

Mosman Municipal Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023



Mosman Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Mosman Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

Civic Centre, Mosman Square, MOSMAN, NSW 2088

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.mosman.nsw.gov.au

Mosman Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

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

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

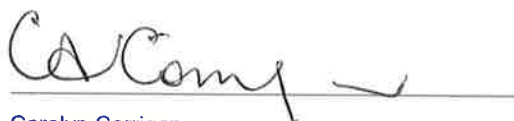
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 05 September 2023.



Carolyn Corrigan

Mayor

05 September 2023



Roy Bendall

Deputy Mayor

05 September 2023



Dominic Johnson

General Manager

05 September 2023



Vanessa Canepa

Responsible Accounting Officer

05 September 2023

Mosman Municipal Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
29,619	Rates and annual charges	B2-1	29,643	28,816
9,806	User charges and fees	B2-2	9,532	7,578
3,255	Other revenues	B2-3	3,746	2,509
2,895	Grants and contributions provided for operating purposes	B2-4	3,861	3,211
4,710	Grants and contributions provided for capital purposes	B2-4	3,834	5,111
171	Interest and investment income		1,066	155
3,495	Other income	B2-5	7,193	3,346
–	Net gain from the disposal of assets		28	–
53	Net share of interests in joint ventures and associates using the equity method		153	219
54,004	Total income from continuing operations		59,056	50,945
	Expenses from continuing operations			
19,409	Employee benefits and on-costs	B3-1	17,731	16,321
21,303	Materials and services	B3-2	19,820	18,739
270	Borrowing costs		305	246
5,741	Depreciation, amortisation and impairment of non-financial assets	B3-3	6,190	5,959
1,831	Other expenses	B3-4	3,058	2,629
516	Net loss from the disposal of assets		–	398
49,070	Total expenses from continuing operations		47,104	44,292
4,934	Operating result from continuing operations		11,952	6,653
4,934	Net operating result for the year attributable to Council		11,952	6,653
224	Net operating result for the year before grants and contributions provided for capital purposes		8,118	1,542

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

Mosman Municipal Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		11,952	6,653
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	36,535	54,521
Other comprehensive income – joint ventures and associates		–	(1)
Total items which will not be reclassified subsequently to the operating result		36,535	54,520
Total other comprehensive income (loss) for the year		36,535	54,520
Total comprehensive income (loss) for the year attributable to Council		48,487	61,173

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

Mosman Municipal Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	11,730	14,163
Investments	C1-2	19,000	11,000
Receivables	C1-4	3,077	2,269
Inventories		202	259
Contract assets and contract cost assets		186	–
Total current assets		34,195	27,691
Non-current assets			
Receivables	C1-4	336	262
Infrastructure, property, plant and equipment (IPPE)	C1-5	573,443	531,971
Investment property	C1-6	52,974	50,210
Intangible assets		172	188
Right of use assets		719	834
Investments accounted for using the equity method		1,440	1,344
Total non-current assets		629,084	584,809
Total assets		663,279	612,500
LIABILITIES			
Current liabilities			
Payables	C3-1	15,269	12,950
Contract liabilities	C3-2	3,333	1,738
Lease liabilities		111	214
Borrowings	C3-3	868	1,278
Employee benefit provisions	C3-4	3,868	3,949
Total current liabilities		23,449	20,129
Non-current liabilities			
Lease liabilities		658	662
Borrowings	C3-3	4,741	5,715
Employee benefit provisions	C3-4	177	226
Total non-current liabilities		5,576	6,603
Total liabilities		29,025	26,732
Net assets		634,254	585,768
EQUITY			
Accumulated surplus		295,100	283,148
IPPE revaluation reserve	C4-1	339,154	302,619
Council equity interest		634,254	585,767
Total equity		634,254	585,767

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

Mosman Municipal Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		283,148	302,619	585,767	276,496	248,098	524,594
Net operating result for the year		11,952	–	11,952	6,653	–	6,653
Net operating result for year ended 30 June 2021		11,952	–	11,952	6,653	–	6,653
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	–	36,535	36,535	–	54,521	54,521
Joint ventures and associates		–	–	–	(1)	–	(1)
Other comprehensive income		–	36,535	36,535	(1)	54,521	54,520
Total comprehensive income (loss)		11,952	36,535	48,487	6,652	54,521	61,173
Closing balance at 30 June		295,100	339,154	634,254	283,148	302,619	585,767

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

Mosman Municipal Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
Receipts:				
29,512	Rates and annual charges		29,468	28,973
7,657	Grants and contributions		8,963	8,938
11,185	User charges and fees		9,649	8,197
5,329	Other		7,354	5,619
–	Bonds, deposits and retentions received		2,075	2,255
168	Interest received		897	123
Payments:				
(19,490)	Payments to employees		(17,861)	(16,867)
(19,906)	Payments for materials and services		(19,602)	(17,781)
(265)	Borrowing costs		(346)	(246)
–	Bonds, deposits and retentions refunded		(1,424)	(1,293)
(2,560)	Other		(2,663)	(2,219)
11,630	Net cash flows from operating activities	G1-1	16,510	15,699
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		35,000	35,000
–	Proceeds from sale of IPPE		285	–
–	Distributions received from joint ventures and associates		57	218
Payments:				
–	Acquisition of term deposits		(43,000)	(41,000)
–	Purchase of investment property		–	(180)
(10,798)	Payments for IPPE		(9,793)	(7,217)
(10,798)	Net cash flows from investing activities		(17,451)	(13,179)
Cash flows from financing activities				
Receipts:				
2,000	Proceeds from borrowings		–	3,000
Payments:				
(1,302)	Repayment of borrowings		(1,384)	(1,249)
–	Principal component of lease payments		(107)	(103)
698	Net cash flows from financing activities		(1,491)	1,648
1,530	Net change in cash and cash equivalents		(2,432)	4,168
–	Cash and cash equivalents at beginning of year		14,163	9,995
1,530	Cash and cash equivalents at end of year	C1-1	11,731	14,163
9,040	plus: Investments on hand at end of year	C1-2	19,000	11,000
10,570	Total cash, cash equivalents and investments		30,731	25,163

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

Mosman Municipal Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 05 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the 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 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-5 Infrastructure, property, plant and equipment
- (ii) estimated fair values of investment properties – refer Note C1-6 Investment Properties
- (iii) employee benefit provisions – refer C3-4 Employee benefits provisions

Significant judgements in applying the Council's accounting policies

Performance Obligation

Council has made a significant judgement about the treatment of the Bridgepoint footbridge external signboard lease. The lease arrangement was entered into in 2020. It was originally classified as a VPA arrangement which required the income to be accounted for in the year in which the funds were received. Due to the timing of the payment, income was accounted for in the preceding period of the lease. Given the length of time the arrangement has been in place, it is more appropriate to treat the income as a lease payment. Under accounting standards, income is accounted for in the year the lease actually applies. As a consequence, the income which was received on 6th June 2023 which was predominantly related to a lease period in the 2023/24 financial year will be accounted for in the 2023/24 financial year.

A1-1 Basis of preparation (continued)

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.

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

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 enjoys the assistance of volunteers in the Community Care and Art Gallery services. Council does not recognise these services in the Financial Statement as they would not be purchased if not donated.

New accounting standards and interpretations issued but not yet effective

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

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

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

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
A Safe, Caring and Inclusive Community	865	806	2,290	1,882	(1,425)	(1,076)	591	691	22,480	18,036
A Culturally Rich and Vibrant Community	916	482	4,253	3,888	(3,337)	(3,406)	398	273	33,576	23,688
An Attractive and Sustainable Environment	7,899	7,486	7,583	8,036	316	(550)	110	119	132,099	54,493
An Engaged, Business Friendly Community with Strong Civic Leadership	25,395	23,938	12,087	12,097	13,308	11,841	1,465	1,400	108,135	39,072
Well Designed, Liveable and Accessible Places	22,396	15,170	14,419	12,578	7,977	2,592	4,986	5,677	320,790	414,410
A Healthy and Active Village Lifestyle	1,585	3,063	6,472	5,810	(4,887)	(2,747)	145	162	46,199	62,801
Total functions and activities	59,056	50,945	47,104	44,291	11,952	6,654	7,695	8,322	663,279	612,500

B1-2 Components of functions or activities

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

A Safe Caring and Inclusive Community

- Assist residents to feel connected to their community and each other
- Ensure support is available for people in need
- Promote opportunities to acknowledge and embrace diversity

A Culturally Rich and Vibrant Community

- Celebrate Mosman's unique identity and heritage
- Nurture cultural and creative endeavours
- Provide further opportunities to laugh, learn and play

An Attractive and Sustainable Environment

- Protect and enhance Mosman's natural areas and local biodiversity
- Use and encourage sustainable practices
- Effectively manage parklands for community use

An Engaged, Business-Friendly Community with Strong Civic Leadership

- Council delivers high-quality, convenient service to customers
- Utilise local and regional partnerships to benefit Mosman
- Provide support for business precincts and the local economy

Well-designed, Livable and Accessible Places

- Enhance daily life by providing high-quality public infrastructure and public spaces
- Value and strengthen the special aesthetic qualities of Mosman
- Improve access for everyone to, from and within Mosman

A Healthy and Active Village Lifestyle

- Protect and enhance Mosman's village atmosphere
- Support active, healthy lifestyle
- Facilitate safe environments for everyday living

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	19,945	19,485
Business	2,039	1,980
Less: pensioner rebates (mandatory)	(105)	(110)
Rates levied to ratepayers	21,879	21,355
Pensioner rate subsidies received	54	54
Total ordinary rates	21,933	21,409
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	7,472	7,162
Stormwater management services	239	239
Section 611 charges	22	23
Less: pensioner rebates (mandatory)	(39)	(40)
Less: pensioner rebates (Council policy)	(6)	(7)
Annual charges levied	7,688	7,377
Pensioner annual charges subsidies received:		
– Domestic waste management	22	30
Total annual charges	7,710	7,407
Total rates and annual charges	29,643	28,816

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	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)			
Domestic waste management services	2	116	140
Total specific user charges		116	140
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Planning and building regulation	2	1,109	888
Regulatory fees	2	255	167
Section 10.7 certificates (EP&A Act)	2	137	120
Section 603 certificates	2	71	91
Total fees and charges – statutory/regulatory		1,572	1,266
(ii) Fees and charges – other (incl. general user charges (per s608))			
Recycling income (non-domestic)	1	86	58
Parking fees – on street	2	2,814	2,175
Parking fees – foreshore	2	1,727	1,403
Parking permits – foreshore and resident schemes	1	523	468
Restoration charges	1	255	176
Development related road and footpath fees	1	493	569
Community Services, Cultural Services and Library	2	459	365
Regulation Fees use of roads, footpaths and verges	1	748	408
Fees for use of parks, sports and other facilities	1	512	359
Other	2	227	191
Total fees and charges – other		7,844	6,172
Total other user charges and fees		9,416	7,438
Total user charges and fees		9,532	7,578
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		2,618	2,038
User charges and fees recognised at a point in time (2)		6,914	5,540
Total user charges and fees		9,532	7,578

Accounting policy

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

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

Where an upfront fee is charged such as parking permits - foreshore and resident scheme, the fee is recognised on a straight-line basis over the expected life of the permit.

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	2023	2022
Fines	2	3,372	2,330
Other	1	286	105
Workers compensation insurance incentives	1	88	74
Total other revenue		3,746	2,509

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	374	179
Other revenue recognised at a point in time (2)	3,372	2,330
Total other revenue	3,746	2,509

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	199	185	–	–
Financial assistance – local roads component	68	335	–	–
Payment in advance - future year allocation				
Financial assistance – general component	854	599	–	–
Financial assistance – local roads component	288	200	–	–
Amount recognised as income during current year	1,409	1,319	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Aged care	591	598	–	–
Employment and training programs	25	–	–	–
Environmental programs	10	61	100	112
Heritage and cultural	12	10	–	–
Library	86	82	–	–
Library – special projects	56	79	–	–
LIRS subsidy	6	14	–	–
Recreation and culture	319	45	1,754	3,327
Storm/flood damage	–	–	–	25
Street lighting	110	107	–	–
Transport (roads to recovery)	240	88	–	–
Transport (other roads and bridges funding)	93	50	412	100
Other specific grants	31	–	–	56
Previously contributions:				
Community services	–	2	–	–
Recreation and culture	67	–	–	–
Transport for NSW contributions (regional roads, block grant)	115	71	–	–
Other (youth programs)	3	3	–	–
Total special purpose grants and non-developer contributions – cash	1,764	1,210	2,266	3,620
Total special purpose grants and non-developer contributions (tied)	1,764	1,210	2,266	3,620
Total grants and non-developer contributions	3,173	2,529	2,266	3,620
Comprising:				
– Commonwealth funding	2,029	1,715	212	550
– State funding	1,005	812	2,054	3,070
– Other funding	139	2	–	–
	3,173	2,529	2,266	3,620

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements	F4	688	682	–	–
S 7.12 – fixed development consent levies		–	–	1,568	1,491
Total contributions		688	682	1,568	1,491
Total grants and contributions		3,861	3,211	3,834	5,111
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		387	–	2,266	–
Grants and contributions recognised at a point in time (2)		3,474	3,211	1,568	5,111
Total grants and contributions		3,861	3,211	3,834	5,111

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	331	63	2,896	1,346
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	242	–	–	–
Add: Funds received and not recognised as revenue in the current year	1	283	1,602	1,694
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(68)	(15)	(2,684)	(144)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(45)	–	(150)	–
Unspent funds at 30 June	461	331	1,664	2,896
Unspent capital grants.				
Contributions				
Unspent funds at 1 July	1,266	796	2,683	2,408
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	692	682	1,575	1,491
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(485)	(212)	(653)	(1,216)
Unspent contributions at 30 June	1,473	1,266	3,605	2,683

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

B2-4 Grants and contributions (continued)

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 provision of a service or reaching milestone events when building new infrastructure assets. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Other income

\$ '000	Notes	2023	2022
Fair value increment on investment properties			
Fair value increment on investment properties		2,764	151
Total fair value increment on investment properties	C1-6	2,764	151
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		2,089	1,745
Total Investment properties		2,089	1,745
Other lease income			
Other Property Leases		2,340	1,450
Total other lease income		2,340	1,450
Total rental income	C2-1	4,429	3,195
Total other income		7,193	3,346

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	14,184	13,309
Employee termination costs (where material – other than vested leave paid)	11	58
Employee leave entitlements (ELE)	1,566	1,049
Superannuation – defined contribution plans	1,463	1,457
Superannuation – defined benefit plans	200	128
Workers' compensation insurance	294	268
Fringe benefit tax (FBT)	13	52
Total employee costs expensed	17,731	16,321
Number of 'full-time equivalent' employees (FTE) at year end	148	149
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	164	164

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		106	30
– Aged services		184	177
– Art Gallery and Community Centre		348	168
– Bushcare		406	432
– Childrens Services		14	2
– Cleansing		137	211
– Companion Animal Control		27	25
– Communications and Events		234	160
– Consultancies		30	51
– Development assessment and urban planning		526	474
– Finance Contractors		8	13
– Infrastructure		2,536	2,077
– Internal audit		129	94
– Library		248	169
– Parks, gardens and civic spaces		1,947	1,993
– Plant running		86	91
– Recreational facilities		765	209
– Recruitment expenses		16	7
– Structures		1,688	1,992
– Swim Centre Management		190	180
– Temp Staff and Agency Casuals		147	4
– Waste management		4,141	4,166
– Youth Services		22	14
– Other contractor and consultancy costs		135	171
Audit Fees	E2-1	64	59
Infringement notice contract costs (SEINS)		386	286
Councillor and Mayoral fees and associated expenses	E1-2	232	201
Advertising		306	197
Bank charges		141	207
Computer software charges		1,144	1,173
Electricity and heating		305	481
Insurance		786	787
Postage		55	76
Street lighting		83	105
Subscriptions and publications		176	139
Telephone and communications		246	257
Travel expenses		373	365
Training costs (other than salaries and wages)		88	86
Other expenses		193	189
Catering		114	34
Equipment maintenance		37	30
Leases – property		59	55
Water		131	147
Legal expenses:			
– Legal expenses: planning and development		422	436
– Legal expenses: other		119	257
Expenses from leases of low value assets		212	213
Printing		73	44
Other		5	5
Total materials and services		19,820	18,739

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	2023	2022
Depreciation and amortisation			
Plant and equipment		170	182
Office equipment		153	142
Furniture and fittings		19	22
Land improvements (depreciable)		11	11
Infrastructure:	C1-5		
– Buildings – non-specialised		441	654
– Buildings – specialised		629	335
– Roads		2,589	2,416
– Footpaths		306	488
– Stormwater drainage		570	492
– Other open space/recreational assets		985	856
Right of use assets	C2-1	115	115
Other assets:			
– Library books		186	230
Intangible assets	C1-10	16	16
Total depreciation, amortisation and impairment for non-financial assets		6,190	5,959

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 C1-5 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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

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

B3-4 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
User charges and fees		5	–
Other		348	334
Total impairment of receivables	C1-4	353	334
Other			
Contributions/levies to other levels of government			
– Department of planning levy		227	222
– NSW fire brigade levy		1,196	740
– Waste levy		1,042	1,101
Donations, contributions and assistance to other organisations (Section 356)		240	232
Total other expenses		3,058	2,629

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 Performance against budget

B4-1 Material budget variations

Council's original budget was adopted by the Council on 06 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	29,619	29,643	24	0% F
User charges and fees	9,806	9,532	(274)	(3)% U
Income from Bus Shelter contract \$1.330 m is budgeted under User Charges & Fees whereas the actual income have been correctly allocated to Other Revenue.				
Other revenues	3,255	3,746	491	15% F
The majority of the favourable variance was attributable to higher-than-expected revenue from parking fines (\$250k), legal recoupment (\$141k), and worker compensation rebates (\$88k)				
Operating grants and contributions	2,895	3,861	966	33% F
100% Advanced Financial Assistance Grant (FAG), additional and higher-than-budget grants income received for Art programs, Strong Start Cadetship program, DA E-portal and RTA roads grants are the main contributing factors to the favourable variance.				
Capital grants and contributions	4,710	3,834	(876)	(19)% U
Lower-than-budgeted Road grants (Legacy grant) contribute to most of the unfavourable variance.				
Interest and investment revenue	171	1,066	895	523% F
The RBA's series of ten cash rate hikes in the last financial year, starting at 1.35% on July 6, 2022, and reaching 4.1% in June, 2023, have ultimately improved Council's investment returns. Council strategically leveraged our short term investments to fully capitalised on the advantageous shifts in interest rates.				
Net gains from disposal of assets	—	28	28	∞ F
Proceeds from the sale of a portion of a road reserve \$285k offset by \$257k disposal of some minor infrastructure assets.				
Other income	3,495	7,193	3,698	106% F
Fair value increment on investment properties \$2,764 m and increase in leases income are the main contributing factor to the favourable variance. Revenue from Bus Shelter contract \$1.330 m budgeted under User Charges & Fees also contributed to the favourable variance.				
Joint ventures and associates – net profits	53	153	100	189% F
Kimbrikki's investment value increment (\$94k) and dividend (\$58k) are the main contributing factor to the favourable variance.				
Expenses				
Employee benefits and on-costs	19,409	17,731	1,678	9% F
Reduction in employee leave liability (\$215k) in contrast with a budgeted increase of \$554k is the main contributing factor to				

B4-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
the favourable variance. Additionally, an estimated average 10% vacancy rate also contributed to the savings.				
Materials and services	21,303	19,820	1,483	7% F
Various savings across several expense categories including utility costs, bank fees, photocopy eases, printing, postage and contractor' costs.				
Borrowing costs	270	305	(35)	(13)% U
Interest on Right of Use Leases not budgeted was the contributing factor to the unfavourable variance.				
Depreciation, amortisation and impairment of non-financial assets	5,741	6,190	(449)	(8)% U
Other expenses	1,831	3,058	(1,227)	(67)% U
The increase in Emergency Service Levy (ESL) - \$140k or 24%, along with top-up for Worker Compensation premiums (\$11k) and the S88 waste levy - \$1m (which were budgeted under materials and services but correctly recorded under statutory expenses) accounted for most of the unfavourable variances.				
Net losses from disposal of assets	516	–	516	100% F

Statement of cash flows

Cash flows from operating activities	11,630	16,510	4,880	42% F
Favourable net cash movements in Bonds, Deposits and Retentions (\$0.651 m), higher than budgeted grants income (\$1.3 m) and interest received from investments (\$0.728 m) and lower than budgeted employee costs payments (\$1.5 m) contributed to most of the favourable variance.				
Cash flows from investing activities	(10,798)	(17,451)	(6,653)	62% U
Increased in the acquisition of term deposits accounted for the negative movements in investing activities.				
Cash flows from financing activities	698	(1,491)	(2,189)	(314)% U
Repayment of borrowing and no new borrowing were the main factors that contributed to the negative movements.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	730	1,163
Cash equivalent assets		
– Deposits at call	1,000	–
– Short-term deposits	10,000	13,000
Total cash and cash equivalents	11,730	14,163

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	11,730	14,163
Balance as per the Statement of Cash Flows	11,730	14,163

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.

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	19,000	–	11,000	–
Total	19,000	–	11,000	–
Total financial investments	19,000	–	11,000	–
Total cash assets, cash equivalents and investments	30,730	–	25,163	–

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

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

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

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	30,730	25,163
Less: Externally restricted cash, cash equivalents and investments	(9,582)	(9,233)
Cash, cash equivalents and investments not subject to external restrictions	21,148	15,930
External restrictions		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants included in liabilities – general fund	1,884	477
Specific purpose unexpended grants (recognised as revenue) – general fund	175	2,750
Developer contributions – general	5,077	3,948
Domestic waste management	2,446	2,058
Total external restrictions	9,582	9,233

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	2023	2022
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	21,148	15,930
Less: Internally restricted cash, cash equivalents and investments	(14,117)	(6,118)
Unrestricted and unallocated cash, cash equivalents and investments	7,031	9,812
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Deposits, retentions and bonds	4,047	3,712
Employees leave entitlement	809	936
Capital works	4,812	145
Building Renewal	4,000	1,000
Plant and vehicle replacement	382	325
Art Gallery Trust	67	–
Total internal allocations	14,117	6,118

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

C1-4 Receivables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	673	315	522	239
Interest and extra charges	99	–	78	–
User charges and fees	866	–	800	–
Accrued revenues				
– Interest on investments	187	–	39	–
– Other income accruals	715	–	429	–
Government grants and subsidies	290	–	337	–
Loans to non-profit organisations	–	21	–	23
Net GST receivable	485	–	307	–
Other debtors	3	–	–	–
Total	3,318	336	2,512	262
Less: provision for impairment				
User charges and fees	(202)	–	(202)	–
Other debtors	(39)	–	(41)	–
Total provision for impairment – receivables	(241)	–	(243)	–
Total net receivables	3,077	336	2,269	262

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	243	482
– previous impairment losses reversed	(2)	(239)
Balance at the end of the year	241	243

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

C1-5 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	4,606	–	4,606	4,886	–	–	–	(1,960)	–	–	7,531	–	7,531
Plant and equipment	1,586	(936)	650	–	9	–	(170)	–	–	–	1,595	(1,106)	489
Office equipment	897	(469)	428	249	–	–	(153)	–	–	–	1,145	(621)	524
Furniture and fittings	315	(93)	222	145	–	–	(19)	–	–	–	459	(112)	347
Art collection	5,895	–	5,895	–	61	–	–	–	–	–	5,956	–	5,956
Land:													
– Operational land	186,675	–	186,675	–	–	–	–	–	–	3,471	190,146	–	190,146
– Community land	31,282	–	31,282	–	–	–	–	–	(592)	–	30,690	–	30,690
– Crown land	39,656	–	39,656	–	–	–	–	–	592	–	40,248	–	40,248
Land improvements – depreciable	1,054	(165)	889	–	–	–	(11)	–	–	–	1,054	(176)	878
Infrastructure:													
– Buildings – non-specialised	53,479	(14,659)	38,820	184	–	(68)	(720)	251	–	4,658	58,503	(15,379)	43,124
– Buildings – specialised	24,745	(6,319)	18,426	813	–	(6)	(350)	178	–	2,155	27,883	(6,669)	21,214
– Roads	187,816	(89,186)	98,630	1,969	81	(128)	(2,589)	359	–	15,347	205,443	(91,775)	113,668
– Footpaths	23,083	(6,939)	16,144	915	–	(10)	(306)	–	–	1,982	25,968	(7,245)	18,723
– Stormwater drainage	75,103	(21,021)	54,082	1,085	–	(7)	(570)	–	–	5,255	81,436	(21,591)	59,845
– Other open space/recreational assets	52,983	(18,280)	34,703	514	–	(37)	(985)	1,172	–	3,667	58,300	(19,265)	39,035
– Other infrastructure	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets:													
– Heritage collections	13	–	13	–	–	–	–	–	–	–	13	–	13
– Library books	1,755	(1,047)	708	219	–	–	(186)	–	–	–	1,974	(1,233)	741
– Other	177	(35)	142	97	31	–	–	–	–	–	306	(35)	271
Total infrastructure, property, plant and equipment	691,120	(159,149)	531,971	11,076	182	(256)	(6,059)	–	–	36,535	738,650	(165,207)	573,443

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

C1-5 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period						At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	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	1,708	—	1,708	2,478	560	—	—	(140)	—	4,606	—	4,606
Plant and equipment	1,358	(692)	666	174	5	—	(182)	—	—	1,586	(936)	650
Office equipment	849	(331)	518	46	64	—	(142)	—	—	897	(469)	428
Furniture and fittings	192	(71)	121	123	—	—	(22)	—	—	315	(93)	222
Art collection	5,886	—	5,886	—	9	—	—	—	—	5,895	—	5,895
Land:												
– Operational land	152,040	—	152,040	—	—	—	—	—	34,635	186,675	—	186,675
– Community land	31,282	—	31,282	—	—	—	—	—	—	31,282	—	31,282
Land improvements – depreciable	1,053	(154)	899	—	—	—	(11)	—	—	1,054	(165)	889
– Crown land	39,656	—	39,656	—	—	—	—	—	—	39,656	—	39,656
Infrastructure:												
– Buildings – non-specialised	50,494	(13,218)	37,276	110	34	—	(654)	28	2,023	53,479	(14,659)	38,820
– Buildings – specialised	23,349	(6,296)	17,053	27	—	(5)	(335)	—	1,685	24,745	(6,319)	18,426
– Roads	179,722	(87,622)	92,100	1,336	—	(184)	(2,416)	11	7,780	187,816	(89,186)	98,630
– Footpaths	22,362	(6,805)	15,557	1,096	—	(22)	(488)	—	—	23,083	(6,939)	16,144
– Stormwater drainage	69,021	(19,841)	49,180	139	—	(11)	(492)	—	5,266	75,103	(21,021)	54,082
– Other open space/recreational assets	46,848	(14,703)	32,145	357	—	(176)	(855)	100	3,132	52,983	(18,280)	34,703
– Other infrastructure	—	—	—	—	—	—	(1)	—	—	—	—	—
Other assets:												
– Heritage collections	13	—	13	—	—	—	—	—	—	13	—	13
– Library books	1,563	(817)	746	192	—	—	(230)	—	—	1,755	(1,047)	708
– Other	60	(35)	25	117	—	—	—	—	—	177	(35)	142
Total infrastructure, property, plant and equipment	627,456	(150,585)	476,871	6,195	672	(398)	(5,828)	(1)	54,521	691,120	(159,149)	531,971

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

C1-5 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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.

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

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.

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.

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	30
Office furniture	10 to 20	Benches, seats etc.	20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Sealed roads: surface (asphalt)	35	Drains	80 to 100
Road pavement (road base)	90	Culverts	50 to 80
Road pavement (concrete)	100	Flood control structures	80 to 100
Kerb & gutter (concrete and sandstone)	90		
Footpaths (concrete)	90	Other infrastructure assets	
Footpaths (asphalt)	40	Swimming pools	50
		Other open space/recreational assets	20
		Other infrastructure	20

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

Revaluation model

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

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

Land under roads

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

C1-5 Infrastructure, property, plant and equipment (continued)

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. Where Crown Reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1 Council as Lessor

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

C1-6 Investment properties

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	52,974	50,210
Total owned investment property	52,974	50,210
Owned investment property		
At fair value		
Opening balance at 1 July	50,210	50,059
Net gain/(loss) from fair value adjustments	2,764	151
Closing balance at 30 June	52,974	50,210

Accounting policy

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

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

Council leases out a number of properties commercial tenant for retail and food premises, other businesses and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-6) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

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

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

Lease income (excluding variable lease payments not dependent on an index or rate)	2,089	1,745
Total income relating to operating leases for investment property assets	2,089	1,745

Operating lease expenses

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	2,340	1,450
Total income relating to operating leases for Council assets	2,340	1,450

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepaid rates	270	–	218	–
Goods and services – operating expenditure	2,194	–	2,058	–
Goods and services – capital expenditure	1,614	–	154	–
Accrued Expenses	377	–	357	–
Security bonds, deposits and retentions	10,814	–	10,163	–
Total payables	15,269	–	12,950	–

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	8,958	7,968
Total payables	8,958	7,968

Accounting policy

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

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

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	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	1,665	—	213	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(i)	219	—	264	—
Total grants received in advance		1,884	—	477	—
User fees and charges received in advance:					
Lease Income Received in Advance		1,047	—	899	—
Facilities and Reserve Booking Received in Advance		74	—	56	—
Other		328	—	306	—
Total user fees and charges received in advance		1,449	—	1,261	—
Total contract liabilities		3,333	—	1,738	—

Notes

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

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

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	150	297
Operating grants (received prior to performance obligation being satisfied)	45	63
Total revenue recognised that was included in the contract liability balance at the beginning of the period	195	360

Accounting policy

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

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured ¹	868	4,741	1,278	5,715
Total borrowings	868	4,741	1,278	5,715

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1 Risks relating to financial instruments held.

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,993	(1,384)	–	–	–	–	5,609
Lease liability	876	(107)	–	–	–	–	769
Total liabilities from financing activities	7,869	(1,491)	–	–	–	–	6,378

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,242	(1,249)	3,000	–	–	–	6,993
Lease liability	979	(103)	–	–	–	–	876
Total liabilities from financing activities	6,221	(1,352)	3,000	–	–	–	7,869

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities	90	90
Credit cards/purchase cards	55	55
Total financing arrangements	145	145
Drawn facilities		
– Credit cards/purchase cards	22	22
Total drawn financing arrangements	22	22
Undrawn facilities		
– Bank overdraft facilities	90	90
– Credit cards/purchase cards	33	33
Total undrawn financing arrangements	123	123

Additional financing arrangements information

Breaches and defaults

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

C3-3 Borrowings (continued)

Security over loans

Loans are secured against rates income

Bank overdrafts

The bank overdraft is secured by a mortgage over rates revenue. The bank overdraft facility is secured by a mortgage over rates revenue.

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	1,833	–	1,893	–
Long service leave	2,035	177	2,056	226
Total employee benefit provisions	3,868	177	3,949	226

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,401	2,529
	2,401	2,529

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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

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

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

The fair value of receivables, loans, investments and financial liabilities approximates the carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash and investments.

(a) Market risk – interest rate

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 2% movement in interest rates		
– Equity / Income Statement	298	125

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

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

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

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

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

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

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

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 < 5 years	≥ 5 years	Total
2023				
Gross carrying amount	60	928	–	988
2022				
Gross carrying amount	108	653	–	761

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days	Overdue debts 31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	2,191	161	61	1	438	2,852
Expected loss rate (%)	3.00%	3.00%	12.00%	15.00%	30.00%	7.34%
ECL provision	66	5	7	–	131	209
2022						
Gross carrying amount	827	634	–	168	384	2,013
Expected loss rate (%)	10.00%	10.00%	20.00%	20.00%	30.00%	14.65%
ECL provision	83	63	–	34	115	295

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2023							
Payables	0.00%	–	15,269	–	–	15,269	15,269
Borrowings	3.89%	–	868	3,287	1,454	5,609	5,609
Total financial liabilities		–	16,137	3,287	1,454	20,878	20,878
2022							
Payables	0.00%	–	12,950	–	–	12,950	12,950
Borrowings	4.93%	–	1,278	3,440	2,274	6,992	6,993
Total financial liabilities		–	14,228	3,440	2,274	19,942	19,943

D2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

Fair value hierarchy

All assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

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

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

Level 3: Unobservable inputs for the asset or liability

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

Fair value measurement hierarchy							
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
Investment property	C1-6						
Retail, commercial office and residential		52,974	50,210	–	–	52,974	50,210
Total investment property		52,974	50,210	–	–	52,974	50,210
Infrastructure, property, plant and equipment	C1-5						
Plant and equipment		–	–	489	650	489	650
Office equipment		–	–	524	428	524	428
Furniture and fittings		–	–	347	222	347	222
Art collection		–	–	5,956	5,895	5,956	5,895
Operational land		190,146	186,675	–	–	190,146	186,675
Community land		–	–	70,938	70,938	70,938	70,938
Land improvements – depreciable		–	–	878	889	878	889
Buildings non-specialised		43,124	38,820	–	–	43,124	38,820
Buildings specialised		21,214	18,426	–	–	21,214	18,426
Roads		–	–	113,668	98,630	113,668	98,630
Footpaths		–	–	18,723	16,144	18,723	16,144
Stormwater drainage		–	–	59,845	54,082	59,845	54,082
Other open space/recreational assets		–	–	39,035	34,703	39,035	34,703
Heritage collections		–	–	13	13	13	13
Library books		–	–	741	708	741	708
Other assets		–	–	271	142	271	142
Total infrastructure, property, plant and equipment		254,484	243,921	311,428	283,444	565,912	527,365

Valuation techniques

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

For all infrastructure assets Council uses a straight line pattern of consumption and brownfield approach.

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

D2-1 Fair value measurement (continued)

Investment property

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure the financial statements reflect the most up-to-date valuation. The best evidence of fair value is the current price in an active market for similar assets. The key observable inputs to the valuation are:

- Current rental incomes,
- Rent reviews,
- Capitalisation rates,
- Price per square meter,
- Direct comparison to sales evidence,
- Zoning,
- Location,
- Land area and configuration, and
- Planning controls.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis. Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2023 the valuation of the investment property was performed by APV Valuations and Asset Management Pty Ltd, Valuer Michelle Cross.

Infrastructure, property, plant and equipment (IPPE)

Plant and Equipment, Office Equipment and Furniture and Fittings.

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

- Plant and Equipment: Motor vehicles, depot tools and machinery, parking meters and domestic waste service bins.
- Office Equipment: Computer Hardware.
- Furniture and Fittings: Chairs, desks and display systems.

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

Art Collection

This class comprises Council's collection of art works. The collection was valued in May 2021 by Stella Downer Fine Art. Stella Downer is a member of the Australian Commercial Galleries association and is approved by the Department of Prime Minister and Cabinet's Cultural Gifts Program to value art works.

While it is possible to observe the broad market for works (such as auction house results or retrospective exhibitions) the valuations depend significantly on unobservable inputs such as the aesthetic value and quality of the individual works and its significance in the individual artist's oeuvre.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2023 and was performed by APV Valuers and Asset management Pty Ltd.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

Community Land

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

D2-1 Fair value measurement (continued)

The Valuer-General issued values with a base-date of 1 July 2019 to all Councils in New South Wales. Community land was therefore revalued in year ending 30 June 2020.

Land Improvements – Depreciable

This asset class largely comprises trees, plantings and landscaping not captured in the Open Space and Recreational Assets class. These assets may be located on parks, reserves and also within road reserves.

These assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of estimated remaining useful life.

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

Buildings: Non-Specialised and Specialised

As at 30 June 2022 Buildings were valued by professionally qualified Registered Valuers from APV Valuations and Asset Management Pty Ltd, Valuer Michelle Cross. Specialised buildings have been valued using Level 3 inputs (such as estimates of useful life and asset condition) requiring extensive professional judgement. These judgements impact significantly on the final determination of fair value. The approach for specialised buildings estimated the replacement cost of each building and then componentised into significant parts. Building components are then split into two useful lives with proportioned replacement costs defined as the:

- Short Life – Where the end of life is when the asset requires renewal without full replacement of asset. The replacement cost of the short life is the amount required to conduct the renewal.
- Long Life – Where the end of life is when the asset is obsolete and requires complete replacement. This replacement cost is valued as the additional funds required for complete replacement after being added to the short life replacement cost amount.

The unit rates for non-specialised buildings were supported by market evidence (Level 2 inputs) and were not componentised or proportioned into a short and long life.

Non-specialised buildings used the market approach and specialised building used the cost approach.

Inputs include:

- Gross replacement cost
- A breakdown of building component costs (such as sub-structure, fit-out, electrical services)
- Short and long life splits with proportioned replacement cost
- Useful lives for short and long life
- Condition ratings

Public Roads, Footpaths and Carparks

Includes: Road pavements and surfaces, steps, footpaths, pram ramps, retaining walls and kerb and gutter, physical traffic devices, lines and signs and street furniture and road related carparks.

Gross replacement cost for road assets were valued by professionally qualified Registered Valuers from Cardno Pty Ltd as at 30 June 2021. Due to the specialised nature of roads assets, valuations were undertaken predominately using the cost approach. Unit rates include all materials, labour and overheads and were estimated from inputs including similar projects costs, direct quotations, unit rate databases and published cost guides. The unit rates have been tailored to suit Mosman. The cost approach is deemed a level 3 input.

The condition and useful lives of the assets were assessed and calculated based on site inspections, observed asset performance and professional engineering judgment.

D2-1 Fair value measurement (continued)

Stormwater Drainage

Includes: Converters, headwalls, endwalls, pits and access-holes (collectively categorised as 'nodes'), pipes, culverts, drains, Stormwater Quality Improvement Devices (SQIDs) and rainwater re-use tanks.

Gross replacement cost for stormwater drainage assets were valued by Morrison Low as at 30 April 2019. Fair value has been generated this financial year based on the cost (fair value) approach. Unit rates include the costs of materials, labour and overheads. Inputs used to calculate the unit rate included costs from similar projects, direct quotations, panel contractor rates, published cost guides and reference rates. SQID unit rates were developed based on first principles estimating and takes into account excavation, site establishment as well as the supply and installation costs. It also includes an additional 20% to the base unit rate to allow for 'normal' construction and installation overheads. The 2019 construction index was applied to the existing unit rates to update their replacement value.

Drains unit rates are based on similar projects, published cost guides and the 2019 construction index. Drains of the same dimensions have been given the same unit rate. The condition and useful lives of the assets were also assessed and calculated by Morrison Low based on site observations, including CCTV surveys, and Morrison Low's experience in valuation projects for other Council's stormwater assets.

Other Open Space/Recreational Assets

Includes:

- Jetties and seawalls (collectively categorised as 'marine assets'),
- Parks, bushlands, reserves, playgrounds, unmade roads and sporting fields (collectively categorised as 'parks and open space assets')

Gross replacement cost for marine assets were valued by Morrison Low Pty Ltd as at 30 June 2021 in accordance with accepted Australian Accounting Standards. Unit rates for marine assets were estimated using construction costs from recent projects, indexation of previous unit rates, Rawlinson's Construction Guide, bench marking and costs from first principals. They were then adjusted for condition and comparability.

The condition, useful lives and remaining useful lives of the assets were assessed and calculated by Morrison Low based on site observations.

Gross replacement cost for Mosman parks and open space assets were valued by APV Valuer and Asset Management Pty Ltd as at 1 July 2018.

Unit rates for parks and open space assets were estimated based on APV Valuers and Asset Management industry experience. Inputs include recent costings from parks and open space works, quoted prices, cost guides and unit rate databases.

The gross replacement costs were increased by indexing unit rates when there was limited information. Regular inventory and condition audits have been undertaken by experienced Council Officers.

The condition and useful lives of the assets were assessed and calculated by a suitably qualified employee of APV Valuers and Asset Management based on site observations, professional knowledge and comparison to similar assets from other Council areas. Useful lives were updated to reflect current asset performance.

Fair values for Open Space assets have been generated on the cost approach.

Heritage Collections and Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life.

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

Other Assets

Other assets are banner poles erected on Military Road and side streets. They are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The key unobservable input to the valuation is the remaining useful life. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

D2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Total	
	2023	2022
Opening balance	527,364	475,165
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	36,535	54,521
Other movements		
Transfers from/(to) another asset class	1,960	139
Purchases (GBV)	6,372	3,763
Disposals (WDV)	(256)	(398)
Depreciation and impairment	(6,059)	(5,826)
Closing balance	565,916	527,364

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

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

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

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

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

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

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

D3-1 Contingencies (continued)

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2023 was \$120,426.19. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$75,341.52. Council's expected contribution to the plan for the next annual reporting period is \$136,812.24.

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

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

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

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	6.00% per annum
Salary inflation	3.5% per annum
Increase in CPI	6.0% for FY 22/23 2.5% per annum thereafter

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2023.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

2. Other liabilities

D3-1 Contingencies (continued)

(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.

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	2023	2022
Compensation:		
Short-term benefits	1,195	1,104
Other long-term benefits	43	25
Total	1,238	1,129

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	46	46
Councillors' fees	148	145
Other Councillors' expenses (including Mayor)	38	10
Total	232	201

E2 Other relationships

E2-1 Audit fees

\$ '000	2023	2022
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	62	59
Remuneration for audit and other assurance services	62	59
Total Auditor-General remuneration	62	59
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	2	—
Remuneration for audit and other assurance services	2	—
Total remuneration of non NSW Auditor-General audit firms	2	—
Total audit fees	64	59

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	11,951	6,653
Add / (less) non-cash items:		
Depreciation and amortisation	6,190	5,959
(Gain) / loss on disposal of assets	(28)	398
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(2,764)	(151)
Share of net (profits)/losses of associates/joint ventures using the equity method	(153)	(219)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(880)	1,152
Increase / (decrease) in provision for impairment of receivables	(2)	(239)
(Increase) / decrease of inventories	57	–
(Increase) / decrease of contract asset	(186)	–
Increase / (decrease) in payables	136	957
Increase / (decrease) in other accrued expenses payable	20	76
Increase / (decrease) in other liabilities	703	1,004
Increase / (decrease) in contract liabilities	1,595	654
Increase / (decrease) in employee benefit provision	(130)	(546)
Net cash flows from operating activities	16,509	15,698

F2-1 Commitments

Capital commitments (exclusive of GST)

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Unspent Specific Purpose Capital Grants	49	2,897
Admin Building Lift Upgrade	–	280
Fittings & Fixtures	20	–
Hunter Park Playground Upgrade	180	–
Road infrastructure	164	–
Allan Border Oval Pavilion	2,741	2,209
Mosman Square Design	903	2,585
Total commitments	4,057	7,971

These expenditures are payable as follows:

Within the next year	4,057	7,971
Total payable	4,057	7,971

Sources for funding of capital commitments:

Unrestricted general funds	2,168	2,009
Sect 64 and 94 funds/reserves	135	1,065
Unexpended grants	1,754	2,897
New loans (to be raised)	–	2,000

Details of capital commitments

Council is obliged to perform certain capital works because contract agreement has been signed. Works to be completed in FY24 include Allan Border Oval Pavilion, Mosman Square and Hunter Park Playground Upgrades.

F3-1 Events occurring after the reporting date

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

F4 Statement of developer contributions as at 30 June 2023

F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
S7.12 levies – under a plan	2,682	1,568	–	–	8	(653)	–	3,605	–
Total S7.11 and S7.12 revenue under plans	2,682	1,568	–	–	8	(653)	–	3,605	–
S7.4 planning agreements	1,266	688	–	–	3	(485)	–	1,472	–
Total contributions	3,948	2,256	–	–	11	(1,138)	–	5,077	–

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.

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
CONTRIBUTION PLAN – OPEN SPACE & CAR PARKING									
Open space	2,682	1,568	–	–	8	(653)	–	3,605	–
Total	2,682	1,568	–	–	8	(653)	–	3,605	–

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 20222021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	5,526	10.57%	4.19%	3.03%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	52,277				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	48,416	86.29%	83.55%	87.29%	> 60.00%
Total continuing operating revenue ¹	56,111				
3. Unrestricted current ratio					
Current assets less all external restrictions	24,613	2.41x	2.02x	1.36x	> 1.50x
Current liabilities less specific purpose liabilities	10,206				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12,021	6.69x	5.07x	4.15x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,796				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,087	3.56%	2.81%	3.25%	< 5.00%
Rates and annual charges collectable	30,553				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	30,730	8.50	7.59	3.80	> 3.00
Monthly payments from cash flow of operating and financing activities	3,616	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

Mosman Municipal Council

To the Councillors of Mosman Municipal Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B4-1 '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.



Karen Taylor
Delegate of the Auditor-General for New South Wales

26 October 2023
SYDNEY



Carolyn Corrigan
Mayor
Mosman Municipal Council
573 Military Road
SPIT JUNCTION NSW 2088

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: R0081658580946549

26 October 2023

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	29.6	28.8	↑ 2.8
Grants and contributions revenue	7.6	8.3	↓ 8.4
Operating result from continuing operations	11.9	6.7	↑ 77.6
Net operating result before capital grants and contributions	8.1	1.5	↑ 440

Rates and annual charges revenue (\$29.6 million) increased by \$0.8 million (2.8 per cent) in 2022–23 due to rate increase of 3.7 per cent.

Grants and contributions revenue (\$7.6 million) decreased by \$0.7 million (8.4 per cent) in 2022–23 due to:

- decrease of \$1.3 million of grants recognised received for recreation and culture.
- receiving 99 per cent of the financial assistance grants for 2023-24 in advance (75 per cent in 2021-22)

The Council's operating result from continuing operations (\$11.9 million including depreciation, amortisation and impairment expense of \$6.1 million) was \$5.2 million higher than the 2021–22 result. This increase was primarily attributable to higher user charges from parking, fees and fair value increment of investment properties.

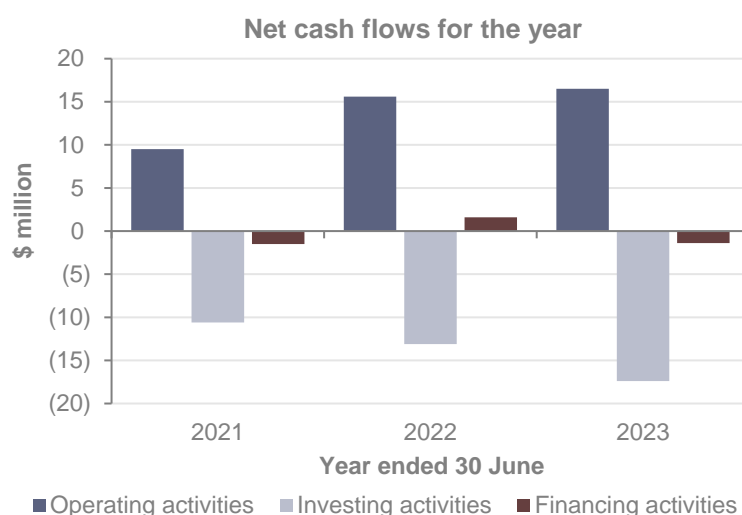
The net operating result before capital grants and contributions (\$8.1 million) was \$6.6 million higher than the 2021–22 result.

STATEMENT OF CASH FLOWS

Cash and cash equivalents balances decreased, but overall cash and investments increased. Net cash flows from operating activities increased due to an increase in rates and user charges received during the year.

Net cash flows from investment activities decreased due to increase in term deposits and higher spending on IPPE assets.

Net cash flows from financing activities decreased due to higher repayment of borrowings and prior year had proceeds from new borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	30.7	25.2	Externally restricted balances comprise mainly of developer contributions, specific purpose unexpended grants, and domestic waste management.
Restricted and allocated cash, cash equivalents and investments:			Balances are internally allocated due to Council policy or decisions for forward plans including the works program. The increase is primarily attributable to the 2023-24 Financial Assistance grant (FAGs) received in June 2023 and council's commitments to building renewal and capital expenditure.
• External restrictions	9.6	9.2	
• Internal allocations	14.1	6.1	

Debt

At 30 June 2023, Council had:

- \$5.6 million in secured loans (\$6.99 million in 2021-22)
- \$90,000 in approved overdraft facility with nil drawn down
- \$55,000 in credit/purchase card facility with \$22,000 drawn down.

PERFORMANCE

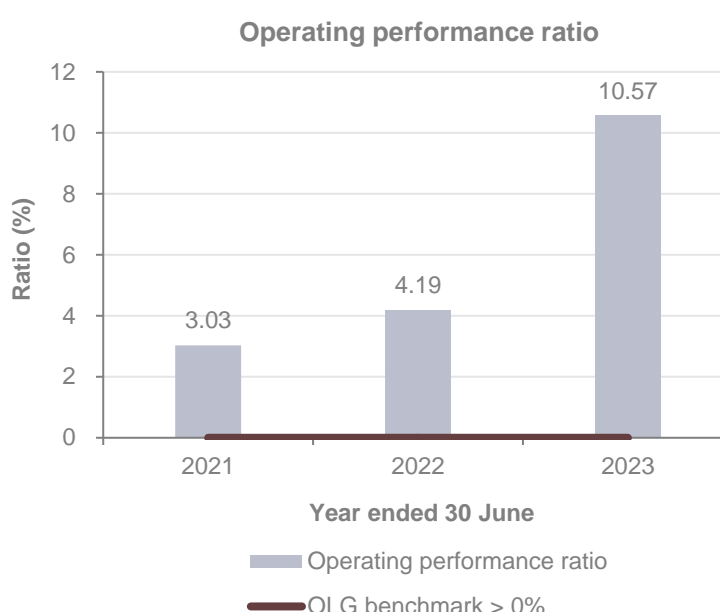
Performance measures

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

Operating performance ratio

Council continued to exceed the benchmark for the current reporting period.

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



Own source operating revenue ratio

Council continued to exceed the benchmark for the current reporting period.

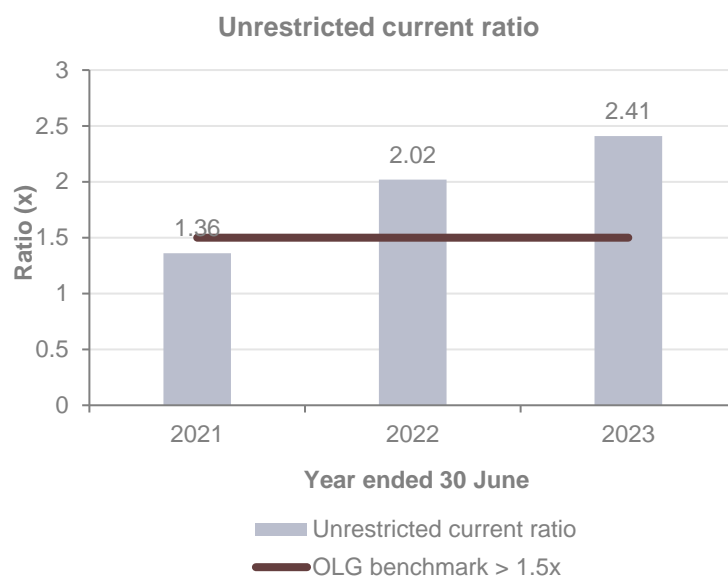
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council exceeded the benchmark for the current reporting period.

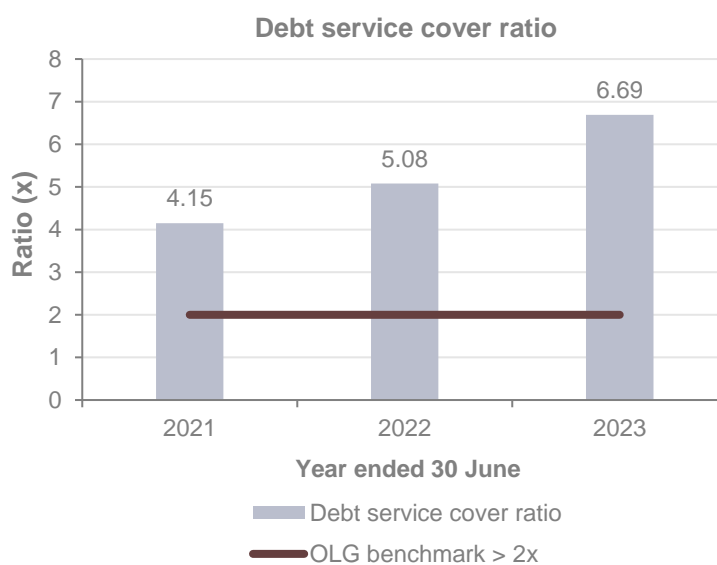
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continued to exceed the benchmark for the current reporting period.

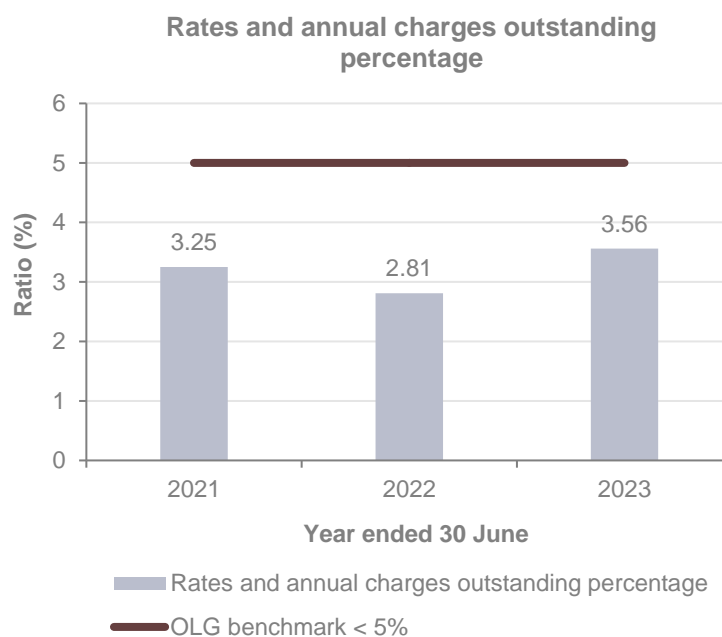
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council continued to meet the benchmark for the current reporting period.

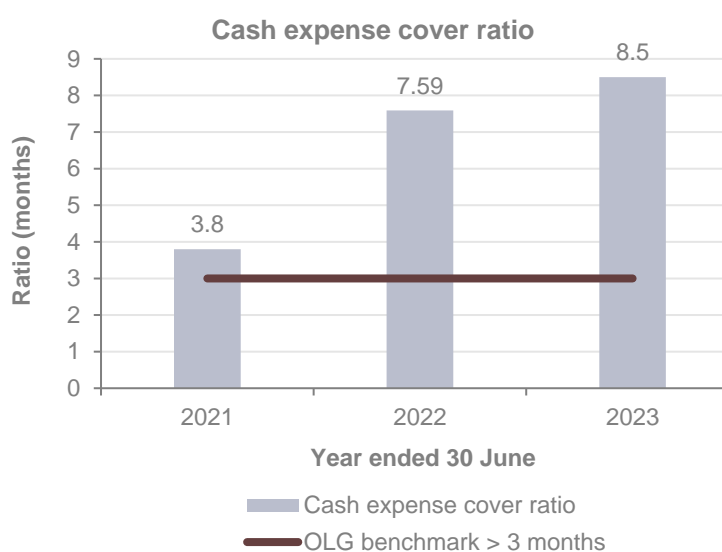
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council continued to exceed the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$11.0 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads, restoring assets damaged by natural disasters and the redevelopment of the Allan Border Oval Pavilion and Mosman Plaza.

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.



Karen Taylor
Director, Financial Audit

Mosman Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



Mosman Municipal Council

Special Schedules

for the year ended 30 June 2023

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Mosman Municipal Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	21,531	22,031
Plus or minus adjustments ²	b	4	17
Notional general income	$c = a + b$	21,535	22,048
Permissible income calculation			
Or rate peg percentage	e	2.30%	3.70%
Or plus rate peg amount	$i = e \times (c + g)$	495	816
Sub-total	$k = (c + g + h + i + j)$	22,030	22,864
Plus (or minus) last year's carry forward total	l	35	34
Sub-total	$n = (l + m)$	35	34
Total permissible income	$o = k + n$	22,065	22,898
Less notional general income yield	p	22,031	22,849
Catch-up or (excess) result	$q = o - p$	34	49
Carry forward to next year ⁴	$t = q + r + s$	34	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)*.
- (4) 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

Mosman Municipal Council

To the Councillors of Mosman Municipal Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Karen Taylor
Delegate of the Auditor-General for New South Wales

26 October 2023
SYDNEY

Mosman Municipal Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – specialised	–	–	450	334	21,214	26,899	52.3%	22.8%	24.9%	0.0%	0.0%
	Council offices	–	–	207	817	6,847	12,782	99.4%	0.2%	0.4%	0.0%	0.0%
	Council works depot	–	–	45	39	1,488	2,790	82.3%	17.7%	0.0%	0.0%	0.0%
	Library	–	–	126	334	3,301	7,791	37.2%	41.1%	21.7%	0.0%	0.0%
	Cultural facilities	–	–	301	142	8,549	18,583	71.5%	26.4%	2.1%	0.0%	0.0%
	Other buildings	–	–	158	89	15,565	22,771	35.8%	50.1%	14.1%	0.0%	0.0%
	Childcare centres	–	–	19	–	398	1,168	7.4%	66.1%	26.5%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Multistorey car park	–	–	228	64	6,976	14,066	21.7%	78.3%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,534	1,819	64,338	106,850	52.9%	35.5%	11.6%	0.0%	0.0%
Roads	Sealed roads	109	109	1,303	1,145	46,656	82,606	19.1%	60.2%	20.4%	0.3%	0.0%
	Footpaths	49	49	113	219	18,723	25,310	26.4%	59.0%	13.8%	0.8%	0.0%
	Other road assets	245	245	48	11	13,704	16,274	29.8%	38.7%	29.3%	2.2%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and Gutter	131	131	35	11	20,171	38,493	10.6%	51.9%	37.0%	0.5%	0.0%
	Retaining Walls	167	167	42	9	26,662	42,658	11.0%	42.7%	45.3%	1.0%	0.0%
	Physical Traffic Devices	23	23	90	23	2,267	3,604	32.5%	44.1%	22.0%	1.4%	0.0%
	Lines and Signs	10	10	27	34	1,494	2,873	25.5%	49.0%	25.0%	0.5%	0.0%
	Street Furniture	157	157	14	–	2,714	5,443	29.7%	33.8%	32.0%	4.3%	0.2%
	Sub-total	891	891	1,672	1,452	132,391	217,261	18.2%	52.5%	28.5%	0.8%	0.0%
Stormwater drainage	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Stormwater quality improvement devices	–	–	72	22	3,652	4,417	5.2%	27.7%	67.1%	0.0%	0.0%
	Rainwater re-use tank	–	–	22	–	1,448	1,616	40.6%	59.4%	0.0%	0.0%	0.0%
	Open conduits (drains)	1	1	39	2	2,572	3,951	18.6%	39.2%	42.2%	0.0%	0.0%
	Closed conduits (pipes)	95	95	71	11	43,040	59,107	5.0%	52.6%	41.7%	0.5%	0.2%
	Nodes (pits)	2	2	72	189	9,133	11,021	3.5%	86.2%	9.8%	0.5%	0.0%
	Sub-total	98	98	276	224	59,845	80,112	6.2%	55.3%	37.9%	0.4%	0.2%
	Swimming pools	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Marine structures	111	111	51	28	8,149	17,196	17.2%	13.2%	68.3%	1.0%	0.3%
	Sporting fields	168	168	641	451	5,718	7,299	65.5%	27.2%	4.3%	3.0%	0.0%

Mosman Municipal Council

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

Open space / recreational assets	Parks & reserves	17	17	904	2,094	11,404	16,363	9.1%	18.9%	71.3%	0.7%	0.0%
	Other	43	43	962	574	13,764	15,089	0.7%	24.6%	74.0%	0.7%	0.0%
Open space / recreational assets	Sub-total	339	339	2,558	3,147	39,035	55,947	16.7%	19.8%	62.4%	1.1%	0.0%
Total – all assets		1,328	1,328	6,040	6,642	295,609	460,170	24.0%	45.1%	30.3%	0.6%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Mosman Municipal Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	10,667	193.24%	102.77%	100.44%	> 100.00%
Depreciation, amortisation and impairment	5,520				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	1,328	0.44%	0.37%	0.54%	< 2.00%
Net carrying amount of infrastructure assets	303,140				
Asset maintenance ratio					
Actual asset maintenance	6,642	109.97%	115.89%	133.06%	> 100.00%
Required asset maintenance	6,040				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,328	0.29%	0.25%	0.34%	
Gross replacement cost	460,170				

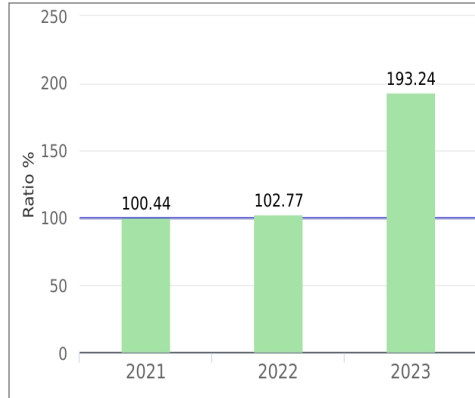
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Mosman Municipal Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 193.24%

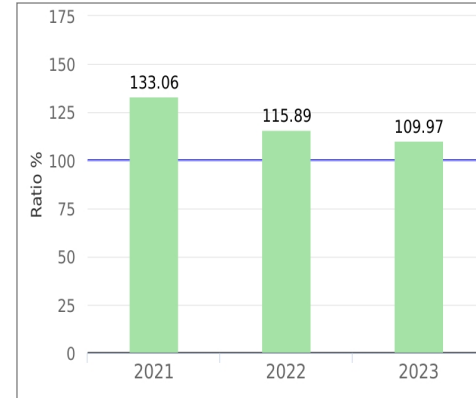
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 109.97%

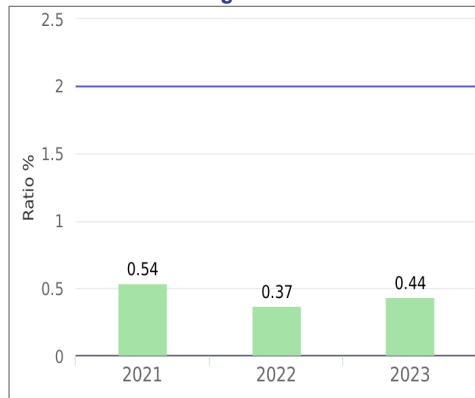
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 0.44%

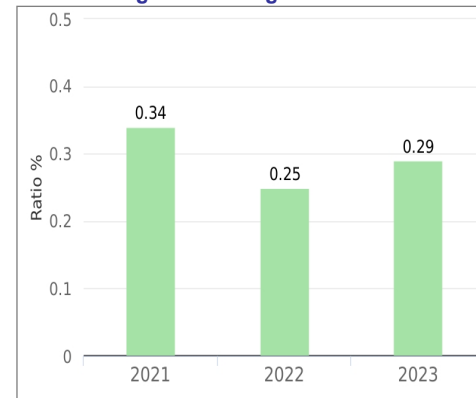
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 0.29%