,292	0.79x	∞	> 1.50x
Current liabilities less specific purpose liabilities	29,563			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3,542	1.26x	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,817			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	108	0.41%	0.00%	< 10.00%
Rates and annual charges collectable	26,458			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	52,724	8.62 months	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities	6,117			

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

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

End of the audited financial statements

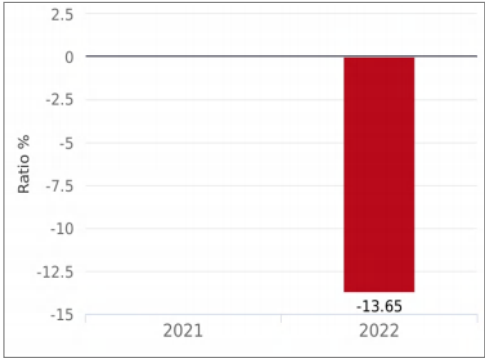
G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

pre-ambles

No last year comparatives were provided as prior year financial statements were disclaimed by auditors.

1. Operating performance ratio



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

Commentary on 2021/22 result	
2021/22 ratio	(13.65)%
The 2021/22 financial year has seen a marginal worsening of this ratio comparing the prior year mainly due to the ratio being impacted by loss from assets write-offs.	

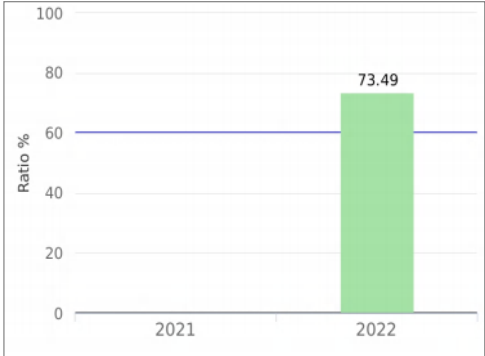
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



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

Commentary on 2021/22 result	
2021/22 ratio	73.49%
The 2021/22 financial year has seen a marginal improvement of this ratio comparing the prior year. This is largely due to the fact Kiama council has been able to secure a greater portion of its income from its own sources, such as revenue from holiday parks, the Pavilion, Leisure Centre and other operations which generate fees for council, as opposed to relying on grants.	

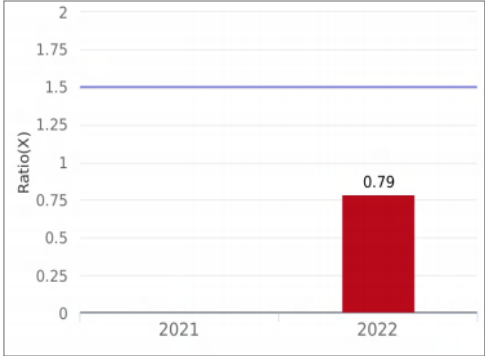
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



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

Commentary on 2021/22 result	
2021/22 ratio	0.79x
Unrestricted current ratio remains below the benchmark in 2021/2022. The main reason for this ratio being below the benchmark is significant balance of Blue Haven current liabilities and no sufficient cash balance to offset it.	

Benchmark: — > 1.50x

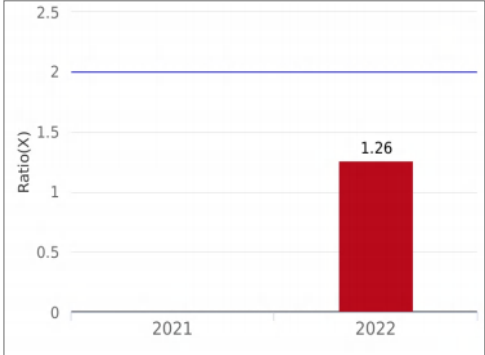
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Purpose of debt service cover ratio

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

Commentary on 2021/22 result

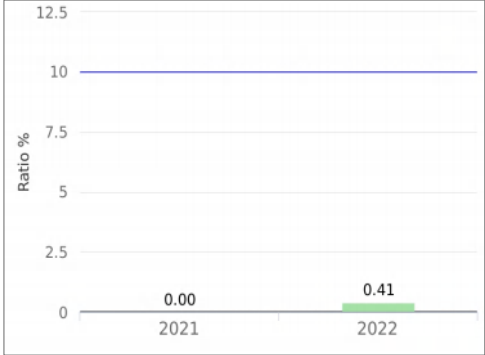
2021/22 ratio 1.26x

Operating results of Council didn't improve in 2021/22 financial year comparing to prior financial year. As a result, debt cover ratio remains below the benchmark in 2021/22.

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

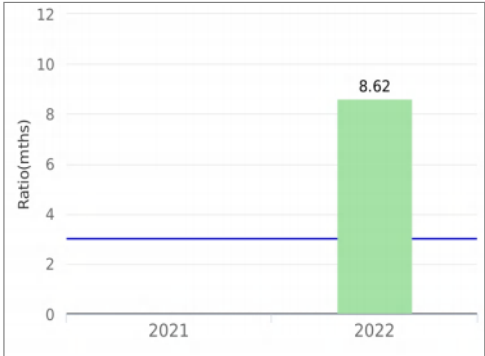
2021/22 ratio 0.41%

Rates and annual charges outstanding percentage remains within the benchmark. this demonstrates that Council continues to manage debtors efficiently.

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 8.62 months

Cash expense cover ratio remains above the benchmark. Whilst unrestricted cash balance is below the benchmark, overall, it appears that Council has sufficient cash to cover expenditures for more than 8 months.

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Council information and contact details

Principal place of business:
11 Manning Street
Kiama NSW 2533

Contact details

Mailing Address:
PO Box 75
Kiama NSW 2533

Telephone: 02 4232 0444
Facsimile: 02 4232 0555

Opening hours:
8:45am - 4:15pm
Monday to Friday

Internet: www.kiama.nsw.gov.au
Email: council@kiama.nsw.gov.au

Officers

Chief Executive Officer
Jane Stroud

Responsible Accounting Officer
Olena Tulubinska

Auditors
Audit Office of NSW
GPO Box 12, Sydney NSW 2001

Elected members

Mayor
Neil Reilly

Councillors
Imogen Draisma (Deputy Mayor)
Matt Brown
Mark Croxford
Jodi Keast
Stuart Larkins
Karen Renkema-Lang
Kathy Rice
Warren Steel

Other information

ABN: 22 379 679 108



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Disclaimer of Opinion

I am required to audit the accompanying financial statements of Kiama Municipal Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

Impact on opening balances at 1 July 2021

In the prior year, significant breakdowns in administrative, financial and governance internal controls materially and pervasively impacted the reliability of the Council's financial reporting.

Councillors and Management declared, in the Statement required by Councillors and Management under section 413(2)(c) of the *Local Government Act 1993* (LG Act), they were unable to warrant the completeness and reliability of the financial statements for the year ended 30 June 2021. As a result, I disclaimed my opinion on the financial statements for the year then ended.

The disclaimer of opinion on the financial statements for the year ended 30 June 2021 affected my ability to obtain sufficient appropriate audit evidence on the opening balances at 1 July 2021. This impacts financial statement line items in the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows and all related notes.

Infrastructure, property, plant and equipment

Council recognised \$551.0 million of infrastructure, property, plant and equipment assets in note C1-8 'Infrastructure, property, plant and equipment' at 30 June 2022. Excluding the asset classes of operational land and buildings with a total net carrying value of \$201.2 million, I was unable to obtain sufficient appropriate audit evidence to support the completeness, accuracy, valuation, existence or condition of the remaining asset classes of infrastructure, property, plant and equipment assets with a total net carrying amount of \$349.8 million.

As noted in the Statement by Councillors and Management, Council has not undertaken procedures to confirm the completeness, accuracy, valuation, existence or condition of these assets. This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to support and determine the impact on:

- the carrying values of capital work in progress; plant and equipment; office equipment; furniture and fittings; community land; land under roads; land improvements (non-depreciable and

- depreciable); other structures; roads; bridges; footpaths; bulk earthworks (non-depreciable); stormwater damage; swimming pools; open space and recreational assets; library books and other assets that should be recorded in the Statement of Financial Position as at 30 June 2022
- the 'Accumulated surplus' and 'IPPE revaluation reserve' in the Statement of Changes in Equity and Statement of Financial Position
- employee related expenses capitalised into assets as disclosed at Note B3-1 'Employee Benefits and on-costs'
- 'Depreciation, amortisation and impairment for non-financial assets expense' in the Income Statement, Statement of Comprehensive Income and Note B3-4 'Depreciation, amortisation and impairment of non-financial assets' for the year ended 30 June 2022
- disclosures contained within Note B4-1 'Gain or loss from the disposal, replacement and de-recognition of assets'
- disclosures contained within Note B5-1 'Material budget variations'
- disclosures contained within Note E2-1 'Fair value measurement'
- the 'Operating performance' ratio in Note F5-1 'Statement of performance measures - consolidated results'

Restricted and allocated cash, cash equivalents and investments

Council disclosed \$53.9 million of externally restricted cash in Note C1-3 'Restricted and allocated cash, cash equivalents and investments' at 30 June 2022. I was unable to obtain sufficient appropriate audit evidence to support the completeness and accuracy of the amount that Council has designated as externally restricted as at 30 June 2022 with respect to holiday parks (Crown Land); Blue Haven aged in-home care unspent client fund; domestic waste management; Blue Haven ILU Maintenance Levy carried forward surplus (Terralong and Bonaira); Blue Haven Residential aged care prudential standards and Blue Haven Community Services Bus replacement fund. These components are reported at \$11.5 million.

As noted in the Statement by Councillors and Management, Council has not undertaken procedures to confirm the completeness and accuracy of these sub classes of restricted cash. This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the disclosure of Council's restricted and unrestricted cash balances as at 30 June 2022
- determine the impact on the 'Unrestricted current' ratio in Note F5-1 'Statement of performance measures - consolidated results'.

The material nature and pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2022.

Emphasis of Matter - Compliance with the *Local Government Act 1993*

I draw attention to Note A1-1 'Basis of Preparation', where the Council reported it has accessed externally restricted funds without the required Ministerial approval. Such unapproved use does not comply with sections 409 and 410 of the LG Act.

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 LG Act, 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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.



Lisa Berwick
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

28 September 2023
SYDNEY



Cr Neil Reilly
Mayor
Kiama Municipal Council
11 Manning Street
KIAMA NSW 2533

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: R008-16585809-FA1747

28 September 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Kiama Municipal Council**

I am required to audit the general purpose financial statements (GPFS) and the special purpose financial statements (SPFS) of the Kiama Municipal Council (the Council) for the year ended 30 June 2022 in accordance with section 415 of the *Local Government Act 1993* (the Act).

I issued a Disclaimer of Opinion on the Council's GPFS and SPFS. This means I do not express an opinion on either the Council's GPFS or SPFS.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The following significant matters came to my attention during the conduct of my audit.

Statement by Councillors and Management (the Statement)

Councillors and Management are required to attest that, in their opinion, Council's financial statements are fairly stated. In 2021, the Statement disclaimed the completeness and reliability of Council's financial statements due to deficiencies in Council's books and records and an inadequate system of internal control to support accurate financial reporting and to mitigate the risk of fraud. Councillors and Management were unable to rely upon the accuracy, valuation or completeness of the overall financial report. The Statement for 2022 continues to disclaim the 2022 financial statements based on:

Opening balances

Council's 2021 financial report was subject to a Disclaimer of Opinion. The 2021 balances are the opening balances and are presented as corresponding information within the 2022 financial statements. Because of the ongoing impact of the matters that led to the 2021 Disclaimer of Opinion, Councillors and Management were unable to attest to the reliability of Council's 2022 financial statements. These continue to be disclaimed in the Statement.

Infrastructure, property, plant & equipment (IPP&E)

Council reported in the 2022 financial statements a total IPP&E balance of \$551.0 million. Operational Land and Buildings with carrying values of \$49.9 million and \$151.3 million, respectively were subject to a comprehensive revaluation as at 30 June 2022. Councillors and Management were able to verify the completeness, accuracy and valuation of those two asset sub classes.

However, Councillors and Management could not verify the completeness, accuracy and valuation of the remaining asset sub classes with a total reported carrying value of \$349.8 million as at 30 June 2022. These asset sub classes were disclaimed in the Statement. This limited the ability of Councillors and Management to be able to rely on the following associated balances, notes and disclosures in the 2022 financial statements:

- Note B1-1 'Functions or activities - income, expenses and assets'
- Note B3-1 'Employee benefits and on-costs' relating to employee costs capitalised
- Note B3-4 'Depreciation, amortisation and impairment of non-financial assets'
- Note B4-1 'Gain or loss from the disposal, replacement and de-recognition of assets'
- Note B5-1 'Material budget variations' relating to depreciation expense
- Note C1-8 'Infrastructure, property, plant and equipment'
- Note D2-1 'Fair value measurement'
- Note F5-1 'Statement of performance measures - consolidated results'

Cash, cash equivalents and investments

Council reported a total cash, cash equivalents and investments balance at 30 June 2022 of \$53.91 million. Although Councillors and Management were able to verify Council's total reported balance; Councillors and Management were unable to attest to the completeness and accuracy of those amounts disclosed as 'externally restricted'. Councillors and Management were unable to determine the impact on the following associated balances, notes and disclosures in the 2022 financial statements:

- Note C1-3 'Restricted and allocated cash, cash equivalents and investments'
- Note F5-1 'Statement of performance measures - consolidated results'

Subsequent events

I am aware, and have considered the implications of, the following significant events that have occurred after 30 June 2022.

Aged Care Quality and Safety Commission Accreditation Assessment

The Council's Blue Haven Residential Aged Care facility underwent an accreditation assessment in October 2022. Accreditation was granted by the Commonwealth until April 2025.

Performance Improvement Order

In November 2022, the Minister for Local Government under section 438A of Local Government Act 1993 issued a Performance Improvement Order (PIO) due to concerns pertaining to the financial sustainability of the Council. The PIO required an Office of Local Government (OLG) appointed Financial Advisor to assist the Council. The PIO noted governance and operational criteria that the Council was required to progress and satisfy by June 2023 with bimonthly progress report to be submitted to the OLG up to the end of June 2023. Council continues to work with the OLG in achieving compliance with the PIO.

Sale of Akuna Street landholdings

In October 2021, Council resolved to begin the process of disposing of the Akuna Street landholdings (which comprised four lots) by engaging a commercial agent to handle the tender. Council appointed Savills Australia as the agent for the public tender. The tender closed on 14 April 2022. The process of evaluating the tenders continued past 30 June 2022 and in December 2022 the four lots were sold for \$28 million to Level 33 Property Developers. This asset was reclassified as a "non-current asset held for sale" in the 2022 financial statements.

Ongoing legal matters

Council completed the legislative process and awarded the sale to the successful tender applicant. The sale is now complete. Proceedings have been brought by an unsuccessful tender applicant in the Federal Court on 30 September 2022 seeking compensation in the amount of \$56.8 million. Council is defending the action.

Divestment of Blue Haven Bonaira

In October 2022 Council resolved to sell the Blue Haven Residential Aged Care facility and Independent Living Units at Bonaira. This was further ratified by Council in February 2023. Council is expecting to finalise the divestiture in early 2024.

NSW Treasury Corporation (T-Corp)

Council obtained \$60 million of finance to assist in the construction of the Blue Haven complex from T-Corp. During the year ended 30 June 2021, \$15 million had been paid off that liability. At 30 June 2022, the remaining amount of the debt outstanding was \$45 million. This has been disclosed at Note C2-3 because that entire amount was due to be fully repaid on 9 August 2023.

However, in May and June 2023, Council made two further payments of \$15 million each, reducing the final outstanding balance at June 2023 to \$15 million. Council re-negotiated the payment terms of the final \$15 million, which is now repayable by 9 August 2025. We have sighted all relevant documentation in relation to these matters.

I will continue to monitor the progress of the issues described above to determine the impact on my audit approach for 2022-23.

Conflicts of interest

Several employees were identified whose interests in entities were not declared to Council. Some of those entities were commercially engaged with the Council. Where this was the case, the nature of any transactions with the Council was reviewed to determine whether the employee who had the undisclosed interest was also involved in procurements made by Council with that entity. One exception was identified where an employee was actively involved in the procurement of goods and services by Council from an entity in which the employee held an undisclosed interest. Council has reviewed the relevant material and reported the matter to ICAC. I am also required to report the matter to the ICAC.

FINANCIAL INFORMATION AND PERFORMANCE RATIOS

In the circumstances described above, I do not believe it is meaningful to provide further commentary on Financial Information or Performance Ratios in this report.

OTHER MATTERS

Legislative compliance

Use of externally restricted cash

Note C1-3 of the 2022 financial statements reports a (\$102,000) balance relating to cash, cash equivalents and investments. Council had not applied any internal allocations of its cash balances at 30 June 2022. It came to the attention of Council in preparing the 2021-22 financial statements that externally restricted cash had been used without it seeking the appropriate Ministerial approvals.

Section 410 of the *Local Government Act 1993* states that where funds have been received by Council for a specific purpose and that money is not yet required for that purpose, the council can redeploy those funds for other purposes, provided that Ministerial approval was granted in advance of that occurring. Councillors and Management disclosed this in the 2021-22 financial statements at Note A1-1 'Basis of Preparation'.

These breaches are considered significant and will be reported to the Minister.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 September 2023

Cc: Ms Jane Stroud, Chief Executive Officer
Mr David Pendleton, Chair of the Audit, Risk and Improvement Committee

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Attachment 1



KIAMA MUNICIPAL COUNCIL
your council, your community



Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2022



Item 13.2

Attachment 1

Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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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).

Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

During preparation of the 2020-21 financial statements, Council identified underlying issues in relation to its internal control environment and the maintenance of appropriate books and records. These issues related to the year ended 30 June 2021. There were several factors that contributed to these issues, including:

- High turnover in key management and senior staff positions which resulted in a loss of corporate knowledge.
- Finance team turnover and vacancies.
- Operational challenges and additional costs due to the impact of the COVID-19 pandemic.
- Insufficient controls and testing over the implementation of a new finance IT system.
- Weaknesses in internal controls over reconciliations and working papers.

Although Council prepared the 2021-21 financial statements based on the underlying books and records, due to the pervasive nature of the issues identified above, Councillors and Management were unable to warrant the completeness and reliability of the financial statements taken as a whole.

Accordingly, in preparing the 2021-22 financial statements, Councillors and Management are unable to rely on the prior year comparative information presented, which make up the opening balances in the 2021-22 financial statements. This impacts the Income Statement and Statement of Financial Position for those declared business activities that existed in 2020-21, being Holiday Parks.

During preparation of the 2021-22 financial statements, the total balance of Infrastructure, Property, Plant and Equipment (IPPE) could not be fully verified by management. At 30 June 2022, the total balance of IPPE was \$105.0 million. For the year ended 30 June 2022, management conducted a comprehensive revaluation for buildings and operational land, with net carrying values of \$ 82 million and \$0.4 million, respectively. Councillors and Management are satisfied that the closing net carrying values of buildings and operational land are fairly stated for the year ended 30 June 2022.

The completeness and reliability of the remaining categories within the IPPE balance, with a total closing net carrying value of \$22.6 million, could not be verified for the year ended 30 June 2022. Management and Councillors are unable to warrant the completeness and reliability of these balances. A plan has been put into place to continue the revaluation cycle for these asset classes in future years.

For those categories of IPPE that are unable to be verified for the year ended 30 June 2022, Councillors and Management are also unable to attest to the accuracy and completeness of the associated depreciation expense, disclosed as \$2.9 million for the year ended 30 June 2022.

In April 2023 Council declared the following as Business Activities of Kiama Municipal Council from the 2021-22 financial year:

- a) Category One Business Activities
 - Blue Haven
 - Holiday Parks
- b) Category Two Business Activities
 - Commercial Waste and Hire Services
 - The Pavilion

Comparative data for newly declared business activities relating to Blue Haven, Commercial Waste and Hire Services and Pavilion operations is not available.

Because of the issues raised above we are unable to certify that the attached special purpose financial statements have been prepared in accordance with:

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

Kiama Municipal Council


Special Purpose Financial Statements
for the year ended 30 June 2022

Statement by Councillors and Management (continued)

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

Signed in accordance with a resolution of Council made on 19 September 2023


Neil Reilly
Mayor
26 September 2023


Imogen Draisma
Deputy Mayor
26 September 2023


Jane Stroud
Chief Executive Officer
26 September 2023


Olena Tulubinska
Responsible Accounting Officer
26 September 2023

Kiama Municipal Council | Income Statement of Holiday Parks | for the year ended 30 June 2022

Kiama Municipal Council

Income Statement of Holiday Parks

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges and Fees	10,352	10,786
Grants and contributions provided for non-capital purposes	2	4
Total income from continuing operations	10,354	10,790
Expenses from continuing operations		
Employee benefits and on-costs	332	318
Borrowing costs	111	57
Materials and services	5,208	4,381
Depreciation, amortisation and impairment	1,099	968
Loss on sale of assets	–	98
Calculated taxation equivalents	131	136
Debt guarantee fee (if applicable)	–	33
Other expenses	539	941
Total expenses from continuing operations	7,420	6,932
Surplus (deficit) from continuing operations before capital amounts	2,934	3,858
Grants and contributions provided for capital purposes	–	60
Surplus (deficit) from continuing operations after capital amounts	2,934	3,918
Surplus (deficit) from all operations before tax	2,934	3,918
Less: corporate taxation equivalent [based on result before capital]	(734)	(1,003)
Surplus (deficit) after tax	2,200	2,915
Plus accumulated surplus	16,025	14,931
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	131	136
– Debt guarantee fees	–	33
– Corporate taxation equivalent	734	1,003
Less:		
– Dividend paid (distribution to the general fund)	(651)	(2,993)
Closing accumulated surplus	18,439	16,025
Return on capital %	9.2%	15.3%

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Kiama Municipal Council | Income Statement of Blue Haven | for the year ended 30 June 2022

Kiama Municipal Council

Income Statement of Blue Haven

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges and fees	5,529	—
Grants and contributions provided for operating purposes	12,234	—
Interest and investment income	10	—
Other income - deferred management fees (DMF)	4,692	—
Fair value increment - investment property	4,060	—
Total income from continuing operations	26,525	—
Expenses from continuing operations		
Employee benefits and on-costs	12,855	—
Materials and services	8,543	—
Borrowing costs	1,278	—
Depreciation, amortisation and impairment	1,322	—
Calculated taxation equivalents	214	—
Other expenses	873	—
Total expenses from continuing operations	25,085	—
Surplus (deficit) from continuing operations before capital amounts	1,440	—
Surplus (deficit) from continuing operations after capital amounts	1,440	—
Surplus (deficit) from all operations before tax	1,440	—
Less: corporate taxation equivalent (25%) [based on result before capital]	(360)	—
Surplus (deficit) after tax	1,080	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	214	—
– Corporate taxation equivalent	360	—
Add:		
Less:		
Closing accumulated surplus	1,654	—
Return on capital %	4.1%	0.0%

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Kiama Municipal Council | Income Statement of Commercial Waste and Plant Hire Activities | for the year ended 30 June 2022

Kiama Municipal Council

Income Statement of Commercial Waste and Plant Hire Activities

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
User charges	619	—
Other income	67	—
Total income from continuing operations	686	—
Expenses from continuing operations		
Employee benefits and on-costs	556	—
Materials and services	173	—
Depreciation, amortisation and impairment	393	—
Calculated taxation equivalents	27	—
Total expenses from continuing operations	1,149	—
Surplus (deficit) from continuing operations before capital amounts	(463)	—
Surplus (deficit) from continuing operations after capital amounts	(463)	—
Surplus (deficit) from all operations before tax	(463)	—
Surplus (deficit) after tax	(463)	—
Plus accumulated surplus	709	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	27	—
Less:		
Closing accumulated surplus	273	—
Return on capital %	(34.0)%	0.0%
Subsidy from Council	463	—

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Attachment 1

Kiama Municipal Council | Income Statement of The Pavillion | for the year ended 30 June 2022

Kiama Municipal Council

Income Statement of The Pavillion

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
Income from continuing operations		
Fees	367	—
Total income from continuing operations	367	—
Expenses from continuing operations		
Employee benefits and on-costs	179	—
Materials and services	275	—
Depreciation, amortisation and impairment	116	—
Calculated taxation equivalents	9	—
Total expenses from continuing operations	579	—
Surplus (deficit) from continuing operations before capital amounts	(212)	—
Surplus (deficit) from continuing operations after capital amounts	(212)	—
Surplus (deficit) from all operations before tax	(212)	—
Surplus (deficit) after tax	(212)	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	9	—
Add:		
Less:		
Closing accumulated surplus	(203)	—
Return on capital %	(4.3)%	0.0%
Subsidy from Council	212	—

Kiama Municipal Council | Statement of Financial Position of Holiday Parks | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Financial Position of Holiday Parks

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	446	2,179
Receivables	293	407
Total current assets	739	2,586
Non-current assets		
Infrastructure, property, plant and equipment	33,063	25,506
Total non-current assets	33,063	25,506
Total assets	33,802	28,092
LIABILITIES		
Current liabilities		
Borrowings	518	570
Payables	223	1,240
Employee benefit provisions	57	29
Total current liabilities	798	1,839
Non-current liabilities		
Borrowings	3,250	3,767
Total non-current liabilities	3,250	3,767
Total liabilities	4,048	5,606
Net assets	29,754	22,486
EQUITY		
Accumulated surplus	18,439	16,025
Revaluation reserves	11,315	6,461
Total equity	29,754	22,486

Kiama Municipal Council | Statement of Financial Position of Blue Haven | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Financial Position of Blue Haven

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	5,823	—
Receivables	540	—
Total current assets	6,363	—
Non-current assets		
Receivables	191	—
Infrastructure, property, plant and equipment	65,623	—
Investment property	139,030	—
Total non-current assets	204,844	—
Total assets	211,207	—
LIABILITIES		
Current liabilities		
Payables	133,818	—
Employee benefit provisions	1,822	—
Other	183	—
Total current liabilities	135,823	—
Non-current liabilities		
Borrowings	44,537	—
Intercompany Loan	6,057	—
Employee benefit provisions	153	—
Total non-current liabilities	50,747	—
Total liabilities	186,570	—
Net assets	24,637	—
EQUITY		
Retained earnings	1,654	—
Revaluation reserves	22,983	—
Total equity	24,637	—

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Kiama Municipal Council | Statement of Financial Position of Commercial Waste and Plant Hire Activities | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Financial Position of Commercial Waste and Plant Hire Activities as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	11	—
Total current assets	11	—
Non-current assets		
Infrastructure, property, plant and equipment	1,363	—
Total non-current assets	1,363	—
Total assets	1,374	—
LIABILITIES		
Current liabilities		
Employee benefit provisions	1,005	—
Total current liabilities	1,005	—
Non-current liabilities		
Employee benefit provisions	96	—
Total non-current liabilities	96	—
Total liabilities	1,101	—
Net assets	273	—
EQUITY		
Accumulated surplus	273	—
Total equity	273	—

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Kiama Municipal Council | Statement of Financial Position of The Pavillion | for the year ended 30 June 2022

Kiama Municipal Council

Statement of Financial Position of The Pavillion

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
ASSETS		
Current assets		
Receivables	15	—
Total current assets	15	—
Non-current assets		
Infrastructure, property, plant and equipment	4,921	—
Total non-current assets	4,921	—
Total assets	4,936	—
LIABILITIES		
Current liabilities		
Payables	92	—
Employee benefit provisions	179	—
Total current liabilities	271	—
Total liabilities	271	—
Net assets	4,665	—
EQUITY		
Retained earnings	(203)	—
Revaluation reserves	4,868	—
Total equity	4,665	—

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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. Blue Haven

Aged Care and Independent Living Units

b. Holiday Parks

Caravan and Camping Parks

Category 2

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

a. Commercial Waste and Hire Services

Commercial waste services and commercial plant hire

b. The Pavillion

Venue hire

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 25%

Income tax

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

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

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

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.

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.

(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 3.66% at 30/6/22.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Disclaimer of Opinion

I am required to audit the accompanying special purpose financial statements of Kiama Municipal 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 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- Holiday Parks
- Blue Haven (Residential Aged Care Facility and Independent Living Units)
- Commercial Waste and Plant Hire Activities
- The Pavillion.

I do not express an opinion on the accompanying special purpose financial statements of the Council's Declared Business Activities. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the special purpose financial statements.

Basis for Disclaimer of Opinion

Impact on opening balances at 1 July 2021

In the prior year, significant breakdowns in administrative, financial and governance internal controls materially and pervasively impacted the reliability of the Council's financial reporting.

Councillors and Management declared, in the Statement required by Councillors and Management under section 413(2)(c) of the *Local Government Act 1993* (LG Act), they were unable to warrant the completeness and reliability of the financial statements for the year ended 30 June 2021. As a result, I disclaimed my opinion on the special purpose financial statements for the year then ended.

The disclaimer of opinion on the financial statements for the year ended 30 June 2021 affected my ability to obtain sufficient appropriate audit evidence on the opening balances at 1 July 2021. This impacts financial statement line items in the Income Statements of the Declared Business Activities.

Infrastructure, property, plant and equipment

Council recognised a total of \$105.0 million of infrastructure, property, plant and equipment assets in the Statements of Financial Position for their Declared Business Activities at 30 June 2022. Excluding the asset classes of operational land and buildings with a total net carrying value of \$82.4 million, I was unable to obtain sufficient appropriate audit evidence to support the completeness, accuracy, valuation, existence or condition of the remaining asset classes of infrastructure, property, plant and equipment assets with a total net carrying amount of \$22.6 million.

As noted in the Statement by Councillors and Management, Council has not undertaken procedures to confirm the completeness, accuracy, valuation, existence or condition of these assets. This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to support and determine the impact on:

- the carrying values of the remaining asset classes of infrastructure, property, plant that should be recorded in the Statement of Financial Position of each Declared Business Activity
- 'Depreciation, amortisation and impairment' expense in the Income Statement of each Declared Business Activity
- 'Loss on sale of assets' expense in the Income Statement of Holiday Parks.

The material nature and pervasiveness of these issues means I cannot express an opinion on the accompanying special purpose financial statements for the year ended 30 June 2022.

Emphasis of Matter - Basis of Accounting

I draw attention to the Significant Accounting Policies note to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements have been prepared for the purpose of fulfilling the Council's financial reporting requirements under the LG Code. As a result, these special purpose financial statements may not be suitable for another purpose.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the special purpose 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 special purpose 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the special purpose financial statements.

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.



Lisa Berwick
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

28 September 2023
SYDNEY



KIAMA MUNICIPAL COUNCIL
your council, your community



Kiama Municipal Council

Special Schedules Financial Statements

for the year ended 30 June 2022



Item 13.2

Attachment 1

Kiama Municipal Council

Special Schedules
for the year ended 30 June 2022

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2022	7

Kiama Municipal Council | Permissible income for general rates | for the year ended 30 June 2022

Kiama Municipal Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	19,023	19,388
Plus or minus adjustments ²	b	(19)	16
Notional general income	c = a + b	19,004	19,404
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	380	485
Sub-total	k = (c + g + h + i + j)	19,384	19,889
Plus (or minus) last year's carry forward total	l	10	7
Less valuation objections claimed in the previous year	m	(7)	(8)
Sub-total	n = (l + m)	3	(1)
Total permissible income	o = k + n	19,387	19,888
Less notional general income yield	p	19,388	19,891
Catch-up or (excess) result	q = o - p	(1)	(3)
Plus income lost due to valuation objections claimed ⁴	r	8	-
Carry forward to next year ⁶	t = q + r + s	7	(3)

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)*.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. 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.

Kiama Municipal Council | Permissible income for general rates | for the year ended 30 June 2022



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Kiama Municipal Council (the Council) for the year ending 30 June 2023.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

Kiama Municipal Council | Permissible income for general rates | for the year ended 30 June 2022

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.



Lisa Berwick
Delegate of the Auditor-General for New South Wales

28 September 2023
SYDNEY

Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring to the standard		Estimated cost to bring to the agreed level of service set by Council		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	1,403	1,403	820	820	820	820	133,890	169,101	44.0%	15.0%	40.0%	1.0%	0.0%
	Buildings – non-specialised	498	498	–	–	–	–	17,397	22,960	32.0%	43.0%	23.0%	2.0%	0.0%
	Sub-total	1,901	1,901	820	820	820	820	151,287	192,061	42.6%	18.3%	38.0%	1.1%	0.0%
Other structures	Other structures	618	618	296	296	296	296	6,970	13,042	38.0%	5.0%	52.0%	3.0%	2.0%
	Sub-total	618	618	296	296	296	296	6,970	13,042	38.0%	5.0%	52.0%	3.0%	2.0%
Roads	Roads	2,009	2,009	2,119	2,119	2,119	2,119	132,021	194,719	43.0%	34.0%	23.0%	1.0%	(1.0%)
	Bridges	1,173	1,173	–	–	–	–	23,215	36,744	31.0%	34.0%	32.0%	3.0%	0.0%
	Footpaths	953	953	109	109	109	109	9,482	15,599	40.0%	22.0%	32.0%	4.0%	2.0%
	Bulk earthworks	–	–	–	–	–	–	22,326	22,326	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	4,135	4,135	2,228	2,228	2,228	2,228	187,044	269,388	37.6%	30.5%	22.8%	1.4%	7.7%
Stormwater drainage	Stormwater drainage	–	–	157	157	157	157	40,303	56,571	24.0%	70.0%	5.0%	0.0%	1.0%
	Sub-total	–	–	157	157	157	157	40,303	56,571	24.0%	70.0%	5.0%	0.0%	1.0%
Open space / recreational assets	Swimming pools	–	–	39	39	39	39	867	1,208	67.0%	1.0%	32.0%	0.0%	0.0%
	Recreation	1,563	1,563	1,880	1,880	1,880	1,880	3,078	6,542	25.0%	22.0%	29.0%	23.0%	1.0%
	Sub-total	1,563	1,563	1,919	1,919	1,919	1,919	3,945	7,750	31.5%	18.7%	29.5%	19.4%	0.9%
Other Assets	Land Improvements - Depreciable	614	614	–	–	–	–	1,334	3,102	22.0%	22.0%	36.0%	17.0%	3.0%
	Other Assets - Other	78	78	–	–	–	–	1,369	1,751	97.0%	1.0%	0.0%	1.0%	1.0%
	Sub-total	692	692	–	–	–	–	2,703	4,853	49.1%	14.4%	23.0%	11.2%	2.3%
Total – all assets		8,909	8,909	5,420	5,420	5,420	5,420	392,252	543,665	38.0%	29.4%	27.1%	1.5%	4.0%

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

Infrastructure asset condition assessment 'key'

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

continued on next page

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Kiama Municipal Council

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

5	Very poor	Urgent renewal/upgrading required
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Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ^{1, 2}	3,638	43.08%	104.71%	>= 100.00%
Depreciation, amortisation and impairment	8,445			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	8,909	2.23%	2.45%	< 2.00%
Net carrying amount of infrastructure assets	400,191			
Asset maintenance ratio				
Actual asset maintenance	5,420	100.00%	100.00%	> 100.00%
Required asset maintenance	5,420			

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

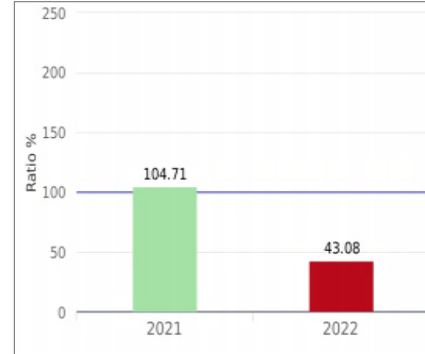
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 and as at 30 June 2021 could not be fully verified by management.

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Benchmark: — $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Buildings and infrastructure renewals ratio

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

Commentary on result

21/22 ratio 43.08%

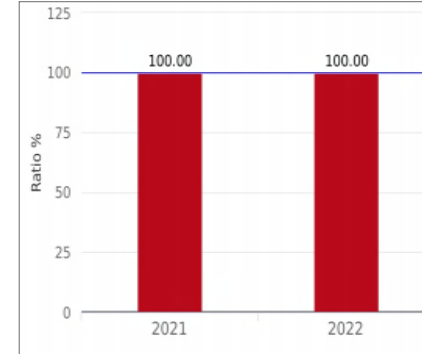
The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 could not be fully verified by management. As such, ratios calculated are indicative only.

In order to maintain financial sustainability, Council reduced its overall capital expenses in 2021/22 financial year, as a result, the renewal ratio has deteriorated.

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



Benchmark: — $> 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Asset maintenance ratio

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

Commentary on result

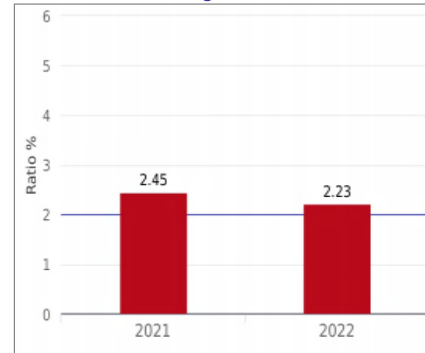
21/22 ratio 100.00%

The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 could not be fully verified by management. As such, ratios calculated are indicative only. Maintenance expenses remain consistent, as a result, the ratio didn't change in 2021/22 financial year.

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Benchmark: — $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting

Infrastructure backlog ratio

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

Commentary on result

21/22 ratio 2.23%

The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 could not be fully verified by management. As such, ratios calculated are indicative only. Backlog was not reassessed during 2021/22 financial year and there was no significant change in backlog ratio in 2021/22 financial year.

Ratio achieves benchmark

Ratio is outside benchmark

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Benchmark
	2022	2021	
Buildings and infrastructure renewals ratio			
Asset renewals ¹	43.08%	104.71%	>= 100.00%
Depreciation, amortisation and impairment			
Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	2.23%	2.45%	< 2.00%
Net carrying amount of infrastructure assets			
Asset maintenance ratio			
Actual asset maintenance	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	1.64%	1.70%	
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.