Ballina Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

The Ballina Shire is safe, with a connected community, a healthy environment and a thriving economy.

Ballina Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

The Ballina Shire is safe, with a connected community, a healthy environment and a thriving economy.

Ballina Shire Council

General Purpose Financial Statements
for the year ended 30 June 2022

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Overview

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

40 Cherry Street
Ballina NSW 2478

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

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

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

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

Ballina Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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.

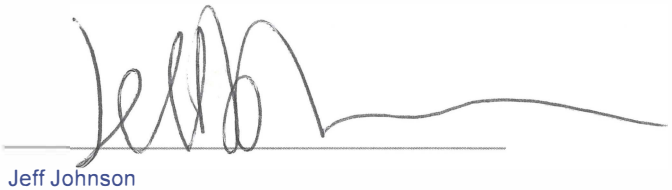
To the best of our knowledge and belief, these statements:

- 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.

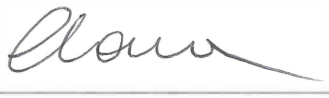
Signed in accordance with a resolution of Council made on 27 October 2022.

Sharon Cadwallader
Mayor
27 October 2022



Jeff Johnson
Councillor
27 October 2022

Paul Hickey
General Manager
27 October 2022



Linda Coulter
Responsible Accounting Officer
27 October 2022

Ballina Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
57,248	Rates and annual charges	B2-1	**57,971**	56,190
31,372	User charges and fees	B2-2	**27,371**	27,219
1,130	Other revenues	B2-3	**1,791**	3,805
8,855	Grants and contributions provided for operating purposes	B2-4	**16,126**	9,932
27,620	Grants and contributions provided for capital purposes	B2-4	**31,554**	41,226
876	Interest and investment income	B2-5	**649**	822
3,573	Other income	B2-6	**3,868**	5,362
130,674	**Total income from continuing operations**		**139,330**	144,556
	Expenses from continuing operations			
28,850	Employee benefits and on-costs	B3-1	**29,034**	27,733
46,021	Materials and services	B3-2	**45,129**	36,712
4,022	Borrowing costs	B3-3	**4,097**	4,462
22,665	Depreciation, amortisation and impairment of non-financial assets	B3-4	**26,264**	24,574
2,296	Other expenses	B3-5	**2,468**	2,340
2,420	Net loss from the disposal of assets	B4-1	**4,843**	6,073
106,274	**Total expenses from continuing operations**		**111,835**	101,894
24,400	**Operating result from continuing operations**		**27,495**	42,662
24,400	Net operating result for the year attributable to Council		**27,495**	42,662
(3,219)	**Net operating result for the year before grants and contributions provided for capital purposes**		**(4,059)**	1,436

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

Ballina Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		**27,495**	**42,662**
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	**98,763**	2,122
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	**(3,455)**	–
Total items which will not be reclassified subsequently to the operating result		**95,308**	2,122
Total other comprehensive income for the year		**95,308**	2,122
Total comprehensive income for the year attributable to Council		**122,803**	44,784

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

Ballina Shire Council

Statement of Financial Position

as at 30 June 2022

$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	**13,732**	7,454
Investments	C1-2	**94,700**	84,300
Receivables	C1-4	**10,365**	10,964
Inventories	C1-5	**3,578**	2,698
Contract assets and contract cost assets	C1-6	**1,539**	2,462
Other		**771**	578
Total current assets		**124,685**	108,456
Non-current assets			
Investments	C1-2	**8,300**	14,000
Receivables	C1-4	**232**	224
Inventories	C1-5	**5,286**	5,304
Infrastructure, property, plant and equipment (IPPE)	C1-7	**1,453,096**	1,334,993
Investment property	C1-8	**25,580**	25,340
Right of use assets	C2-1	**2,245**	2,633
Investments accounted for using the equity method	D2	**1,198**	1,145
Total non-current assets		**1,495,937**	1,383,639
Total assets		**1,620,622**	1,492,095
LIABILITIES			
Current liabilities			
Payables	C3-1	**16,403**	14,854
Contract liabilities	C3-2	**3,702**	1,368
Lease liabilities	C2-1	**247**	545
Borrowings	C3-3	**6,090**	6,281
Employee benefit provisions	C3-4	**9,133**	8,993
Total current liabilities		**35,575**	32,041
Non-current liabilities			
Lease liabilities	C2-1	**2,066**	2,152
Borrowings	C3-3	**72,472**	70,762
Employee benefit provisions	C3-4	**451**	458
Provisions	C3-5	**8,234**	7,661
Total non-current liabilities		**83,223**	81,033
Total liabilities		**118,798**	113,074
Net assets		**1,501,824**	1,379,021
EQUITY			
Accumulated surplus		**855,082**	827,587
IPPE revaluation reserve	C4-1	**646,742**	551,434
Council equity interest		**1,501,824**	1,379,021
Total equity		**1,501,824**	1,379,021

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

Ballina Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

$ '000	Notes	2022 Accumulated surplus	2022 IPPE revaluation reserve	2022 Total equity	2021 Accumulated surplus	2021 IPPE revaluation reserve	2021 Total equity
Opening balance at 1 July		**827,587**	**551,434**	**1,379,021**	784,925	549,312	1,334,237
Net operating result for the year		**27,495**	**–**	**27,495**	42,662	–	42,662
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	**–**	**98,763**	**98,763**	–	2,122	2,122
Impairment (loss) reversal relating to IPP&E	C1-7	**–**	**(3,455)**	**(3,455)**	–	–	–
Other comprehensive income		**–**	**95,308**	**95,308**	–	2,122	2,122
Total comprehensive income		**27,495**	**95,308**	**122,803**	42,662	2,122	44,784
Closing balance at 30 June		**855,082**	**646,742**	**1,501,824**	827,587	551,434	1,379,021

Ballina Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	$ '000	Notes	Actual 2022	Actual 2021
	Cash flows from operating activities			
	Receipts:			
57,248	Rates and annual charges		**57,945**	57,064
31,372	User charges and fees		**30,084**	28,295
876	Interest received		**546**	955
36,474	Grants and contributions		**34,225**	26,051
–	Bonds, deposits and retentions received		**4,381**	1,800
3,573	Other		**10,575**	8,590
	Payments:			
(28,850)	Payments to employees		**(28,812)**	(26,986)
(46,266)	Payments for materials and services		**(54,374)**	(40,444)
(4,022)	Borrowing costs		**(3,714)**	(3,638)
–	Bonds, deposits and retentions refunded		**(1,239)**	(2,044)
(2,051)	Other		**(2,461)**	–
48,354	**Net cash flows from operating activities**	G1-1	**47,156**	49,643
	Cash flows from investing activities			
	Receipts:			
–	Redemption of financial investments (including term deposits)		**67,300**	65,038
–	Sale of real estate assets		**–**	314
–	Proceeds from sale of IPPE		**516**	704
	Payments:			
(6,580)	Purchase of financial investments (including term deposits)		**(72,000)**	(79,800)
–	Purchase of investment property		**(25)**	–
(53,315)	Payments for IPPE		**(36,728)**	(33,794)
–	Purchase of real estate assets		**(1,023)**	(1,799)
(59,895)	**Net cash flows from investing activities**		**(41,960)**	(49,337)
	Cash flows from financing activities			
	Receipts:			
9,234	Proceeds from borrowings		**7,800**	3,500
	Payments:			
(6,360)	Repayment of borrowings		**(6,281)**	(5,929)
–	Principal component of lease payments		**(437)**	(457)
2,874	**Net cash flows from financing activities**		**1,082**	(2,886)
(8,667)	**Net change in cash and cash equivalents**		**6,278**	(2,580)
10,034	Cash and cash equivalents at beginning of year		**7,454**	10,034
1,367	Cash and cash equivalents at end of year	C1-1	**13,732**	7,454
103,000	plus: Investments on hand at end of year	C1-2	**103,000**	98,300
104,367	Total cash, cash equivalents and investments		**116,732**	105,754

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

Ballina Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government 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* (LGA) and *Local Government (General) Regulation 2005* (Regulation), and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

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 operate a range of volunteering programs whereby volunteers provide services to perform activities including bush generation, weed control and plantings as part of Landcare and Coastcare groups; and the provision of information to visitors at both the visitor services desk at the Ballina Byron Gateway Airport and at the Visitor Information Centre. In addition, volunteers provide front-of-house service at the Northern Rivers Community Gallery (NRCG). This includes promoting gallery exhibitions and programs, greeting and sharing their knowledge of local artists and art with gallery visitors, and monitoring and keeping artwork safe while the gallery is open.

Under AASB 1058 *Income of Not-for-Profit Entities*, Council is required to recognise the volunteer services at fair value when the following criteria are met:

- Volunteer services can be reliably measured;
- The services would be purchased if they were not donated; and
- The value would be material.

Council has assessed the volunteer services for materiality and in relation to Council's overall operations, the value of the volunteer services are not material. Further, there is limitations on the ability for Council to reliably measure the services, and not all volunteer services would be purchased if they were not donated.

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.

continued on next page ...

A1-1 Basis of preparation (continued)

Critical accounting estimates and assumptions
Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

(i) estimated fair values of investment properties –refer Note C1-8,

(ii) estimated fair values of infrastructure, property, plant and equipment – refer Notes B3-4 and C1-7,

(iii) estimated asset remediation provisions – refer Note C3-5,

(iv) employee benefit provisions – refer Note C3-4.

COVID-19 impact
The COVID-19 pandemic had an indirect impact on Council's operations and local economic environment in the 2021/22 financial year, particularly between July and December 2021. Whilst Council's facilities did not need to close in 2021/22 due to the pandemic and the Ballina Local Government Area (LGA) was not subject to legislated lockdowns or curfews, venue restrictions and other rules became effective throughout NSW from September to December 2021 depending on vaccination status of individuals. In addition, stay-at-home orders applied to nearby Local Government Areas experiencing COVID clusters during this period, including Lismore City, Kempsey, Byron Bay and Tweed shires. As a result, Council's local economy continued to be impacted by the impact of this on Council's local economy. The COVID restrictions were removed for all community members after December 2021.

With respect to the financial statements for the year ended 30 June 2022, there have been specific, but relatively less significant impacts due to COVID as Council's operations have largely returned to pre-COVID levels, and local economic stimulus measures including rental concessions concluded on or before 30 June 2021. Specific purpose grant funding related to the pandemic has been received. Due to the reduced volume of aviation activity during the COVID crisis, Council received Commonwealth grant funding totalling $906,000 as part of the Domestic Airports Security Costs Support (DASCS) Program. This Program reimbursed Council for prescribed costs incurred between 29 March 2021 and 31 December 2021 associated with passenger and baggage security screening operations, enabling Council to reimburse the airlines in full for security charges they had paid. Council progressed and achieved completion on a number of capital projects approved under the Commonwealth's Local Roads and Community Infrastructure Program. Council recognised $1,232,000 in capital revenue during the year from this program.

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*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General purpose operations
- Water services
- Wastewater service

The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

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

continued on next page ...

A1-1 Basis of preparation (continued)

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2021:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*
- AASB 2020-7 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions: Tier 2 disclosures [AASB 16 and AASB 1060]*
- AASB 2021-3 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021*
- AASB 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*

None of these standards have had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

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.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
$ '000	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Corporate and Community Division	**53,340**	45,590	**26,359**	15,971	**26,981**	29,619	**15,164**	6,344	**248,903**	201,225
Civil Services Division	**33,916**	45,619	**38,645**	38,338	**(4,729)**	7,281	**17,764**	33,183	**773,297**	718,045
Planning and Environmental Health Division	**11,574**	9,111	**15,283**	16,502	**(3,709)**	(7,391)	**9,007**	11,631	**205,833**	197,846
Water Operations	**14,422**	14,371	**14,157**	13,497	**265**	874	**1,478**	–	**104,650**	112,128
Wastewater Operations	**26,078**	29,865	**17,391**	17,586	**8,687**	12,279	**4,267**	–	**287,939**	262,851
Total functions and activities	**139,330**	144,556	**111,835**	101,894	**27,495**	42,662	**47,680**	51,158	**1,620,622**	1,492,095

(1) In the reporting period Council adopted structural changes whereby specific programs were transferred between divisions. Comparative information has been reclassified to enhance comparability in respect of these changes.

B1-2 Components of functions or activities

Corporate and Community Division covers the following programs:

Governance
This program relates to expenses associated with the General Manager's office, the elected Council and the Corporate and Community Division along with specialised procurement and contract management staff, including the Council store.

Community Facilities
This program includes revenues and expenses for the operation of the Kentwell Centre, Lennox Head Cultural Centre, Alstonville Cultural Centre, the Richmond Room, the Ballina Surf Club, Naval Museum and a number of small halls.

Library Services
Costs associated with the operation of the Council owned libraries, which are managed by the Richmond Tweed Regional Library, through Lismore City Council.

Swimming Pools
Revenues and expenses associated with the operation of the Ballina War Memorial Pool and the Alstonville Aquatic Centre.

Tourism
Includes costs associated with the management of a range of activities including visitor services, marketing and grant administration.

Communications
Includes costs associated with the corporate communications function which includes statutory management reporting and customer service.

Financial Services
This program outlines the financial services such as creditors, debtors, purchasing and rates.

Information Services
This program comprises the expenses associated with the provision of information services to Council. This includes computer equipment, software and geographical information services.

People and Culture
Costs associated with the human resource management function, payroll.

Risk Management
Provision for insurance premiums for items such as public liability and professional indemnity.

Property Management
Includes costs associated with Council's commercial property portfolio.

Ballina Byron Gateway Airport
Revenue and expenses associated with the operation of the airport.

Fleet Management and Workshop
Revenues and expenses related to the management of Council's fleet and workshop.

Depot and Ancillary Building management
Includes costs to manage and maintain a number of corporate and community buildings including the Council Administration Centre and the Council depot.

Civil Services Division covers the following programs:

Asset Management
Includes costs related to the supervision and administration of the programs provided by Civil Services.

Stormwater and Environmental Management
Relates to services such as flood plain management and pollution control activities such as stormwater drainage.

Roads and Bridges
Provision of urban and rural road services and the maintenance and improvement of bridges.

continued on next page ...

B1-2 Components of functions or activities (continued)

Ancillary Transport Services
Includes ancillary transport services such as street lighting, footpaths, kerb and gutter and parking.

Transport for NSW
All revenues and expenses related to works funded through the Transport for NSW for roads controlled by Transport for NSW.

Rural Fire Services
Costs associated with the provision of rural fire services.

Quarries and Sandpit
Revenues and expenses associated with the lease and operation of the quarries owned by Council.

Landfill and Resource Management
This represents the operation of the Ballina landfill site, along with other waste initiatives.

Domestic Waste Management
Provision of domestic waste collection services to residential properties.

Planning and Environmental Health Division covers the following programs:

Strategic Planning
This program includes all revenues and expenses related to strategic planning projects such as planning proposals (land rezonings), local environmental plans, development control plans, heritage studies and economic development programs.

Northern Rivers Community Gallery
This program includes revenues and expenses for the operation of the Northern Rivers Community Gallery.

Development Services
Revenues and expenses associated with the assessment and management of development applications, in addition to revenues and expenses associated with the provision of building certification services and the assessment of the building application section of development applications.

Environmental and Public Health Services
Revenues and expenses associated with the provision of services such as environmental health, food premise inspections and licences required under the Local Government Act 1993.

Public Order
Revenues and expenses associated with the delivery of ranger services and a parking officer.

Open Spaces and Reserves
Costs associated with the maintenance of all Council parks, reserves, public amenities, cemeteries, beaches and sporting grounds.

Water Operations
This program includes the revenue raised to finance the water programs and management and operational expenses associated with the delivery of those programs.

Wastewater Operations
This program includes the revenue raised to finance the wastewater programs, management expenses and expenses associated with the delivery of wastewater services to the local government area.

B2 Sources of income

B2-1 Rates and annual charges

$ '000	2022	2021
Ordinary rates		
Residential	**19,730**	19,122
Farmland	**1,761**	1,713
Business	**4,762**	4,648
Less: pensioner rebates (mandatory)	**(617)**	(635)
Rates levied to ratepayers	**25,636**	24,848
Pensioner rate subsidies received	**339**	349
Total ordinary rates	**25,975**	25,197
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	**7,805**	7,540
Stormwater management services	**414**	400
Water supply services	**4,491**	4,280
Wastewater services	**19,053**	18,541
Waste management services (non-domestic)	**601**	606
Less: pensioner rebates (mandatory)	**(815)**	(833)
Annual charges levied	**31,549**	30,534
Pensioner subsidies received:		
– Water	**157**	161
– Wastewater	**156**	160
– Domestic waste management	**134**	138
Total annual charges	**31,996**	30,993
Total rates and annual charges	**57,971**	56,190

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

Accounting policy

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

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

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

B2-2 User charges and fees

$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	**7,436**	7,305
Wastewater services	1	**1,704**	1,845
Waste management services (non-domestic)	1	**5,700**	2,806
Total specific user charges		**14,840**	11,956
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	**2,647**	3,507
Private works – section 67	2	**32**	54
Total fees and charges – statutory/regulatory		**2,679**	3,561
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	**6,556**	7,904
Cemeteries	2	**350**	417
Public and environmental health fees	2	**366**	332
Swimming centres	2	**1,031**	1,073
Ferry tolls	2	**342**	557
Plant hire	2	**217**	318
Other	2	**990**	1,101
Total fees and charges – other		**9,852**	11,702
Total other user charges and fees		**12,531**	15,263
Total user charges and fees		**27,371**	27,219
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		**14,840**	11,956
User charges and fees recognised at a point in time (2)		**12,531**	15,263
Total user charges and fees		**27,371**	27,219

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as the tent park, indoor sport and leisure centre, swimming pools and other community facilities, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as for fixed-term swimming pool passes, the fee revenue, if material, is recognised on a straight-line basis over the expected term of the pass.

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 the term of the licence.

B2-3 Other revenues

$ '000	Timing	2022	2021
Fines – parking	2	**213**	195
Fines – other	2	**48**	86
Legal fees recovery – rates and charges (extra charges)	2	**53**	–
Legal fees recovery – other	2	**365**	2,495
Commissions and agency fees	2	**20**	29
Insurance claims recoveries	2	**13**	85
Recycling income (non-domestic)	2	**518**	481
Miscellaneous sales	2	**441**	317
Other	2	**120**	117
Total other revenue		**1,791**	3,805

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	**–**	–
Other revenue recognised at a point in time (2)	**1,791**	3,805
Total other revenue	**1,791**	3,805

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	**2,519**	2,249	**–**	–
Payment in advance - future year allocation					
Financial assistance	2	**3,874**	2,409	**–**	–
Amount recognised as income during current year		**6,393**	4,658	**–**	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Bushfire and emergency services	2	**141**	116	**–**	–
Library	2	**177**	171	**–**	–
LIRS subsidy	2	**76**	123	**–**	–
NSW rural fire services	2	**113**	113	**–**	–
Recreation and culture	2	**57**	296	**383**	391
Natural disaster funding	1	**4,954**	45	**–**	–
Airport	1	**906**	–	**2,257**	405
Lennox Cultural Centre Enhancement Project	1	**–**	–	**–**	520
Coastal paths and walks	1	**–**	–	**–**	906
Environmental (including coastal and estuary) programs [1]		**637**	1,216	**83**	409
Contribution to employee costs	2	**482**	364	**–**	–
Roads to Recovery	2	**880**	880	**–**	–
Transport for NSW contributions (regional roads, block grant)	2	**1,041**	1,076	**–**	1,978
Local Roads and Community Infrastructure	2	**–**	228	**1,232**	1,092
Other roads and bridges [1]		**174**	135	**2,397**	2,838
Other	2	**95**	151	**–**	69
Total special purpose grants and non-developer contributions – cash		**9,733**	4,914	**6,352**	8,608
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	**–**	–	**16,475**	21,229
Dedications - non-current assets	2	**–**	–	**506**	3,730
Total other contributions – non-cash		**–**	–	**16,981**	24,959
Total special purpose grants and non-developer contributions (tied)		**9,733**	4,914	**23,333**	33,567
Total grants and non-developer contributions		**16,126**	9,572	**23,333**	33,567
Comprising:					
– Commonwealth funding		**8,755**	6,054	**3,983**	4,029
– State funding		**7,138**	2,781	**2,316**	7,682
– Other funding		**233**	737	**17,034**	21,856
		16,126	9,572	**23,333**	33,567

(1) Grants and contributions included in this line item are either recognised over time or at a point in time.

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B2-4 Grants and contributions (continued)

Developer contributions

$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	**–**	360	**6,573**	5,151
S 64 – water supply contributions		2	**–**	–	**482**	780
S 64 – sewerage service contributions		2	**–**	–	**1,166**	1,728
Total developer contributions – cash			**–**	360	**8,221**	7,659
Total developer contributions			**–**	360	**8,221**	7,659
Total grants and contributions			**16,126**	9,932	**31,554**	41,226
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			**381**	45	**5,069**	6,962
Grants and contributions recognised at a point in time (2)			**15,745**	9,887	**26,485**	34,264
Total grants and contributions			**16,126**	9,932	**31,554**	41,226

Unspent grants and contributions

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

$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent funds at 1 July	**3,046**	1,967	**37,332**	31,888
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	**7,802**	1,233	**8,709**	8,458
Add: Funds received and not recognised as revenue in the current year	**595**	–	**3,107**	1,368
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	**(2,409)**	(58)	**(7,407)**	(3,977)
Less: Funds received in prior year but revenue recognised and funds spent in current year	**–**	(96)	**(1,368)**	(405)
Unspent funds at 30 June	**9,034**	3,046	**40,373**	37,332

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B2-4 Grants and contributions (continued)

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include the provision of research, bush regeneration activities and art gallery cultural events, such as short courses and workshops. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	**88**	–
– Cash and investments	**561**	822
Total interest and investment income (losses)	**649**	822

Accounting policy

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

B2-6 Other income

$ '000	2022	2021
Reversal of impairment losses on receivables	**–**	55
Fair value increment on investment properties	**215**	2,085
Rental income	**3,576**	3,222
Net share of interests in associates using the equity method	**77**	–
Total other income	**3,868**	5,362

B3 Costs of providing services

B3-1 Employee benefits and on-costs

$ '000	2022	2021
Salaries and wages	**23,772**	22,608
Employee leave entitlements (ELE)	**4,562**	4,452
Superannuation – defined contribution plans	**2,366**	2,329
Superannuation – defined benefit plans	**362**	448
Workers' compensation insurance	**474**	500
Fringe benefit tax (FBT)	**10**	17
Payroll tax	**315**	279
Training costs (other than salaries and wages)	**79**	123
Other	**34**	84
Total employee costs	**31,974**	30,840
Less: capitalised costs	**(2,940)**	(3,107)
Total employee costs expensed	**29,034**	27,733
Number of 'full-time equivalent' employees (FTE) at year end	**333**	337

Accounting policy

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

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

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

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

B3-2 Materials and services

$ '000	Notes	2022	2021
Raw materials and consumables		**38,791**	30,304
Contractor and consultancy costs		**319**	226
Auditors' remuneration	F2-1	**162**	163
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	**333**	324
Advertising		**90**	94
Bank charges		**154**	148
Electricity and heating		**2,087**	2,075
Insurance		**1,606**	1,467
Street lighting		**528**	514
Subscriptions and publications		**101**	91
Telephone and communications		**191**	220
Other expenses		**85**	127
Legal expenses:			
– Legal expenses: planning and development		**421**	733
– Legal expenses: other		**190**	114
Expenses from leases of low value assets		**43**	56
Expenses from short-term leases		**28**	56
Total materials and services		**45,129**	36,712
Total materials and services		**45,129**	36,712

Accounting policy

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

B3-3 Borrowing costs

$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on leases	**81**	96
Interest on loans	**3,964**	4,358
Total interest bearing liability costs	**4,045**	4,454
(ii) Other borrowing costs		
Unwinding of present value discounts and premiums	**52**	8
Total other borrowing costs	**52**	8
Total borrowing costs expensed	**4,097**	4,462

Accounting policy

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

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

$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		**2,569**	2,067
Office equipment		**15**	15
Furniture and fittings		**5**	5
Land improvements (depreciable)		**118**	112
Infrastructure:	C1-7		
– Buildings		**3,556**	4,372
– Other structures		**1,140**	1,096
– Roads		**8,411**	8,301
– Bridges		**807**	687
– Footpaths		**613**	565
– Stormwater drainage		**1,587**	1,498
– Water supply network		**1,590**	1,535
– Sewerage network		**4,211**	3,610
– Bulk earthworks		**158**	156
Reinstatement, rehabilitation and restoration assets:			
Future reinstatement costs – tips	C3-5,C1-7	**712**	19
Future reinstatement costs – quarries	C3-5,C1-7	**331**	54
Right of use assets	C2-1	**441**	482
Total gross depreciation and amortisation costs		**26,264**	24,574
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Buildings		**562**	–
– Other structures		**308**	–
– Roads		**1,956**	–
– Bridges		**5**	–
– Footpaths		**53**	–
– Water supply network		**25**	–
– Sewerage network		**546**	–
Total gross IPPE impairment / revaluation decrement costs		**3,455**	–
Amounts taken through revaluation reserve	C1-7	**(3,455)**	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		**–**	–
Total depreciation, amortisation and impairment for non-financial assets		**26,264**	24,574

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

$ '000	Notes	2022	2021
Net share of interests in joint ventures and associates using the equity method			
Associates		**24**	66
Total net share of interests in joint ventures and associates using the equity method	D2-2	**24**	66
Other			
Contributions/levies to other levels of government			
– Planning levy		**175**	152
– Emergency Services levy		**65**	85
– Other contributions/levies (includes FRNSW and RFS levies)		**265**	344
Donations, contributions and assistance to other organisations		**1,939**	1,693
Total other		**2,444**	2,274
Total other expenses		**2,468**	2,340

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		**70**	–
Less: carrying amount of property assets sold/written off		**(526)**	(1,535)
Gain (or loss) on disposal		**(456)**	(1,535)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		**446**	704
Less: carrying amount of plant and equipment assets sold/written off		**(264)**	(307)
Gain (or loss) on disposal		**182**	397
Gain (or loss) on disposal of infrastructure	C1-7		
Less: carrying amount of infrastructure assets sold/written off		**(4,569)**	(5,061)
Gain (or loss) on disposal		**(4,569)**	(5,061)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		**–**	314
Less: carrying amount of real estate assets sold/written off		**–**	(188)
Gain (or loss) on disposal		**–**	126
Net gain (or loss) from disposal of assets		**(4,843)**	(6,073)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 24/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

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

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

$ '000	2022 Budget	2022 Actual	2022 Variance		
Revenues					
Rates and annual charges	**57,248**	**57,971**	**723**	**1%**	**F**
User charges and fees	**31,372**	**27,371**	**(4,001)**	**(13)%**	**U**
The original budget for Aerodrome user charges included income from the provision of Certified Air / Ground Radio Services (CA/GRS). Fees for CA/GRS were charged to airlines on a cost recovery basis. Airservices Australia introduced the enhanced Surveillance Flight Information Service (SFIS) in early August 2021, replacing CA/GRS. Income from CA/GRS traffic services ceased. The original budget for Development Services income from planning and building regulation fees needed to also be revised downward during the 2021/22 quarterly budget reviews due to a lower than expected level of activity in the submission of applications for construction and subdivision certificates.					
Other revenues	**1,130**	**1,791**	**661**	**58%**	**F**
Other revenues includes the recovery of legal fees totalling $418,000 and fines totalling $261,000. The original budget for these line items was $81,000 and $225,000, respectively meaning a total favourable variance to budget of $373,000 has resulted. Further, the original budget included $62,400 from miscellaneous sales from the Visitor Information Centre; whereas actual sales were over $85,000.					
Operating grants and contributions	**8,855**	**16,126**	**7,271**	**82%**	**F**
Operating grants and contributions awarded or allocated to Council arise from new Federal and State government funding programs introduced in response to events or otherwise identified needs. These grants and contributions are often introduced or announced after the original budget is adopted. The Northern Rivers region experienced significant flooding and storm events in February and March 2022, resulting in a declared natural disaster (AGRN-1012). Natural disaster funding received under AGRN-1012 totalled $4,954,000.					
Capital grants and contributions	**27,620**	**31,554**	**3,934**	**14%**	**F**
The original budget for *Capital grants and contributions* included $14,973,800 for capital contributions from section 7.11 cash contributions and non-cash contributions from developers and other third parties. Actual capital contributions totalled $25,202,000.					
Interest and investment revenue	**876**	**649**	**(227)**	**(26)%**	**U**
The cash rate and benchmark 90 day Bank Bill Swap rate both remained low during 2021/22 and this was reflected in the return on Council's investment portfolio. The original budget for *Interest and investment revenue* was revised downward during the quarterly budget reviews.					
Other income	**3,573**	**3,868**	**295**	**8%**	**F**
Expenses					
Employee benefits and on-costs	**28,850**	**29,034**	**(184)**	**(1)%**	**U**
Materials and services	**46,021**	**45,129**	**892**	**2%**	**F**
Borrowing costs	**4,022**	**4,097**	**(75)**	**(2)%**	**U**

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B5-1 Material budget variations (continued)

$ '000	2022 Budget	2022 Actual	2022 -------- Variance --------		
Depreciation, amortisation and impairment of non-financial assets	**22,665**	**26,264**	**(3,599)**	**(16)%**	**U**
Impairment costs totalling $3,455,000 and arising from the flood / storm natural disaster event were not budgeted for. In addition, depreciation on tip and quarry remediation assets exceeded budget by $1,023,000. The addition of post-closure costs to the provision as at 30 June 2021 occurred after the original budget was adopted.					
Other expenses	**2,296**	**2,468**	**(172)**	**(7)%**	**U**
Net losses from disposal of assets	**2,420**	**4,843**	**(2,423)**	**(100)%**	**U**
Statement of cash flows					
Cash flows from operating activities	**48,354**	**47,156**	**(1,198)**	**(2)%**	**U**
Cash flows from investing activities	**(59,895)**	**(41,960)**	**17,935**	**(30)%**	**F**
A number of factors resulted in capital expenditure being underbudget including delays in capital projects as a result of supply chain issues, unanticipated project specific complexities, and the flood / storm events of February and March 2022.					
Cash flows from financing activities	**2,874**	**1,082**	**(1,792)**	**(62)%**	**U**
Council's original budget included loans for capital expenditure. As a result of the delay in capital expenditure, borrowings for new loans were less than repayments of existing loans.					

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

$ '000	2022	2021
Cash assets		
Cash on hand and at bank	**13,732**	7,454
Total cash and cash equivalents	**13,732**	7,454
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	**13,732**	7,454
Balance as per the Statement of Cash Flows	**13,732**	7,454

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

C1-2 Financial investments

$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Long term deposits	**89,000**	**–**	77,500	–
NCD's, FRN's (with maturities > 3 months) [1]	**5,700**	**8,300**	6,800	14,000
Total financial investments	**94,700**	**8,300**	84,300	14,000
Total cash assets, cash equivalents and investments	**108,432**	**8,300**	91,754	14,000

(1) NCDs are negotiable certificates of deposit; FRNs are floating rate notes

Financial assets
All recognised financial assets are measured in their entirety at amortised cost.

Amortised cost
Assets measured at amortised cost are financial assets where:
- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits, FRNs, 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	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	**116,732**	105,754
Less: Externally restricted cash, cash equivalents and investments	**(74,525)**	(60,951)
Cash, cash equivalents and investments not subject to external restrictions	**42,207**	44,803
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Deposits and retentions	**7,117**	3,975
Water and wastewater employee leave entitlements	**984**	1,008
External restrictions – included in liabilities	**8,101**	4,983
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	**14,998**	15,064
Developer contributions – water fund	**11,646**	10,782
Developer contributions – wastewater fund	**11,383**	9,383
Specific purpose unexpended grants (recognised as revenue) – general fund	**5,691**	1,321
Water fund	**9,241**	9,869
Wastewater services	**12,378**	8,674
Domestic waste management	**1,087**	875
External restrictions – other	**66,424**	55,968
Total external restrictions	**74,525**	60,951

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.

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

$ '000	2022	2021

(b) Internal allocations

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

Airport	**1,352**	2,929
Bypass maintenance funding	**3,602**	3,602
Carry over works	**3,216**	3,413
Commercial properties	**928**	852
Community facilities (other)	**972**	854
Employees leave entitlements	**2,994**	2,994
Facilities Management	**374**	964
Financial assistance grant in advance	**3,874**	2,418
Landfill and Resource Management	**2,615**	2,207
Management plans and studies	**1,733**	1,898
Open Spaces and Reserves	**1,519**	1,781
Plant and vehicle replacement	**1,582**	737
Property reserves	**3,814**	5,357
Quarries	**731**	773
Road works	**5,587**	3,543
Strategic Planning	**956**	1,062
Wollongbar District and Skate Park	**–**	957
Other	**1,097**	1,584
Total internal allocations	**36,946**	37,925

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

C1-4 Receivables

$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	**2,376**	**93**	2,331	90
Interest and extra charges	**76**	**32**	52	22
User charges and fees	**2,744**	**107**	2,881	112
Accrued revenues				
– Interest on investments	**289**	**–**	220	–
Airport charges	**1,660**	**–**	3,857	–
Government grants and subsidies	**422**	**–**	549	–
Net GST receivable	**836**	**–**	639	–
Waste centre fees	**1,472**	**–**	430	–
Other debtors	**684**	**–**	206	–
Total	**10,559**	**232**	11,165	224
Less: provision for impairment				
User charges and fees	**(194)**	**–**	(201)	–
Total provision for impairment – receivables	**(194)**	**–**	(201)	–
Total net receivables	**10,365**	**232**	10,964	224

$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	**201**	259
+ new provisions recognised during the year	**–**	4
– amounts already provided for and written off this year	**–**	(1)
– amounts provided for but recovered during the year	**(7)**	(61)
Balance at the end of the year	**194**	201

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C1-4 Receivables (continued)

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 reasonably available. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor is subject to any form of insolvency administration.

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

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

C1-5 Inventories

$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Trading stock	**21**	**–**	16	–
Stores and materials	**956**	**–**	854	–
Real estate for resale	**2,601**	**5,286**	1,828	5,304
Total inventories at cost	**3,578**	**5,286**	2,698	5,304
Total inventories	**3,578**	**5,286**	2,698	5,304

(i) Other disclosures

$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Industrial/commercial	**1,870**	**3,744**	1,828	3,683
Residential	**731**	**1,542**	–	1,621
Total real estate for resale	**2,601**	**5,286**	1,828	5,304
(Valued at the lower of cost and net realisable value)				
Represented by:				
Land and development costs	**2,601**	**5,286**	1,828	5,304
Total real estate for resale	**2,601**	**5,286**	1,828	5,304

Accounting policy

Stores and materials

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

Trading stock

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

Real estate for resale

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

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

C1-6 Contract assets and Contract cost assets

$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	**1,539**	**–**	2,462	–
Total contract assets and contract cost assets	**1,539**	**–**	2,462	–

Contract assets

Work relating to infrastructure grants	**1,539**	**–**	2,409	–
Other	**–**	**–**	53	–
Total contract assets	**1,539**	**–**	2,462	–

Significant changes in contract assets

The significant change in contract assets is due to the timing of capital works. During 2021/22, projects including the construction of Airport Boulevard and the Coastal Shared Walk achieved completion. Grant funding recognised as revenue in 2021/22 was received by Council. Significant projects included in Contract Assets as at 30 June 2022 are the Byron Ballina Gateway Airport Runway Upgrade and the Regional Airports Screening Infrastructure Program Terminal Passenger Screening project.

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets	Revaluation movement to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	47,444	–	47,444	19,234	9,552	–	–	–	(35,246)	–	268	(728)	40,524	–	40,524
Plant and equipment	24,478	(12,559)	11,919	38	1,324	(264)	(2,569)	–	331	–	–	–	25,271	(14,492)	10,779
Office equipment	1,451	(1,421)	30	–	–	–	(15)	–	–	–	–	–	1,450	(1,435)	15
Furniture and fittings	427	(414)	13	–	–	–	(5)	–	–	–	–	–	427	(419)	8
Land:															
– Operational land	68,789	–	68,789	–	212	(71)	–	–	285	(1,385)	–	27,675	95,505	–	95,505
– Community land	49,112	–	49,112	–	530	–	–	–	410	1,385	–	–	51,437	–	51,437
– Crown land	30,431	–	30,431	–	–	–	–	–	–	–	–	–	30,431	–	30,431
– Land under roads (post 30/6/08)	3,106	–	3,106	–	109	–	–	–	96	–	–	–	3,311	–	3,311
Land improvements – non-depreciable	15,569	–	15,569	–	163	–	–	–	179	–	–	–	15,911	–	15,911
Land improvements – depreciable	8,737	(3,933)	4,804	–	–	–	(118)	–	51	–	–	–	8,788	(4,051)	4,737
Infrastructure:															
– Buildings	166,115	(56,480)	109,635	369	1,871	(455)	(3,556)	(562)	848	–	–	15,891	193,164	(69,123)	124,041
– Other structures	46,394	(13,444)	32,950	–	978	(13)	(1,140)	(308)	2,746	–	–	3,268	54,844	(16,363)	38,481
– Roads	483,293	(126,608)	356,685	647	5,913	(2,643)	(8,411)	(1,956)	13,846	–	–	24,234	533,192	(144,877)	388,315
– Bridges	54,064	(18,336)	35,728	–	–	(1)	(807)	(5)	1,014	–	–	2,444	58,612	(20,239)	38,373
– Footpaths	39,356	(5,794)	33,562	19	1,268	(106)	(613)	(53)	4,370	–	–	2,300	47,625	(6,878)	40,747
– Bulk earthworks	153,930	(846)	153,084	146	1,060	(524)	(158)	–	2,309	–	–	10,666	167,657	(1,074)	166,583
– Stormwater drainage	118,298	(41,781)	76,517	12	5,059	(63)	(1,587)	–	3,422	–	–	5,243	134,926	(46,323)	88,603
– Water supply network	126,068	(46,903)	79,165	395	1,190	(850)	(1,590)	(25)	1,631	–	–	(8,746)	138,304	(67,134)	71,170
– Wastewater network	304,478	(82,628)	221,850	–	3,099	(369)	(4,211)	(546)	3,708	–	–	16,516	337,066	(97,019)	240,047
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	5,912	(1,643)	4,269	–	119	–	(712)	–	–	–	–	–	6,030	(2,354)	3,676
– Quarry assets	1,345	(1,014)	331	–	402	–	(331)	–	–	–	–	–	1,747	(1,345)	402
Total infrastructure, property, plant and equipment	1,748,797	(413,804)	1,334,993	20,860	32,849	(5,359)	(25,823)	(3,455)	–	–	268	98,763	1,946,222	(493,126)	1,453,096

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation movement to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	46,073	–	46,073	14,100	19,939	–	–	(32,595)	(418)	872	(527)	47,444	–	47,444
Plant and equipment	26,770	(14,963)	11,807	–	2,389	(484)	(2,067)	274	–	–	–	24,478	(12,559)	11,919
Office equipment	1,451	(1,406)	45	–	–	–	(15)	–	–	–	–	1,451	(1,421)	30
Furniture and fittings	423	(409)	14	–	–	–	(5)	4	–	–	–	427	(414)	13
Land:														
– Operational land	66,915	–	66,915	–	20	–	–	1,854	–	–	–	68,789	–	68,789
– Community land	49,112	–	49,112	–	–	–	–	–	–	–	–	49,112	–	49,112
– Crown land	30,431	–	30,431	–	–	–	–	–	–	–	–	30,431	–	30,431
– Land under roads (post 30/6/08)	2,078	–	2,078	–	121	–	–	907	–	–	–	3,106	–	3,106
Land improvements – non-depreciable	15,080	–	15,080	–	–	–	–	1,015	(526)	–	–	15,569	–	15,569
Land improvements – depreciable	7,603	(3,821)	3,782	–	–	–	(112)	608	526	–	–	8,737	(3,933)	4,804
Infrastructure:														
– Buildings	164,029	(52,531)	111,498	651	634	(1,535)	(4,372)	2,759	–	–	–	166,115	(56,480)	109,635
– Other structures	45,046	(12,399)	32,647	80	13	(126)	(1,096)	1,432	–	–	–	46,394	(13,444)	32,950
– Roads	469,877	(120,195)	349,682	233	6,227	(2,213)	(8,301)	11,057	–	–	–	483,293	(126,608)	356,685
– Bridges	53,983	(17,670)	36,313	–	–	(6)	(687)	108	–	–	–	54,064	(18,336)	35,728
– Footpaths	37,420	(5,256)	32,164	–	1,183	(80)	(565)	860	–	–	–	39,356	(5,794)	33,562
– Bulk earthworks (non-depreciable)	152,052	(693)	151,359	48	859	(608)	(156)	1,582	–	–	–	153,930	(846)	153,084
– Stormwater drainage	111,596	(40,409)	71,187	–	3,444	(91)	(1,498)	3,475	–	–	–	118,298	(41,781)	76,517
– Water supply network	121,261	(45,991)	75,270	65	1,455	(933)	(1,535)	4,166	–	–	677	126,068	(46,903)	79,165
– Wastewater network	298,152	(79,570)	218,582	14	3,223	(825)	(3,610)	2,494	–	–	1,972	304,478	(82,628)	221,850
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	1,737	(1,624)	113	–	4,175	–	(19)	–	–	–	–	5,912	(1,643)	4,269
– Quarry assets	1,050	(961)	89	–	296	–	(54)	–	–	–	–	1,345	(1,014)	331
Total infrastructure, property, plant and equipment	1,702,139	(397,898)	1,304,241	15,191	43,978	(6,901)	(24,092)	–	(418)	872	2,122	1,748,797	(413,804)	1,334,993

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

Accounting policy

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

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

When infrastructure, property, plant and equipment is 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.

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	10 to 20	Playground equipment	10 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 8		
Vehicles	3 to 5	**Buildings**	
Heavy plant/road making equipment	8 to 15	Buildings: masonry	80 to 100
Other plant and equipment	2 to 20	Buildings: other	30 to 40
Water and wastewater assets		**Stormwater assets**	
Dams and reservoirs	80 to 200	Drains	80 to 100
Bores	30 to 50	Culverts	60 to 80
Reticulation pipes: PVC and other	60 to 182	Flood control structures	80 to 100
Pumps and telemetry	10 to 60		
Transportation assets		**Other infrastructure assets**	
Sealed roads: surface	17 to 30	Bulk earthworks	1000
Sealed roads: structure	20 to 40	Swimming pools	40 to 60
Unsealed roads	100 to 1000	Other open space/recreational assets	20
Bridge: concrete	80 to 100	Other infrastructure	20
Bridge: other	40 to 80		
Road pavements	50 to 100		
Kerb, gutter and footpaths	60 to 90		

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 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. Indexation may be applied to asset classes in non-comprehensive valuation periods if required.

Water and wastewater network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning and Environment – Water.

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C1-8 Investment properties

$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	**25,580**	25,340
Total owned investment property	**25,580**	25,340
At fair value		
Opening balance at 1 July	**25,340**	23,255
Net gain/(loss) from fair value adjustments	**215**	2,085
Other movements	**25**	–
Closing balance at 30 June	**25,580**	25,340

Accounting policy

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

C2 Leasing activities

C2-1 Council as a lessee

Extension options

Council may negotiate the inclusion of options in the leases to provide flexibility and certainty to Council operations and reduce costs of change, including moving premises. The extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses whether it is reasonably certain that the extension options will be exercised.

As at 30 June 2022, Council assessed that the exercise of any options is reasonably certain. Therefore there are no potential future lease payments not included in the lease liabilities as at 30 June 2022.

Council has leases over a range of assets including land, vehicles, machinery and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Plant and equipment

Council leases vehicles and equipment with lease terms varying from 3 to 6 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Leases for office and IT equipment are generally for low value assets, except for significant items such as servers and multi-functional devices. The leases are for between 2 and 5 years with no renewal option. The payments are predominantly fixed, however some of the leases include variable payments based on usage.

Land

Land - Operational

Council entered a 99 year lease of privately owned coastal land, commencing 1 April 2013, for use as a public car park. The lease expires on 31 March 2112 and does not have a renewal option.

The lease payments are fixed and the lease contains an annual pricing mechanism determined by the movement in the Consumer Price Index between rent review dates.

Land - Crown

On community land where Council is not the appointed Crown land manager, Council leases the land from the Department of Planning and Environment in their role in managing the Crown estate. Council uses this land for the provision of community facilities including the art gallery and the local surf lifesaving club.

The lease terms are between 10 and 20 years with no option periods. The lease payments are fixed and the leases contain annual pricing mechanisms determined by the movement in the Consumer Price Index between rent review dates.

(a) Right of use assets

$ '000	Plant and equipment	Land Operational	Land Crown	Total
2022				
Opening balance at 1 July	**573**	**1,235**	**825**	**2,633**
Additions to right-of-use assets	**–**	**–**	**–**	**–**
Adjustments to right-of-use assets due to re-measurement of lease liability	**–**	**58**	**(5)**	**53**
Depreciation charge	**(346)**	**(14)**	**(81)**	**(441)**
Balance at 30 June	**227**	**1,279**	**739**	**2,245**
2021				
Opening balance at 1 July	**979**	**1,202**	**908**	**3,089**
Additions to right-of-use assets	46	–	–	46
Adjustments to right-of-use assets due to re-measurement of lease liability	(65)	47	(2)	(20)
Depreciation charge	(387)	(14)	(81)	(482)
Balance at 30 June	**573**	**1,235**	**825**	**2,633**

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C2-1 Council as a lessee (continued)

(b) Lease liabilities

$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	**247**	**2,066**	545	2,152
Total lease liabilities	**247**	**2,066**	545	2,152

(c) (i) The maturity analysis

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

$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	**300**	**562**	**4,159**	**5,021**	**2,313**
2021					
Cash flows	491	723	4,107	5,321	**2,697**

(d) Income Statement

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

$ '000	2022	2021
Interest on lease liabilities	**81**	96
Depreciation of right of use assets	**441**	482
Expenses relating to short-term leases	**28**	56
Expenses relating to low-value leases	**43**	56
	593	690

(e) Statement of Cash Flows

Total cash outflow for leases	**591**	668
	591	668

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

Council has a number of land and building leases with lease payments that are significantly below market terms and conditions principally to enable Council to fulfil its objectives. These sites are used for various purposes including the local surf lifesaving clubs.

The leases are generally long term spanning up to 20 years. They require payments of a maximum amount of $1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide and these services are detailed in the leases.

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

continued on next page ...

C2-1 Council as a lessee (continued)

Accounting policy

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

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

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

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

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

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

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

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

Leases at significantly below market value / Concessionary leases
Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to commercial and retail tenants, and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-8)

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

(i) Assets held as investment property
Investment property operating leases relate to the leasing of industrial and retail properties to commercial and retail tenants.

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

$ '000	2022	2021
Lease income (excluding variable lease payments not dependent on an index or rate)	**1,964**	1,728
Total income relating to operating leases for investment property assets	**1,964**	1,728
Operating lease expenses		
Direct operating expenses that generated rental income	**154**	130
Direct operating expenses that did not generate rental income	**61**	93
Total expenses relating to operating leases	**215**	223

continued on next page ...

C2-2 Council as a lessor (continued)

$ '000	2022	2021
(ii) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for community purposes. The table below relates to operating leases on assets disclosed in C1-7.		
Lease income (excluding variable lease payments not dependent on an index or rate)	**1,612**	1,494
Total income relating to operating leases for Council assets	**1,612**	1,494
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	**870**	1,253
1–2 years	**460**	746
2–3 years	**229**	323
3–4 years	**44**	138
4–5 years	**3**	43
Total undiscounted lease payments to be received	**1,606**	2,503

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services	**6,172**	**–**	7,873	–
Accrued expenses:				
– Borrowings	**325**	**–**	339	–
– Salaries and wages	**1,108**	**–**	1,008	–
Security bonds, deposits and retentions	**7,117**	**–**	3,975	–
Prepaid rates and rental income	**1,681**	**–**	1,659	–
Total payables	**16,403**	**–**	14,854	–

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

$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	**5,208**	1,541
Total payables	**5,208**	1,541

Accounting policy

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

Payables

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:				
Unexpended capital grants (to construct Council controlled assets)	**3,702**	**–**	1,368	–
Total grants received in advance	**3,702**	**–**	1,368	–
Total contract liabilities	**3,702**	**–**	1,368	–

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

$ '000	2022	2021
Capital grants (to construct Council controlled assets)	**1,099**	405
Total revenue recognised that was included in the contract liability balance at the beginning of the period	**1,099**	405

Significant changes in contract liabilities

As at 30 June 2022, Council had received funding for capital works projects that was in excess to the revenue able to be recognised, based on the costs incurred as a percentage of total project costs. These projects had either yet to commence or were in their early stages of construction. The significant projects included in Contract Liabilities as at 30 June 2022 include Public Works Advisory category B funding for flood damaged Water and Wastewater capital works, Fixing Local Road (round three) and Kingsford Smith Regional Sporting Facility Upgrade projects.

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured [1]	**6,090**	**72,472**	6,281	70,762
Total borrowings	**6,090**	**72,472**	6,281	70,762

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

$ '000	2021 Opening Balance	Cash flows	Non-cash movements: Acquisition	Non-cash movements: Acquisition due to change in accounting policy	Non-cash movements: Other non-cash movement	2022 Closing balance
Loans – secured	77,043	**1,519**	**–**	**–**	**–**	**78,562**
Lease liability (Note C2-1b)	2,697	**(384)**	**–**	**–**	**–**	**2,313**
Total liabilities from financing activities	79,740	**1,135**	**–**	**–**	**–**	**80,875**

$ '000	2020 Opening Balance	Cash flows	Non-cash movements: Acquisition	Non-cash movements: Acquisition due to change in accounting policy	Non-cash movements: Other non-cash movement	2021 Closing balance
Loans – secured	79,472	(2,429)	–	–	–	77,043
Lease liability (Note C2-1b)	3,128	(457)	46	–	(20)	2,697
Total liabilities from financing activities	82,600	(2,886)	46	–	(20)	79,740

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C3-3 Borrowings (continued)

(b) Financing arrangements

$ '000	2022	2021
Total facilities		
Loan Facilities	**78,562**	77,043
Credit cards/purchase cards	**750**	750
Total financing arrangements	**79,312**	77,793
Drawn facilities		
– Loan Facilities	**78,562**	77,043
– Credit cards/purchase cards	**6**	6
Total drawn financing arrangements	**78,568**	77,049
Undrawn facilities		
– Credit cards/purchase cards	**744**	744
Total undrawn financing arrangements	**744**	744

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	**3,304**	**–**	3,022	–
Sick leave	**1,808**	**–**	1,746	–
Long service leave	**4,021**	**451**	4,225	458
Total employee benefit provisions	**9,133**	**451**	8,993	458

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

$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	**5,211**	5,114
	5,211	5,114

Description of and movements in non-employee benefit provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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.

C3-5 Provisions

$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	**–**	**8,234**	–	7,661
Sub-total – asset remediation/restoration	**–**	**8,234**	–	7,661
Total provisions	**–**	**8,234**	–	7,661

Description of and movements in provisions

$ '000	Other provisions Asset remediation	Total
2022		
At beginning of year	**7,661**	**7,661**
– Revised discount rate	**345**	**345**
– Revised costs	**176**	**176**
Unwinding of discount	**52**	**52**
Total other provisions at end of year	**8,234**	**8,234**
2021		
At beginning of year	3,183	3,183
– Revised discount rate	765	765
– Revised costs	3,705	3,705
Unwinding of discount	8	8
Total other provisions at end of year	7,661	7,661

Nature and purpose of provisions

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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C3-5 Provisions (continued)

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

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 Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

$ '000	General [1] 2022	Water 2022	Wastewater 2022
Income from continuing operations			
Rates and annual charges	34,621	4,206	19,144
User charges and fees	17,314	8,668	1,389
Interest and investment revenue	344	155	150
Other revenues	908	–	883
Grants and contributions provided for operating purposes	15,722	179	225
Grants and contributions provided for capital purposes	24,610	1,830	5,114
Other income	3,868	–	–
Total income from continuing operations	97,387	15,038	26,905
Expenses from continuing operations			
Employee benefits and on-costs	22,230	2,563	4,241
Materials and services	29,706	9,284	6,139
Borrowing costs	1,098	–	2,999
Depreciation, amortisation and impairment of non-financial assets	19,918	1,762	4,584
Other expenses	2,087	86	295
Net losses from the disposal of assets	3,627	850	366
Total expenses from continuing operations	78,666	14,545	18,624
Operating result from continuing operations	18,721	493	8,281
Net operating result for the year	18,721	493	8,281
Net operating result attributable to each council fund	18,721	493	8,281
Net operating result for the year before grants and contributions provided for capital purposes	**(5,889)**	**(1,337)**	**3,167**

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

D1-2 Statement of Financial Position by fund

$ '000	General [1] 2022	Water 2022	Wastewater 2022
ASSETS			
Current assets			
Cash and cash equivalents	13,732	–	–
Investments	55,456	18,170	21,074
Receivables	6,513	2,417	1,435
Inventories	3,578	–	–
Contract assets and contract cost assets	1,539	–	–
Other	636	56	79
Total current assets	81,454	20,643	22,588
Non-current assets			
Investments	1,911	2,958	3,431
Receivables	(378)	535	75
Inventories	5,286	–	–
Infrastructure, property, plant and equipment	1,110,343	80,971	261,782
Investments accounted for using the equity method	1,198	–	–
Investment property	25,580	–	–
Right of use assets	2,245	–	–
Total non-current assets	1,146,185	84,464	265,288
Total assets	1,227,639	105,107	287,876
LIABILITIES			
Current liabilities			
Payables	16,191	53	159
Contract liabilities	3,196	174	332
Lease liabilities	247	–	–
Borrowings	2,976	–	3,114
Employee benefit provision	8,192	230	711
Total current liabilities	30,802	457	4,316
Non-current liabilities			
Lease liabilities	2,066	–	–
Borrowings	31,670	–	40,802
Employee benefit provision	408	11	32
Provisions	8,234	–	–
Total non-current liabilities	42,378	11	40,834
Total liabilities	73,180	468	45,150
Net assets	1,154,459	104,639	242,726
EQUITY			
Accumulated surplus	659,093	54,722	141,267
Revaluation reserves	495,366	49,917	101,459
Council equity interest	1,154,459	104,639	242,726
Total equity	1,154,459	104,639	242,726

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

D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	LED Street Lighting Upgrade project
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of Minister's approval	24 June 2019
Date raised	1 July 2019
Term years	9 years
Dates of maturity	30 June 2028
Rate of interest (%)	3%
Amount originally raised ($'000)	722

D2 Interests in other entities

$ '000	Council's share of net assets 2022	2021
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Associates	**1,198**	1,145
Total net share of interests in joint ventures and associates using the equity method – assets	**1,198**	1,145
Total Council's share of net assets	**1,198**	1,145

D2-1 Interests in associates

The nature and extent of significant restrictions relating to associates

Council signed a new Richmond Tweed Regional Library (RTRL) deed with 3 other local Councils on 29 November 2017 resulting in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to on termination of this deed equal share of the total equity at 30 June 2017, and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

Summarised financial information for individually immaterial associates

Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

$ '000	2022	2021
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	**1,222**	1,145
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	**77**	(66)
Total comprehensive income – individually immaterial associates	**77**	(66)

Accounting policy

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures.*

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated. Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

D2-2 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2022 Net profit	2022 Net assets
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles. Joint Venture	24	44

Reasons for non-recognition

Councils share of NEWLOG net assets is 13.33%, Council considers this immaterial to the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 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 whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with s625 of the Local Government Act 1993 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 the finance team under policies approved by the Councillors.

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

$ '000	**Carrying value 2022**	Carrying value 2021	**Fair value 2022**	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	**13,732**	7,454	**13,732**	7,454
Receivables	**10,597**	11,188	**12,465**	11,188
Investments				
– Debt securities at amortised cost	**103,000**	98,300	**103,000**	98,300
Total financial assets	**127,329**	116,942	**129,197**	116,942
Financial liabilities				
Payables	**16,403**	14,854	**18,271**	14,854
Loans/advances	**78,562**	77,043	**81,559**	99,727
Total financial liabilities	**94,965**	91,897	**99,830**	114,581

Fair value is determined as follows:

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(a) Market risk – interest rate and price risk

$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates – Equity / Income Statement	**1,112**	997

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council received detailed reports where appropriate. Council makes suitable provision for expected credit losses required and carries out credit checks on most non-rate debtors.

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

Credit risk profile

Receivables – rates, annual charges and user fees

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
2022				
Gross carrying amount	**–**	**5,320**	**–**	**5,320**
2021				
Gross carrying amount	–	5,414	–	5,414

Receivables - non-rates, annual charges and user fees

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	Overdue debts 0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2022						
Gross carrying amount	**3,703**	**842**	**180**	**3**	**743**	**5,471**
Expected loss rate (%)	**0.00%**	**1.00%**	**1.00%**	**2.00%**	**2.00%**	**0.46%**
ECL provision	**–**	**8**	**2**	**–**	**15**	**25**
2021						
Gross carrying amount	1,751	768	478	506	2,472	5,975
Expected loss rate (%)	0.00%	1.00%	1.00%	2.00%	2.00%	1.21%
ECL provision	–	8	5	10	49	72

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

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The 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 cash flows. The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	**0.00%**	**7,117**	**11,154**	**–**	**–**	**18,271**	**16,403**
Borrowings	**5.24%**	**–**	**10,015**	**40,582**	**57,903**	**108,500**	**78,562**
Total financial liabilities		**7,117**	**21,169**	**40,582**	**57,903**	**126,771**	**94,965**
2021							
Payables	0.00%	3,975	10,879	–	–	14,854	14,854
Borrowings	5.72%	–	10,256	34,950	57,481	102,687	77,043
Total financial liabilities		3,975	21,135	34,950	57,481	117,541	91,897

E2-1 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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
$ '000	Notes	2022	2021	2022	2021	2022	2021
Investment property	C1-8						
Land and buildings		**25,580**	25,340	**–**	–	**25,580**	25,340
Total investment property		**25,580**	25,340	**–**	–	**25,580**	25,340
Infrastructure, property, plant and equipment	C1-7						
Plant and equipment		**–**	–	**10,779**	11,919	**10,779**	11,919
Office equipment		**–**	–	**15**	30	**15**	30
Furniture and fittings		**–**	–	**8**	13	**8**	13
Operational land		**95,505**	68,789	**–**	–	**95,505**	68,789
Community land		**–**	–	**51,437**	49,112	**51,437**	49,112
Crown land		**–**	–	**30,431**	30,431	**30,431**	30,431
Land under roads		**–**	–	**3,311**	3,106	**3,311**	3,106
Land improvements – non-depreciable		**–**	–	**15,911**	15,569	**15,911**	15,569
Land Improvements – depreciable		**–**	–	**4,737**	4,804	**4,737**	4,804
Buildings – non-specialised		**9,635**	8,803	**–**	–	**9,635**	8,803
Buildings – specialised		**–**	–	**114,406**	100,832	**114,406**	100,832
Other structures		**–**	–	**38,481**	32,950	**38,481**	32,950
Roads		**–**	–	**388,315**	356,685	**388,315**	356,685
Bridges		**–**	–	**38,373**	35,728	**38,373**	35,728
Footpaths		**–**	–	**40,747**	33,562	**40,747**	33,562
Bulk earthworks		**–**	–	**166,583**	153,084	**166,583**	153,084
Stormwater drainage		**–**	–	**88,603**	76,517	**88,603**	76,517
Water supply network		**–**	–	**71,170**	79,165	**71,170**	79,165
Wastewater network		**–**	–	**240,047**	221,850	**240,047**	221,850
Tip remediation		**–**	–	**3,676**	4,269	**3,676**	4,269
Quarries remediation		**–**	–	**402**	331	**402**	331
Total infrastructure, property, plant and equipment		**105,140**	77,592	**1,307,432**	1,209,957	**1,412,572**	1,287,549

Transfers between level 1 and level 2 fair value hierarchies

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

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E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Investment property

Council assesses the carrying amount of its investment properties on an annual basis. Where there is an indication that a property's carrying amount may differ materially from fair value at the reporting date and at least bi-annually, the fair values are based on assessments determined by an independent and professionally qualified property valuer.

The fair value of each investment property as at 30 June 2022 are estimates based on valuations performed by certifying valuers, Martin Gooley and Jerrard Fairhurst, AAPI (Herron Todd White).

Each valuation adopts the direct comparison and capitalised income approach whereby sales of properties with similar characteristics were used to establish a value per square metre to apply to the total site area. A yield is then applied to the property's income return to assess its value and ensure it is aligned with market expectations. The key unobservable input to the valuations is the price per square metre and expected rates of return determined by the market.

Infrastructure, property, plant and equipment (IPPE)

Operational Land

This asset class comprises all of Council's land classified as Operational land under the NSW Local Government Act 1993.

Council obtains its fair values for operational land from a comprehensive external valuation every 3 to 5 years (last valuation being 2019) using predominantly Level 2 inputs.

Level 1 and Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration.

The key unobservable inputs to the valuation are the rate per square metre and the description of the land. There has been no change to the valuation process during the reporting period.

In non-comprehensive valuation years, Council obtains and considers appropriate land indices to determine whether there has been a material change to land values since the previous comprehensive valuation was conducted.

In the reporting period, the cumulative movement in land values for the Ballina local government area between 2019 and 2021, as published by the NSW Valuer General, was determined and applied to revalue operational land assets as at 30 June 2022.

Buildings - Non-Specialised

Non-specialised buildings were comprehensively valued by Scott Fullerton Valuations Pty Ltd in 2019 using the "Market approach" utilising Level 2 inputs.

The properties fair values have been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

In non-comprehensive valuation years, Council obtains and considers appropriate building indices to determine whether there has been a material change to building values since the previous comprehensive valuation was conducted.

In the reporting period, building asset indices referencing construction costs for the four year period ending 30 June 2022 were obtained from APV Valuers & Asset Management. These were applied to revalue the building assets.

Plant and Equipment, Office Equipment, 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 value of these assets is assumed to approximate fair value due to the nature of the items.

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E2-1 Fair value measurement (continued)

The key unobservable inputs to the valuation are the remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

Community and Crown Land

Council's "Community" land (Council-owned) and "Crown" land (Crown land that is controlled by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

The Office of Local Government has determined that community land and controlled Crown land may be valued as follows: The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for land under clause 31 of AASB 116.

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

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

Land under Roads

Council has elected to recognise land under roads where the road was acquired on or after 1 July 2008. Land under roads have been valued using the Englobo methodology which applies the square metre rates applicable for nearby or adjacent Community land having regard to the highest and best use for this land, with a 90% discount.

Land Improvements- Depreciable and Non-Depreciable

This asset class comprises land improvements such as spectator mounds, mulched areas, streetscaping and landscaping.

These assets are valued in-house (last valuation 2019) using the cost approach by experienced Council staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors including but not limited to construction rates and industry construction cost benchmarks such as Rawlinson's Australian Construction handbook.

The unobservable Level 3 inputs used include gross replacement cost, asset condition, residual value and remaining useful life.

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

Buildings - Specialised and Other Structures

Specialised buildings and other structures were comprehensively valued by Scott Fullerton Valuations Pty Ltd in 2019 using the "Cost approach" utilising Level 3 inputs.

The approach estimated the replacement cost of each building/other structure and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence, other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

In non-comprehensive valuation years, Council obtains and considers appropriate building indices to determine whether there has been a material change to building values since the previous comprehensive valuation was conducted.

In the reporting period, building asset indices referencing construction costs for the four year period ending 30 June 2022 were obtained from APV Valuers & Asset Management. These were applied to revalue the building assets.

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E2-1 Fair value measurement (continued)

Roads (including Bridges, Footpaths, Bulk Earthworks) and Stormwater Drainage

Roads are valued in-house by suitably qualified engineers and requires extensive professional judgement. All roads and stormwater assets are valued using Level 3 valuation inputs using the "Cost approach". Council staff complete a comprehensive valuation of these assets internally using the replacement cost approach. The last comprehensive valuation was completed in 2020.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence such as recently completed road constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, Council has adopted a policy that all road and stormwater assets are deemed be valued at Level 3.

In non-comprehensive valuation years, Council applies the most appropriate Producer Price Index, as published by the Australian Bureau of Statistics, to determine whether there has been a material change in road and stromwater asset values since the previous comprehensive valuation was conducted. As at 30 June 2022, all road and stormwater asset values were subject to indexation.

Water Supply Network and Wastewater Network

Water and wastewater infrastructure assets were valued by APV Valuers & Asset Management in 2022 using the "Cost approach" utilising Level 2 and 3 inputs. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence such as recently completed constructions and industry construction cast data (Level 2), unobservable inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, Council has adopted a policy that all water and wastewater infrastructure assets are deemed be valued at Level 3.

Tip and Quarries Remediation Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of tip and quarries sites.

Evaluation of costs for tips and quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

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E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

$ '000	Fair value (30/6/22) 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & equipment, office equipment and furniture & fittings	10,802	Cost used to approximate fair value	Gross replacement cost, useful lives and residual value
Crown and Community land	81,868	Land values obtained from the NSW Valuer- General	Land value, land area
Land under roads	3,311	Unimproved capital value provided by NSW Valuer-General	Land value, land area
Land improvements	20,648	Cost used to approximate fair value	Asset condition and remaining useful lives
Buildings - specialised	114,406	Cost used to approximate fair value	Asset condition and remaining useful lives
Other structures	38,481	Cost used to approximate fair value	Asset condition and remaining useful lives
Roads	388,315	Unit rates per m2 or length	Asset condition and remaining useful lives
Bridges	38,373	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Footpaths	40,747	Unit rates per m2	Asset condition and remaining useful lives
Bulk earthworks	166,583	Unit rates per m3	Asset condition and remaining useful lives
Stormwater drainage	88,603	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Water supply network	71,170	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Wastewater network	240,047	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Tip and quarry remediation	4,078	Discounted remediation cost	Discount rate, cost escalation rate and timing of costs

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E2-1 Fair value measurement (continued)

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

$ '000	Plant and equipment 2022	Plant and equipment 2021	Office equipment 2022	Office equipment 2021	Furniture and fittings 2022	Furniture and fittings 2021	Community and Crown land 2022	Community and Crown land 2021
Opening balance	**11,919**	11,807	**30**	45	**13**	14	**79,543**	79,543
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	**–**	–	**–**	–	**–**	–	**1,385**	–
Purchases (GBV)	**1,693**	2,663	**–**	–	**–**	4	**940**	–
Disposals (WDV)	**(264)**	(484)	**–**	–	**–**	–	**–**	–
Depreciation and impairment	**(2,569)**	(2,067)	**(15)**	(15)	**(5)**	(5)	**–**	–
Closing balance	**10,779**	11,919	**15**	30	**8**	13	**81,868**	79,543

$ '000	Land under roads 2022	Land under roads 2021	Land improv-ements 2022	Land improv-ements 2021	Buildings – specialised 2022	Buildings – specialised 2021	Other structures 2022	Other structures 2021
Opening balance	**3,106**	2,078	**20,373**	18,862	**100,832**	102,369	**32,950**	32,647
Total gains or losses for the period								
Other movements								
Purchases (GBV)	**205**	1,028	**393**	1,623	**3,071**	4,032	**3,724**	1,525
Disposals (WDV)	**–**	–	**–**	–	**(453)**	(1,535)	**(13)**	(126)
Depreciation and impairment	**–**	–	**(118)**	(112)	**(3,824)**	(4,034)	**(1,448)**	(1,096)
Revaluation increments/ (decrements)	**–**	–	**–**	–	**14,780**	–	**3,268**	–
Closing balance	**3,311**	3,106	**20,648**	20,373	**114,406**	100,832	**38,481**	32,950

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E2-1 Fair value measurement (continued)

$ '000	Roads 2022	Roads 2021	Bridges 2022	Bridges 2021	Footpaths * 2022	Footpaths * 2021	Bulk earthworks 2022	Bulk earthworks 2021
Opening balance	**356,685**	349,682	**35,728**	36,313	**33,562**	32,164	**153,084**	151,359
Total gains or losses for the period								
Other movements								
Purchases (GBV)	**20,406**	17,517	**1,014**	108	**5,657**	2,043	**3,515**	2,489
Disposals (WDV)	**(2,643)**	(2,213)	**(1)**	(6)	**(106)**	(80)	**(524)**	(608)
Depreciation and impairment	**(10,367)**	(8,301)	**(812)**	(687)	**(666)**	(565)	**(158)**	(156)
Revaluation increments/ (decrements)	**24,234**	–	**2,444**	–	**2,300**	–	**10,666**	–
Closing balance	**388,315**	356,685	**38,373**	35,728	**40,747**	33,562	**166,583**	153,084

$ '000	Stormwater drainage * 2022	Stormwater drainage * 2021	Water supply network 2022	Water supply network 2021	Wastewater network 2022	Wastewater network 2021	Tip and quarry remediation 2022	Tip and quarry remediation 2021
Opening balance	**76,517**	71,187	**79,165**	75,270	**221,850**	218,582	**4,600**	202
Total gains or losses for the period								
Other movements								
Purchases (GBV)	**8,493**	6,919	**3,216**	5,686	**6,807**	5,731	**521**	4,471
Disposals (WDV)	**(63)**	(91)	**(850)**	(933)	**(369)**	(825)	**–**	–
Depreciation and impairment	**(1,587)**	(1,498)	**(1,615)**	(1,535)	**(4,757)**	(3,610)	**(1,043)**	(73)
Revaluation increments/ (decrements)	**5,243**	–	**(8,746)**	677	**16,516**	1,972	**–**	–
Closing balance	**88,603**	76,517	**71,170**	79,165	**240,047**	221,850	**4,078**	4,600

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E2-1 Fair value measurement (continued)

$ '000	Total 2022	2021
Opening balance	**1,209,957**	**1,182,124**
Transfers from/(to) another asset class	**1,385**	**–**
Purchases (GBV)	**59,655**	**55,839**
Disposals (WDV)	**(5,286)**	**(6,901)**
Depreciation and impairment	**(28,984)**	**(23,754)**
Revaluation increments/ (decrements)	**70,705**	**2,649**
Closing balance	**1,307,432**	**1,209,957**

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

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

– Assets are not segregated within the sub-group according to the employees of each sponsoring employer.

– The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

– Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of $40.0 million per annum for 1 July 2019 to 31 December 2021 and $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 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

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E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was $282,656.42. The last valuation of the Scheme was performed by the fund actuary, Richard Boyfield FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is $235,100.

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

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

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

The share of this deficit that can be attributed to Council is estimated as $114,000 as at 30 June 2022.

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

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

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

* Plus promotional increases

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

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. The actuarial investigation is expected to be completed by December 2022.

(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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity. StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

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

(iv) Other guarantees

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

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E3-1 Contingencies (continued)

2. Other liabilities

Third party claims
The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

ASSETS NOT RECOGNISED

(i) Land under roads
As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. The aggregate amount of KMP compensation included in the Income Statement is:

$ '000	2022	2021
Compensation:		
Short-term benefits	**1,267**	1,241
Post-employment benefits	**104**	99
Other long-term benefits	**21**	39
Total	**1,392**	1,379

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to libraries or Council swimming pools by KMP) will not be disclosed.

Nature of the transaction $ '000	Ref	Transactions during the year	Outstanding balances including commitments	Impairment provision on outstanding balances	Impairment expense
2022					
Employee and other expenses relating to key family members	1	**171**	**–**	**–**	**–**
2021					
Employee and other expenses relating to key family members	1	187	–	–	–

1 There is one close family member of Council's KMP employed by Ballina Shire Council under current Council award on an arms length basis.

F1-2 Councillor and Mayoral fees and associated expenses

$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	**61**	60
Councillors' fees	**238**	243
Other Councillors' expenses (including Mayor)	**34**	21
Total	**333**	324

F1-3 Other related parties

$ '000	Ref	Transactions during the year	Outstanding balances including commitments	Impairment provision on outstanding balances	Impairment expense
2022					
Associate - Richmond Tweed Regional Library	1	**1,521**	**–**	**–**	**–**
2021					
Associate - Richmond Tweed Regional Library	1	1,460	–	–	–

1 Contributions to the Richmond Tweed Regional Library are based on formula parameters set in the Richmond Tweed Regional Library Deed of Agreement.

F2 Other relationships

F2-1 Audit fees

$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms:		
(i) Audit services: NSW Auditor-General		
Audit and review of financial statements	**91**	86
Total fees paid or payable to the Auditor-General	**91**	86
(ii) Other non-assurance services: Other firms		
Internal audit services	**71**	77
Total fees paid or payable for non-assurance services	**71**	77
Total audit fees	**162**	163

G Other matters

G1-1 Statement of Cash Flows information

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

$ '000	Notes	2022	2021
Net operating result from Income Statement		**27,495**	42,662
Add / (less) non-cash items:			
Depreciation and amortisation		**26,264**	24,574
(Gain) / loss on disposal of assets		**4,843**	6,073
Non-cash capital grants and contributions	G1.1(b)	**(16,981)**	(24,959)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		**(215)**	(2,085)
Unwinding of discount rates on reinstatement provisions		**397**	773
Share of net (profits)/losses of associates/joint ventures using the equity method		**(53)**	66
Movements in operating assets and liabilities and other cash items:			
(Increase) / decrease of receivables		**598**	(3,264)
Increase / (decrease) in provision for impairment of receivables		**(7)**	(58)
(Increase) / decrease of inventories		**(107)**	(221)
(Increase) / decrease of other current assets		**(193)**	(4)
(Increase) / decrease of contract asset		**923**	(1,270)
Increase / (decrease) in payables		**(1,701)**	1,788
Increase / (decrease) in accrued interest payable		**(14)**	51
Increase / (decrease) in other accrued expenses payable		**100**	182
Increase / (decrease) in other liabilities		**3,164**	177
Increase / (decrease) in contract liabilities		**2,334**	867
Increase / (decrease) in employee benefit provision		**133**	586
Increase / (decrease) in other provisions		**176**	3,705
Net cash flows from operating activities		**47,156**	49,643

(b) Non-cash investing and financing activities

Developer contributions ‘in kind’	**16,475**	21,229
Other dedications	**506**	3,730
Total non-cash investing and financing activities	**16,981**	24,959

G2-1 Commitments

Capital commitments (exclusive of GST)

$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings and other structures	**2,447**	2,629
Infrastructure	**8,670**	5,824
Plant and equipment	**289**	176
Inventory		
Real estate for resale	**129**	1,171
Total commitments	**11,535**	9,800

Details of capital commitments

As at 30 June 2022, significant capital projects included in the capital expenditure commitments are Lennox Head Rural Fire Shed, Alstonville Wastewater Treatment Plant Inlet Works, West Ballina Bulk Supply Pipeline and Banglaow Rd / Angels Beach Dr Roundabout Lanes project.

G3-1 Events occurring after the reporting date

There are no known events occurring after the reporting date that would have a significant effect on the financial report.

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

$ '000	Opening balance at 1 July 2021 [1]	Contributions received during the year (Cash)	Contributions received during the year (Non-cash)	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
Roads	9,428	4,395	–	50	(4,299)	–	9,574	–
Car parking	803	205	–	5	–	–	1,013	–
Open space and community facilities	3,353	1,597	–	23	(2,732)	–	2,241	–
Heavy haulage	730	270	–	4	(47)	(130)	827	–
Wollongbar Urban Expansion Area	–	129	–	–	(129)	–	–	–
Cumbalum Urban Release Area Precinct A	745	593	–	4	–	–	1,342	–
S7.11 contributions – under a plan	15,059	7,189	–	86	(7,207)	(130)	14,997	–
Total S7.11 and S7.12 revenue under plans	15,059	7,189	–	86	(7,207)	(130)	14,997	–
S64 contributions	20,165	2,937	–	129	(201)	–	23,030	–
Total contributions	35,224	10,126	–	215	(7,408)	(130)	38,027	–

(1) Opening balances have been reclassified following a comprehensive review of prior year contribution plan movements in the reporting period.

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

G4-2 Developer contributions by plan

$ '000	Opening balance at 1 July 2021 [1]	Contributions received during the year (Cash)	Contributions received during the year (Non-cash)	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
CONTRIBUTIONS PLAN – ROADS								
Road plan (current plan)	770	47	–	–	–	–	817	–
Roads (old plan)	8,658	4,348	–	50	(4,299)	–	8,757	–
Total	9,428	4,395	–	50	(4,299)	–	9,574	–

continued on next page ...

G4-2 Developer contributions by plan (continued)

$ '000	Opening balance at 1 July 2021 [1]	Contributions received during the year (Cash)	Contributions received during the year (Non-cash)	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
CONTRIBUTIONS PLAN – CAR PARKING								
Ballina	779	–	–	5	–	–	784	–
Lennox Head	11	205	–	–	–	–	216	–
Alstonville Village Centre	13	–	–	–	–	–	13	–
Total	803	205	–	5	–	–	1,013	–
CONTRIBUTIONS PLAN – OPEN SPACE AND COMMUNITY FACILITIES								
Local parks	–	18	–	–	(18)	–	–	–
District parks	–	291	–	3	(294)	–	–	–
Playing fields	638	330	–	3	(971)	–	–	–
Regional level recreation facilities	621	455	–	4	(1,080)	–	–	–
Multi-purpose community centres and meeting halls	1,148	231	–	7	–	–	1,386	–
Regional level community facilities	946	272	–	6	(369)	–	855	–
Total	3,353	1,597	–	23	(2,732)	–	2,241	–
CONTRIBUTIONS PLAN – HEAVY HAULAGE								
Shire Wide	730	270	–	4	(47)	(130)	827	–
Total	730	270	–	4	(47)	(130)	827	–

continued on next page ...

G4-2 Developer contributions by plan (continued)

$ '000	Opening balance at 1 July 2021 [1]	Contributions received during the year (Cash)	Contributions received during the year (Non-cash)	Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
CONTRIBUTIONS PLAN – WOLLONGBAR URBAN EXPANSION AREA								
Transportation works	–	1	–	–	(1)	–	–	–
Link Road works	–	128	–	–	(128)	–	–	–
Total	–	**129**	**–**	**–**	**(129)**	**–**	**–**	**–**
CONTRIBUTIONS PLAN - CUMBALUM URBAN RELEASE AREA PRECINCT A (CURA A)								
CURA A	745	593	–	4	–	–	1,342	–
Total	745	**593**	**–**	**4**	**–**	**–**	**1,342**	**–**

(1) Opening balances have been reclassified following a comprehensive review of prior year contribution plan movements in the reporting period.

G4-3 S64 contributions

Section 64 – Water								
Shire Wide	10,782	855	–	67	(58)	–	11,646	–
Total	10,782	**855**	**–**	**67**	**(58)**	**–**	**11,646**	**–**
Section 64 – Wastewater								
Shire Wide	9,383	2,082	–	62	(143)	–	11,384	–
Total	9,383	**2,082**	**–**	**62**	**(143)**	**–**	**11,384**	**–**

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1, 2]	**492**	**0.46%**	5.37%	3.00%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions [1]	**107,484**				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions [1]	**91,358**	**65.71%**	64.08%	69.43%	> 60.00%
Total continuing operating revenue [1]	**139,038**				
3. Unrestricted current ratio					
Current assets less all external restrictions	**54,473**	**2.63x**	2.70x	2.60x	> 1.50x
Current liabilities less specific purpose liabilities	**20,675**				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation [1]	**30,853**	**2.85x**	3.18x	2.56x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**10,815**				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	**2,577**	**4.25%**	4.22%	5.35%	< 10.00%
Rates and annual charges collectable	**60,607**				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	**102,732**	**12.67 months**	13.12 months	9.99 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	**8,110**				

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

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

G5-2 Statement of performance measures by fund

$ '000	General Indicators [3] 2022	General Indicators [3] 2021	Water Indicators 2022	Water Indicators 2021	Wastewater Indicators 2022	Wastewater Indicators 2021	Benchmark
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses [1, 2] / Total continuing operating revenue excluding capital grants and contributions [1]	**(4.34)%**	(0.70)%	**(3.41)%**	0.50%	**18.76%**	25.00%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions [1] / Total continuing operating revenue [1]	**58.46%**	57.22%	**86.64%**	85.19%	**80.16%**	75.38%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions / Current liabilities less specific purpose liabilities	**2.63x**	2.63x	**19.69x**	68.91x	**2.60x**	2.46x	> 1.50x
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation [1] / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	**3.77x**	4.06x	**∞**	∞	**1.88x**	2.15x	> 2.00x
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding / Rates and annual charges collectable	**3.97%**	3.83%	**10.18%**	10.39%	**3.36%**	3.45%	< 10.00%
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits / Monthly payments from cash flow of operating and financing activities	**11.03 months**	11.67 months	**18.34 months**	19.22 months	**15.48 months**	12.12 months	> 3.00 months

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

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

40 Cherry Street
Ballina NSW 2478

Contact details

Mailing Address:

PO Box 450
Ballina NSW 2478

Telephone: 1300 864 444 or 02 6686 1257

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

INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Ballina Shire Council

To the Councillors of Ballina Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

27 October 2022
SYDNEY

Cr Sharon Cadwallader
Mayor
Ballina Shire Council
PO Box 450
Ballina NSW 2478

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: D2222647/1686

27 October 2022

Dear Mayor

Report on the Conduct of the Audit

for the year ended 30 June 2022

Ballina Shire Council

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

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

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

INCOME STATEMENT

Operating result

	2022 $m	2021 $m	Variance %
Rates and annual charges revenue	58.0	56.2	3.2
Grants and contributions revenue	47.7	51.2	6.8
Materials and services	45.1	36.7	22.9

Operating result from continuing operations	27.5	42.7	35.6
Net operating result before capital grants and contributions	(4.1)	1.4	392.9

Rates and annual charges revenue ($58.0 million) increased by $1.8 million (3.2 per cent) in 2021–22 due to:

- the IPART approved rate peg, which increased general rates revenue by 2.0 per cent
- total land value of rateable properties increased by $82.8 million (220 additional properties)

Grants and contributions revenue ($47.7 million) decreased by $3.5 million (6.8 per cent) in 2021–22 primarily due to:

- decrease of $7.9 million of developer contributions recognised during the year
- increase of $5.0 million of grants recognised received for natural disasters
- increase of $1.7 million of financial assistance grant funding
- increase of $2.8 million of grants received for airport upgrades
- decrease of $2.1 million received from Transport for NSW

Material and services expenditure ($45.1 million) increased by $8.4 million (22.9 per cent) in 2021-22 due to:

- increase of $8.5 million of raw materials and consumables as a result of the natural disaster and the impact of inflation on the costs of materials and services.

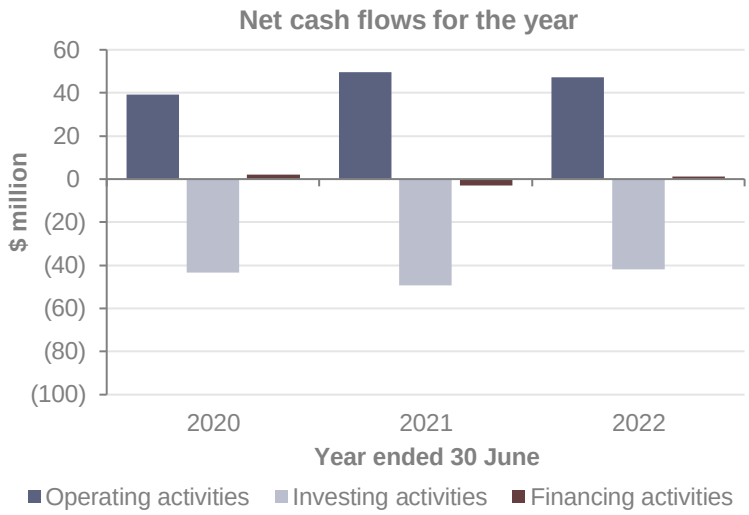
The Council's operating result from continuing operations ($27.5 million including depreciation and amortisation expense of $26.3 million) was $15.2 million lower than the 2020–21 result. This is due to the above, and:

- decrease of $3.5 million in other revenues and other income
- increase of $1.3 million in employee benefits and on-costs
- increase of $1.7 million in depreciation and amortisation
- decrease of $1.3 million in losses on disposal of assets

The net operating result before capital grants and contributions ($4.1 million loss) was $5.5 million lower than the 2020–21 result.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by $2.5 million (5.0 per cent).
- Net cash used in investing activities decreased by $7.4 million. The majority of this decrease relates to a net reduction in the purchases of investment securities ($10.1 million) offset by decreased capital expenditure ($2.9 million).
- Net cash provided by financing activities increased by $4.0 million. This is due to new loans of $7.8 million, offset by repayments of $6.3 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	$m	$m	
Total cash, cash equivalents and investments	**116.7**	**105.7**	Externally restricted cash and investments has increased by $13.6 million. Deposits and retentions increased by $3.1 million, developer contributions ($38.0 million) increased by $2.8 million and Wastewater ($12.4 million) increased by $3.7 million. Internally allocated cash and investments has decreased by $1 million.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	74.5	61.0	
• Internal allocations	36.9	37.9	

PERFORMANCE

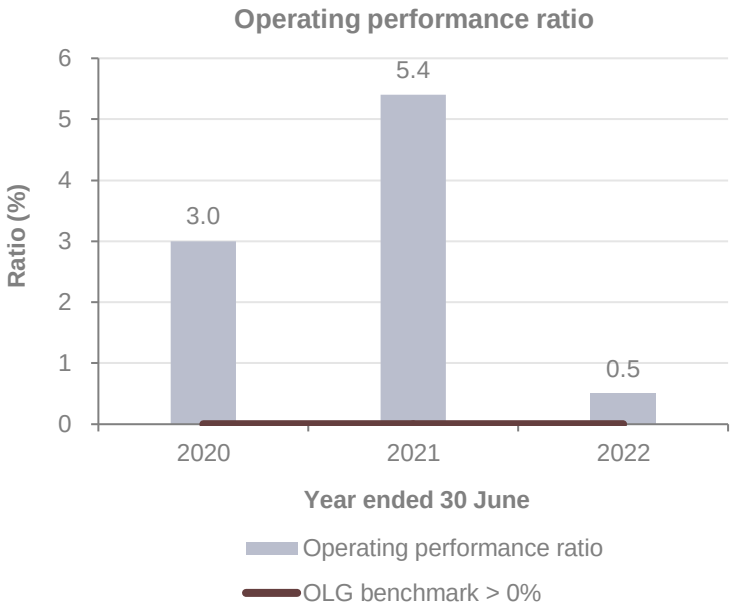
Performance measures

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

Operating performance ratio

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

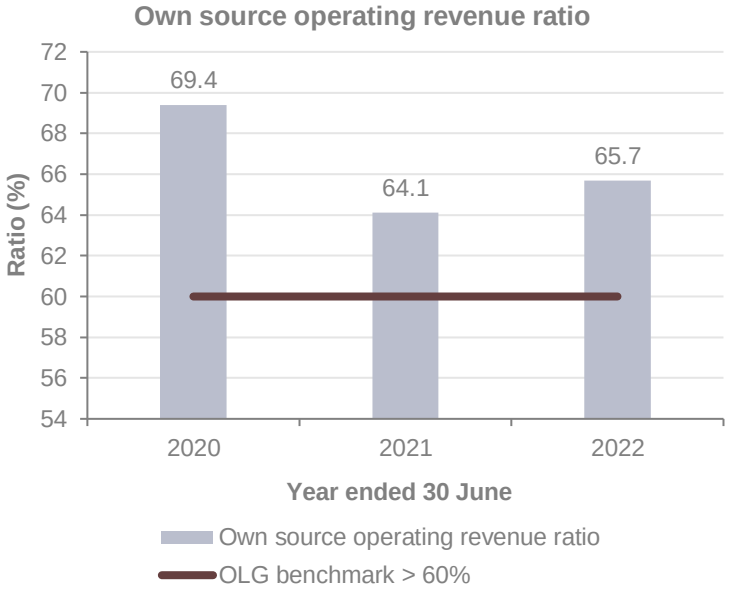
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

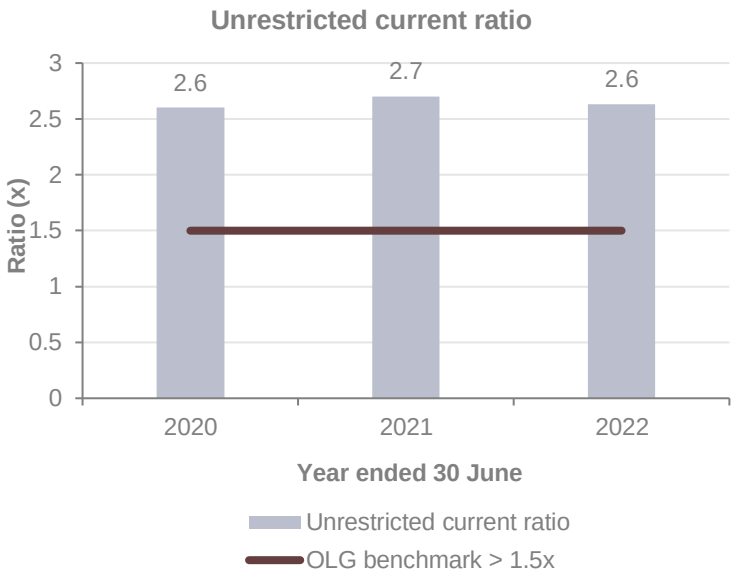
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

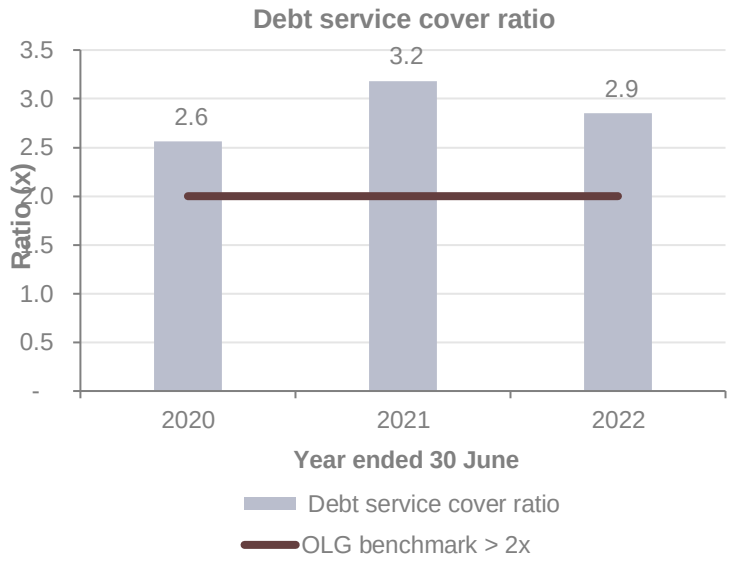
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

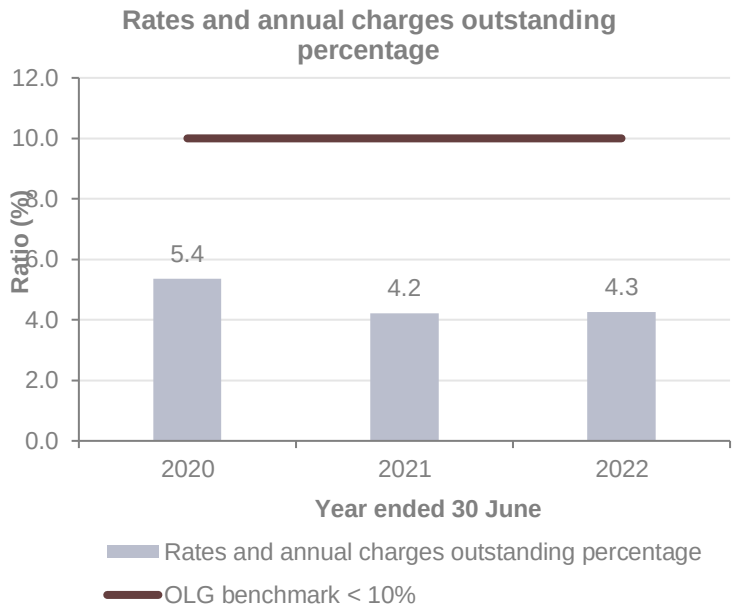
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

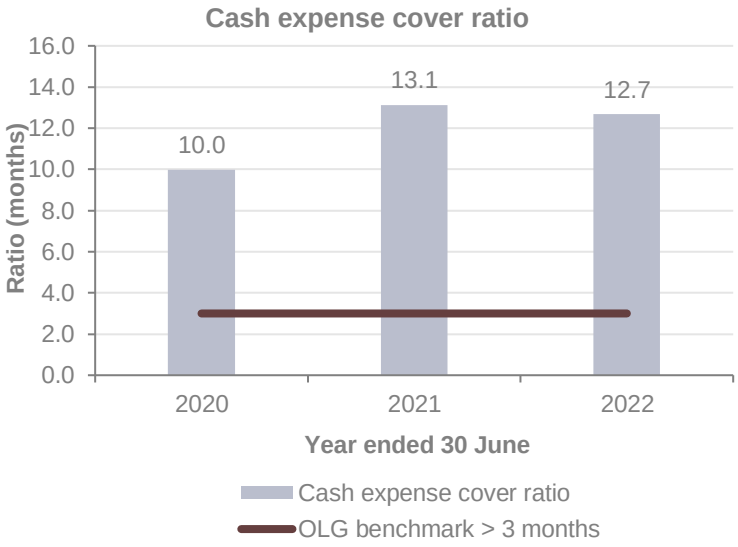
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the OLG 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's asset renewal expenditure in the 2021–22 year was $20.9 million (2020–21: $15.2 million). In 2022 there was a major road renewal program including Lennox Head Village and Ross Park, Lennox Head.

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.

The Council's:

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

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

cc: Paul Hickey, General Manager
Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning and Environment

Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022

The Ballina Shire is safe, with a connected community, a healthy environment and a thriving economy.

Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Ballina Shire Council

Special Purpose Financial Statements
for the year ended 30 June 2022

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

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

- the NSW Government Policy Statement *'Application of National Competition Policy to Local Government'*
- the Division of Local Government Guidelines *'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality'*
- the Local Government *Code of Accounting Practice and Financial Reporting*
- the NSW Office of *Water Best-Practice Management of Water and Sewerage Guidelines.*

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

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

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

Signed in accordance with a resolution of Council made on 27 October 2022.

Sharon Cadwallader
Mayor
27 October 2022

Jeff Johnson
Councillor
27 October 2022

Paul Hickey
General Manager
27 October 2022

Linda Coulter
Responsible Accounting Officer
27 October 2022

Ballina Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

$ '000	2022	2021
Income from continuing operations		
Access charges	**4,206**	3,988
User charges	**7,756**	7,695
Fees	**912**	920
Interest and investment income	**155**	176
Grants and contributions provided for operating purposes	**179**	161
Total income from continuing operations	**13,208**	12,940
Expenses from continuing operations		
Employee benefits and on-costs	**2,563**	2,467
Materials and services	**1,888**	1,754
Depreciation, amortisation and impairment	**1,762**	1,679
Water purchase charges	**7,360**	6,844
Calculated taxation equivalents	**36**	37
Net loss on disposal of assets	**850**	944
Other expenses	**86**	131
Total expenses from continuing operations	**14,545**	13,856
Surplus (deficit) from continuing operations before capital amounts	**(1,337)**	(916)
Grants and contributions provided for capital purposes	**1,830**	2,060
Surplus (deficit) from continuing operations after capital amounts	**493**	**1,144**
Surplus (deficit) from all operations before tax	**493**	**1,144**
Surplus (deficit) after tax	**493**	1,144
Plus accumulated surplus	**54,229**	53,085
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**36**	37
Less:		
– Tax equivalent dividend paid	**(36)**	(37)
Closing accumulated surplus	**54,722**	54,229
Return on capital %	**(1.7)%**	(1.0)%
Subsidy from Council	**46**	–
Calculation of dividend payable:		
Surplus (deficit) after tax	**493**	1,144
Less: capital grants and contributions (excluding developer contributions)	**(1,830)**	(2,060)
Surplus for dividend calculation purposes	**–**	**–**
Potential dividend calculated from surplus	**–**	**–**

Ballina Shire Council

Income Statement of wastewater business activity

for the year ended 30 June 2022

$ '000	2022	2021
Income from continuing operations		
Access charges	**19,144**	18,616
User charges	**1,389**	1,472
Interest and investment income	**150**	136
Grants and contributions provided for operating purposes	**225**	159
Other income	**883**	2,909
Total income from continuing operations	**21,791**	23,292
Expenses from continuing operations		
Employee benefits and on-costs	**4,241**	4,325
Borrowing costs	**2,999**	3,181
Materials and services	**5,583**	5,465
Depreciation, amortisation and impairment	**4,584**	4,233
Net loss on disposal of assets	**366**	819
Calculated taxation equivalents	**46**	45
Debt guarantee fee (if applicable)	**510**	539
Other expenses	**295**	264
Total expenses from continuing operations	**18,624**	18,871
Surplus (deficit) from continuing operations before capital amounts	**3,167**	4,421
Grants and contributions provided for capital purposes	**5,114**	7,397
Surplus (deficit) from continuing operations after capital amounts	**8,281**	**11,818**
Surplus (deficit) from all operations before tax	**8,281**	**11,818**
Less: corporate taxation equivalent [based on result before capital]	**(792)**	(1,149)
Surplus (deficit) after tax	**7,489**	10,669
Plus accumulated surplus	**132,476**	120,119
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**46**	45
– Debt guarantee fees	**510**	539
– Corporate taxation equivalent	**792**	1,149
Less:		
– Tax equivalent dividend paid	**(46)**	(45)
Closing accumulated surplus	**141,267**	132,476
Return on capital %	**2.4%**	3.1%
Subsidy from Council	**–**	–
Calculation of dividend payable:		
Surplus (deficit) after tax	**7,489**	10,669
Less: capital grants and contributions (excluding developer contributions)	**(5,114)**	(7,397)
Surplus for dividend calculation purposes	**2,375**	**3,272**
Potential dividend calculated from surplus	**1,188**	**1,636**

Ballina Shire Council

Income Statement of airport business activity

for the year ended 30 June 2022

$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	**6,556**	7,904
Grants and contributions provided for operating purposes	**955**	80
Other income	**36**	56
Total income from continuing operations	**7,547**	8,040
Expenses from continuing operations		
Employee benefits and on-costs	**1,051**	1,014
Borrowing costs	**176**	273
Materials and services	**3,529**	4,022
Depreciation, amortisation and impairment	**1,087**	1,011
Calculated taxation equivalents	**6**	4
Debt guarantee fee (if applicable)	**49**	63
Total expenses from continuing operations	**5,898**	6,387
Surplus (deficit) from continuing operations before capital amounts	**1,649**	1,653
Grants and contributions provided for capital purposes	**2,257**	405
Surplus (deficit) from continuing operations after capital amounts	**3,906**	**2,058**
Surplus (deficit) from all operations before tax	**3,906**	**2,058**
Less: corporate taxation equivalent [based on result before capital]	**(412)**	(430)
Surplus (deficit) after tax	**3,494**	1,628
Plus accumulated surplus	**22,935**	20,810
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**6**	4
– Debt guarantee fees	**49**	63
– Corporate taxation equivalent	**412**	430
Add:		
Closing accumulated surplus	**26,896**	22,935
Return on capital %	**4.0%**	5.3%

Ballina Shire Council

Income Statement of land development business activity

for the year ended 30 June 2022

$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	**1,020**	1,386
Interest and investment income	**2**	10
Total income from continuing operations	**1,022**	1,396
Expenses from continuing operations		
Materials and services	**153**	449
Calculated taxation equivalents	**228**	213
Total expenses from continuing operations	**381**	662
Surplus (deficit) from continuing operations before capital amounts	**641**	734
Surplus (deficit) from continuing operations after capital amounts	**641**	**734**
Surplus (deficit) from all operations before tax	**641**	**734**
Less: corporate taxation equivalent [based on result before capital]	**(160)**	(191)
Surplus (deficit) after tax	**481**	543
Plus accumulated surplus	**10,608**	9,639
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**228**	213
– Corporate taxation equivalent	**160**	191
Less:		
– Dividend paid	**(230)**	22
Closing accumulated surplus	**11,247**	10,608

Ballina Shire Council

Income Statement of landfill and resource recovery business activity

for the year ended 30 June 2022

$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	**11,358**	8,479
Interest and investment income	**15**	15
Grants and contributions provided for operating purposes	**82**	82
Other income	**147**	197
Total income from continuing operations	**11,602**	8,773
Expenses from continuing operations		
Employee benefits and on-costs	**1,710**	1,008
Materials and services	**9,048**	6,411
Depreciation, amortisation and impairment	**960**	337
Net loss from the disposal of assets	**246**	5
Calculated taxation equivalents	**9**	5
Total expenses from continuing operations	**11,973**	7,766
Surplus (deficit) from continuing operations before capital amounts	**(371)**	1,007
Surplus (deficit) from continuing operations after capital amounts	**(371)**	**1,007**
Surplus (deficit) from all operations before tax	**(371)**	**1,007**
Less: corporate taxation equivalent [based on result before capital]	**–**	(262)
Surplus (deficit) after tax	**(371)**	745
Plus accumulated surplus	**477**	(535)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	**9**	5
– Corporate taxation equivalent	**–**	262
Less:		
Closing accumulated surplus	**115**	477
Return on capital %	**(2.1)%**	6.4%
Subsidy from Council	**962**	–

Ballina Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

$ '000	2022	2021
ASSETS		
Current assets		
Investments	**18,170**	17,918
Receivables	**2,417**	2,531
Other	**56**	49
Total current assets	**20,643**	20,498
Non-current assets		
Investments	**2,958**	2,975
Receivables	**535**	616
Other	**–**	3
Infrastructure, property, plant and equipment	**80,971**	88,036
Total non-current assets	**84,464**	91,630
Total assets	**105,107**	112,128
LIABILITIES		
Current liabilities		
Contract liabilities	**174**	–
Payables	**53**	48
Employee benefit provisions	**230**	218
Total current liabilities	**457**	266
Non-current liabilities		
Employee benefit provisions	**11**	24
Total non-current liabilities	**11**	24
Total liabilities	**468**	290
Net assets	**104,639**	111,838
EQUITY		
Accumulated surplus	**54,722**	54,229
Revaluation reserves	**49,917**	57,609
Total equity	**104,639**	111,838

Ballina Shire Council

Statement of Financial Position of wastewater business activity

as at 30 June 2022

$ '000	2022	2021
ASSETS		
Current assets		
Investments	**21,074**	16,143
Receivables	**1,435**	1,459
Other	**79**	35
Total current assets	**22,588**	17,637
Non-current assets		
Investments	**3,431**	2,680
Receivables	**75**	79
Infrastructure, property, plant and equipment	**261,782**	242,455
Total non-current assets	**265,288**	245,214
Total assets	**287,876**	262,851
LIABILITIES		
Current liabilities		
Contract liabilities	**332**	–
Payables	**159**	142
Borrowings	**3,114**	2,920
Employee benefit provisions	**711**	689
Total current liabilities	**4,316**	3,751
Non-current liabilities		
Borrowings	**40,802**	43,917
Employee benefit provisions	**32**	77
Total non-current liabilities	**40,834**	43,994
Total liabilities	**45,150**	47,745
Net assets	**242,726**	215,106
EQUITY		
Accumulated surplus	**141,267**	132,476
Revaluation reserves	**101,459**	82,630
Total equity	**242,726**	215,106

Ballina Shire Council

Statement of Financial Position of airport business activity

as at 30 June 2022

$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	**1,284**	2,862
Total current assets	**1,284**	2,862
Non-current assets		
Infrastructure, property, plant and equipment	**45,193**	36,347
Total non-current assets	**45,193**	36,347
Total assets	**46,477**	39,209
LIABILITIES		
Current liabilities		
Borrowings	**1,067**	1,880
Employee benefit provisions	**124**	110
Total current liabilities	**1,191**	1,990
Non-current liabilities		
Borrowings	**4,395**	2,998
Total non-current liabilities	**4,395**	2,998
Total liabilities	**5,586**	4,988
Net assets	**40,891**	34,221
EQUITY		
Accumulated surplus	**26,896**	22,935
Revaluation reserves	**13,995**	11,286
Total equity	**40,891**	34,221

Ballina Shire Council

Statement of Financial Position of land development business activity

as at 30 June 2022

$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	**(992)**	815
Total current assets	**(992)**	815
Non-current assets		
Inventories	**12,059**	8,294
Investment property	**7,500**	6,960
Total non-current assets	**19,559**	15,254
Total assets	**18,567**	16,069
LIABILITIES		
Current liabilities		
Borrowings	**146**	141
Total current liabilities	**146**	141
Non-current liabilities		
Borrowings	**7,174**	5,320
Total non-current liabilities	**7,174**	5,320
Total liabilities	**7,320**	5,461
Net assets	**11,247**	10,608
EQUITY		
Accumulated surplus	**11,247**	10,608
Total equity	**11,247**	10,608

Ballina Shire Council

Statement of Financial Position of landfill and resource recovery business activity

as at 30 June 2022

$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	**2,723**	2,228
Total current assets	**2,723**	2,228
Non-current assets		
Infrastructure, property, plant and equipment	**16,332**	15,686
Total non-current assets	**16,332**	15,686
Total assets	**19,055**	17,914
LIABILITIES		
Non-current liabilities		
Remediation provision	**6,511**	6,343
Total non-current liabilities	**6,511**	6,343
Total liabilities	**6,511**	6,343
Net assets	**12,544**	11,571
EQUITY		
Accumulated surplus	**115**	477
Revaluation reserves	**12,429**	11,094
Total equity	**12,544**	11,571

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1
(where gross operating turnover is over $2 million)

a. Water supply business activity
The supply of water to households and businesses in Ballina Shire.

b. Wastewater business activity
The collection and treatment of sewerage from households and businesses in Ballina Shire.

c. Landfill and resource recovery business activity
The Waste Management Centre is located at Southern Cross Drive Ballina. The Waste Management Centre receives, disposes and recycles waste that is brought to the centre from private and commercial sources. It also includes the collection of commercial waste in the Ballina Shire by Council but does not include the collection of domestic waste in Ballina Shire by Council.

d. Airport business activity
The provision of aerodrome infrastructure and facilities for commercial and private air traffic. The airport is situated at Southern Cross Drive Ballina.

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

a. Land development business activity
The construction of industrial and residential land estates. Council is progressively developing an industrial estate at Wollongbar and another in Ballina. Council also has residential land inventory at Wollongbar.

continued on next page ...

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

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

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

Notional rate applied (%)

Corporate income tax rate – **25%** (20/21 26%)

Land tax – the first $822,000 of combined land values attracts **0%**. For the combined land values in excess of $822,000 up to $5,026,000 the rate is **$100 + 1.6%**. For the remaining combined land value that exceeds $5,026,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of $1,200,000.

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (20/21 26%).

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

continued on next page ...

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

(iii) Dividends

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

A local government water supply and wastewater business is permitted to pay annual dividends from their water supply or wastewater business surpluses. Each dividend must be calculated and approved in accordance with the DPIE –Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2022 multiplied by $30 (less the payment for tax equivalent charges, not exceeding $3 per assessment).

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

INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Ballina Shire Council

To the Councillors of Ballina Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Ballina Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply
- Wastewater
- Airport
- Land development
- Landfill and resource recovery.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

27 October 2022
SYDNEY

Ballina Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2022

The Ballina Shire is safe, with a connected community, a healthy environment and a thriving economy.

Ballina Shire Council

Special Schedules
for the year ended 30 June 2022

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Ballina Shire Council

Permissible income for general rates

$ '000	Notes	Calculation 2021/22	**Calculation 2022/23**
Notional general income calculation [1]			
Last year notional general income yield	a	25,646	**26,418**
Plus or minus adjustments [2]	b	264	**342**
Notional general income	c = a + b	**25,910**	**26,760**
Permissible income calculation			
Rate peg percentage	e	2.00%	**2.00%**
Plus rate peg amount	i = e x (c + g)	518	**535**
Sub-total	k = (c + g + h + i + j)	**26,428**	**27,295**
Plus (or minus) last year's carry forward total	l	2	**24**
Less valuation objections claimed in the previous year	m	(21)	**(33)**
Sub-total	n = (l + m)	**(19)**	**(9)**
Total permissible income	o = k + n	26,409	**27,286**
Less notional general income yield	p	26,418	**27,313**
Catch-up or (excess) result	q = o – p	**(9)**	**(27)**
Income lost due to reduction in valuation claimed			
Plus income lost due to valuation objections claimed [3]	r	33	**–**
Carry forward to next year [4]	t = q + r + s	**24**	**(27)**

Notes

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

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

(3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.

(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

Ballina Shire Council

To the Councillors of Ballina Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

27 October 2022
SYDNEY

Ballina Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2021/22 Required maintenance [a] $ '000	2021/22 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Buildings	Amenities/Toilets	861	750	350	–	41,449	60,608	72.0%	20.0%	7.0%	1.0%	0.0%
	Civic	556	500	120	225	15,410	32,108	30.0%	61.0%	9.0%	0.0%	0.0%
	Community Centres & Halls	204	300	250	201	26,726	40,841	70.0%	27.0%	3.0%	0.0%	0.0%
	Operational	380	350	400	469	40,456	59,607	73.0%	25.0%	1.0%	1.0%	0.0%
	Sub-total	**2,001**	**1,900**	**1,120**	**895**	**124,041**	**193,164**	**64.9%**	**29.8%**	**4.6%**	**0.6%**	**0.0%**
Other structures	Other structures	664	600	450	466	28,589	44,244	77.0%	15.0%	7.0%	1.0%	0.0%
	Other	–	–	100	88	9,892	10,600	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	**664**	**600**	**550**	**554**	**38,481**	**54,844**	**81.4%**	**12.1%**	**5.6%**	**0.8%**	**0.0%**
Roads	Sealed roads	525	550	1,600	1,601	297,218	408,055	28.0%	42.0%	25.0%	5.0%	0.0%
	Unsealed roads	97	80	450	442	18,702	23,292	85.0%	0.0%	0.0%	15.0%	0.0%
	Bridges	624	600	50	25	38,373	58,612	80.0%	18.0%	2.0%	0.0%	0.0%
	Footpaths/Cycleways	54	60	100	97	40,747	47,625	83.0%	15.0%	2.0%	0.0%	0.0%
	Kerb & Gutter	14	15	–	–	36,236	55,859	36.0%	45.0%	18.0%	1.0%	0.0%
	Bulk earthworks	–	–	–	–	166,583	167,657	100.0%	0.0%	0.0%	0.0%	0.0%
	Road Furniture	218	150	25	1	36,159	45,986	70.0%	21.0%	9.0%	0.0%	0.0%
	Sub-total	**1,532**	**1,455**	**2,225**	**2,166**	**634,018**	**807,086**	**54.6%**	**27.7%**	**14.7%**	**3.0%**	**0.0%**
Water supply network	Treatment Plants	308	350	50	23	3,169	6,068	3.0%	54.0%	40.0%	3.0%	0.0%
	Pump Stations	62	100	50	–	2,197	2,710	88.0%	0.0%	6.0%	6.0%	0.0%
	Reservoirs	1,244	1,500	100	53	15,248	21,604	21.0%	36.0%	33.0%	10.0%	0.0%
	Water Connections	483	200	150	–	3,186	5,883	1.0%	99.0%	0.0%	0.0%	0.0%
	Pipelines	6,757	6,000	1,000	1,140	47,369	102,039	18.0%	40.0%	33.0%	9.0%	0.0%
	Sub-total	**8,854**	**8,150**	**1,350**	**1,216**	**71,170**	**138,304**	**18.5%**	**41.7%**	**31.4%**	**8.5%**	**0.0%**

Ballina Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard $ '000	Estimated cost to bring to the agreed level of service set by Council $ '000	2021/22 Required maintenance [a] $ '000	2021/22 Actual maintenance $ '000	Net carrying amount $ '000	Gross replacement cost (GRC) $ '000	Assets in condition as a percentage of gross replacement cost 1	2	3	4	5
Sewerage network	Treatment	3,145	3,000	900	897	72,067	103,348	53.0%	24.0%	18.0%	0.0%	5.0%
	Pumping Stations	878	1,000	850	857	38,615	58,106	27.0%	62.0%	9.0%	0.0%	2.0%
	Mains	1,493	1,500	600	564	109,654	152,568	26.0%	66.0%	7.0%	0.0%	1.0%
	Recycled Water	–	–	200	235	19,711	23,044	81.0%	19.0%	0.0%	0.0%	0.0%
	Sub-total	**5,516**	**5,500**	**2,550**	**2,553**	**240,047**	**337,066**	**38.2%**	**49.2%**	**10.2%**	**0.0%**	**2.3%**
Stormwater drainage	Pollution Control	–	10	20	–	8,093	8,715	97.0%	3.0%	0.0%	0.0%	0.0%
	Outfall Structures	2	10	10	–	241	400	29.0%	34.0%	33.0%	4.0%	0.0%
	Reticulation – Pipe	147	200	300	357	50,729	79,567	30.0%	52.0%	18.0%	0.0%	0.0%
	Reticulation – Pit	50	50	25	–	20,650	31,302	35.0%	49.0%	16.0%	0.0%	0.0%
	Culverts	89	50	25	–	8,891	14,942	36.0%	17.0%	43.0%	4.0%	0.0%
	Sub-total	**288**	**320**	**380**	**357**	**88,603**	**134,926**	**36.1%**	**44.2%**	**19.2%**	**0.5%**	**0.0%**
	Total – all assets	**18,855**	**17,925**	**8,175**	**7,741**	**1,196,360**	**1,665,390**	**48.9%**	**34.3%**	**14.1%**	**2.3%**	**0.5%**

(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

Ballina Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals [1] / Depreciation, amortisation and impairment	20,860 / 22,073	94.50%	69.62%	89.49%	>= 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard / Net carrying amount of infrastructure assets	18,855 / 1,236,884	1.52%	1.51%	1.61%	< 2.00%
Asset maintenance ratio					
Actual asset maintenance / Required asset maintenance	7,741 / 8,175	94.69%	98.76%	94.69%	> 100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council / Gross replacement cost	17,925 / 1,665,390	1.08%	0.84%	0.88%	

(*) 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.

Ballina Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

$ '000	General fund 2022	General fund 2021	Water fund 2022	Water fund 2021	Sewer fund 2022	Sewer fund 2021	Benchmark
Buildings and infrastructure renewals ratio							
Asset renewals [1] / Depreciation, amortisation and impairment	**111.96%**	77.14%	**93.50%**	108.63%	**32.14%**	24.89%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard / Net carrying amount of infrastructure assets	**0.49%**	0.42%	**11.69%**	8.46%	**2.17%**	2.84%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance / Required asset maintenance	**92.91%**	100.95%	**90.07%**	96.95%	**100.12%**	95.87%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council / Gross replacement cost	**0.36%**	0.30%	**5.78%**	4.45%	**1.56%**	1.16%	

(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.