

30 JUNE 2023

FINANCIAL STATEMENTS

AND ASSOCIATED SPECIAL SCHEDULES

Local and
Family History

Hornsby Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023



Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



Hornsby Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Hornsby Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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


- the *Local Government Act 1993* (NSW) 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 13 September 2023.



P. Ruddock
Mayor
13 September 2023

W. Waddell
Deputy Mayor
13 September 2023

S. Head
General Manager
13 September 2023

D. Chell
Responsible Accounting Officer
13 September 2023

Hornsby Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	Income from continuing operations			
109,401	Rates and annual charges	B2-1	110,058	103,081
14,231	User charges and fees	B2-2	15,521	11,611
4,020	Other revenues	B2-3	4,409	4,045
12,771	Grants and contributions provided for operating purposes	B2-4	20,765	14,814
8,350	Grants and contributions provided for capital purposes	B2-4	27,107	29,601
4,941	Interest and investment income	B2-5	9,261	3,064
2,864	Other income	B2-6	4,821	2,209
1,000	Net gain from the disposal of assets	B4-1	—	—
157,578	Total income from continuing operations		191,942	168,425
	Expenses from continuing operations			
54,017	Employee benefits and on-costs	B3-1	50,157	48,302
67,163	Materials and services	B3-2	67,250	70,117
25	Borrowing costs	B3-3	28	84
21,215	Depreciation, amortisation and impairment of non-financial assets	B3-4	23,416	20,461
3,393	Other expenses	B3-5	4,190	3,331
—	Net loss from the disposal of assets	B4-1	2,152	2,586
145,813	Total expenses from continuing operations		147,193	144,881
11,765	Operating result from continuing operations		44,749	23,544
11,765	Net operating result for the year attributable to Council		44,749	23,544
3,415	Net operating result for the year before grants and contributions provided for capital purposes		17,642	(6,057)

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

Hornsby Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		44,749	23,544
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-6	313,093	101,507
Gain/(loss) on defined benefit plan re-measurements	C3-4	232	827
Total items which will not be reclassified subsequently to the operating result		313,325	102,334
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Realised (gain) loss on financial assets at fair value through other comprehensive income		426	(1,097)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		426	(1,097)
Total other comprehensive income for the year		313,751	101,237
Total comprehensive income for the year attributable to Council		358,500	124,781

Hornsby Shire Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	40,083	47,763
Investments	C1-2	185,965	81,171
Receivables	C1-4	12,542	9,867
Inventories	C1-5	181	182
Contract assets and contract cost assets	C1-6	–	67
Other		940	388
Total current assets		239,711	139,438
Non-current assets			
Investments	C1-2	75,524	173,922
Receivables	C1-4	1,149	1,332
Infrastructure, property, plant and equipment (IPPE)	C1-6	2,081,579	1,724,636
Investment property	C1-7	31,660	29,710
Intangible assets	C1-8	1,013	1,081
Right of use assets	C2-1	357	331
Total non-current assets		2,191,282	1,931,012
Total assets		2,430,993	2,070,450
LIABILITIES			
Current liabilities			
Payables	C3-1	18,212	13,472
Contract liabilities	C3-2	2,429	2,440
Lease liabilities	C2-1	360	358
Borrowings	C3-3	–	257
Employee benefit provisions	C3-4	14,421	14,802
Provisions	C3-5	5,678	4,985
Total current liabilities		41,100	36,314
Non-current liabilities			
Contract liabilities	C3-2	164	200
Employee benefit provisions	C3-4	1,630	2,111
Provisions	C3-5	1,082	3,308
Total non-current liabilities		2,876	5,619
Total liabilities		43,976	41,933
Net assets		2,387,017	2,028,517
EQUITY			
Accumulated surplus	C4-1	1,352,495	1,306,412
IPPE revaluation reserve	C4-1	1,034,824	722,833
Other reserves	C4-1	(302)	(728)
Council equity interest		2,387,017	2,028,517
Total equity		2,387,017	2,028,517

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

Hornsby Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023				2022			
		Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance at 1 July		1,306,412	722,833	(728)	2,028,517	1,277,260	626,108	368	1,903,736
Opening balance		1,306,412	722,833	(728)	2,028,517	1,277,260	626,108	368	1,903,736
Net operating result for the year		44,749	–	–	44,749	23,544	–	–	23,544
Net operating result for the period		44,749	–	–	44,749	23,544	–	–	23,544
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	313,093	–	313,093	–	101,507	–	101,507
Realised (gain) loss on financial assets at fair value through other comprehensive income		–	–	426	426	–	–	(1,096)	(1,096)
– Impairment (loss) relating to infrastructure, property, plant and equipment	C1-6	–	–	–	–	–	–	–	–
– Disposal of infrastructure, property, plant and equipment		1,102	(1,102)	–	–	4,782	(4,782)	–	–
– Defined benefit plan re-measurements for the year		232	–	–	232	826	–	–	826
Total comprehensive income		46,083	311,991	426	358,500	29,152	96,725	(1,096)	124,781
Closing balance at 30 June		1,352,495	1,034,824	(302)	2,387,017	1,306,412	722,833	(728)	2,028,517

Hornsby Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
Receipts:				
109,151	Rates and annual charges		109,544	103,202
14,048	User charges and fees		15,004	12,686
4,470	Interest received		8,584	3,224
21,738	Grants and contributions		42,668	43,727
7,175	Other		18,947	14,571
Payments:				
(52,490)	Payments to employees		(50,542)	(48,872)
(66,930)	Payments for materials and services		(76,153)	(73,678)
(228)	Borrowing costs		(33)	(82)
—	Bonds, deposits and retentions refunded		(34)	(13)
(9,772)	Other		(3,970)	(1,795)
27,162	Net cash flows from operating activities	G1-1	64,015	52,970
Cash flows from investing activities				
Receipts:				
—	Sale of investments		195,531	120,185
1,000	Proceeds from sale of IPPE		944	1,157
Payments:				
—	Purchase of investments		(200,221)	(126,995)
—	Purchase of investment property		(2,207)	—
(65,965)	Payments for IPPE		(64,971)	(44,649)
—	Purchase of intangible assets		(58)	—
(64,965)	Net cash flows from investing activities		(70,982)	(50,302)
Cash flows from financing activities				
Payments:				
(257)	Repayment of borrowings		(257)	(242)
(492)	Principal component of lease payments		(456)	(438)
(749)	Net cash flows from financing activities		(713)	(680)
(38,552)	Net change in cash and cash equivalents		(7,680)	1,988
47,763	Cash and cash equivalents at beginning of year		47,763	45,775
9,211	Cash and cash equivalents at end of year	C1-1	40,083	47,763
255,093	plus: Investments on hand at end of year	C1-2	261,489	255,093
264,304	Total cash, cash equivalents and investments		301,572	302,856

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

Hornsby 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 13 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties (Note C1-7)
- (ii) estimated fair values of infrastructure, property, plant and equipment (Note C1-6)
- (iii) employee benefit provisions (Note C3-4)
- (iv) provision for land remediation (Note C3-5)

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council has made a judgement about the impairment of a number of its receivables as detailed in Note C1-4.

- (ii) Revenue recognition

Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 Revenue from Contracts with Customers and / or AASB 1058 Income of Not-for-Profit Entities - refer to Notes B2-2 - B2-4.

- (iii) Lease accounting

Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1.

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993*, 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
- domestic waste management
- all specific purpose grants and contributions.

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)*, 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.

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- Security deposits and bonds
- Funds held in Trust pending the resolution of claims

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has received 10,287 hours of volunteer services during the year ended 30 June 2023 in association with bushcare activities, assistance at Council's nursery and during community planting days. The approximate value of these services based on external contractor rates would be \$483K, dependent upon the following factors;

- Whether Council would have been required to purchase all of the services provided by volunteers and;
- Whether the same number of hours worked by volunteers would have been worked by external contractors to complete the same amount of work.

Given the level of judgement in applying the above factors, and given the approximate value of services is immaterial, Council has elected not to bring volunteer services to account within the Financial Statements.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

A1-1 Basis of preparation (continued)

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The standard may have significant impact on Council as it requires Council to consider the materiality of the accounting policy information to be included in the financial statements.

AASB 101 Presentation of Financial Statements requires the disclosure of material accounting policy information rather than significant accounting policies.

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

Accounting policy information is likely to be considered material if that information relates to material transactions, other events or conditions and:

- the entity has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- the entity (or OLG) chose the accounting policy from one or more options permitted by Australian Accounting Standards.
- the accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies.
- the accounting policy relate to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in the financial statements
- the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions.

Further AASB 101 notes that *'Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.'*

This standard has an effective date for the 30 June 2024 reporting period.

A1-1 Basis of preparation (continued)

With the exception of amendments contained within AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* as noted above Council does not expect any material impact from the above amendments.

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 for the first time at 30 June 2023:

- AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments*

Council does not expect any material impact from the above adoptions.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
General Managers Division	519	563	8,955	8,410	(8,436)	(7,847)	450	553	27	36
Corporate Support	11,359	4,832	34,257	37,094	(22,898)	(32,262)	3,583	439	410,460	408,309
Infrastructure & Major Projects	26,666	14,398	24,428	24,068	2,238	(9,670)	19,233	8,762	1,231,769	1,024,815
Community & Environment	53,473	57,334	66,993	62,901	(13,520)	(5,567)	10,705	20,862	772,425	606,507
Planning	13,268	12,814	12,560	12,408	708	406	7,219	7,353	989	815
General Purpose Income	86,657	78,484	–	–	86,657	78,484	6,682	6,446	–	–
Other	–	–	–	–	–	–	–	–	15,323	29,968
Total functions and activities	191,942	168,425	147,193	144,881	44,749	23,544	47,872	44,415	2,430,993	2,070,450

B1-2 Components of functions or activities

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

General Managers Division

Costs relating to the General Manager, risk and internal audit and strategy and place.

Corporate Support

Revenue and costs relating to administration, finance, human resources, information technology, property management, fleet management, records management and customer service.

Infrastructure & Major Projects

Revenue and costs relating to roads, bridges, footpaths, stormwater management, emergency services, engineering services, swimming centres and sports facilities.

Community & Environment

Revenue and costs relating to parks & landscape, bushland care and restoration, water catchment remediation, community services, waste management, aged and disabled services, youth services and libraries.

Planning

Revenue and costs relating to town planning, development assessments, Section 7.11 Development Contributions, subdivisions, companion animals management and compliance and certification services.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	63,277	61,953
Farmland	636	620
Business	7,360	7,177
Major shopping centre	1,279	1,248
Less: pensioner rebates	(839)	(902)
Rates levied to ratepayers	71,713	70,096
Pensioner rate subsidies received	453	507
Total ordinary rates	72,166	70,603
Special rates		
Catchment remediation rate	3,346	3,046
Less: pensioner rebates	(39)	(39)
Rates levied to ratepayers	3,307	3,007
Pensioner rate subsidies received:		
– Other	21	22
Total special rates	3,328	3,029
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	34,681	29,552
Section 611 charges	66	61
Less: pensioner rebates	(401)	(375)
Annual charges levied	34,346	29,238
Pensioner annual charges subsidies received:		
– Domestic waste management	218	211
Total annual charges	34,564	29,449
Total rates and annual charges	110,058	103,081

Council has used 2022 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

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 in substance a rates payment.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

B2-2 User charges and fees

\$ '000	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)		
Waste management services (non-domestic)	2,030	2,078
Sullage	29	21
Total specific user charges	2,059	2,099
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		

B2-2 User charges and fees (continued)

\$ '000	2023	2022
Inspection services	606	374
Planning and building regulation	3,771	3,638
Registration fees	126	125
Regulatory fees	362	232
Total fees and charges – statutory/regulatory	4,865	4,369
(ii) Fees and charges – other (incl. general user charges (per s608))		
Community centres	862	519
Parking fees	226	273
Restoration charges	1,304	389
Swimming centres - term fees	3,081	1,887
Swimming centres - single admission fees	917	550
Indoor sports centre stadium	850	579
Library fees and charges	61	25
Park and oval hire fees	1,046	680
Credit card surcharges	117	135
Other	133	106
Total fees and charges – other	8,597	5,143
Total other user charges and fees	13,462	9,512
Total user charges and fees	15,521	11,611
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	4,044	2,567
User charges and fees recognised at a point in time (2)	11,477	9,044
Total user charges and fees	15,521	11,611

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 single admission to aquatic and leisure centres, 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 membership fees for aquatic and leisure centres the fee is recognised on a straight-line basis over the expected life of the membership.

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

B2-3 Other revenues

\$ '000	2023	2022
Fines – parking	2,282	1,743
Legal fees recovery – rates and charges (extra charges)	136	83
Recycling income (non-domestic)	63	59
Sales – general	462	185
Legal fees recovery – planning	80	23
Car park management	47	75
Florence mall income	80	46
Home modification	263	172
Insurance claim recoveries, rebates and incentives	137	135
Prosecutions and infringements	335	120
Legal settlements	137	525
Vehicular crossing income	105	78
Reimbursement for storm damages	–	505

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B2-3 Other revenues (continued)

\$ '000	2023	2022
Other	282	296
Total other revenue	4,409	4,045

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time (2)	4,409	4,045
Total other revenue	4,409	4,045

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
Current year allocation				
Financial assistance – general component	842	1,736	–	–
Financial assistance – local roads component	371	804	–	–
Payment in advance - future year allocation				
Financial assistance – general component	3,735	2,665	–	–
Financial assistance – local roads component	1,735	1,241	–	–
Amount recognised as income during current year	6,683	6,446	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Bushfire and emergency services	1,107	1,627	–	–
Community care	35	51	–	–
Community centres	–	–	250	205
Economic development	140	550	–	–
Employment and training programs	51	–	–	–
Environmental programs	444	–	–	148
Library subsidy	485	460	–	–
Recreation and culture	–	45	1,074	1,625
Street lighting	360	353	–	–
Transport (roads to recovery)	780	872	–	–
Transport (other roads and bridges funding)	7,722	1,212	6,622	2,123
Aged and disabled	719	777	–	–
Bushland	382	841	1,589	2,640
Parks and gardens	8	10	878	2,586
Waste and recycling	20	180	–	–
Aquatic Centres	–	–	–	223
Other specific grants	55	120	78	451

Previously contributions:

Employee vehicle contributions	519	516	–	–
Bushfire services	492	482	–	–
Dedications	400	–	–	–
Environment	–	1	–	–
Parks and gardens	–	–	5,412	11,847
Other contributions	229	210	252	247

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B2-4 Grants and contributions (continued)

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Non-cash contributions				
Bushfire services	–	–	1,905	–
Dedications	–	–	2,160	–
Other councils – joint works/services	134	61	–	750
Total special purpose grants and non-developer contributions (tied)	14,082	8,368	20,220	22,845
Total grants and non-developer contributions	20,765	14,814	20,220	22,845
Comprising:				
– Commonwealth funding	8,186	8,119	1,118	2,627
– State funding	10,365	3,859	14,271	18,837
– Other funding	2,214	2,836	4,831	1,381
	20,765	14,814	20,220	22,845

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions:	F4				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	6,887	6,756
Total developer contributions – cash		–	–	6,887	6,756
Total developer contributions		–	–	6,887	6,756
Total contributions		–	–	6,887	6,756
Total grants and contributions		20,765	14,814	27,107	29,601
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		583	777	411	436
Grants and contributions recognised at a point in time (2)		20,182	14,037	26,696	29,165
Total grants and contributions		20,765	14,814	27,107	29,601

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	9,630	7,057	17,880	3,594
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	15,799	6,725	11,037	16,411
Add: Funds received and not recognised as revenue in the current year	673	627	482	460
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(8,791)	(4,166)	(10,775)	(2,149)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(583)	(613)	(411)	(436)
Unspent funds at 30 June	16,728	9,630	18,213	17,880

Capital grants for specific purposes are held as restricted assets until capital expenditure that meets the requirements of the grant agreement is incurred. The majority of capital grants are for the construction of infrastructure assets.

Development Contributions

Unspent funds at 1 July	–	–	81,402	82,112
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	9,775	7,166
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(7,395)	(7,876)
Unspent contributions at 30 June	–	–	83,782	81,402

Accounting policy

Grants and contributions - enforceable agreement with sufficiently specific performance obligations

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement and 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input method (e.g. expenses incurred) is deemed to be the most appropriate methods to reflect the transfer of benefit.

Other grants and contributions

Assets arising from grants in the scope of AASB 1058 are recognised at the assets 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.

B2-4 Grants and contributions (continued)

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 grant agreements where these conditions do not exist revenue is recognised when funds are received by 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*.

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 the Council may apply contributions according to the priorities established in work schedules.

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	112	110
– Cash and investments	9,149	2,954
Total interest and investment income (losses)	9,261	3,064

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2023	2022
Fair value increment on investment properties			
Fair value (decrement)/increment on investment properties		(257)	630
Total fair value increment on investment properties	C1-7	(257)	630
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,139	972
Total Investment properties		1,139	972
Other lease income			
Properties classified as IPPE		2,659	2,052
Total other lease income		2,659	2,052
Total rental income	C2-2	3,798	3,024
Fair value increment on investments			
Fair value increment/(decrement) on investments through profit and loss		1,280	(1,445)
Total Fair value increment/(decrement) on investments		1,280	(1,445)
Total other income		4,821	2,209

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	45,877	44,620
Employee leave entitlements (ELE)	1,044	836
Superannuation	5,037	4,795
Superannuation – defined benefit plans	37	36
Workers' compensation insurance	814	871
Fringe benefit tax (FBT)	141	61
Other	471	315
Total employee costs	53,421	51,534
Less: capitalised costs	(3,264)	(3,232)
Total employee costs expensed	50,157	48,302
Number of 'full-time equivalent' employees (FTE) at year end	483	489

Accounting policy

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

Superannuation plans

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

Council participates in two defined benefit plans under the Local Government Superannuation Scheme and the NSW Public Sector Superannuation Scheme. Sufficient information to account for the Local Government Superannuation Scheme 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. Sufficient information is available to account for the historic NSW Public Sector Superannuation Scheme, which is accounted for in line with AASB 119 - Employee Benefits. Full disclosure in line with this standard is included within the C3-4 Employee benefit provisions note.

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		2,285	1,993
Building maintenance		999	1,467
Bush regeneration		1,395	1,223
Community centres		92	199
Computer support		2,583	3,177
Consultants		2,468	1,898
Contractors - environmental remediation of Foxglove Oval		6,513	9,559
Contractor and agency fees		2,728	4,990
Contracts – electrical		565	454
Contracts – grass cutting		709	562
Contracts – plumbing		424	401
Contracts – property management		256	505
Contracts – tree work		1,140	819
Drainage maintenance		621	476
Election expense		–	862
External plant and equipment hire		373	182
Footpath maintenance		150	257
Foreshore facilities		218	158
Garbage collection, tipping and recycling		26,354	26,040
Home modification service		132	256
Maintenance of parks		656	619
Mechanical services		661	463
Property cleaning		854	527
Road maintenance		2,241	1,309

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B3-2 Materials and services (continued)

\$ '000	Notes	2023	2022
Stormwater asset maintenance		529	330
Audit Fees	E2-1	122	128
Advertising		133	137
Councillor and Mayoral fees and associated expenses	E1-2	362	342
Electricity and heating		1,191	1,079
Postage		245	200
Insurance		1,669	1,593
Printing and stationery		596	419
Street lighting		2,386	2,313
Subscriptions and publications		703	601
Telephone and communications		642	661
Valuation fees		281	307
Training costs (other than salaries and wages)		502	311
Bank charges and cash collection expenses		404	342
Licences and registration		303	322
Water and sewerage		556	570
Legal expenses:			
– Legal expenses: planning and development		169	373
– Legal expenses: other		554	311
Expenses from leases of low value assets		242	329
Other		1,244	1,053
Total materials and services		67,250	70,117

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2023	2022
Interest on leases	25	60
Interest on loans	3	24
Total borrowing costs expensed	28	84

Accounting policy

Borrowing costs are expensed. None specifically relate to the construction of qualifying assets for capitalisation.

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		1,535	1,487
Office equipment		147	110
Furniture and fittings		48	51
Land improvements (depreciable)		2,195	1,853
Infrastructure:	C1-6		
– Buildings – non-specialised		2,504	2,314
– Buildings – specialised		2,135	1,767
– Other structures		1,181	1,157
– Roads		6,233	5,498
– Bridges		320	296
– Footpaths		607	507
– Stormwater drainage		4,587	3,598
– Water supply network		7	5
– Swimming pools		434	391
Right of use assets	C2-1	432	455
Other assets:			
– Catchment remediation assets		348	338
– Library books		464	516
Intangible assets	C1-8	126	118
Total depreciation and amortisation costs		23,303	20,461
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Other structures		113	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		113	–
Total depreciation, amortisation and impairment for non-financial assets		23,416	20,461

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included within the Infrastructure Property Plant & Equipment note (C1-6) and Intangible Assets note (C1-8).

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

\$ '000	2023	2022
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B3-5 Other expenses (continued)

\$ '000	2023	2022
Impairment of receivables		
Other	42	10
Total impairment of receivables	42	10
Other		
Contributions/levies to other levels of government		
– Department of planning levy	295	290
– Emergency services levy (includes FRNSW, SES, and RFS levies)	408	223
– NSW fire brigade levy	1,974	1,765
– NSW rural fire service levy	1,086	813
– NSW state revenue infringement processing fees	357	189
Donations, contributions and assistance to other organisations (Section 356)	28	41
Total other expenses	4,190	3,331

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	2023	2022
Gain (or loss) on disposal of property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(377)	(2,857)
Gain (or loss) on disposal		(377)	(2,857)
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		944	1,157
Less: carrying amount of plant and equipment assets sold/written off		(536)	(505)
Gain (or loss) on disposal		408	652
Gain (or loss) on disposal of infrastructure	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(2,183)	(381)
Gain (or loss) on disposal		(2,183)	(381)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		195,531	120,185
Less: carrying amount of investments sold/redeemed/matured		(195,531)	(120,185)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(2,152)	(2,586)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29 June 2023 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	109,401	110,058	657	1% F
User charges and fees	14,231	15,521	1,290	9% F
Other revenues	4,020	4,409	389	10% F
Operating grants and contributions	12,771	20,765	7,994	63% F
Revenue from operating grants and contributions is greater than budgeted largely due to the receipt of a \$6.5m grant from Transport for NSW relating to the Regional and Local Roads Repair Program. This grant was unknown at the time of preparing the budget. In addition income relating to the Financial Assistance Grant was \$1.9m higher than expected due to a higher than expected advance payment relating to the 2023/24 year.				
Capital grants and contributions	8,350	27,107	18,757	225% F
Revenue from capital grants and contributions is greater than budgeted due to the receipt of a number of grants during the year which were unknown at the time of budget preparation. These include \$2.9m relating to the construction of the Pennant Hills cycleway, \$1.2m relating to the construction of a shared path on Edgeworth David Avenue in Hornsby, \$1.2m relating to the construction of the cycleway between Hornsby CBD and Hornsby hospital and \$0.8m relating to the construction of the cycleway on Peats Ferry Road. Non-cash dedications of \$2.2m were recognised in relation to a property which Council received as a listed beneficiary in a will. Additionally development contributions were \$1.8m higher than budgeted.				
Interest and investment revenue	4,941	9,261	4,320	87% F
Interest and investment revenue is higher than budgeted as a result of the rapidly rising interest rate environment during the year. Rising rates have positively impacted the return on Council's cash and investment products. It is noted that for budgeting purposes the fair value movement on investments held is included in this line item whilst the actual value is included in Other Income below in line with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022/23.				
Net gains from disposal of assets	1,000	–	(1,000)	(100)% U
The budget is a measure of Council's cash flow and therefore does not include the written down value of assets that is deducted from sale proceeds to reach the net gain or loss on disposal of assets which is disclosed in the Financial Statements.				
Other income	2,864	4,821	1,957	68% F
The actual value for Other income includes the fair value movement on investments held in line with the disclosure requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022/23. For budgeting purposes this income is classified as investment income and reported to Council monthly under the requirements of the Local Government Act 1993. This mismatch results in a variance in the Other Income line between actual and budgeted result. Excluding this movement reduces the variance to below 10%.				
Expenses				
Employee benefits and on-costs	54,017	50,157	3,860	7% F
Materials and services	67,163	67,250	(87)	0% U

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Borrowing costs	25	28	(3)	(12)% U
The actual result for Borrowing costs is greater than budgeted as it includes non cash amounts to recognise interest on leases accounted for under the requirements of AASB 16 - Leases.				
Depreciation, amortisation and impairment of non-financial assets	21,215	23,416	(2,201)	(10)% U
Depreciation has increased in the current year as a result of revaluations processed at 30 June 2022 which increased the value of the Roads and Stormwater drainage asset classes.				
Other expenses	3,393	4,190	(797)	(23)% U
Expenditure on other expenses is greater than budgeted due to a higher than expected increase in the NSW Rural Fire Service levy and the Emergency Services levy.				
Net losses from disposal of assets	–	2,152	(2,152)	∞ U
Council has disposed a number of infrastructure assets during the year which have been renewed as capital work has been completed. No consideration is received for these assets and the loss is a result of disposing the non cash remaining written down value from Council's fixed asset register. As these transactions are non cash there is no allocation within the Annual Budget.				

Statement of cash flows

Cash flows from operating activities	27,162	64,015	36,853	136% F
Cash flows from operating activities are greater than in Council's Long Term Financial Plan (LTFP) largely due to cashflows from grants and contributions being \$46.2m compared to a budgeted value of \$21.7m. A number of grants have been applied for and received which were unknown at the time of preparing the LTFP. Large grants received in the current year include \$6.5m relating to the Regional and Local Roads Repair Program, \$2.0m relating to the upgrade of Mark Taylor Oval, \$1.3m relating to the upgrade of mountain bike trails and \$750k relating to the upgrade of Edward Bennett oval. In addition to this Council received a number of other grants including \$2.9m relating to the construction of the Pennant Hills cycleway, \$1.2m relating to the construction of the cycleway between Hornsby CBD and Hornsby hospital and \$0.8m relating to the construction of the cycleway on Peats Ferry Road.				
In addition cashflows from interest on investments was \$8.6m compared to a budgeted value of \$4.5m in the LTFP as a result of the rapidly rising interest rate environment during the year.				
Cash flows from investing activities	(64,965)	(70,982)	(6,017)	9% U
Net cash flows from investing activities differs to the budget as Council does not budget for the purchase and sale of individual investment securities as the classification and term of investments is only known when an investment is selected, which is largely based on the best return available at the time.				
Cash flows from financing activities	(749)	(713)	36	(5)% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	6,761	13,365
Cash equivalent assets		
– Deposits at call	33,322	34,398
Total cash and cash equivalents	40,083	47,763

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	40,083	47,763
Balance as per the Statement of Cash Flows	40,083	47,763

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 Investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	147,631	28,000	60,141	117,000
Total	147,631	28,000	60,141	117,000
Financial assets at fair value through profit and loss				
Managed funds (medium term)	22,310	–	21,030	–
Total	22,310	–	21,030	–
Financial assets at fair value through other comprehensive income				
Floating rate notes	16,024	47,524	–	56,922
Total	16,024	47,524	–	56,922
Total investments	185,965	75,524	81,171	173,922

Accounting policy

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

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

Financial assets

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

Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

C1-2 Investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise term deposits, trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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.

Fair value through other comprehensive income – Floating Rate Notes

Council holds a number of Floating Rate Notes under a Held to Collect and Sell business model. Collecting contractual cash flows and generating profit on sale of financial assets are integral to achieving this business model.

The investments shown designated as at FVOCI represent investments that Council intends to hold for long-term strategic purposes. No strategic investments were disposed of during 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Financial assets through profit or loss - Managed Funds

In line with Council's Investment Strategy a small portion of Council's Investment Portfolio that is not required for the next five years is held in Medium Term Managed Funds with NSW Treasury Corporation.

In line with AASB 9 the Medium Term Managed Funds are classified as measured at fair value through profit and loss as cash flows associated with this type of investment are not solely generated from principal and interest but include some exposure to changes in equity prices.

Net gains or losses are recognised in profit or loss.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	301,572	302,856
Less: Externally restricted cash, cash equivalents and investments	(191,544)	(200,551)
Cash, cash equivalents and investments not subject to external restrictions	110,028	102,305
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	969	860
External restrictions – included in liabilities	969	860
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	83,782	81,402
Transport for NSW contributions	4,483	4,231

continued on next page ...

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

\$ '000	2023	2022
Specific purpose unexpended grants (recognised as revenue) – general fund	33,783	26,650
Stronger Communities Funding – Hornsby Quarry	23,237	37,600
Stronger Communities Funding – Westleigh	39,750	39,274
Domestic waste management	3,991	9,356
Other	1,549	1,178
External restrictions – other	190,575	199,691
Total external restrictions	191,544	200,551

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

\$ '000	2023	2022
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(b) Internal allocations

Internal allocations

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

Employees leave entitlements	16,413	19,005
Asset maintenance and renewal	12,112	8,395
Buildings – Wallarobba	499	499
Civil works – SRV (2012 - 2022)	–	992
Community centres	475	492
Council strategic capital projects	41,035	46,533
Hornsby quarry – North Connex	–	118
LED street light upgrade	1,112	1,293
Proceeds from asset sales (179 Beecroft Road)	1,196	1,274
Galston Public Domain	7,085	–
Other	3,943	3,814
Total internal allocations	83,870	82,415

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

\$ '000	2023	2022
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(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	26,158	19,890
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C1-4 Receivables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	2,371	330	1,913	318
Interest and extra charges	194	–	192	–
User charges and fees	159	–	113	–
Accrued revenues				
– Interest on investments	1,460	–	785	–
– Other income accruals	157	–	2,504	–
Government grants and subsidies	300	–	1,278	–
Net GST receivable	2,090	–	1,446	–
Property receivable	2,160	–	–	–
Biobanking - management payments receivable	725	819	530	1,014
Facility hire	645	–	586	–

continued on next page ...

C1-4 Receivables (continued)

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Fines and penalties	37	–	36	–
Licencing	147	–	38	–
Property rentals	569	–	332	–
Restorations	956	–	34	–
Sullage	15	–	15	–
Other debtors	649	–	147	–
Total	12,634	1,149	9,949	1,332
Less: provision for impairment				
Other debtors	(92)	–	(82)	–
Total provision for impairment – receivables	(92)	–	(82)	–
Total net receivables	12,542	1,149	9,867	1,332

Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Biobanking - management payments receivable

Council's Biobanking Stewardship Agreements (BSA) state that when certain conditions are met, the Biodiversity Conservation Trust (BCT) commences yearly payments to Council as the landowner to cover the cost of management works specified in the BSA. In the first year, the amount is paid in advance and subsequent payments are only made when the BCT is satisfied that yearly management works as specified in the BSA have been performed satisfactorily. Accordingly, Council recognises a receivable from BCT representing the net present value of expected annual payments, which typically includes annual payments for 20 years after the date of the first payment. Refer to the Provisions note for a corresponding liability representing Council's obligation to undertake future management land works.

Impairment

Impairment of financial assets measured at amortised cost is calculated by comparing a list of debts considered doubtful based on knowledge of the specific circumstances attributable to each balance in comparison to Council's expected credit loss (ECL) model. The higher of the two calculations is set as the provision for doubtful accounts, noting that the difference between the two is significantly immaterial.

Council's ECL model is calculated using the likelihood of a debt being written off based on the last 5 years of history at 30 June 2023. This model shows that historically 0.54% of debts that are outstanding at year end are written off. Certain debts are excluded from this calculation as they are recoverable by nature:

- Rates and Interest and Extra Charges
- Investment Interest Revenue
- GST Receivable
- Government Grants and Contributions

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or

C1-4 Receivables (continued)

- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, with all debts greater than \$1,000 being referred to Council for approval.

On occasion, receivables written off during the reporting period are still subject to enforcement activity.

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

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Stores and materials	181	–	182	–
Total inventories at cost	181	–	182	–
Total inventories	181	–	182	–

Accounting policy

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

An asset is recognised for prepaid expenses to represent the portion of the expense incurred during the year that relates to future years.

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period								At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	27,231	–	27,231	37,618	27,066	–	–	–	(65,445)	–	–	26,470	–	26,470
Plant and equipment	20,025	(12,903)	7,122	–	3,919	(536)	(1,535)	–	–	–	–	23,944	(14,974)	8,970
Office equipment	2,785	(2,494)	291	–	798	–	(147)	–	–	–	–	3,582	(2,640)	942
Furniture and fittings	538	(407)	131	–	–	–	(48)	–	–	–	–	539	(456)	83
Land:														
– Operational land	150,688	–	150,688	–	–	–	–	–	1,465	–	–	152,153	–	152,153
– Community land	339,987	–	339,987	–	–	–	–	–	523	–	133,214	473,724	–	473,724
Land improvements	113,887	(45,427)	68,460	–	–	–	(2,195)	–	29,922	–	–	143,808	(47,621)	96,187
Infrastructure:														
– Buildings – non-specialised	104,186	(34,699)	69,487	–	–	–	(2,504)	–	1,113	–	–	105,299	(37,203)	68,096
– Buildings – specialised	101,716	(41,404)	60,312	–	–	(377)	(2,135)	–	3,454	–	–	103,389	(42,135)	61,254
– Other structures	29,306	(14,306)	15,000	–	–	(15)	(1,181)	(113)	3,304	–	–	32,013	(15,018)	16,995
– Roads	443,336	(87,626)	355,710	–	–	(1,898)	(6,233)	–	15,241	38	124,000	580,572	(93,714)	486,858
– Bridges	18,889	(3,540)	15,349	–	–	–	(320)	–	430	–	2,816	23,225	(4,950)	18,275
– Footpaths	58,625	(21,003)	37,622	–	–	(69)	(607)	–	4,942	(37)	2,179	73,226	(29,196)	44,030
– Bulk earthworks (non-depreciable)	79,459	–	79,459	–	–	–	–	–	–	–	15,812	95,271	–	95,271
– Stormwater drainage	588,700	(132,998)	455,702	–	–	(201)	(4,587)	–	3,981	(1)	35,072	638,080	(148,114)	489,966
– Water supply network	270	(111)	159	–	–	–	(7)	–	–	–	–	270	(118)	152
– Swimming pools	30,733	(5,230)	25,503	–	–	–	(434)	–	–	–	–	30,733	(5,664)	25,069
Other assets:														
– Catchment remediation assets	18,149	(2,931)	15,218	–	–	–	(348)	–	1,070	–	–	19,219	(3,279)	15,940
– Library books	2,970	(1,765)	1,205	–	403	–	(464)	–	–	–	–	3,372	(2,228)	1,144
Total infrastructure, property, plant and equipment	2,131,480	(406,844)	1,724,636	37,618	32,186	(3,096)	(22,745)	(113)	–	–	313,093	2,528,889	(447,310)	2,081,579

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

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	14,939	–	14,939	24,280	18,013	–	–	(30,001)	–	–	27,231	–	27,231
Plant and equipment	19,934	(12,515)	7,419	–	1,670	(480)	(1,487)	–	–	–	20,025	(12,903)	7,122
Office equipment	2,874	(2,641)	233	–	168	–	(110)	–	–	–	2,785	(2,494)	291
Furniture and fittings	1,732	(1,542)	190	–	–	(8)	(51)	–	–	–	538	(407)	131
Land:													
– Operational land	150,641	–	150,641	–	–	(167)	–	–	1,800	(1,586)	150,688	–	150,688
– Community land	339,147	–	339,147	–	–	–	–	2,640	(1,800)	–	339,987	–	339,987
Land improvements – depreciable	104,218	(43,574)	60,644	–	–	(13)	(1,853)	9,682	–	–	113,887	(45,427)	68,460
Infrastructure:													
– Buildings – non-specialised	99,403	(39,452)	59,951	–	–	(2,690)	(2,314)	4,552	–	9,988	104,186	(34,699)	69,487
– Buildings – specialised	83,813	(36,488)	47,325	–	–	–	(1,767)	343	–	14,411	101,716	(41,404)	60,312
– Other structures	28,609	(13,177)	15,432	–	–	(5)	(1,157)	730	–	–	29,306	(14,306)	15,000
– Roads	396,648	(74,056)	322,592	–	–	(247)	(5,498)	5,646	–	33,217	443,336	(87,626)	355,710
– Bridges	17,125	(2,913)	14,212	–	–	–	(296)	–	–	1,433	18,889	(3,540)	15,349
– Footpaths	48,274	(18,622)	29,652	–	–	(86)	(507)	5,050	–	3,513	58,625	(21,003)	37,622
– Bulk earthworks (non-depreciable)	79,459	–	79,459	–	–	–	–	–	–	–	79,459	–	79,459
– Stormwater drainage	537,827	(119,181)	418,646	–	–	(44)	(3,598)	758	–	39,940	588,700	(132,998)	455,702
– Water supply network	178	(106)	72	–	–	–	(5)	92	–	–	270	(111)	159
– Swimming pools	27,693	(2,397)	25,296	–	–	–	(391)	7	–	591	30,733	(5,230)	25,503
Other assets:													
– Library books	3,371	(2,086)	1,285	–	440	(4)	(516)	–	–	–	2,970	(1,765)	1,205
– Catchment remediation assets	17,647	(2,593)	15,054	–	–	–	(338)	501	–	–	18,149	(2,931)	15,218
Total infrastructure, property, plant and equipment	1,973,532	(371,343)	1,602,189	24,280	20,291	(3,744)	(19,888)	–	–	101,507	2,131,480	(406,844)	1,724,636

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

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

Infrastructure, property, plant and equipment are 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).

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

Plant and Equipment	Years	Stormwater Assets	Years
Vehicles	7	Drainage components (pits, pipes, etc...)	150
All other plant & equipment	7 to 25	Catchment remediation assets	50
Library Books	5	Buildings	
		Structure	35 to 125
Software & Licences (Note C1-8)		Roof	40 to 100
Software	5 to 15	Internal finishes, fire & security	20 to 80
Licences (1 year +)	Expiry of licence	Electrical, mechanical & transportation	25
Transportation Assets		Land Improvements	
Sealed roads	10 to 100	Playground & sports equipment	10 to 50
Unsealed roads	5	Picnic furniture	10 to 20
Bridges	20 to 80	Service equipment	10 to 80
Traffic facilities	20 to 100	Landscaping ("hard" elements)	10 to 150
Kerb, gutter & footpaths (concrete)	100	Trees & gardening	non-depreciable
Bulk earthworks	non-depreciable	Turf	non-depreciable
		Sports fields (natural/non-artificial)	non-depreciable
Other Structures			
Pontoons, wharves & seawalls	10 to 80		
Park shelters	10 to 50		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

Land under roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Council has no land under roads acquired after 1 July 2008.

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.

C1-6 Infrastructure, property, plant and equipment (continued)

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

Rural Fire Service assets

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

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

C1-7 Investment property

\$ '000	2023	2022
Owned investment property		
Investment property on hand at fair value	31,660	29,710
Total owned investment property	31,660	29,710
Owned investment property		
At fair value		
Opening balance at 1 July	29,710	29,080
Additions - new assets	2,207	—
Net gain/(loss) from fair value adjustments	(257)	630
Closing balance at 30 June	31,660	29,710

Accounting policy

Investment property, principally comprising freehold buildings on operational land, 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 a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
Software		
Opening values at 1 July		
Gross book value	1,783	1,783
Accumulated amortisation	(702)	(584)
Net book value – opening balance	1,081	1,199
Movements for the year		
Purchases	58	—
Amortisation charges	(126)	(118)
Closing values at 30 June		
Gross book value	1,841	1,783
Accumulated amortisation	(828)	(702)

C1-8 Intangible assets (continued)

Total intangible assets – net book value	1,013	1,081
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Accounting policy

Software

Costs incurred in developing systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over the expected life of the software (2 to 10 years). IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including IT Equipment and Vehicles. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases a building for their corporate office. This is a 1 year lease with an additional 1 year extension period which has been exercised. Lease payments increase by 3.5% in the extension period.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers and servers. The leases are for between three and five years with no renewal options and all payments are fixed. There are no extension options within the leases.

(a) Right of use assets

\$ '000	IT Equipment	Property	Total
2023			
Opening balance at 1 July	9	322	331
Additions to right-of-use assets	–	457	457
Depreciation charge	(9)	(423)	(432)
Balance at 30 June	–	357	357
2022			
Opening balance at 1 July	51	735	786
Depreciation charge	(42)	(413)	(455)
Balance at 30 June	9	322	331

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	360	–	358	–
Total lease liabilities	360	–	358	–

(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
2023					
Cash flows	360	–	–	360	360
2022					
Cash flows	372	–	–	372	358

(d) Income Statement

C2-1 Council as a lessee (continued)

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

\$ '000	2023	2022
Interest on lease liabilities	25	60
Variable lease payments based on usage not included in the measurement of lease liabilities	13,845	13,335
Depreciation of right of use assets	432	455
Expenses relating to low-value leases	242	329
	14,544	14,179

(e) Statement of Cash Flows

Total cash outflow for leases	14,544	14,179
	14,544	14,179

Accounting policy

At inception of a contract, Council assesses whether a lease exists; whether the contract conveys 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. The right-of-use 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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties.

Properties that are based on operational land and that are leased at market rental amounts are classified as investment properties.

Properties that are based on community land and/or are leased at subsidised amounts, such as to community groups are classified as Property, Plant and Equipment.

C2-2 Council as a lessor (continued)

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

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

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

Lease income (excluding variable lease payments not dependent on an index or rate)	1,139	972
Total income relating to operating leases for investment property assets	1,139	972

Operating lease expenses

Direct operating expenses that generated rental income	59	50
Total expenses relating to operating leases	59	50

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	2,659	2,052
Total income relating to operating leases for Council assets	2,659	2,052

Other leased assets expenses

Other	148	199
Total expenses relating to other leases assets	148	199

Amount of IPPE leased out by Council under operating leases

Property leases	26,911	34,047
Total amount of IPPE leased out by Council under operating leases	26,911	34,047

(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	1,035	1,176
1–2 years	959	1,003
2–3 years	981	937
3–4 years	985	954
4–5 years	957	949
> 5 years	98,953	92,457
Total undiscounted lease payments to be received	103,870	97,476

Accounting policy

Council is a lessor, and all leases are classified as operating or at the inception date. No leases are classified as finance leases as none contain terms that would transfer risks and rewards incidental to ownership of the asset 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.

If the lease contains lease and non-lease components then 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.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepaid rates	588	–	632	–
Goods and services – operating expenditure	10,242	–	7,452	–
Accrued expenses:				
– Borrowings	–	–	5	–
– Salaries and wages	1,944	–	1,699	–
– Other expenditure accruals	4,897	–	3,120	–
Security bonds, deposits and retentions	527	–	561	–
Other	14	–	3	–
Total payables	18,212	–	13,472	–

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	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	295	–	222	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	618	57	627	11
Total grants received in advance		913	57	849	11
User fees and charges received in advance:					
Upfront fees – leisure centre	(iii)	993	–	667	–
Upfront fees - Planning and building regulation	(iv)	523	107	924	189
Total user fees and charges received in advance		1,516	107	1,591	189
Total contract liabilities		2,429	164	2,440	200

Notes

(i) Council has received funding to remediate a library. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion, and the grant agreement contains a detailed specification. Revenue will be recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. Revenue is expected to be recognised in the next 12 months.

(ii) Council has received funding to install aged care and disability equipment in the homes of residents. The contract liability relates to income received prior to the revenue recognition criteria in AASB 15 being satisfied as not all of the aged care and disability equipment specified in the grant agreement has been installed at 30 June. This performance obligation is ongoing and revenue will be recognised as equipment is installed.

(iii) Council has received upfront fees for term membership to aquatic and leisure centres. This income is recorded over the

C3-2 Contract Liabilities (continued)

term of the membership under AASB 15 and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected membership life.

(iv) Council has received upfront income for planning and regulation services including development assessment services. Under AASB 15 there is an enforceable agreement whereby Council must provide this service or return fees, and a performance obligation exists to complete each assessment. Income is recognised when the assessment is completed, which satisfies the performance obligation.

(i) Revenue recognised (during the financial year) from opening contract liability balances

\$ '000	2023	2022
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	185	158
Operating grants (received prior to performance obligation being satisfied)	581	613
User fees and charges received in advance:		
Upfront fees - leisure centre	667	594
Upfront fees – Planning and building regulation	752	567
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,185	1,932

Accounting policy

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured	–	–	257	–
Total borrowings	–	–	257	–

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	257	(257)	–	–	–	–	–
Lease liability (Note C2-1b)	358	(455)	457	–	–	–	360
Total liabilities from financing activities	615	(712)	457	–	–	–	360

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	499	(242)	–	–	–	–	257
Lease liability (Note C2-1b)	796	(438)	–	–	–	–	358
Total liabilities from financing activities	1,295	(680)	–	–	–	–	615

continued on next page ...

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	3,000	3,000
Credit cards/purchase cards	89	79
Total financing arrangements	3,089	3,079
Drawn facilities		
– Credit cards/purchase cards	14	40
Total drawn financing arrangements	14	40
Undrawn facilities		
– Bank overdraft facilities	3,000	3,000
– Credit cards/purchase cards	75	39
Total undrawn financing arrangements	3,075	3,039

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	4,937	–	4,971	–
Sick leave	167	–	139	–
Long service leave	9,188	953	9,555	977
Net liability - defined benefit plan	–	677	–	1,134
Other leave	129	–	137	–
Total employee benefit provisions	14,421	1,630	14,802	2,111

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	9,735	10,830
	9,735	10,830

C3-4 Employee benefit provisions (continued)

Description of and movements in provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

C3-4 Employee benefit provisions (continued) - Defined Benefits

(a) Defined benefit superannuation plans

Defined benefit superannuation plans provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position and is measured as the present value of defined benefit obligation at the reporting date less the fair value of the superannuation fund assets at that date and less any unrecognised past service costs.

The calculation of defined benefit obligations is performed annually by a qualified actuary, considering any applicable minimum funding requirements. When determining the liability, consideration is given to future salary and wage levels, experience of employee departures and periods of service. Prepaid contributions are recognised as an asset to the extent that cash refund/reduction in future payments is available. When the calculation results in a potential asset, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The qualified actuary determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. Council recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The liability is disclosed as non-current as this best reflects when the liability is likely to be settled.

(b) Nature of the benefits provided by the Fund

The SAS Trustee Corporation (STC) Pooled Fund (the Fund) holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. All the schemes are closed to new members.

(c) Description of the regulatory framework

The schemes in the Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *Police Regulation (Superannuation) Act 1906*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The schemes in the Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS Legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to ensure that the Fund will conform to the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members, and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation will be performed as at 30 June 2024.

(d) Description of other entities' responsibilities for the governance of the Fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of Fund beneficiaries. The Trustee has the following roles:

C3-4 Employee benefit provisions (continued) - Defined Benefits

- Administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- Management and investment of the Fund assets; and
- Compliance with other applicable regulations

(e) Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions.
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

(f) Description of significant events

There were no fund amendments, curtailments or settlements during the year.

(g) Reconciliation of the net defined benefit liability / (asset)	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Net defined benefit liability / (asset) at start of year	24	(22)	1,132	1,134
Current service cost	-	-	-	-
Net interest on the net defined benefit liability / (asset)	-	(1)	37	36
Actual return on fund assets less interest income	1	(1)	(147)	(147)
Actuarial (gains) / losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) / losses arising from changes in financial assumptions	-	-	(130)	(130)
Actuarial (gains) / losses arising from liability experience	(2)	3	45	46
Adjustment for effect of asset ceiling	0	0	0	0
Employer contributions	(28)	7	(241)	(262)
Net defined benefit liability / (asset) at end of year	(5)	(14)	696	677

(h) Reconciliation of the fair value of Fund assets	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Fair value of the Fund assets at beginning of the year	(20)	19	2,617	2,616
Interest income	-	1	97	98
Actual return on fund assets less interest income	(1)	1	147	147
Employer contributions	28	(7)	241	262
Contributions by participants	-	-	-	-
Benefits paid	-	-	(193)	(193)
Taxes, premiums and expenses paid	(3)	(2)	(26)	(31)
Fair value of the Fund assets at end of the year	4	12	2,883	2,899

(i) Reconciliation of the defined benefit	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
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C3-4 Employee benefit provisions (continued) - Defined Benefits

obligation				
Present value of defined benefit obligations at beginning of the year	4	(3)	3,749	3,750
Current service cost	-	-	-	-
Interest cost	-	-	135	135
Contributions by participants	-	-	-	-
Actuarial (gains) / losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains) / losses arising from changes in financial assumptions	-	-	(130)	(130)
Actuarial (gains) / losses arising from liability experience	(3)	4	44	45
Benefits paid	-	-	(192)	(192)
Taxes, premiums and expenses paid	(2)	(3)	(27)	(32)
Present value of defined benefit obligations at end of the year	(1)	(2)	3,579	3,576

(j) Reconciliation of the effect of the asset ceiling

There are no adjustments for the effect of the asset ceiling.

(k) Fair value of the Fund assets

All the Fund assets are invested by STC at arm's length through independent fund managers. Assets are not separately invested for each entity, and it is not possible or appropriate to disaggregate and attribute Fund assets to individual entities. **As such, the disclosures below relate to total assets of the Pooled Fund.**

Asset Category at 30 June 2023	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Short term securities	5,331	2,897	2,434	-
Australian fixed interest	100	-	100	-
International fixed interest	1,301	-	1,289	12
Australian equities	9,678	4,352	797	4,529
International equities	14,138	13,943	155	40
Property	770	-	-	770
Alternatives	6,059	-	1,206	4,853
Total	37,377	21,192	5,981	10,204

The percentage invested in each asset class at the reporting date is:

Asset Category	30 June 2023
Short term securities	14.3%
Australian fixed interest	0.3%
International fixed interest	3.5%
Australian equities	25.9%
International equities	37.8%
Property	2.1%
Alternatives	16.1%
Total	100.0%

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash-flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

(l) Fair value of entity's own financial instruments

C3-4 Employee benefit provisions (continued) - Defined Benefits

The disclosures below relate to total assets of the Pooled Fund.

Of the direct properties owned by the Fund:

– SAS Trustee Corporation occupies part of a property 100% owned by the Fund with a fair value of \$338 million (30 June 2022: \$362 million).

– Health Administration Corporation occupies part of a property 50% owned by the Fund with a fair value (100% interest) of \$570 million (30 June 2022: \$540 million).

(m) Significant actuarial assumptions at 30 June 2023

Assumption	
Discount rate	4.07%
Salary increase rate (excluding promotional increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions as per the 2021 actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation available from the Trustee's website. The report shows the pension mortality rates for each age.

(n) Sensitivity analysis

The entity's total defined benefit obligation as at 30 June 2023 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision that is calculated based on the asset level at 30 June 2022.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	As above	As above -0.5% pa	As above +0.5% pa
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	3,576	3,813	3,360

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above +0.5% pa	As above -0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	3,576	3,820	3,352

	Base Case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above +0.5% pa	As above -0.5% pa
Defined benefit obligation (\$'000)	3,576	3,576	3,576

	Base Case	Scenario G Lower Mortality*	Scenario H Higher Mortality*
Defined benefit obligation (\$'000)	3,576	3,634	3,538

* Assumes the short-term pensioner mortality improvement factors for years 2023-2026 also apply for years after 2026

** Assumes the long-term pensioner mortality improvement factors for years post 2026 also apply for years 2023 to 2026

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

(o) Asset-liability matching strategies

C3-4 Employee benefit provisions (continued) - Defined Benefits

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by the Trustee.

(p) Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. Contribution rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(q) Surplus / deficit

The following is a summary of the 30 June 2023 financial position of the Fund calculated in accordance with AASB 1056 Superannuation Entities:

	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Accrued benefits*	-	-	2,610	2,610
Net market value of fund assets	(4)	(12)	(2,883)	(2,899)
Net (surplus) / deficit	(4)	(12)	(273)	(289)

*There is no allowance for a contribution tax provision with the accrued benefits figure for AASB 1056. Allowance for contributions tax is made when setting the contribution rates.

(r) Contribution recommendations

There are no recommended contribution rates for Council for the current year.

(s) Economic assumptions

The economic assumptions adopted for the 30 June 2023 AASB 1056 Superannuation Entities are:

Weighted average assumptions	
Expected rate of return on Fund assets backing current pension liabilities	7.0%
Expected rate of return on Fund assets backing other liabilities	6.2%
Expected salary increase rate (excluding promotional salary increases)	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, 3.20% pa thereafter
Expected rate of CPI increase	6.65% for 22/23; 3.50% for 23/24; 3.00% for 24/25; 2.50% pa thereafter

t) Expected contributions for 2024	SASS \$'000 Financial Year to 30 June 2024	SANCS \$'000 Financial Year to 30 June 2024	SSS \$'000 Financial Year to 30 June 2024	Total \$'000 Financial Year to 30 June 2024
Expected employer contributions	11	10	241	262

(u) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 11.1 years.

v) Profit and loss impact	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Current service cost	-	-	-	-
Net interest	-	-	37	37
Past service cost	-	-	-	-
(Gains)/Loss on settlement	-	-	-	-
Profit or loss component of the Defined Benefit Cost	-	-	37	37

w) Other comprehensive income	SASS \$'000	SANCS \$'000	SSS \$'000	Total \$'000
Actual (gains)/losses on liabilities	(3)	4	(86)	(85)
Actual return on Fund assets less interest income	1	(1)	(147)	(147)
Change in the effect of the asset ceiling	-	-	-	-
Total remeasurement in Other Comprehensive Income	(2)	3	(233)	(232)

C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Other provisions				
Provision for land payable	–	–	–	–
Biobanking liability - management actions	116	1,082	95	1,197
Sub-total – other provisions	116	1,082	95	1,197
Asset remediation/restoration:				
Provision for land remediation	5,562	–	4,890	2,111
Sub-total – asset remediation/restoration	5,562	–	4,890	2,111
Total provisions	5,678	1,082	4,985	3,308

Description of and movements in provisions

\$ '000	Other provisions			Total
	Provision for land remediation	Provision for land payable	Biobanking liability - management actions	
2023				
At beginning of year	7,001	–	1,292	8,293
Additional provisions	5,562	–	–	5,562
Payments	(7,001)	–	(94)	(7,095)
Total other provisions at end of year	5,562	–	1,198	6,760
2022				
At beginning of year	1,420	263	1,396	3,079
Additional provisions	7,001	–	–	7,001
Payments	(1,420)	(263)	(104)	(1,787)
Total other provisions at end of year	7,001	–	1,292	8,293

Nature and purpose of provisions

Biobanking liability - management actions

A biobanking liability is recognised based on the expected future cost of fulfilling environmental obligations to maintain the biodiversity of land in accordance with Council's Biobanking Stewardship Agreements (BSA) and AASB 137 *Provisions, Contingent Liabilities & Contingent Assets*.

The terms of BSA's stipulate that when 80% of the fund deposit is reached (which represents the sale of 80% of the biodiversity credits within each BSA), Council's obligation to undertake land management works commences. This liability for future management works is recognised by Council based on the present value of undertaking management actions as specified in the BSA, typically over a 20 year period. A corresponding asset within the Receivables note has also been recognised to represent payments from the Biodiversity Conservation Trust (BCT) to fund management actions.

Provision for land remediation

The provision for environmental remediation works at Foxglove Oval in Mount Colah is ongoing. Council has resolved to purchase two homes neighbouring this location. The purchase of the first of these homes completed in the current year whilst the purchase of the second home is expected to complete in the FY2023/2024 year.

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

C3-5 Provisions (continued)

recognised as interest expense. Non-current provisions have only been discounted where the impact of discounting is material to the financial statements.

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.

Financial asset (through other comprehensive income) reserve

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

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

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

The fair value of assets and liabilities presented below approximates the carrying amount.

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

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

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

The risks associated with the instruments held are:

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

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	2,793	2,818
Impact of a 10% movement in price of investments		
– Equity / Income Statement	5,397	5,074

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2023				
Gross carrying amount	–	2,541	160	2,701
2022				
Gross carrying amount	–	2,071	160	2,231

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision is determined by the methodology disclosed in the Receivables note. The expected credit losses incorporates forward-looking information.

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2023						
Gross carrying amount	6,454	1,711	322	249	256	8,992
Amount provided (%)	0.05%	0.29%	0.76%	0.77%	30.64%	1.01%
2022						
Gross carrying amount	5,175	2,037	199	32	228	7,671
Amount provided (%)	0.01%	0.02%	0.16%	1.16%	35.21%	1.07%

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2023							
Payables	0.00%	527	16,020	–	–	16,547	18,212

continued on next page ...

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
Total financial liabilities		527	16,020	–	–	16,547	18,212
2022							
Payables	0.00%	561	12,542	–	–	13,103	13,472
Borrowings	5.89%	–	266	–	–	266	257
Total financial liabilities		561	12,808	–	–	13,369	13,729

Loan agreement breaches

No breaches to loan agreements have occurred during the year.

D2-1 Fair value measurement

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

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

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).

D2-1 Fair value measurement (continued)

		Fair value measurement hierarchy							
		Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2023	2022	2023	2022	2023	2022	2023	2022
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
– 'Financial assets at fair value through profit and loss'		–	–	22,310	21,030	–	–	22,310	21,030
At fair value through other comprehensive income		63,548	56,922	–	–	–	–	63,548	56,922
Total financial assets		63,548	56,922	22,310	21,030	–	–	85,858	77,952
Investment property									
Investment property portfolio	C1-7								
		–	–	31,660	29,710	–	–	31,660	29,710
Total investment property		–	–	31,660	29,710	–	–	31,660	29,710
Infrastructure, property, plant and equipment									
Operational land	C1-6								
		–	–	152,153	150,688	–	–	152,153	150,688
Community land		–	–	–	–	473,724	339,987	473,724	339,987
Buildings (specialised and non-specialised)		–	–	–	–	129,350	129,799	129,350	129,799
Roads, bridges, footpaths and bulk earthworks		–	–	–	–	644,434	488,140	644,434	488,140
Stormwater drainage		–	–	–	–	489,966	455,702	489,966	455,702
Swimming pools		–	–	–	–	25,069	25,503	25,069	25,503
Catchment remediation assets		–	–	–	–	15,940	15,218	15,940	15,218
Total infrastructure, property, plant and equipment		–	–	152,153	150,688	1,778,483	1,454,349	1,930,636	1,605,037

D2-1 Fair value measurement (continued)

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

Valuation techniques

Council's non-current assets are continually remeasured to fair value (over a minimum of a 5 year period) in accordance with the valuation policy as mandated by the Office of Local Government.

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

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

Investment property

Council engages an independent, qualified expert, Scott Fullerton Valuations Pty Ltd to determine the fair value of Investment Properties, which were last remeasured at 30 June 2023.

In measuring fair value, Scott Fullerton took into account the characteristics of each property and whether market participants would take those characteristics into account when pricing, assuming that market participants would act in their best economic interest.

A direct comparison approach was adopted where recent information was available whereby a unit rate per square metre was calculated using the following observable inputs:

- Price per square metre
- Direct comparison to sales evidence
- Zoning
- Location
- Land area and configuration
- Planning controls

Where recent sales data was not available a capitalised income approach was used whereby a yield was applied to the property's income to assess its value. This approach also included the following inputs:

- Rental income
- Rent reviews
- Capitalisation rate

Infrastructure, property, plant and equipment (IPPE)

Buildings (Specialised and Non-Specialised)

Council also engages Scott Fullerton Valuations Pty Ltd to determine the fair value of buildings, which were last remeasured at 30 June 2022. Council has assessed current year movements and believes that the carrying value reflects the current fair value.

In line with AASB 13 fair value is calculated using depreciated replacement cost methodology. Gross replacement cost is calculated from the summation of the current replacement unit cost of the individual components of each building. Accumulated depreciation is calculated from the condition of each component, which is used to determine the amount of economic benefit consumed. Gross replacement cost less accumulated depreciation equates to fair value.

The current replacement unit cost rates of each component are a key unobservable input (level 3) in the calculation. These rates are benchmarked to the construction cost of similar properties to ensure they are appropriate.

Land (Operational and Community)

Council engages an independent, qualified expert (also Scott Fullerton Valuations Pty Ltd) to determine the fair value of operational land and community land. Fair value is calculated with reference to current prices in an active market for similar properties and used to calculate square metre unit rates. Where such information is not available the price of different properties in active markets or price of similar properties in less active markets, adjusted to reflect differences are used. Consideration is paid to the inherent features of each property such as usability, fire and flood risk with adjustments made if appropriate.

D2-1 Fair value measurement (continued)

The value of Community land has been indexed at 30 June 2023 using externally sourced data whilst operational was last remeasured to fair value at 30 June 2022. Council has assessed current year movements and believes that the carrying value of Operational Land reflects the current fair value.

Square meter unit rates are a key unobservable input in each the calculations.

Infrastructure assets

Valuations for infrastructure assets are performed internally as there is no active market for assets of this nature. Current replacement cost is calculated from the summation of the current replacement unit cost of the individual components of each asset. The cost of each component is determined from the unit rate, usually in square metres multiplied by the dimensions of the component of the asset. All infrastructure assets are subject to ongoing condition assessment. Accumulated depreciation is calculated from the condition of each asset, which is used to determine the amount of economic benefit consumed. Gross replacement cost less accumulated depreciation equates to fair value.

Square meter unit rates are a key unobservable input in the calculation.

The Roads, Bridges and Footpaths asset classes have been revalued at 30 June 2023 using internally calculated rates. The Stormwater drainage asset class has been revalued at 30 June 2023 using an indexation factor sourced from the NSW Department of Planning and Environment.

All Other Asset Classes

Historic cost is deemed to represent fair value for all other asset classes.

Fair value measurements using significant unobservable inputs (level 3)

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

	2023 (\$'000)	2022 (\$'000)
Balance at 1 July	1,454,349	1,351,334
Purchases	-	-
Carrying value of assets sold/disposed	(2,545)	(3,067)
Depreciation	(17,168)	(14,709)
Impairment loss	-	-
WIP transfers	30,754	19,498
Dedications	-	-
Revaluation decrements	-	-
Revaluation increments	313,093	103,093
Adjustments and transfers	-	(1,800)
Other movements	-	-
Balance at 30 June	1,778,483	1,454,349

Highest and best use

Community based assets

Council undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class Community Land comprises Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

Investment Properties

D2-1 Fair value measurement (continued)

Scott Fullarton Valuations Pty Ltd have identified four investment properties within Council's portfolio which have a highest and best as a redevelopment site, and are therefore under-developed. The Fair Value of these properties at 30 June 2023 is \$8,005k.

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

(i) Defined benefit plans

Council accounts for defined benefit obligations from the closed NSW public sector superannuation schemes under AASB 119.

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

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

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

Description of the funding arrangements.

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

The standard 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 standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

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

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

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

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

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

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 2023 was \$547,182. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2022.

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

Employer reserves only *	\$millions	Asset Coverage
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D3-1 Contingencies (continued)

Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Other liabilities

Landfill Remediation

A review of historic landfill sites commenced in the year ended 30 June 2019. The provision for ongoing environmental remediation works at Foxglove Oval in Mount Colah (refer to Note C3-5) is ongoing as remediation works continue. Council has resolved to purchase two homes neighbouring this location. The purchase of the first of these homes completed in the current year whilst the purchase of the second home is expected to complete in the FY2023/2024 year.

In addition Council is subject to an ongoing legal case related to contamination of a property neighbouring this location. This matter is in early stages with no estimate of any potential liability to Council currently available.

Council does not currently operate any other tips or sites with close down, restoration or environmental obligations that would give rise to a provision in the Financial Statements.

Hornsby Quarry

D3-1 Contingencies (continued)

The filling of the Quarry void has been completed using spoil from the North Connex site managed by the NSW State Government.

Council is not legally obliged to remediate the site, therefore a provision for future costs has not been recognised in line with AASB 137. Instead, expenditure is recognised in Capital Works In Progress as it is incurred and will be capitalised once works have been completed.

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
Compensation:		
Short-term Benefits		
Salaries and other short-term benefits	2,290	2,256
Post-employment Benefits		
Superannuation – Senior Staff	175	180
Other Long-term Benefits		
Long service leave entitlements	53	65
Total	2,518	2,501

E1-1 Key management personnel (KMP) (continued)

Other transactions with KMP and their related parties

Ordinary Citizen Transactions

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 library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2023						
Lease of Wallarobba Arts & Cultural Centre - Hornsby Art Society (HAS) and 2HHH FM Ltd (2HHH)	1,2,3	22	–	HAS, HVH and 2HHH lease space from Council as not-for-profit community organisations and a community radio station respectively.	–	–
2022						
Lease of Wallarobba Arts & Cultural Centre - Hornsby Art Society (HAS) and 2HHH FM Ltd (2HHH)	1,2,3	17	–	HAS and 2HHH lease space from Council as a not-for-profit community organisation and community radio station respectively.	–	–

- 1 Councillor McIntosh is the President of the Hornsby Art Society Inc. (HAS)
- 2 Councillor McIntosh is a member of the Steering Committee for Hornsby Village Hub. (HVH)
- 3 Councillor McIntosh is a Board Director of the 2HHH FM Ltd. (2HHH)

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	71	70
Councillors' fees	268	251
Other Councillors' expenses (including Mayor)	23	21
Total	362	342

E2 Other relationships

E2-1 Audit fees

\$ '000	2023	2022
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	122	128
Total audit fees	122	128

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	44,749	23,544
Add / (less) non-cash items:		
Depreciation and amortisation	23,303	20,461
(Gain) / loss on disposal of assets	2,152	2,586
Non-cash capital grants and contributions	(4,199)	(811)
Defined benefit pension adjustments	232	825
Investments classified as 'at fair value' through equity	—	—
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(1,280)	1,445
– Investment property	257	(630)
– Revaluation decrements / impairments of IPP&E direct to P&L	113	—
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(4,662)	(1,655)
Increase / (decrease) in provision for impairment of receivables	10	3
(Increase) / decrease of inventories	1	(5)
(Increase) / decrease of other current assets	(552)	(89)
(Increase) / decrease of contract asset	67	13
Increase / (decrease) in payables	2,790	1,576
Increase / (decrease) in accrued interest payable	(5)	2
Increase / (decrease) in other accrued expenses payable	3,548	1,474
Increase / (decrease) in other liabilities	(67)	114
Increase / (decrease) in contract liabilities	(47)	487
Increase / (decrease) in employee benefit provision	(862)	(1,584)
Increase / (decrease) in other provisions	(1,533)	5,214
Net cash flows from operating activities	64,015	52,970

F2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings (non specialised)	1,962	5,154
Buildings (specialised - libraries & community centres)	2,749	1,884
Foreshore facilities	–	136
Hornsby Quarry	12,988	25,013
Infrastructure – Roads & Drainage	1,446	5,217
Land improvements	1,986	3,688
Plant and equipment	1,439	1,098
Westleigh Park	1,800	1,779
Total commitments	24,370	43,969

These expenditures are payable as follows:

Within the next year	24,370	43,969
Total payable	24,370	43,969

Sources for funding of capital commitments:

Unrestricted general funds	3,118	4,729
Externally restricted reserves	20,723	39,075
Internally restricted reserves	529	165
Total sources of funding	24,370	43,969

Details of capital commitments

All committed amounts are associated with the routine renewal and/or upgrade of existing Council assets.

F3-1 Events occurring after the reporting date

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

F4 Statement of developer contributions as at 30 June 2023

F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land				
Roads	4,790	398	–	181	(222)	5,147	–
Open space	39,440	2,639	–	1,261	(6,577)	36,763	–
Community facilities	29,475	1,485	–	1,123	(419)	31,664	–
Plan administration	449	23	–	16	(45)	443	–
S7.11 contributions – under a plan	74,154	4,545	–	2,581	(7,263)	74,017	–
S7.12 levies – under a plan	7,248	2,341	–	308	(132)	9,765	–
Total S7.11 and S7.12 revenue under plans	81,402	6,886	–	2,889	(7,395)	83,782	–
Total contributions	81,402	6,886	–	2,889	(7,395)	83,782	–

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.

The difference between Income from developer contributions in Note B2-4 and Contributions received during the year is the release of a provision for contributions payable to the City of Parramatta as a result of the boundary adjustment recognised within Income. This amount was retained within the prior year Statement of Developer Contributions whilst provided for and is included within the opening balance at 1 July 2018.

F4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land				
CONTRIBUTION PLAN NUMBER 1 (2012 to 2021)							
Roads	4,790	398	–	181	(222)	5,147	–
Open space	39,440	2,639	–	1,261	(6,577)	36,763	–
Community facilities	29,475	1,485	–	1,123	(419)	31,664	–
Plan administration	449	23	–	16	(45)	443	–
Total	74,154	4,545	–	2,581	(7,263)	74,017	–

F4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year		Interest and investment income earned	Amounts expended	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land				
S7.12 Levies – under a plan							
2012 - 2021							
Other	7,248	2,341	–	308	(132)	9,765	–
Total	7,248	2,341	–	308	(132)	9,765	–

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 20222021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	18,926	11.55%	(1.89)%	3.82%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	163,812				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	143,047	74.93%	73.76%	80.89%	> 60.00%
Total continuing operating revenue ¹	190,919				
3. Unrestricted current ratio					
Current assets less all external restrictions	123,691	6.25x	6.40x	6.45x	> 1.50x
Current liabilities less specific purpose liabilities	19,787				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	42,257	57.03x	23.43x	38.16x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	741				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	2,895	2.57%	2.29%	2.34%	< 5.00%
Rates and annual charges collectable	112,729				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	215,714	19.69 months	21.57 months	22.70 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	10,954				

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

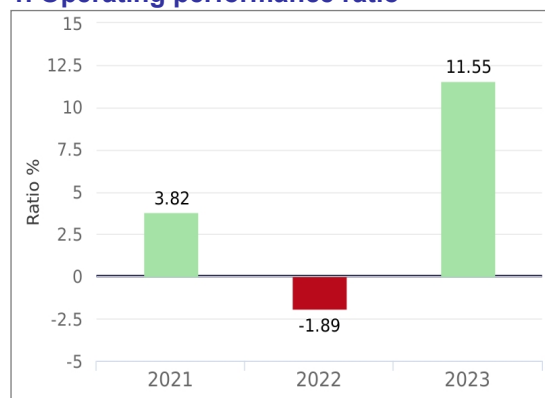
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

G Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 11.55%

This ratio has increased as a result of Council's operating surplus for the year.

Council received a \$6.5m road repair grant during the year. Interest income on investments increased \$6.2m compared to the prior year, 50% of which relates to restricted assets. In additional Materials and services expenses decreased \$2.8m compared to the prior year as a result of decreased environmental remediation expenses at Foxglove Oval.

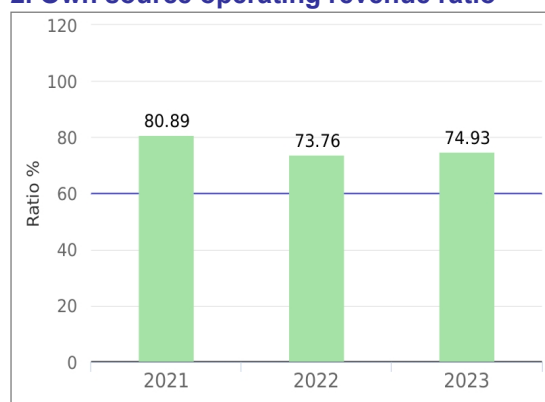
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 74.93%

This ratio has increased because own source operating revenue has increased. This includes an increase in Rates and annual charges from \$103.0m to \$110.0m in the current year (largely driven by an increase in income from Domestic Waste), an increase in Interest and investment income from \$3.1m to \$9.3m in the current year and an increase in User charges and fees from \$11.6m to \$15.5m following the end of COVID-19 related facility closures.

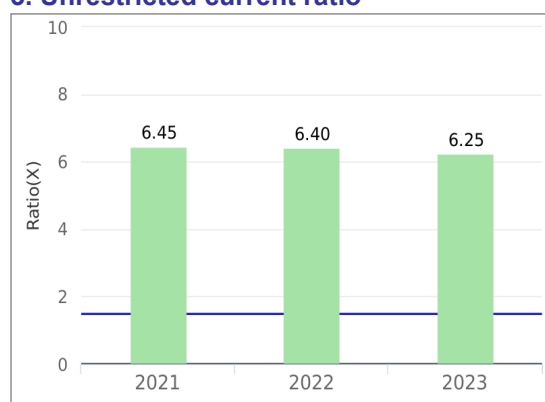
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 6.25x

The Unrestricted current ratio has decreased slightly from the prior year however remains well above the benchmark, demonstrating Council's ability to satisfy its short-term obligations.

Benchmark: — > 1.50x

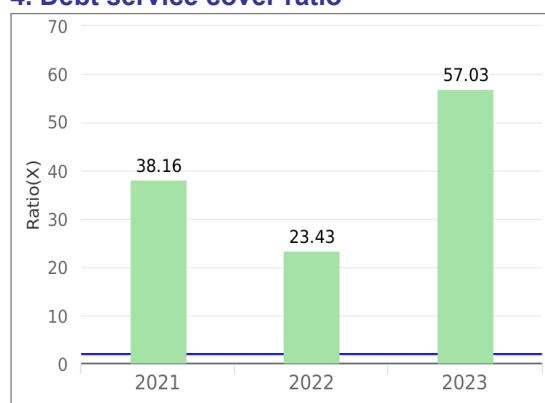
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 57.03x

This ratio has improved from the prior year as a result of Council's improved operating result. No new loans have been entered into during the year and Council is debt free other than lease commitments for plant and equipment used in the ordinary course of operations.

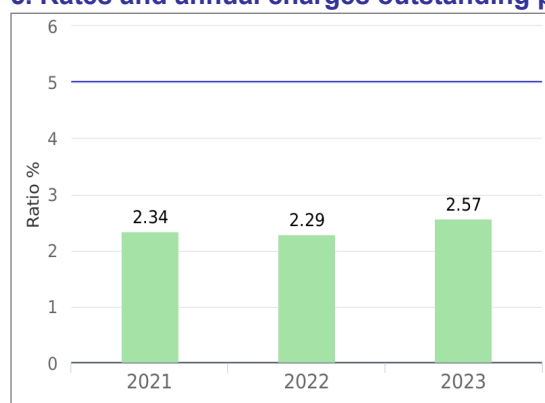
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 2.57%

Whilst this ratio has increased slightly from the previous year it remains well below the benchmark.

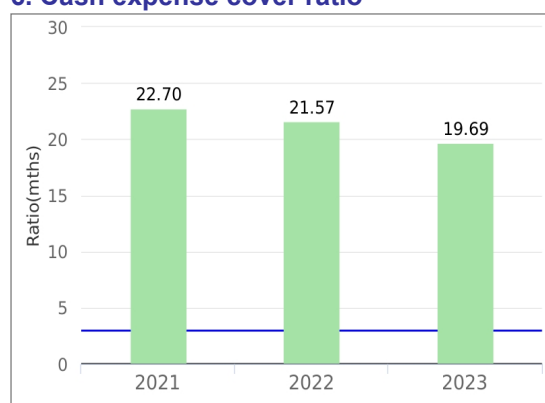
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 19.69 months

This ratio has reduced slightly from the prior year however continues to be well above the benchmark indicating that Council is in a strong position to meet its cash flow requirements.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Hornsby Shire Council

To the Councillors of Hornsby Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

26 October 2023
SYDNEY



Mayor
Hornsby Shire Council
PO BOX 37
HORNSBY NSW 2077

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: R0081658580946488

26 October 2023

Dear Mayor

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

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

I expressed an unmodified opinion on Council's GPFS.

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

INCOME STATEMENT

Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	110.1	103.1	↑ 6.8
Grants and contributions revenue	47.9	44.4	↑ 7.9
Operating result from continuing operations	44.7	23.5	↑ 90.2
Net operating result before capital grants and contributions	17.6	(6.1)	↑ 388

Rates and annual charges revenue (\$110.1 million) increased by \$7.0 million (6.8 per cent) in 2022–23 due to rate peg increase of 2.3 per cent and increase in domestic waste annual charges.

Grants and contributions revenue (\$47.9 million) increased by \$3.5 million (7.9 per cent) in 2022–23 mainly due to:

- \$11.0 million increase in other roads and bridges funding including \$6.5 million for the Regional & Local Roads Repair Program
- receiving 95 per cent of financial assistance grants in advance (75 per cent in 2021–22)
- \$8.1 million decrease in capital grants for parks and gardens.

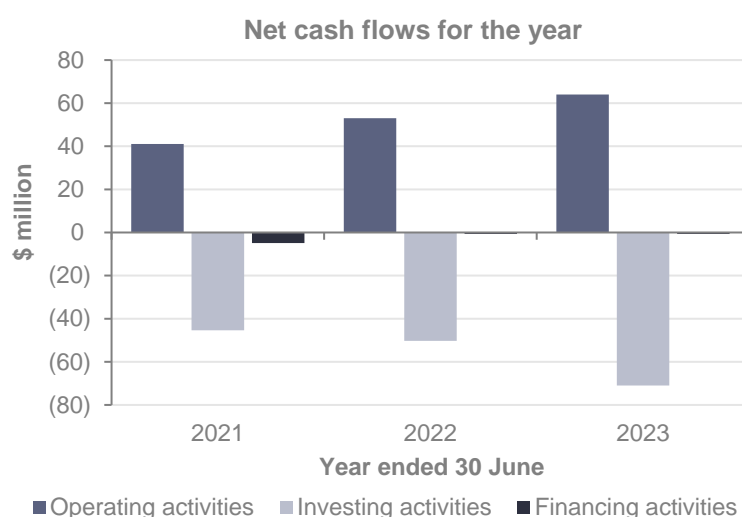
Council's operating result from continuing operations (\$44.7 million including depreciation and amortisation expense of \$23.4 million) was \$21.2 million higher than the 2021–22 result. This was mainly due to revenue increases outlined above offset by \$2.3 million increase in operating expenses.

The net operating result before capital grants and contributions (\$17.6 million) has increases similarly to the operating result meaning capital grants and contributions are not driving the outcome.

STATEMENT OF CASH FLOWS

Cash balances have decreased though overall cash and investments are static.

Net cash used in investing activities increased in the current year and net cash in financing activities was static.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	301.6	302.9	Externally restricted balances mainly comprise developer contributions, Stronger Communities Fund and specific purpose unexpended grants. Balances are deemed internal allocations due to Council policy or decisions for forward plans including works program.
Restricted and allocated cash, cash equivalents and investments:			
• external restrictions	191.5	200.6	
• internal allocations	83.9	82.4	

Debt

At 30 June 2023, Council had \$3.0 million approved bank overdraft with nil drawn down.

PERFORMANCE

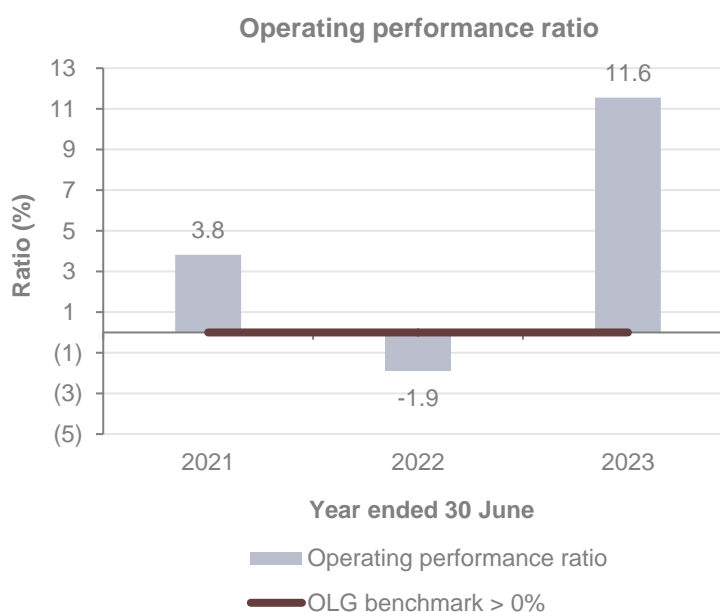
Performance measures

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

Operating performance ratio

Council met the benchmark for the current financial year due to receiving a \$6.5 operating grant for road repairs, higher interest income and lower remediation expenses.

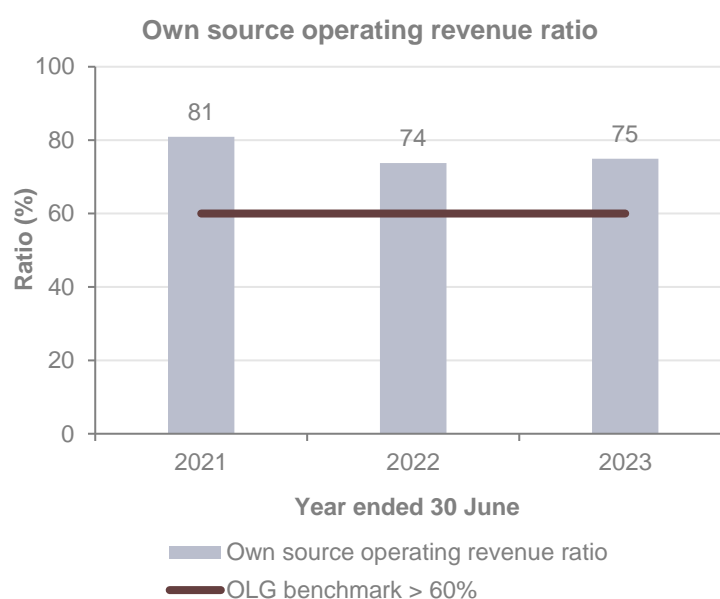
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council continued to exceed the benchmark for the current financial year.

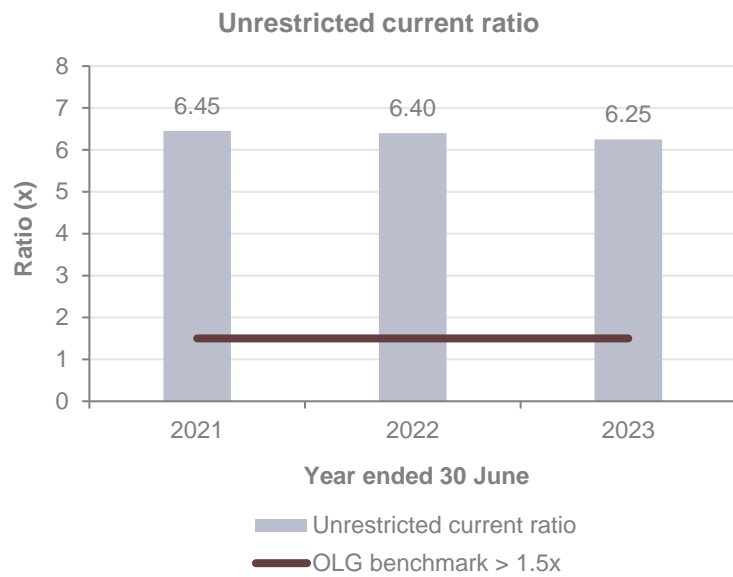
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continued to exceed the benchmark for the current financial year.

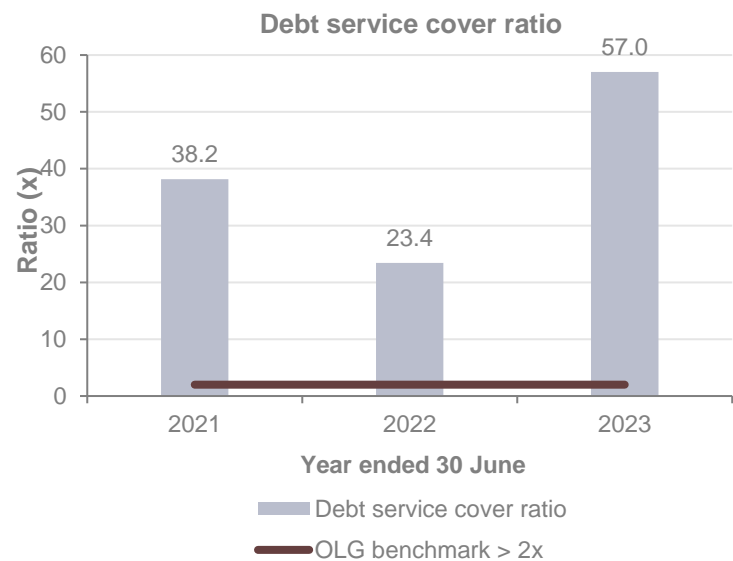
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continued to exceed the benchmark for the current financial year as council has no borrowings at 30 June 2023.

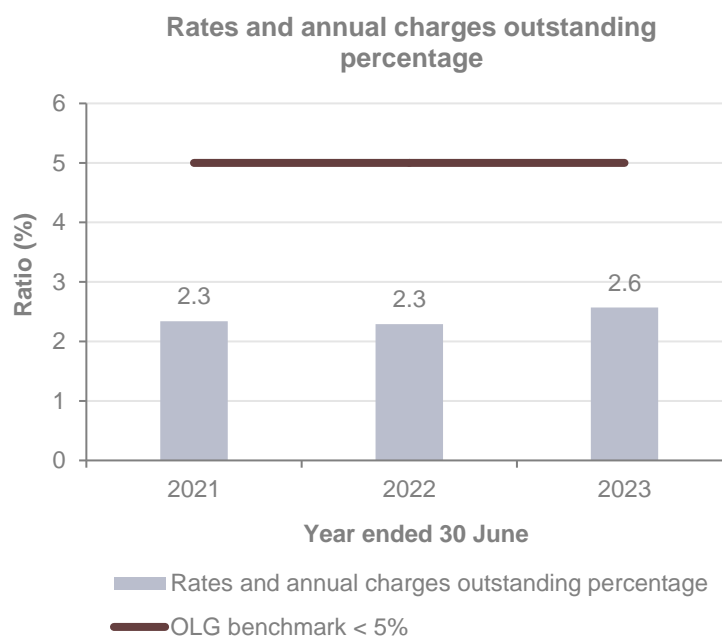
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council continued to meet the benchmark for the current financial year.

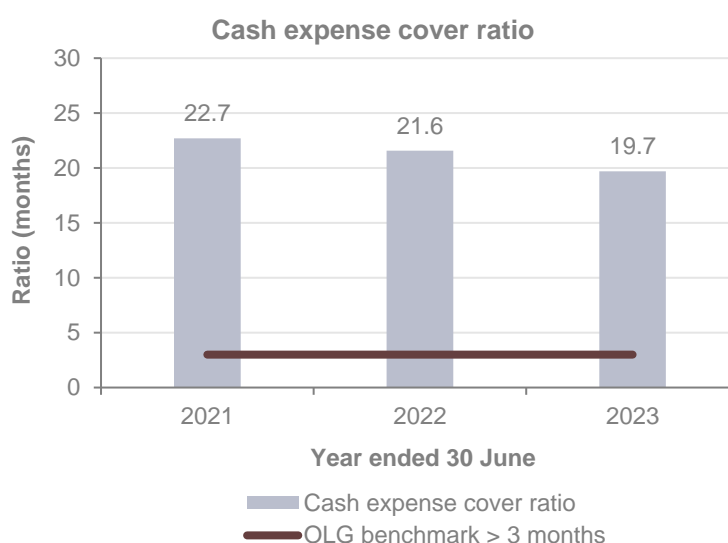
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

Council continued to exceed the benchmark for the current financial year.

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 performance is as follows:

- asset renewals were \$37.6 million (\$24.3 million in 2021–22)
- new asset additions were \$32.2 million (\$20.3 million in 2021–22).

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Hornsby Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



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

Hornsby Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	74,027	75,889
Plus or minus adjustments ²	b	170	91
Notional general income	c = a + b	74,197	75,980
Permissible income calculation			
Or rate peg percentage	e	2.28%	8.50%
Or plus rate peg amount	i = e x (c + g)	1,692	6,458
Sub-total	k = (c + g + h + i + j)	75,889	82,438
Plus (or minus) last year's carry forward total	l	2	1
Sub-total	n = (l + m)	2	1
Total permissible income	o = k + n	75,891	82,439
Less notional general income yield	p	75,889	82,438
Catch-up or (excess) result	q = o - p	1	1
Plus income lost due to valuation objections claimed ⁴	r	—	(1)
Carry forward to next year ⁶	t = q + r + s	1	—

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Hornsby Shire Council

To the Councillors of Hornsby Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

26 October 2023
SYDNEY

Hornsby Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Libraries	60	60	290	467	14,963	17,850	42.4%	0.0%	55.2%	2.4%	0.0%
	Amenities	1,991	16,500	820	17	24,029	37,174	4.6%	28.7%	61.0%	5.8%	0.0%
	Commercial/Residential Buildings	2,592	–	610	69	11,857	28,777	1.0%	12.3%	75.1%	11.6%	0.0%
	Rural Fire Service Buildings	585	585	200	211	11,654	18,160	0.0%	7.5%	92.4%	0.2%	0.0%
	Indoor Sports Stadium	–	–	170	211	10,122	13,038	0.0%	0.0%	100.0%	0.0%	0.0%
	Council Offices /Administration Centres	7,231	11,520	400	228	17,030	26,627	0.0%	0.0%	29.3%	70.7%	0.0%
	Council Works Depot	640	–	370	211	5,191	11,570	0.0%	0.0%	100.0%	0.0%	0.0%
	Council Public Halls	217	217	630	996	33,192	54,176	0.0%	10.0%	82.9%	5.2%	1.9%
	Sub-total	13,316	28,882	3,490	2,410	129,350	208,685	5.2%	10.0%	71.0%	13.2%	0.6%
Other structures	Other structures	–	–	75	265	14,934	28,701	20.0%	45.0%	22.0%	7.0%	6.0%
	Wharves, Pontoons & Seawalls	815	815	309	254	2,061	3,658	26.9%	38.0%	16.2%	4.5%	14.4%
	Sub-total	815	815	384	519	16,995	32,359	20.8%	44.2%	21.3%	6.7%	7.0%
Roads	Sealed Road	4,545	4,545	1,050	1,221	411,036	465,619	38.9%	33.2%	18.7%	6.5%	2.7%
	Unsealed roads	270	270	240	149	68	3,937	3.6%	0.0%	96.2%	0.0%	0.2%
	Bridges	–	–	20	26	18,275	23,225	17.0%	72.9%	10.1%	0.0%	0.0%
	Footpaths	236	236	580	544	44,030	73,226	22.7%	0.0%	55.6%	21.7%	0.0%
	Traffic Facilities	219	219	278	126	13,715	18,059	36.9%	50.0%	10.6%	2.6%	0.0%
	Signs	–	–	57	153	5,338	5,340	66.2%	0.1%	32.8%	0.0%	1.0%
	Traffic Barrier Fencing	57	57	62	28	3,051	3,852	90.9%	6.3%	0.0%	2.8%	0.0%
	Car Parks	251	251	50	6	1,341	2,664	54.7%	1.6%	43.7%	0.0%	0.0%
	Cycleways and Shared path	25	13,955	30	5	395	995	0.0%	19.1%	80.9%	0.0%	0.0%
	Kerb and Gutter	54	54	200	189	51,913	80,092	21.1%	0.0%	78.7%	0.2%	0.0%
	Sub-total	5,657	19,587	2,567	2,447	644,434	677,009	34.6%	26.7%	29.9%	6.9%	1.9%
Stormwater drainage	Pipes	712	10,712	552	578	389,296	510,329	14.5%	75.1%	10.4%	0.1%	0.0%
	Culverts	173	173	36	38	25,280	30,198	6.4%	0.2%	93.5%	0.0%	0.0%
	Head Walls	15	15	–	1	339	350	100.0%	0.0%	0.0%	0.0%	0.0%
	Channels	21	21	4	4	2,656	3,542	1.7%	83.3%	15.0%	0.0%	0.0%
	Pits	420	420	104	108	72,395	93,664	33.5%	57.6%	8.6%	0.2%	0.0%
	Sub-total	1,341	11,341	696	729	489,966	638,083	16.9%	69.0%	14.1%	0.1%	(0.1%)

Hornsby Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Open space / recreational assets	Aquatic Centres	2,242	2,242	480	765	25,069	30,733	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	2,242	2,242	480	765	25,069	30,733	0.0%	0.0%	100.0%	0.0%	0.0%
	Total – all assets	23,371	62,867	7,617	6,870	1,305,966	1,586,869	22.6%	41.4%	30.1%	4.9%	1.0%

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

Infrastructure asset condition assessment 'key'

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

Hornsby Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	18,023	99.46%	91.23%	89.29%	> 100.00%
Depreciation, amortisation and impairment	18,121				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	23,371	1.75%	1.47%	1.31%	< 2.00%
Net carrying amount of infrastructure assets	1,332,436				
Asset maintenance ratio					
Actual asset maintenance	6,870	90.19%	79.84%	99.38%	> 100.00%
Required asset maintenance	7,617				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	62,867	3.96%	1.96%	1.09%	
Gross replacement cost	1,586,869				

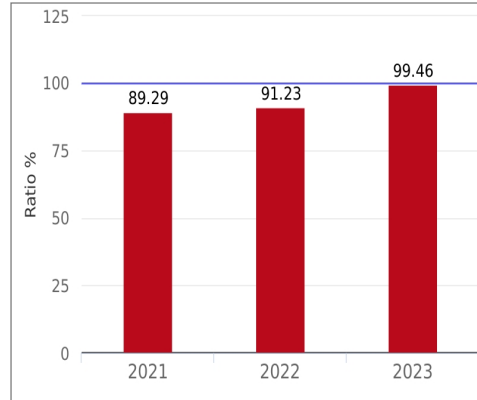
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Hornsby Shire Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 99.46%

Council undertook its largest Capital Program to date in FY22/23. Note earthworks and Open Space improvements are not included in Infrastructure Assets. The improved ratio shows increased expenditure totaling \$18m across the road network, assisted in part by Grants, stormwater renewals and renewals to Council's Community Buildings and Amenities. With the SRV in FY23/24, this ratio is expected to improve above the benchmark value over the coming decade.

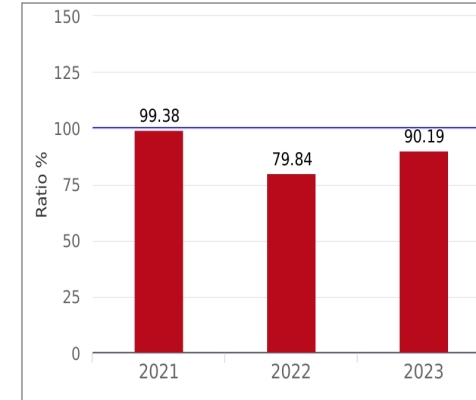
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 90.19%

Council's asset maintenance ratio has improved when compared to the COVID-impacted expenditure of FY21/22 however remains below the benchmark value. The commencement of the SRV is expected to improve this ratio from FY23/24 onwards and limit/stop and increase to the backlog ratio of Council's current asset base.

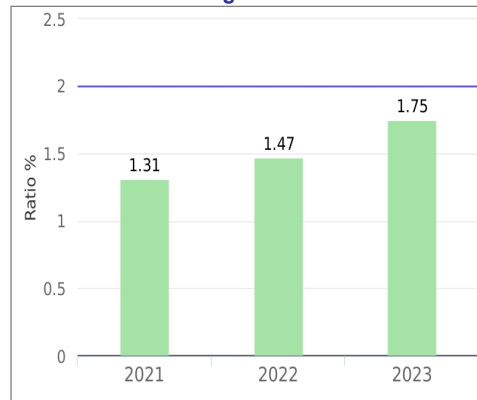
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 1.75%

This ratio has increased due to damage to the road network due to the significant wet weather over the past 2 years and required renovation of Council's Administration Building. Renewal of Galston Aquatic Centre and the restoration of the Administration Centre are expected to be completed by the end of the FY23/24. Note that the backlog to the roads network is funded through Grants into FY23/24.

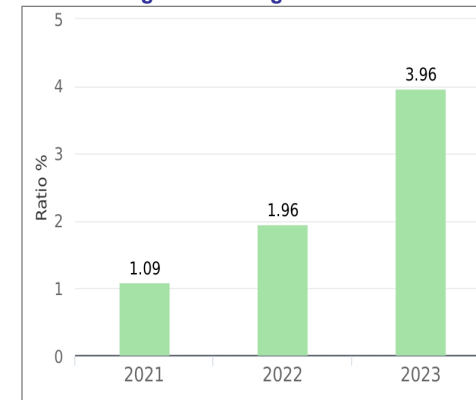
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 3.96%

This ratio has risen due to an increase in service levels to Council's Administration Building (fully funded in FY23/24), amenities buildings (funded through SRV special initiatives from FY23/24), shared paths network (funded through SRV special initiatives from FY23/24) and drainage capacity upgrades (funded through SRV special initiatives from FY23/24).



Image: Hornsby Library