

The Council of the Municipality of Hunter's Hill

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



The Council of the Municipality of Hunter's Hill

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

22 Alexandra Street
Hunters Hill NSW 2110

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.huntershill.nsw.gov.au.

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

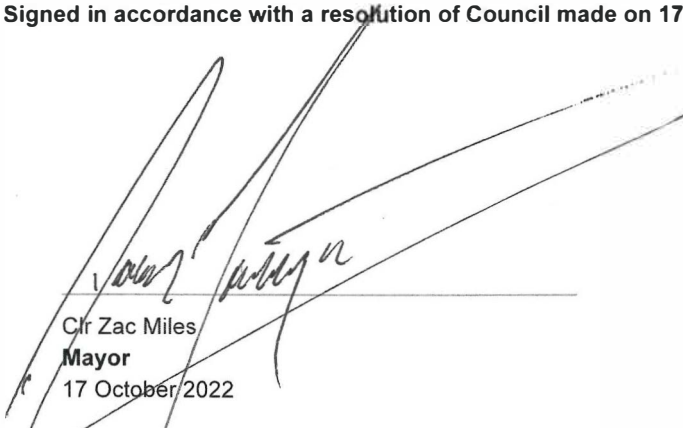
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2022.



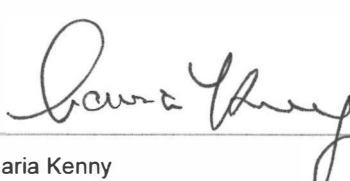
Clr Zac Miles
Mayor
17 October 2022



Clr Elizabeth Krassoi
Deputy Mayor
17 October 2022



Mitchell Murphy
General Manager
17 October 2022



Maria Kenny
Responsible Accounting Officer
17 October 2022

The Council of the Municipality of Hunter's Hill

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
13,129	Rates and annual charges	B2-1	13,170	12,654
1,322	User charges and fees	B2-2	1,544	1,396
1,190	Other revenues	B2-3	1,080	1,292
931	Grants and contributions provided for operating purposes	B2-4	1,271	1,072
3,736	Grants and contributions provided for capital purposes	B2-4	1,581	1,829
317	Interest and investment income	B2-5	174	158
–	Other income		–	15
329	Net gain from the disposal of assets	B4-1	–	–
20,954	Total income from continuing operations		18,820	18,416
Expenses from continuing operations				
6,115	Employee benefits and on-costs	B3-1	5,410	5,518
7,949	Materials and services	B3-2	8,887	8,371
3,538	Depreciation, amortisation and impairment of non-financial assets	B3-3	4,367	3,870
916	Other expenses	B3-4	1,019	890
145	Net loss from the disposal of assets	B4-1	47	157
18,663	Total expenses from continuing operations		19,730	18,806
2,291	Net operating result for the year attributable to Council		(910)	(390)
(1,445)	Net operating result for the year before grants and contributions provided for capital purposes		(2,491)	(2,219)

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

The Council of the Municipality of Hunter's Hill

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		(910)	(390)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>5,893</u>	<u>4,825</u>
Total items which will not be reclassified subsequently to the operating result		5,893	4,825
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		<u>(57)</u>	<u>46</u>
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(57)	46
Total other comprehensive income for the year		5,836	4,871
Total comprehensive income for the year attributable to Council		4,926	4,481

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

The Council of the Municipality of Hunter's Hill

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	10,557	4,234
Investments	C1-2	11,875	17,615
Receivables	C1-4	2,023	1,696
Inventories	C1-5	3	3
Contract assets and contract cost assets	C1-6	424	–
Other		41	32
Total current assets		24,923	23,580
Non-current assets			
Investments	C1-2	2,363	545
Receivables	C1-4	41	34
Infrastructure, property, plant and equipment (IPPE)	C1-7	234,410	229,328
Total non-current assets		236,814	229,907
Total assets		261,737	253,487
LIABILITIES			
Current liabilities			
Payables	C3-1	5,034	4,258
Contract liabilities	C3-2	5,216	2,642
Employee benefit provisions	C3-3	1,075	1,099
Total current liabilities		11,325	7,999
Non-current liabilities			
Employee benefit provisions	C3-3	12	14
Total non-current liabilities		12	14
Total liabilities		11,337	8,013
Net assets		250,400	245,474
EQUITY			
Accumulated surplus		109,579	110,546
IPPE revaluation reserve		140,821	134,928
Council equity interest		250,400	245,474
Total equity		250,400	245,474

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

The Council of the Municipality of Hunter's Hill

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		110,546	134,928	245,474	110,890	130,103	240,993
Restated opening balance		110,546	134,928	245,474	110,890	130,103	240,993
Net operating result for the year		(910)	–	(910)	(390)	–	(390)
Restated net operating result for the period		(910)	–	(910)	(390)	–	(390)
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	5,893	5,893	–	4,825	4,825
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		(57)	–	(57)	46	–	46
Other comprehensive income		(57)	5,893	5,836	46	4,825	4,871
Total comprehensive income		(967)	5,893	4,926	(344)	4,825	4,481
Closing balance at 30 June		109,579	140,821	250,400	110,546	134,928	245,474

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

The Council of the Municipality of Hunter's Hill

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
13,129	Rates and annual charges		13,023	12,522
1,322	User charges and fees		1,288	1,507
317	Interest received		127	188
4,668	Grants and contributions		5,094	4,198
–	Bonds, deposits and retentions received		380	68
1,518	Other		1,044	1,055
<i>Payments:</i>				
(6,115)	Payments to employees		(5,436)	(5,809)
(7,949)	Payments for materials and services		(8,302)	(8,038)
(1,061)	Other		(839)	(822)
5,829	Net cash flows from operating activities		6,379	4,869
Cash flows from investing activities				
<i>Receipts:</i>				
424	Redemption of term deposits		–	–
–	Sale of real estate assets		216	–
329	Proceeds from sale of IPPE		145	267
<i>Payments:</i>				
(532)	Purchase of investments		(500)	(1,999)
–	Acquisition of term deposits		4,225	2,234
(6,050)	Payments for IPPE		(4,142)	(6,319)
–	Contributions paid to joint ventures and associates		–	499
(5,829)	Net cash flows from investing activities		(56)	(5,318)
–	Net change in cash and cash equivalents		6,323	(449)
22,394	Cash and cash equivalents at beginning of year		4,234	4,683
22,394	Cash and cash equivalents at end of year	C1-1	10,557	4,234
–	plus: Investments on hand at end of year	C1-2	14,238	18,160
22,394	Total cash, cash equivalents and investments		24,795	22,394

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

The Council of the Municipality of Hunter's Hill

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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 31 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7.
- ii. employee benefit provisions – refer Note C3-3.

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

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.

The Consolidated Fund has been included in the Council's financial statements.

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

- General purpose operations

A1-1 Basis of preparation (continued)

The Trust Fund

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

No trust funds are currently held by Council.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not have material dependence on volunteer services. Volunteers are utilised in Cultural Events & Bushland. These services are not recognised due to their nature as a large percentage would not go ahead should there not be volunteers to undertake the roles and their non-material value.

Covid 19 Impacts

Hunter's Hill Council has not been affected by COVID-19 to the extent of other Sydney metropolitan councils, as it does not operate high-volume indoor customer facing services such as swimming and leisure centres, or child care centres.

This financial year, Council resolved a COVID relief package for fees, leases and licence waivers to the value of \$95,000 along with a \$10,000 local business grants program. Conversely, \$15,000 additional unbudgeted license income was secured for COVID testing at Boronia Park.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

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

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Maintain Character and Manage Growth Planning	652	635	1,902	1,708	(1,250)	(1,073)	12	–	29	56
Focus on the Community	1,867	1,490	4,253	3,893	(2,386)	(2,403)	1,195	452	115,663	105,216
Manage and Preserve Our Environment	3,520	3,577	3,552	3,754	(32)	(177)	125	233	297	112
Make Getting Around Easier	2,076	2,353	4,764	4,526	(2,688)	(2,173)	928	1,912	108,786	107,550
Leadership and Governance	10,705	10,361	5,259	4,925	5,446	5,436	592	304	36,962	40,553
Total functions and activities	18,820	18,416	19,730	18,806	(910)	(390)	2,852	2,901	261,737	253,487

B1-2 Components of functions or activities

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

Maintain Character & manage Growth Planning

Urban growth is well managed by applying 'excellence in design' principles. Development meets tight controls and complies with Local Environment Plans (LEPs) and Development Control Plans (DCPs). There is a balanced view of 'built form' to ensure the area continues to remain vibrant and diverse, but at the same time there is a strong desire to limit overdevelopment and retain the existing streetscape. We provide a range of flexible and adaptable buildings for a mix of retail, commercial, community and residential spaces in addition to our thriving village centres being used by our engaged and supportive community.

We champion our conservation zones and remain committed to fighting against high rise urbanisation. Our community and Council work in partnership to continue to strive for retention of our harbour access and foreshores and the remarkable harbour views, which are iconic to our Municipality.

Focus on the Community

Residents are inspired to lead an active lifestyle by the provision of multipurpose community facilities that are accessible and maximise participation opportunities. Open spaces, parks, reserves and playgrounds are attractive places where people can find sanctuary amongst urban living.

A range of arts and cultural activities that are respected and celebrated enhance our strong sense of place and belonging and assist in shaping our unified community. We look to create opportunities through a lively events calendar that promotes friendly neighbourhoods and vibrant village centres.

Volunteering is a way of life for many Hunters Hill residents and we aim to expand on this by encouraging the community to realise the benefits of a harmonious, well supported and positive place that improves the happiness of our entire community.

Manage and Preserve Our Environment

Together, we respond proactively to pressure facing our environment and endeavour to enhance the way we conserve our resources and natural systems. Striving towards an ecological sound future and measuring the extent of our human footprint is critical for the long term sustainability.

We regularly review our operations and processes to identify opportunities to reduce, recycle and reuse products generated by our changing lifestyles. We understand that this is an important process in the development of all future programs, policies and partnerships. With an impressive 14km of harbour foreshore and abundant flora and fauna that we are so blessed to inhabit, we acknowledge that sound environmental management is fundamental in ensuring the high quality of life we all enjoy.

Make Getting Around Easier

Efficient and reliable major public transport options that are safe and integrated will see a future that is less dependent on cars and a reduction in congestion and carbon footprint. We recognise the importance of targeted programs to encourage the community to make public transport options a way of daily life.

Alternate methods of transport, such as walking and cycling require paths that are well designed and maintained. Safe and convenient footpaths and cycle ways will promote walking and cycling as a viable option that will reduce reliance on private motor vehicles. While private transport is a popular preference, focus will be given to the development and implementation of local area traffic management plans and parking schemes, which will effectively manage traffic flow and safety.

In order to improve all modes of transport choices, our planning controls will require a co-ordinated approach to support movement in, around and beyond our Municipality.

Leadership & Governance

Through widespread community involvement, Council succeeds with responsible and transparent management that promotes best practice initiatives. A consultative approach creates an informed and educated community who are empowered to identify, participate and offer solutions in any decision making process.

To ensure that statutory and financial management obligations are met, strategic outcomes are delivered to ensure social, environmental, economic and civic issues are addressed in the best interest of the community.

Our staff are essential to the success of the organisation and we strive to attract, retain and develop a committed team that encompasses a workplace culture that values ethical behaviours and safe working practices. Council's internal values reflect the HEART of what we do and who we are: Honesty, Excellence, Accountability, Respect, Teamwork and Safety. Simply explained, these values will guide our future choices and how we can best add value to the community.

B1-2 Components of functions or activities (continued)

Council will advocate for strong partnering programs with other governing bodies, neighbouring councils and key stakeholders to ensure we reflect a commitment to a whole-of-government approach to undertaking important issues. Aligning ourselves in this manner will ensure the successful implementation and execution of integrated plans.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	8,185	8,016
Business	261	238
Less: pensioner rebates (mandatory)	(49)	(51)
Rates levied to ratepayers	8,397	8,203
Pensioner rate subsidies received	27	28
Total ordinary rates	8,424	8,231
Special rates		
Environmental	192	187
Infrastructure	406	396
Other	543	531
Community facilities	366	346
Rates levied to ratepayers	1,507	1,460
Total special rates	1,507	1,460
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	3,180	2,927
Section 611 charges	72	48
Less: pensioner rebates (mandatory)	(26)	(26)
Annual charges levied	3,226	2,949
Pensioner subsidies received:		
– Domestic waste management	13	14
Total annual charges	3,239	2,963
Total rates and annual charges	13,170	12,654

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	–	4
Waste management services (non-domestic)	2	212	169
Total specific user charges		212	173
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	5	16
Planning and building regulation	2	734	507
Section 10.7 certificates (EP&A Act)	2	43	49
Section 603 certificates	2	22	22
Total fees and charges – statutory/regulatory		804	594
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Community centres	2	127	116
Lease rentals	2	35	33
Leaseback fees – Council vehicles	2	19	23
Reserves and Sporting Fields	2	90	59
Parking fees	2	129	184
Restoration charges	2	128	214
Total fees and charges – other		528	629
Total other user charges and fees		1,332	1,223
Total user charges and fees		1,544	1,396
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		1,544	1,396
Total user charges and fees		1,544	1,396

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	Timing	2022	2021
Rental income – other council properties	1	298	197
Bus shelter contract - License fee	1	241	241
Fines -other	2	23	4
Fines – parking	2	345	510
Commissions and agency fees	2	1	6
Sundry rents and charges	2	172	150
Waste rebate	2	–	59
Other	2	–	125
Total other revenue		1,080	1,292
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		263	–
Other revenue recognised at a point in time (2)		817	1,292
Total other revenue		1,080	1,292

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	189	147	–	–
Financial assistance – local roads component	2	76	67	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	290	157	–	–
Financial assistance – local roads component	2	117	72	–	–
Other					
Other grants		–	–	25	–
Amount recognised as income during current year		672	443	25	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Bushfire and emergency services		98	–	–	–
Community care	2	17	12	–	–
Economic development	2	–	162	–	–
Environmental programs	2	139	71	–	–
Heritage and cultural	2	12	–	–	–
Library	2	–	94	–	–
Library – per capita	2	95	–	–	–
Recreation and culture	2	17	79	–	238
Street lighting	2	–	47	–	–
Traffic route subsidy	2	122	10	–	–
Transport (roads to recovery)	2	–	–	98	289
Transport (other roads and bridges funding)	2	37	–	–	–
Other specific grants	2	(7)	20	8	–
Previously contributions:					
Drainage	2	7	–	–	–
Kerb and gutter	2	–	11	–	–
Recreation and culture	2	47	–	859	–
Roads and bridges		–	–	48	–
Transport for NSW contributions (regional roads, block grant)	2	–	93	–	501
Tourism	2	15	10	–	–
Other contributions	2	–	20	–	–
Total special purpose grants and non-developer contributions – cash		599	629	1,013	1,028
Non-cash contributions					
Roads and bridges		–	–	20	–
Tourism		–	–	5	–
Other		–	–	6	–
Total other contributions – non-cash		–	–	31	–
Total special purpose grants and non-developer contributions (tied)		599	629	1,044	1,028
Total grants and non-developer contributions		1,271	1,072	1,069	1,028

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Comprising:					
– Commonwealth funding		672	443	–	–
– State funding		591	579	614	966
– Other funding		8	50	455	62
		1,271	1,072	1,069	1,028

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:		F3				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	–	696
S 7.12 – fixed development consent levies		2	–	–	512	–
Other developer contributions		2	–	–	–	105
Total developer contributions – cash			–	–	512	801
Total developer contributions			–	–	512	801
Total contributions			–	–	512	801
Total grants and contributions			1,271	1,072	1,581	1,829
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			1,271	1,072	1,581	1,829
Total grants and contributions			1,271	1,072	1,581	1,829

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	355	44	1,071	1,133
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	163	477	4,402	877
Add: Funds received and not recognised as revenue in the current year	–	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(370)	(166)	(439)	(939)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	–
Unspent funds at 30 June	148	355	5,034	1,071
Contributions				
Unspent funds at 1 July	–	–	1,377	1,788
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	801
Add: contributions received and not recognised as revenue in the current year	–	–	520	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(553)	(1,212)
Unspent contributions at 30 June	–	–	1,344	1,377

Unspent contributions refer to Section 7.11 contributions received but not yet spent.

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 the completion of specific works or projects. 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

B2-4 Grants and contributions (continued)

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	45	20
– Cash and investments	129	138
Total interest and investment income (losses)	174	158
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	45	20
General Council cash and investments	129	126
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	–	12
Total interest and investment income	174	158

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	4,728	4,405
Employee leave entitlements (ELE)	76	326
Superannuation	450	541
Workers' compensation insurance	94	121
Fringe benefit tax (FBT)	24	16
Other Employee benefits		
Travel expenses	7	60
Training costs (other than salaries and wages)	31	49
Total employee costs	5,410	5,518
Total employee costs expensed	5,410	5,518

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
Advertising		59	53
Raw materials and consumables		1,043	796
Contractor and consultancy costs		5,923	5,764
Audit Fees	E2-1	106	103
Bank charges		38	41
Previously other expenses:			
Electricity and heating		85	108
Insurance		255	224
Printing and stationery		35	47
Street lighting		162	330
Subscriptions and publications		240	149
Telephone and communications		42	23
Councillor and Mayoral fees and associated expenses	E1-2	175	195
Legal expenses:			
– Legal expenses: planning and development		590	357
– Legal expenses: other		98	89
Variable lease expense relating to usage		–	80
Other		36	12
Total materials and services		8,887	8,371
Total materials and services		8,887	8,371

Accounting policy

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

B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		154	155
Office equipment		595	402
Furniture and fittings		35	35
Infrastructure:	C1-7		
– Buildings – non-specialised		382	173
– Buildings – specialised		181	383
– Other structures		1,055	861
– Roads		1,228	1,155
– Footpaths		198	183
– Kerb and guttering		233	233
– Other road assets		66	56
– Stormwater drainage		240	234
Total gross depreciation and amortisation costs		4,367	3,870
Total depreciation and amortisation costs		4,367	3,870
Total depreciation, amortisation and impairment for non-financial assets		4,367	3,870

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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.

B3-4 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
User charges and fees		65	–
Total impairment of receivables	C1-4	65	–
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		140	–
Total Fair value decrement on investments	C1-2	140	–
Contributions/levies to other levels of government			
– Department of planning levy		63	69
– NSW fire brigade levy		484	533
– Regional library		219	251
– Other contributions/levies		35	24
Donations, contributions and assistance to other organisations (Section 356)		13	13
Total other expenses		1,019	890

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	C1-7		
Proceeds from disposal – plant and equipment		145	267
Less: carrying amount of plant and equipment assets sold/written off		(96)	(115)
Gain (or loss) on disposal		49	152
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(312)	(309)
Gain (or loss) on disposal		(312)	(309)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		216	–
Gain (or loss) on disposal		216	–
Net gain (or loss) from disposal of assets		(47)	(157)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
User charges and fees	1,322	1,544	222	17% F
Income raised from DA, Work Zone and Mini-skip fees exceeded budget. Council also received income from the DA compliance levy, after the NSW Government extended the date in which councils were able to collect this levy from 30 June to 31 December 2021.				
Other revenues	1,190	1,080	(110)	(9)% U
The material difference in budget to actual income resulted from a decrease in the parking fines being issued. There was also no income generated from the lease of the depot site. As a result of COVID, council also did not collect income from events hire.				
Operating grants and contributions	931	1,271	340	37% F
The additional Financial Assistance Grant was not included in original budget. The Council also received additional unbudgeted grant funding from NSW agencies such as Service NSW and Department of Planning & Environment.				
Capital grants and contributions	3,736	1,581	(2,155)	(58)% U
At the time of the budgeting, it was assumed the Embellishment of Figtree Park project would be completed within the financial year, and therefore the grant capital income could be recognised.				
Interest and investment revenue	317	174	(143)	(45)% U
During most of FY2021-22 term deposits were earning low interest rates. In addition, Council's managed fund portfolio with NSW Treasury has not performed to the expected rate of return due to the downturn in share market returns.				
Net gains from disposal of assets	329	-	(329)	(100)% U
Whilst there were gains returned in the disposal of fleet and surplus land, this was offset by a net loss in written off infrastructure assets.				
Expenses				
Employee benefits and on-costs	6,115	5,410	705	12% F
This category and materials and contracts off-set each other. Whilst there were vacancies in the permanent staffing structure, contracting of services costs increased to fill the gap in the market.				
Materials and services	7,949	8,887	(938)	(12)% U
This category and employee benefits off-set each other. Whilst there were vacancies in the permanent staffing structure, contracting of services costs increased to fill the gap in the market.				
Depreciation, amortisation and impairment of non-financial assets	3,538	4,367	(829)	(23)% U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Council has recently invested in new IT systems, which has impacted depreciation expenses as software systems are depreciated over a shorter asset life. There has also been increases in capital expenditure in the asset classes of roads, playgrounds and marine structures resulting in a corresponding increase in depreciation.

Net losses from disposal of assets	145	47	98	68%	F
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Whilst there were gains returned in the disposal of fleet and surplus land, this was offset by a net loss in written off infrastructure assets.

Statement of cash flows

Cash flows from investing activities	(5,829)	(56)	5,773	(99)%	F
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This is a result of the difference between classification definitions between short-term and long-term financial investments.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	2,340	639
Cash equivalent assets		
– Short-term deposits	8,217	3,595
Total cash and cash equivalents	10,557	4,234

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,557	4,234
Balance as per the Statement of Cash Flows	10,557	4,234

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		2021	
	Current	Non-current	Current	Non-current
Financial assets at fair value through the profit and loss				
Managed funds	–	1,875	1,515	–
Total	–	1,875	1,515	–
Debt securities at amortised cost				
Long term deposits	11,875	–	16,100	–
Equity securities at fair value through other comprehensive income				
CivicRisk	–	488	–	545
Total	–	488	–	545
Total cash assets, cash equivalents and investments	22,432	2,363	21,849	545

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.

Fair value through other comprehensive income – equity instruments

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

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

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

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.

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	24,795	22,394
Less: Externally restricted cash, cash equivalents and investments	<u>(9,058)</u>	<u>(6,229)</u>
Cash, cash equivalents and investments not subject to external restrictions	15,737	16,165

External restrictions

External restrictions – included in liabilities

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

External restrictions – other

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

Developer contributions – general	1,205	1,221
Other developer contributions	138	148
Specific purpose unexpended grants (recognised as revenue) – general fund	5,267	2,692
Domestic waste management	1,420	908
Other special levies	1,028	1,260
External restrictions – other	9,058	6,229
Total external restrictions	9,058	6,229

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	15,737	16,165
Less: Internally restricted cash, cash equivalents and investments	<u>(6,379)</u>	<u>(5,724)</u>
Unrestricted and unallocated cash, cash equivalents and investments	9,358	10,441

Internal allocations

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

Plant and vehicle replacement	489	489
Employees leave entitlement	757	595
Deposits, retentions and bonds	3,199	2,766
Construction of buildings	301	419
Office equipment	262	298
Road reconstruction	259	183
Elections	191	166
Insurance reserve	238	238
Property strategy	71	–
Sustainability Reserve	223	223
Other	199	57
Council work depot - LC	190	290
Total internal allocations	6,379	5,724

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

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	9,358	10,441

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	749	23	566	23
Interest and extra charges	29	18	21	11
User charges and fees	583	-	450	-
Accrued revenues				
– Interest on investments	58	-	26	-
– Other income accruals	189	-	146	-
Net GST receivable	410	-	295	-
Other debtors	-	-	101	-
Payroll Debtor	90	-	111	-
Total	2,108	41	1,716	34
Less: provision for impairment				
User charges and fees	(85)	-	(20)	-
Total provision for impairment – receivables	(85)	-	(20)	-
Total net receivables	2,023	41	1,696	34

C1-4 Receivables (continued)

\$ '000	2022	2021
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Accounting policy

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

Impairment

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	3	-	3	-
Total inventories at cost	3	-	3	-
Total inventories	3	-	3	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	424	-	-	-
Total contract assets and contract cost assets	424	-	-	-

Work relating to infrastructure grants

424

-

-

-

Significant changes in contract assets

Council has completed works in Boronia Park which are funded by a grant

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.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	1,132	–	1,132	39	–	–	–	(795)	–	592	–	592
Plant and equipment	1,297	(585)	712	116	–	(97)	(154)	–	–	1,240	(663)	577
Office equipment	2,018	(1,440)	578	183	–	–	(595)	291	–	2,492	(2,034)	458
Furniture and fittings	495	(250)	245	–	–	–	(35)	–	–	495	(285)	210
Land:												
– Operational land	33,282	–	33,282	–	–	–	–	–	–	33,282	–	33,282
– Community land	83,369	–	83,369	–	–	–	–	–	–	83,369	–	83,369
Infrastructure:												
– Buildings – non-specialised	9,677	(3,986)	5,691	47	–	–	(382)	2	–	9,726	(4,368)	5,358
– Buildings – specialised	18,115	(8,765)	9,350	260	–	(88)	(181)	7	1,292	20,600	(9,975)	10,625
– Other structures	15,982	(7,399)	8,583	89	691	–	(1,055)	360	796	18,644	(9,180)	9,464
– Roads	67,238	(20,223)	47,015	1,602	49	(131)	(1,228)	49	1,655	71,024	(22,004)	49,020
– Footpaths	14,115	(4,398)	9,717	167	–	(51)	(198)	–	380	14,731	(4,717)	10,014
– Kerb and guttering	18,625	(5,823)	12,802	87	–	(32)	–	–	353	19,186	(6,209)	12,977
– Other road assets (including bulk earthworks)	2,159	(368)	1,791	80	–	–	(66)	–	61	2,316	(435)	1,881
– Stormwater drainage	23,354	(8,293)	15,061	102	227	(9)	(240)	86	1,356	25,871	(9,288)	16,583
Total infrastructure, property, plant and equipment	290,858	(61,530)	229,328	2,772	967	(408)	(4,134)	–	5,893	303,568	(69,158)	234,410

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	1,406	–	1,406	–	793	–	–	(1,067)	–	1,132	–	1,132
Plant and equipment	1,306	(728)	578	396	–	(107)	(155)	–	–	1,297	(585)	712
Office equipment	1,152	(1,039)	113	651	–	–	(402)	216	–	2,018	(1,440)	578
Furniture and fittings	309	(214)	95	185	–	–	(35)	–	–	495	(250)	245
Land:												
– Operational land	33,282	–	33,282	–	–	–	–	–	–	33,282	–	33,282
– Community land	78,544	–	78,544	–	–	–	–	–	4,825	83,369	–	83,369
Infrastructure:												
– Buildings – non-specialised	8,339	(3,812)	4,527	698	–	–	(173)	639	–	9,677	(3,986)	5,691
– Buildings – specialised	17,565	(8,384)	9,181	552	–	–	(383)	–	–	18,115	(8,765)	9,350
– Other structures	15,972	(6,539)	9,433	11	–	–	(861)	–	–	15,982	(7,399)	8,583
– Roads	66,428	(19,168)	47,260	877	–	(133)	(1,155)	166	–	67,238	(20,223)	47,015
– Footpaths	13,244	(4,360)	8,884	1,179	–	(163)	(183)	–	–	14,115	(4,398)	9,717
– Other road assets (including bulk earthworks)	1,873	(312)	1,561	252	–	(5)	(56)	39	–	2,159	(368)	1,791
– Stormwater drainage	23,329	(8,097)	15,232	64	–	(8)	(234)	7	–	23,354	(8,293)	15,061
– Kerb and guttering	18,625	(5,590)	13,035	–	–	–	(233)	–	–	18,625	(5,823)	12,802
Total infrastructure, property, plant and equipment	281,374	(58,243)	223,131	4,865	793	(416)	(3,870)	–	4,825	290,858	(61,530)	229,328

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

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

Accounting policy

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

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.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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	5 to 10	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	5 to 10
Vehicles	5 to 8		
Other plant and equipment	5 to 15	Buildings	
		Buildings: masonry	50 to 100
		Buildings: other	50 to 100
Transportation assets		Stormwater assets	
Sealed roads: surface	10 to 25	Drains	60 to 100
Sealed roads: structure	60 to 100		
Kerb, gutter and footpaths	10 to 70		
Other Infrastructure	10 to 70		

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.

C2 Leasing activities

C2-1 Council as a lessee

Council leases a photocopier. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Council has an operating lease for the photocopiers and the lease is for 5 years.

(a) Income Statement

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

\$ '000	2022	2021
Variable lease payments based on usage not included in the measurement of lease liabilities	-	80
	<u>-</u>	<u>80</u>

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

Council has a number of leases at significantly below market for land and buildings which are used for:

Provide general indication of the use of the assets under a concessionary arrangement e.g.

- boat ramp

The leases are generally for 5 year lease terms and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

C2-1 Council as a lessee (continued)

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	1,382	–	797	–
Goods and services – capital expenditure	–	–	209	–
Accrued expenses:				
– Other expenditure accruals	326	–	378	–
Security bonds, deposits and retentions	3,159	–	2,779	–
Government departments and agencies	36	–	–	–
Prepaid rates	131	–	95	–
Total payables	5,034	–	4,258	–

Payables relating to restricted assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Total payables relating to unrestricted assets	5,034	–	4,258	–
Total payables	5,034	–	4,258	–

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	2,687	2,364
Total payables	2,687	2,364

Accounting policy

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

The financial liabilities of the Council comprise trade payables.

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	5,034	-	2,337	-
Total grants received in advance		5,034	-	2,337	-
User fees and charges received in advance:					
Other		182	-	305	-
Total user fees and charges received in advance		182	-	305	-
Total contract liabilities		5,216	-	2,642	-

Notes

(i) Council has received funding to construct assets including sporting facilities and playspace. 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.

Contract liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total contract liabilities relating to unrestricted assets	5,216	-	2,642	-
Total contract liabilities	5,216	-	2,642	-

Significant changes in contract liabilities

The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control.

Accounting policy

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

C3-3 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	420	–	378	–
Long service leave	557	12	616	14
Other leave	98	–	105	–
Total employee benefit provisions	1,075	12	1,099	14

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	508	573
	508	573

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D 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.

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,557	4,234	22,490	4,234
Receivables	2,064	1,730	2,078	1,730
Investments				
– Debt securities at amortised cost	11,875	16,100	–	16,100
Fair value through other comprehensive income				
Investments				
– Equity securities at fair value through other comprehensive income	488	545	599	545
Fair value through profit and loss				
Investments				
– Amortised cost	1,875	1,515	1,875	1,515
Total financial assets	26,859	24,124	27,042	24,124
Financial liabilities				
Payables	5,034	4,258	5,016	4,215
Total financial liabilities	5,034	4,258	5,016	4,215

Fair value is determined as follows:

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

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

Council 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.

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
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	201	210
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(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	≥ 5 years	
2022				
Gross carrying amount	–	749	23	772
2021				
Gross carrying amount	–	561	28	589

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,

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	132	860	97	212	500	1,801
Expected loss rate (%)	0.00%	0.00%	0.00%	10.00%	7.30%	3.20%
ECL provision	–	–	–	21	37	58
2021						
Gross carrying amount	721	143	23	13	261	1,161
Expected loss rate (%)	0.00%	0.00%	0.00%	10.00%	7.30%	1.75%
ECL provision	–	–	–	1	19	20

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	3,159	2,687	–	–	5,846	5,034
Total financial liabilities		3,159	2,687	–	–	5,846	5,034
2021							
Payables	0.00%	2,779	1,342	–	–	4,121	4,258
Total financial liabilities		2,779	1,342	–	–	4,121	4,258

D2-1 Fair value measurement (continued)

Where there is directly comparable market evidence, Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Land assets that have no comparable observable market evidence were subsequently valued at the Level 3 valuation input hierarchy using the professional judgement of a Registered Valuer adjusted for price per square metre of sales sites not in close proximity which provided only a low level of comparability.

Council's Plant, Office Equipment and Furniture & Fittings include:

- Plant: Truck, tractors, mowers
- Fleet: Cars, Utes
- Office Equipment: Computer hardware/software, document management
- Furniture & Fittings: Desks, chairs, window coverings

Plant, Office Equipment, Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. Level 3 unobservable inputs include consumption pattern, useful life, residual value and asset condition.

Buildings were valued by Assetic Valuers and Asset Management at 30 June 2020. Residential properties were valued on Level 3 valuation inputs using comparable properties after adjusting for differences in attributes such as property size.

Specialised buildings were valued using the cost approach by estimating the replacement cost for each building by componentising the buildings and subsequent useful lives. Level 3 valuation inputs required Professional Judgement to estimate unobservable inputs such as residual value, useful life, consumption patterns, asset condition and remaining service potential.

This asset class comprises of Road, Kerb and Channel, Structure, Car Park, Bridge, Footpath, Traffic Signs, Stormwater Drain, Stormwater Pit and were valued using Level 3 valuation inputs using the cost approach.

This approach estimates the replacement cost for each asset into component level with differing useful lives. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2), other inputs such as estimated residual life, useful life, consumption patterns and asset condition required professional judgement and impacted significantly on the determination of fair value. These assets were valued using Level 3 valuation inputs.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

The council engaged external, independent and qualified valuers to determine the fair value of the infrastructure assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 3 fair values are analysed at the end of each reporting period and discussed between the valuation team and Council.

Community Land was valued based on the Land Value provided by the Valuer-General. Where the Valuer-General did not provide Land Value an average unit rate based on the Land Value for similar community land was used.

As at 30 June 2018 a comprehensive valuation was undertaken for Operational Land was performed by APV.

As 30 June 2020 all Buildings revaluation was performed by Assetic and Non-Specialised Buildings have been valued at market value from the sales evidence of similar or reference assets. Specialised Buildings have been valued using depreciated replacement cost. The method is based on determine the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors.

Valuation of Roads was undertaken at 30 June 2020 by Assetic. This asset class comprises the Road Carriageway, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the Kerb and gutter. The Cost Approach using Level 3 inputs was used to value the road and other road infrastructure. Valuation for the road carriageway, comprising surface, pavement and formation were based on calculations undertaken by the external valuation process.

Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on a physical inspection. Condition information is updated as changes in the network are observed through regular inspections. Valuation of the Footpaths and Kerb & Gutter was undertaken at 30 June 2020.

D2-1 Fair value measurement (continued)

Stormwater Drainage comprise pits, pipes, open channels, headwalls and various types of water quality devices. 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. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported through extensive professional judgement and market evidence. Valuation of the stormwater drainage was undertaken at 30 June 2020 by Assetic.

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Community Land	Land values obtained from the NSW Valuer General	Land value and land area
Plant & Equipment	Cost approach	Gross Replacement Cost, remaining useful life
Office Equipment	Cost approach	Gross Replacement Cost, remaining useful life
Furniture & Fittings	Cost approach	Gross Replacement Cost, remaining useful life
Specialised Buildings	Cost approach	Gross Replacement Cost, remaining useful life
Other Structures	Cost approach	Gross Replacement Cost, remaining useful life
Roads	Cost approach	Gross Replacement Cost, remaining useful life
Footpaths	Cost approach	Gross Replacement Cost, remaining useful life
Kerb & Gutter	Cost approach	Gross Replacement Cost, remaining useful life
Other Road Assets	Cost approach	Gross Replacement Cost, remaining useful life
Stormwater Drainage	Cost approach	Gross Replacement Cost, remaining useful life

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	712	578	578	114	245	95	83,369	78,544
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	475	–	–	–	–	4,825
Other movements								
Purchases (GBV)	116	396	–	866	–	185	–	–
Disposals (WDV)	(97)	(107)	–	–	–	–	–	–
Depreciation and impairment	(154)	(155)	(595)	(402)	(35)	(35)	–	–
Closing balance	577	712	458	578	210	245	83,369	83,369

\$ '000	Building specialised		Other structures		Roads		Footpaths	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	9,350	9,181	8,583	9,433	47,015	47,260	9,717	8,884
Total gains or losses for the period								

D2-1 Fair value measurement (continued)

\$ '000	Building specialised		Other structures		Roads		Footpaths	
	2022	2021	2022	2021	2022	2021	2022	2021
Other movements								
Purchases (GBV)	268	552	1,140	11	1,708	1,043	167	1,179
Disposals (WDV)	(88)	–	–	–	(131)	(133)	(51)	(163)
Depreciation and impairment	(181)	(383)	(1,056)	(861)	(1,228)	(1,155)	(198)	(183)
Closing balance	9,349	9,350	8,667	8,583	47,364	47,015	9,635	9,717

\$ '000	Kerb and guttering		Other road assets		Stomwater drainage		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	12,802	13,035	1,791	1,561	15,061	15,232	189,223	183,917
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	475	4,825
Purchases (GBV)	87	–	80	291	415	71	3,981	4,594
Disposals (WDV)	(32)	–	–	(5)	(9)	(8)	(408)	(416)
Depreciation and impairment	(233)	(233)	(66)	(56)	(240)	(234)	(3,986)	(3,697)
Closing balance	12,624	12,802	1,805	1,791	15,227	15,061	189,285	189,223

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021 and \$20.0 Million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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.

D3-1 Contingencies (continued)

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 \$50,852.43. The last valuation of the Scheme was performed by Richard Boyfield FIAA as at 30 June 2021, and covers the period ended 30 June 2024.

Council's expected contribution to the plan for the next annual reporting period is \$21,046.92.

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 0.09% 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) Mutual Management Services Ltd

Mutual Management Services Ltd (MMS) is a company limited by guarantee and was created to provide administration services to the three CivicRisk self-insurance pools CivicRisk West (previously West Pool), CivicRisk Metro (previously Metro Pool) and CivicRisk Mutual (previously United Independent Pools).

MMS operates as a mutual for the benefit of the members who are the sixteen Councils which make up our combined CivicRisk membership being Blacktown, Blue Mountains, Burwood, Bayside, Cumberland, Camden, Hawkesbury, Fairfield, Hunters Hill, Kiama, Lane Cove, Liverpool, Penrith, Parramatta, Shellharbour and Wollongong.

The CivicRisk Self-insurance pools have been operating since the late 1980's when Councils could not purchase insurance in the market and the Councils decided to work together to share the risks and self-fund their claims costs.

MMS was created to move the administration staff and responsibilities from West Pool (now CivicRisk West) to a separate entity that provides the services to all three pools. The creation of obligations rather than a change in the underlying operations.

(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.

D3-1 Contingencies (continued)

(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.

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

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

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

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

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

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

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	1,287	1,339
Post-employment benefits	120	135
Total	1,407	1,474

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	42	44
Councillors' fees	125	126
Other Councillors' expenses (including Mayor)	8	25
Total	175	195

E2 Other relationships

E2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	56	47
Remuneration for audit and other assurance services	56	47
Total Auditor-General remuneration	56	47
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal auditors	50	56
Remuneration for audit and other assurance services	50	56
Total remuneration of non NSW Auditor-General audit firms	50	56
Total audit fees	106	103

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	(910)	(390)
Add / (less) non-cash items:		
Depreciation and amortisation	4,367	3,870
(Gain) / loss on disposal of assets	47	157
Non-cash capital grants and contributions	(31)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	140	(15)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(399)	(367)
Increase / (decrease) in provision for impairment of receivables	65	1
(Increase) / decrease of inventories	–	10
(Increase) / decrease of other current assets	(9)	129
(Increase) / decrease of contract asset	(424)	–
Increase / (decrease) in payables	585	323
Increase / (decrease) in other accrued expenses payable	(52)	(61)
Increase / (decrease) in other liabilities	452	50
Increase / (decrease) in contract liabilities	2,574	1,453
Increase / (decrease) in employee benefit provision	(26)	(291)
Net cash flows from operating activities	6,379	4,869

F2-1 Events occurring after the reporting date

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

F3 Statement of developer contributions as at 30 June 2022

F3-1 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					
Other	1,221	521	–	–	(537)	–	1,205	–
S7.11 contributions – under a plan	1,221	521	–	–	(537)	–	1,205	–
Total S7.11 and S7.12 revenue under plans	1,221	521	–	–	(537)	–	1,205	–
Total contributions	1,221	521	–	–	(537)	–	1,205	–

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.

F3-2 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 27 NOVEMBER 2013								
Other	1,221	521	–	–	(537)	–	1,205	–
Total	1,221	521	–	–	(537)	–	1,205	–

F4 Statement of performance measures

F4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,239)	(12.99)%	(12.53)%	3.42%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	17,239				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	15,968	84.85%	84.23%	91.27%	> 60.00%
Total continuing operating revenue ¹	18,820				
3. Unrestricted current ratio					
Current assets less all external restrictions	18,228	2.24x	3.54x	5.06x	> 1.50x
Current liabilities less specific purpose liabilities	8,130				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2,128	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	819	5.92%	4.71%	3.95%	< 5.00%
Rates and annual charges collectable	13,836				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	22,432	18.47	16.63	17.21	> 3.00
Monthly payments from cash flow of operating and financing activities	1,215	months	months	months	months

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

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

End of the audited financial statements



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Council of the Municipality of Hunters Hill

To the Councillors of Council of the Municipality of Hunters Hill

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

18 October 2022
SYDNEY



Clr Zac Miles
 Mayor
 The Council of the Municipality of Hunter's Hill
 PO Box 21
 Hunter's Hill NSW 2110

Contact: Unaib Jeffrey
 Phone no: 02 9275 7450
 Our ref: D2220397/1742

18 October 2022

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2022
 The Council of the Municipality of Hunters Hill**





I have audited the general purpose financial statements (GPFS) of The Council of the Municipality of Hunters Hill (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	13.2	12.7	4.0 
Grants and contributions revenue	2.8	2.9	3.0 
Operating result from continuing operations	(0.9)	(0.4)	125.0 
Net operating result before capital grants and contributions	(2.5)	(2.2)	14.0 

Council's operating net loss of \$0.9 million (which included the effect of depreciation and amortisation expense of \$4.4 million) was an increase of \$0.5 million compared to the 2020–21 result. This is mainly attributable to the following:

- \$0.5 million increase in rates and annual charges revenue
- \$0.1 million increase in user charges and fees
- \$0.6 million increase in materials and contracts costs arising from Council's ongoing projects
- \$0.5 million increase in depreciation expense.

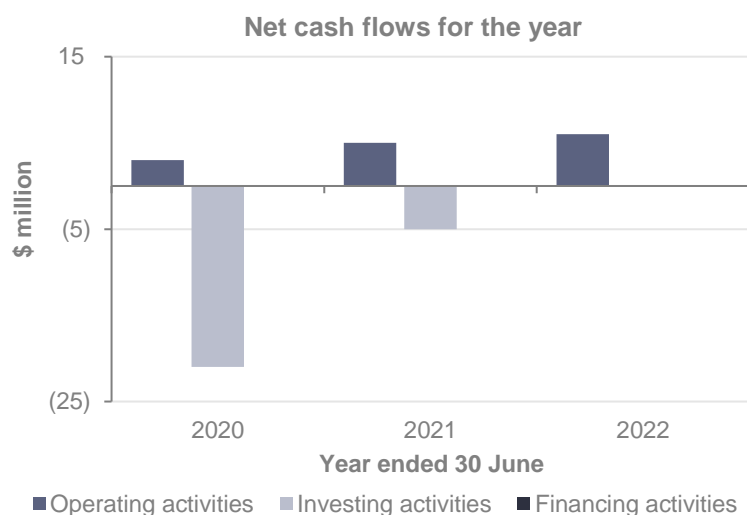
The net operating result before capital grants and contributions (a loss of \$2.5 million) was \$0.3 million lower than the 2020-21 result.

Other than the noted increase in materials and contract costs and depreciation expense for the year, other categories of expenditure were comparable to the 2020-21 financial year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash balances and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$6.3 million to \$10.6 million at the end of the year.

The increase is mainly due to the reclassification between short-term and long-term financial investments.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	24.8	22.3	<ul style="list-style-type: none"> • External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges and special levies. • Balances are internally restricted due to Council policy or decisions for forward plans including works programs. • Unrestricted balances provide liquidity for day-to-day operations.
Restricted cash and investments:			
• External restrictions	9.1	6.2	
• Internal restrictions	6.4	5.7	
• Unrestricted	9.3	10.4	

PERFORMANCE

Performance measures

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

Operating performance ratio

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

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

Council's operating performance ratio of negative 12.99 per cent is below the industry benchmark of greater than zero per cent for 2021-22.

Included in the Council's operating results during the year were year:

- a decrease in employee benefits expense of \$0.1 million compared to 2020-21
- increase in material and services expenses of \$0.5 million compared to 2020-21.

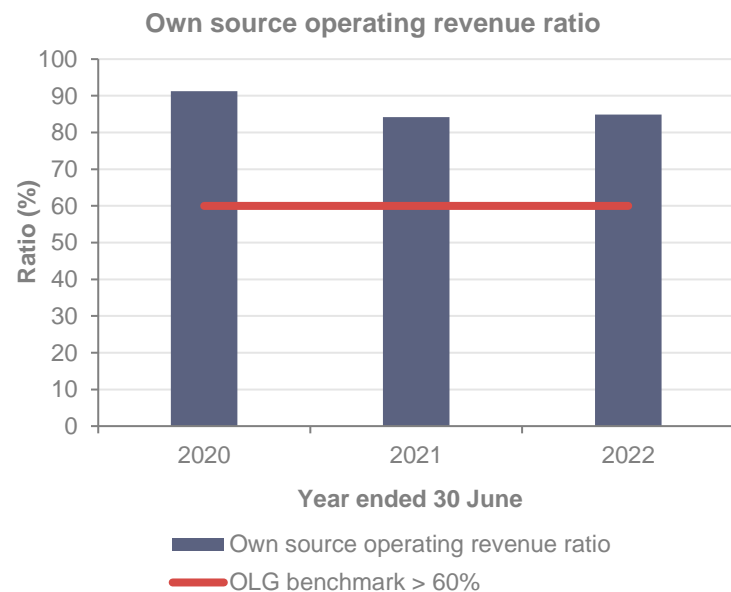


Own source operating revenue ratio

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

The Council exceeded the OLG benchmark for the past three years.

Council's own source operating revenue ratio of 84.85 per cent exceeded the industry benchmark of 60.0 per cent for the past three years.



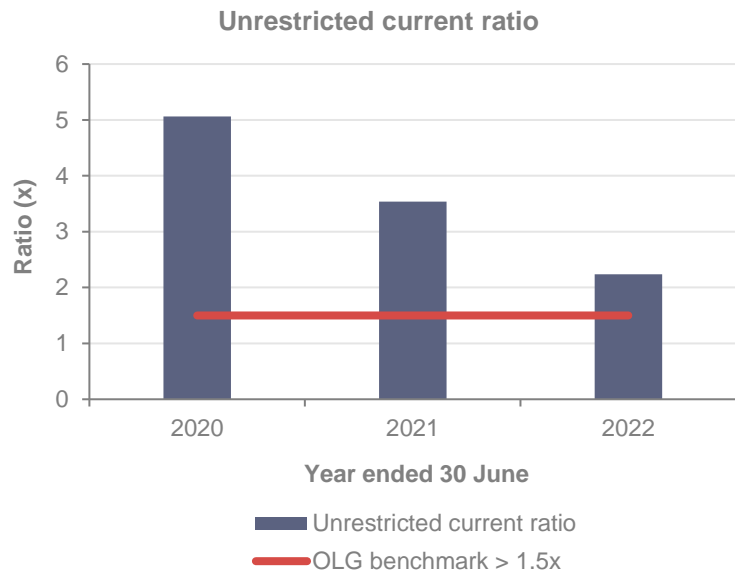
Unrestricted current ratio

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

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

Council's unrestricted current ratio of 2.24 times exceeded the industry benchmark of 1.5 times for the past three years.

This ratio indicates that Council currently has \$2.24 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

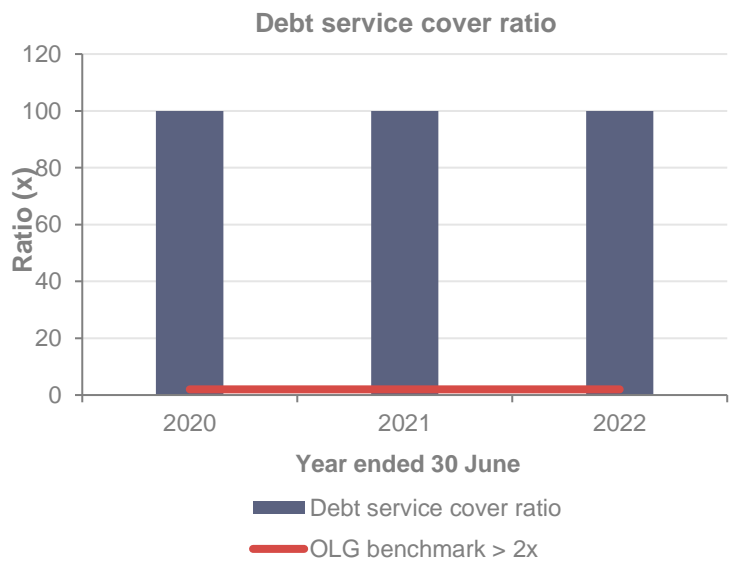


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the past three years.

The Council has no external borrowings.



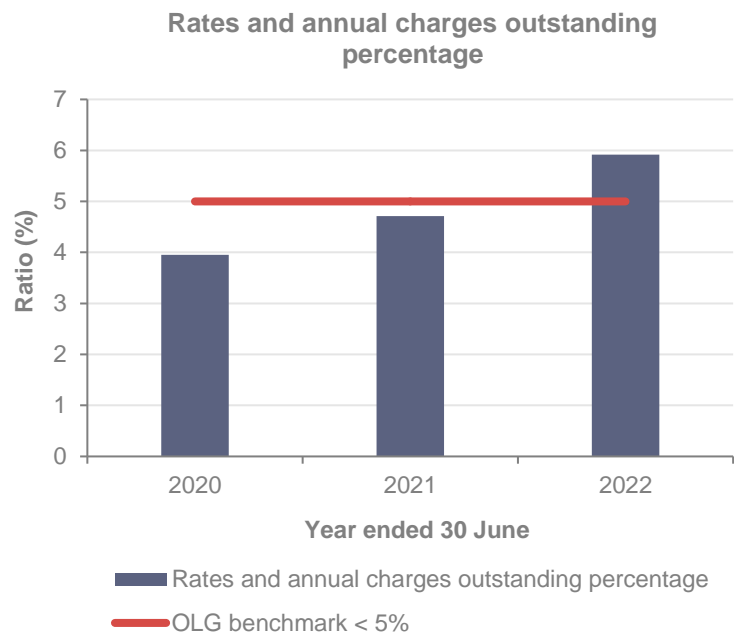
Rates and annual charges outstanding percentage

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

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

Council's rates and annual charges outstanding percentage of 5.92 per cent did not meet the industry benchmark of < 5% for 2021-22.

This ratio has been impacted primarily by the economic conditions resulting from the COVID-19 pandemic.

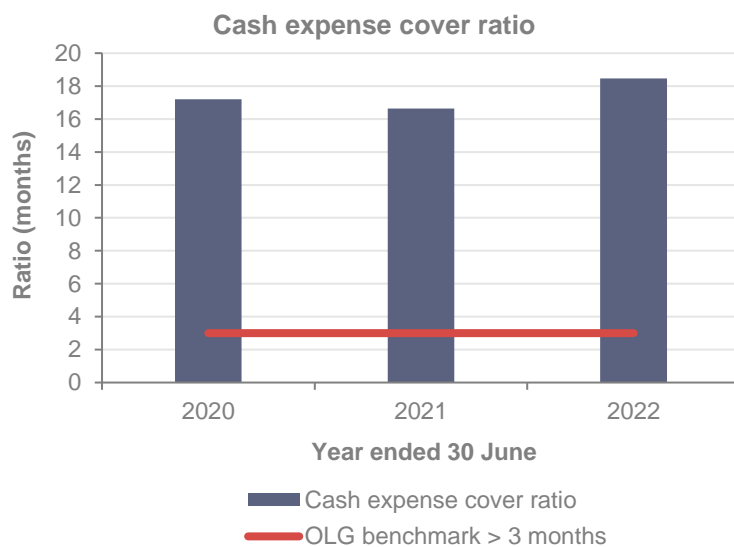


Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the past three years.

This indicates that the Council had capacity to cover 18.4 months of cash expenditure without additional cash inflows at 30 June 2022.



Infrastructure, property, plant and equipment renewals

The Council had asset renewals of \$2.8 million in the 2022 financial year as against \$4.8 million in the prior year. Majority of the asset renewals expenditure was within the roads and footpath assets (\$1.8 million), building assets (\$0.3 million) and office equipment (\$0.3 million) asset class categories. Asset renewals in 2021-22 were carried out in accordance with Council's capital works program and were primarily related to road and footpath assets.

OTHER MATTERS

Legislative compliance

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

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



Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

cc: Mr Mitchell Murphy, General Manager
Mr Mozammel Ali, Chair of Audit, Risk and Improvement Committee
Mr Michael Cassel, Secretary of the Department of Planning and Environment

The Council of the Municipality of Hunter's Hill

SPECIAL SCHEDULES
for the year ended 30 June 2022



The Council of the Municipality of Hunter's Hill

Special Schedules

for the year ended 30 June 2022

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The Council of the Municipality of Hunter's Hill

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	9,754	9,957
Plus or minus adjustments ²	b	(6)	(2)
Notional general income	c = a + b	9,748	9,955
Permissible income calculation			
Special variation percentage ³	d	0.00%	16.90%
Or rate peg percentage	e	2.00%	0.00%
Less expiring special variation amount	g	–	(580)
Plus special variation amount	h = d x (c + g)	–	1,584
Or plus rate peg amount	i = e x (c + g)	195	–
Sub-total	k = (c + g + h + i + j)	9,943	10,959
Plus (or minus) last year's carry forward total	l	14	1
Less valuation objections claimed in the previous year	m	(1)	(2)
Sub-total	n = (l + m)	13	(1)
Total permissible income	o = k + n	9,956	10,958
Less notional general income yield	p	9,957	10,914
Catch-up or (excess) result	q = o – p	(1)	44
Plus income lost due to valuation objections claimed ⁴	r	2	5
Carry forward to next year ⁵	t = q + r + s	1	49

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (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.
- (5) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Council of the Municipality of Hunters Hill

To the Councillors of Council of the Municipality of Hunters Hill

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Council of the Municipality of Hunters Hill (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 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.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping flourish extending to the right.

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

18 October 2022
SYDNEY

The Council of the Municipality of Hunter's Hill

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–	–	53	90	4,559	7,369	64.0%	0.0%	36.0%	0.0%	0.0%
	Council Works Depot	319	–	28	57	501	1,132	14.0%	4.0%	53.0%	28.0%	1.0%
	Council Public Halls	3,051	611	275	227	5,387	11,950	22.0%	16.0%	36.0%	20.0%	6.0%
	Other Buildings	697	–	98	335	5,536	10,096	20.0%	44.0%	29.0%	6.0%	1.0%
	Sub-total	4,067	611	454	709	15,983	30,547	31.2%	20.9%	34.3%	10.8%	2.7%
Other structures	Other structures	1,444	416	300	55	9,464	19,194	11.0%	27.0%	55.0%	6.0%	1.0%
	Sub-total	1,444	416	300	55	9,464	19,194	11.0%	27.0%	55.0%	6.0%	1.0%
Roads	Roads	1,800	3,259	491	1,647	40,199	61,878	14.0%	52.0%	30.0%	4.0%	0.0%
	Bridges	–	–	–	–	248	438	0.0%	0.0%	100.0%	0.0%	0.0%
	Footpaths	149	–	176	287	10,014	14,731	16.0%	27.0%	56.0%	1.0%	0.0%
	Other road assets	–	–	–	32	2,722	3,171	81.0%	19.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	7,732	7,732	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,949	3,259	667	1,966	60,915	87,950	24.2%	41.8%	31.0%	3.0%	0.0%
Stormwater drainage	Stormwater drainage	58	54	423	105	16,583	25,830	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	58	54	423	105	16,583	25,830	0.0%	0.0%	0.0%	0.0%	100.0%
Total – all assets		7,518	4,340	1,844	2,835	102,945	163,521	20.2%	29.6%	29.5%	4.3%	16.4%

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

Infrastructure asset condition assessment 'key'

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

The Council of the Municipality of Hunter's Hill

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	1,595	47.61%	147.26%	56.85%	>= 100.00%
Depreciation, amortisation and impairment	3,350				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	7,518	7.26%	7.90%	7.63%	< 2.00%
Net carrying amount of infrastructure assets	103,537				
Asset maintenance ratio					
Actual asset maintenance	2,835	153.74%	121.17%	112.53%	> 100.00%
Required asset maintenance	1,844				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	4,340	2.65%	2.75%	3.25%	
Gross replacement cost	163,521				

(*) 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.