



# PORT STEPHENS

## C O U N C I L

### SUPPLEMENTARY INFORMATION

ORDINARY COUNCIL MEETING  
12 SEPTEMBER 2023

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- Nb. **Bold** Items listed above have not been previously received or viewed by Councillors.

## SUPPLEMENTARY INFORMATION

ITEM NO. 7

FILE NO: 23/226065

EDRMS NO: PSC2017- 00180

### 2022–2023 DRAFT FINANCIAL STATEMENTS

REPORT OF: GLEN PETERKIN - ACTING FINANCIAL SERVICES SECTION  
MANAGER  
GROUP: CORPORATE SERVICES

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#### RECOMMENDATION IS THAT COUNCIL:

- 1) Endorses the action taken to refer the 2022 - 2023 Draft Financial Statements for audit.
- 2) Authorises the signing of the declaration by the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer for the General Purpose Financial Statements and Special Schedule 1 for the year ended 30 June 2023 **(ATTACHMENT 1)**.

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#### BACKGROUND

Under section 413 of the Local Government Act 1993 Council must prepare financial statements for each year and must refer them for audit as soon as practicable after the end of that year.

These draft Financial Statements include:

- General Purpose Financial Statements.
- Special Schedule 1 (only Special Schedule 1 – Notional Permissible Income is audited).

The reports have been prepared by Council Officers in accordance with the Local Government Act 1993 and associated regulations, the Australian Accounting Standards and the Local Government Code of Accounting Practice.

Due to the timing of the distribution of the Council agenda for 12 September 2023, the draft Financial Statements were not available for publication at that time.

The draft Financial Statements were presented to the Mayor and Councillors during an information session on 29 August 2023.

As outlined in the original business paper, a supplementary business paper would be provided once the draft General Purpose Financial Statements **(ATTACHMENT 2)** and Special Schedule 1 **(ATTACHMENT 3)** were finalised.

## ATTACHMENTS

- 1) Statement of the General Purpose Financial Reports. [↓](#)
- 2) Draft General Purpose Financial Statements. [↓](#)
- 3) Special Schedule 1. [↓](#)

**Port Stephens Council**

**General Purpose Financial Statements**

for the year ended 30 June 2023

**Statement by Councillors and Management**

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 12 September 2023.**

\_\_\_\_\_  
[Ryan Palmer](#)

**Mayor**

12 September 2023

\_\_\_\_\_  
**Councillor**

12 September 2023

\_\_\_\_\_  
[Tim Crosdale](#)

**General Manager**

12 September 2023

\_\_\_\_\_  
[Glen Peterkin](#)

**Responsible Accounting Officer (Acting)**

12 September 2023

# Port Stephens Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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*"A great lifestyle in a treasured environment"*



## Port Stephens Council

## General Purpose Financial Statements

for the year ended 30 June 2023

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**Overview**

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

116 Adelaide Street  
Raymond Terrace NSW 2324

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

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

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

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

**Port Stephens Council**

**General Purpose Financial Statements**

for the year ended 30 June 2023

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

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

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- 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:**

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- 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 12 September 2023.**

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[Ryan Palmer](#)

**Mayor**

12 September 2023

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**Councillor**

12 September 2023

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[Tim Crosdale](#)

**General Manager**

12 September 2023

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[Glen Peterkin](#)

**Responsible Accounting Officer (Acting)**

12 September 2023



Port Stephens Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
	<b>Income from continuing operations</b>			
68,994	Rates and annual charges	B2-1	<b>69,094</b>	66,278
47,079	User charges and fees	B2-2	<b>53,448</b>	42,365
4,314	Other revenues	B2-3	<b>5,535</b>	4,852
12,776	Grants and contributions provided for operating purposes	B2-4	<b>20,661</b>	17,941
19,573	Grants and contributions provided for capital purposes	B2-4	<b>32,342</b>	32,929
1,063	Interest and investment income (*)	B2-5	<b>3,181</b>	501
3,941	Other income	B2-6	<b>4,169</b>	5,542
250	Net gain from the disposal of assets	B4-1	<b>—</b>	2,528
157,990	<b>Total income from continuing operations</b>		<b>188,430</b>	172,936
	<b>Expenses from continuing operations</b>			
56,552	Employee benefits and on-costs	B3-1	<b>57,998</b>	52,959
55,932	Materials and services	B3-2	<b>58,592</b>	53,040
1,710	Borrowing costs	B3-3	<b>2,324</b>	849
18,999	Depreciation, amortisation and impairment of non-financial assets	B3-4	<b>19,564</b>	18,203
4,586	Other expenses	B3-5	<b>7,360</b>	6,103
—	Net loss from the disposal of assets	B4-1	<b>1,715</b>	—
137,779	<b>Total expenses from continuing operations</b>		<b>147,553</b>	131,154
20,211	<b>Operating result from continuing operations</b>		<b>40,877</b>	41,782
20,211	<b>Net operating result for the year attributable to Council *</b>		<b>40,877</b>	41,782
637	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>8,535</b>	8,853

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

(\*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2021/22.

## Port Stephens Council

## Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Net operating result for the year – from Income Statement</b>		<b>40,877</b>	41,782
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<b>84,063</b>	93,739
Gain (loss) on revaluation of intangible assets	C1-10	<b>–</b>	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>84,063</b>	93,739
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on hedging instruments	C1-2	<b>996</b>	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>996</b>	–
<b>Total other comprehensive income for the year</b>		<b>85,059</b>	93,739
<b>Total comprehensive income for the year attributable to Council</b>		<b>125,936</b>	135,521

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

Port Stephens Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	16,798	30,221
Investments	C1-2	53,650	17,679
Receivables	C1-4	11,367	11,387
Inventories	C1-5	214	42
Contract assets and contract cost assets	C1-6	3,547	1,086
Non-current assets classified as 'held for sale'	C1-7	—	851
Other	C1-11	1,581	1,471
<b>Total current assets</b>		<b>87,157</b>	<b>62,737</b>
<b>Non-current assets</b>			
Investments and derivatives	C1-2	30,150	22,652
Receivables	C1-4	140	153
Inventories	C1-5	9,903	10,617
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,291,034	1,167,153
Investment property	C1-9	28,000	41,655
Intangible assets	C1-10	4,028	3,998
Right of use assets	C2-1	3,099	3,060
Other	C1-11	33	17
<b>Total non-current assets</b>		<b>1,366,387</b>	<b>1,249,305</b>
<b>Total assets</b>		<b>1,453,544</b>	<b>1,312,042</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	19,430	19,130
Contract liabilities	C3-2	11,458	11,482
Lease liabilities	C2-1	916	753
Borrowings	C3-3	3,385	2,897
Employee benefit provisions	C3-4	15,584	14,737
<b>Total current liabilities</b>		<b>50,773</b>	<b>48,999</b>
<b>Non-current liabilities</b>			
Payables	C3-1	2,461	165
Lease liabilities	C2-1	2,446	2,544
Borrowings	C3-3	48,108	36,515
Employee benefit provisions	C3-4	894	893
<b>Total non-current liabilities</b>		<b>53,909</b>	<b>40,117</b>
<b>Total liabilities</b>		<b>104,682</b>	<b>89,116</b>
<b>Net assets</b>		<b>1,348,862</b>	<b>1,222,926</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	759,672	715,162
IPPE revaluation reserve	C4-1	588,194	507,764
Hedging reserve	C4-1	996	—
<b>Total equity</b>		<b>1,348,862</b>	<b>1,222,926</b>

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

# Port Stephens Council

## Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023				2022			
		Accumulated surplus	IPPE revaluation reserve	Hedging reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Hedging reserve	Total equity
Opening balance at 1 July		715,162	507,764	–	1,222,926	673,059	414,346	–	1,087,405
<b>Opening balance</b>		<b>715,162</b>	<b>507,764</b>	<b>–</b>	<b>1,222,926</b>	<b>673,059</b>	<b>414,346</b>	<b>–</b>	<b>1,087,405</b>
Net operating result for the year		40,877	–	–	40,877	41,782	–	–	41,782
<b>Net operating result for the period</b>		<b>40,877</b>	<b>–</b>	<b>–</b>	<b>40,877</b>	<b>41,782</b>	<b>–</b>	<b>–</b>	<b>41,782</b>
<b>Other comprehensive income</b>									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	84,063	–	84,063	–	93,739	–	93,739
Gain (loss) on hedging instruments		–	–	996	996	–	–	–	–
Gain (loss) on revaluation of intangibles		–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>84,063</b>	<b>996</b>	<b>85,059</b>	<b>–</b>	<b>93,739</b>	<b>–</b>	<b>93,739</b>
<b>Total comprehensive income</b>		<b>40,877</b>	<b>84,063</b>	<b>996</b>	<b>125,936</b>	<b>41,782</b>	<b>93,739</b>	<b>–</b>	<b>135,521</b>
Transfers between equity items		3,633	(3,633)	–	–	321	(321)	–	–
<b>Closing balance at 30 June</b>		<b>759,672</b>	<b>588,194</b>	<b>996</b>	<b>1,348,862</b>	<b>715,162</b>	<b>507,764</b>	<b>–</b>	<b>1,222,926</b>

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

Port Stephens Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
66,623	Rates and annual charges		68,907	67,055
47,079	User charges and fees		56,419	44,452
1,063	Interest received		2,225	447
29,721	Grants and contributions		43,209	41,788
–	Bonds, deposits and retentions received		698	–
7,427	Other		15,434	11,734
<i>Payments:</i>				
(57,259)	Payments to employees		(57,142)	(54,255)
(55,795)	Payments for materials and services		(65,344)	(61,640)
(1,713)	Borrowing costs		(2,324)	(849)
–	Bonds, deposits and retentions refunded		–	(303)
(3,653)	Other		(7,553)	(4,173)
33,493	<b>Net cash flows from operating activities</b>	G1-1	<b>54,529</b>	<b>44,256</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investments		70,031	62,111
–	Sale of investment property		15,371	3,118
–	Sale of real estate assets		–	5,076
250	Proceeds from sale of IPPE		5,233	387
–	Sale of intangible assets		–	2,175
<i>Payments:</i>				
–	Purchase of investments		(112,504)	(65,741)
(32,377)	Payments for IPPE		(56,981)	(48,467)
–	Purchase of real estate assets		(49)	(115)
–	Purchase of intangible assets		(258)	(153)
(32,127)	<b>Net cash flows from investing activities</b>		<b>(79,157)</b>	<b>(41,609)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
–	Proceeds from borrowings		15,100	9,550
<i>Payments:</i>				
(3,753)	Repayment of borrowings		(3,019)	(2,698)
–	Principal component of lease payments		(876)	(820)
(3,753)	<b>Net cash flows from financing activities</b>		<b>11,205</b>	<b>6,032</b>
(2,387)	<b>Net change in cash and cash equivalents</b>		<b>(13,423)</b>	<b>8,679</b>
–	Cash and cash equivalents at beginning of year		30,221	21,542
(2,387)	Cash and cash equivalents at end of year	C1-1	16,798	30,221
70,552	plus: Investments on hand (excl derivatives) at end of year	C1-2	82,804	40,331
68,165	<b>Total cash, cash equivalents and investments</b>		<b>99,602</b>	<b>70,552</b>

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

Port Stephens 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 17 October 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 consolidated financial statements are set out below.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* (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 property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. estimated tip remediation provisions – refer Note C3-5
- iv. employee benefit provisions – refer Note C3-4.

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4.
- ii. 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. 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.

#### **Monies and other assets received by Council**

##### **The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund. Council does not have any money or property that is required to be held in a Trust Fund.

continued on next page ...

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**A1-1 Basis of preparation (continued)**

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**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**

Income relating to volunteer services can only be recognised where the amount is material, the services would be purchased if they were not donated and the amount of all volunteer services can be reliably measured. Council is not able to reliably satisfy all these aspects therefore no income and corresponding expense has been recognised in the financial statements.

**New accounting standards and interpretations issued but not yet effective**

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

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

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

**New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023.

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1.

## 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
<b>Functions or activities</b>										
Our Community	7,539	5,735	11,480	9,360	(3,941)	(3,625)	758	698	238,807	209,221
Our Council	108,187	91,055	57,689	47,568	50,498	43,487	9,170	8,154	332,121	288,840
Our Environment	24,912	23,765	21,530	22,614	3,382	1,151	519	508	6,190	4,358
Our Place	47,792	52,381	56,854	51,181	(9,062)	1,200	42,556	41,509	876,426	809,624
<b>Total functions and activities</b>	<b>188,430</b>	<b>172,936</b>	<b>147,553</b>	<b>130,723</b>	<b>40,877</b>	<b>42,213</b>	<b>53,003</b>	<b>50,870</b>	<b>1,453,544</b>	<b>1,312,042</b>

## B1-2 Components of functions or activities

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

### **Our Community**

**Port Stephens is a thriving and strong community respecting diversity and heritage**

Children's Services; Community Services; Contract and Services; Library Services.

Community Development and Engagement; Economic Development and Tourism; Strategic Planning; Volunteer Management; Delivery of Council's Financial Assistance Programs.

Management of Aboriginal Places in Port Stephens.

### **Our Place**

**Port Stephens is a liveable place supporting local economic growth**

Asset Systems; Building and Developer Relations; Building Trades; Civil Assets Planning; Civil Contracts; Civil Projects; Community and Recreation; Community Development and Engagement; Construction; Contract and Services; Design; Emergency Management; Engineering Services; Environmental Health and Compliance; Mechanical and Maintenance Stores; Parks; Planning and Developer Relations; Roads; Roadside and Drainage; Strategic Planning; Survey and Land Information.

Economic Development and Tourism; Development, construction and maintenance of Koala Sanctuary, Hospital and Tourism Facility.

### **Our Environment**

**Port Stephens' environment is clean, green, protected and enhanced**

Tree Assessment Services; Tree Permit System; Community and Recreation; Rehabilitate, monitor and manage decommissioned landfill sites; Waste Management.

Coastal Management; Community support and advocacy; Deliver Environmental Education and Grant Programs; Develop and implement projects to protect and enhance the local environment; Ecological and Environmental Planning Services; Management and Regulation of Biosecurity Risks; Strategic guidance, current knowledge and best practice advice.

### **Our Council**

**Port Stephens Council leads, manages and delivers valued community services in a responsible way**

Business Excellence; Citizenship Ceremonies; Commercial Investments; Community Development and Engagement; Corporate Reporting; Corporate Systems and Business Improvement; Customer Relations; Digital and Website; Environmental Management; Facilities Management; Finance; Governance; Holiday Parks; Human Resources; Information and Communication Technologies; Information Services; Liaison with other government agencies; Manage strategic and operational matters; Marketing and Promotions; Public Relations and Marketing; Risk Management; Statutory Property; Support commercial aviation services; Support services for the Mayor, Councillors and senior executive officers; Work Health and Safety.

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	Timing	2023	2022
<b>Ordinary rates</b>			
Residential	2	37,639	36,472
Farmland	2	905	887
Business	2	9,185	8,823
Less: pensioner rebates (mandatory)		(939)	(969)
<b>Rates levied to ratepayers</b>		<b>46,790</b>	<b>45,213</b>
Pensioner rate subsidies received	2	563	596
<b>Total ordinary rates</b>		<b>47,353</b>	<b>45,809</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>			
Domestic waste management services	2	17,062	16,091
Waste management services (non-domestic)	2	4,975	4,671
Section 611 charges	2	10	11
Less: pensioner rebates (mandatory)		(553)	(557)
<b>Annual charges levied</b>		<b>21,494</b>	<b>20,216</b>
Pensioner subsidies received:			
– Domestic waste management	2	247	253
<b>Total annual charges</b>		<b>21,741</b>	<b>20,469</b>
<b>Total rates and annual charges</b>		<b>69,094</b>	<b>66,278</b>

Council has used 1 July 2022 valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

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

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

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

## B2-2 User charges and fees

\$ '000	Timing	2023	2022
<b>Specific user charges (per s502 - specific 'actual use' charges)</b>			
Waste management services (non-domestic)	2	1,799	1,916
<b>Total specific user charges</b>		<b>1,799</b>	<b>1,916</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>			
Private works – section 67	2	97	99
Section 10.7 certificates (EP&A Act)	2	187	234
Section 603 certificates	2	146	193
Building inspection fees	2	306	360
Building services	2	1,159	1,424
Shop inspection fees	2	297	213
Subdivision fees	2	233	302
<b>Total fees and charges – statutory/regulatory</b>		<b>2,425</b>	<b>2,825</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>			
Animal control	2	5	(3)
Cemeteries	2	261	184
Child care	1	3,487	2,919
Holiday parks	1	15,928	12,315
Leisure centre	2	2,492	1,627
Library	2	102	61
Newcastle airport	2	18,520	10,270
Waste disposal tipping fees	2	423	369
Transport for NSW works (state roads not controlled by Council)	2	4,188	6,649
Parking meters	2	903	680
Sewerage management fees	1	735	669
Other	2	1,636	1,436
Rental income - other Council properties	2	544	448
<b>Total fees and charges – other</b>		<b>49,224</b>	<b>37,624</b>
<b>Total other user charges and fees</b>		<b>51,649</b>	<b>40,449</b>
<b>Total user charges and fees</b>		<b>53,448</b>	<b>42,365</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		20,149	15,903
User charges and fees recognised at a point in time (2)		33,299	26,462
<b>Total user charges and fees</b>		<b>53,448</b>	<b>42,365</b>

### Accounting policy

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

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

Where an upfront fee is charged such as joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

### B2-3 Other revenues

\$ '000	Timing	2023	2022
Ex gratia rates	2	122	117
Fines – parking	2	373	283
Fines – other	2	181	225
Legal fees recovery – rates and charges (extra charges)	2	86	151
Legal fees recovery – other	2	30	20
Commissions and agency fees	1	215	229
Wage subsidies and incentives	2	180	179
Insurance claims recoveries	2	197	178
Sales – general	1	246	240
Events and promotions	2	61	68
Private works	1	282	411
Royalties - sand extraction	2	2,704	1,745
Other revenue - Newcastle airport partnership	2	31	324
Other	2	827	682
<b>Total other revenue</b>		<b>5,535</b>	<b>4,852</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised over time (1)		743	880
Other revenue recognised at a point in time (2)		4,792	3,972
<b>Total other revenue</b>		<b>5,535</b>	<b>4,852</b>

#### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance	2	1,900	3,584	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance	2	7,917	5,507	–	–
<b>Amount recognised as income during current year</b>		<b>9,817</b>	<b>9,091</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
Bushfire and emergency services	2	1,038	1,120	58	–
Child care	1	404	364	–	–
Environmental programs	1	243	484	–	23
Floodplain management	2	60	48	–	–
Heritage and cultural	1	312	29	–	–
Library	2	275	256	54	–
LIRS subsidy	2	14	26	–	–
Recreation and culture	1	138	866	3,661	4,120
Newcastle airport	1	–	–	1,133	586
Youth development	1	78	78	–	–
Street lighting	2	77	75	–	–
Weed control	1	240	75	–	–
Transport (roads to recovery)	1	781	781	–	–
Transport	1	3,056	553	10,311	6,968
Other specific grants	1	439	23	684	235
<b>Previously contributions:</b>					
Natural disaster funding contributions	2	947	1,330	–	1,080
Recreation and culture	2	–	–	310	221
Transport for NSW contributions (regional roads, block grant)	2	1,095	1,066	–	–
Other contributions	2	110	360	–	–
Economic development and tourism	2	6	–	–	–
Environmental projects	2	37	–	–	–
Risk management	2	108	143	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>9,458</b>	<b>7,677</b>	<b>16,211</b>	<b>13,233</b>
<b>Non-cash contributions</b>					
Bushfire services	2	–	–	–	847
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	7,134	12,563
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>7,134</b>	<b>13,410</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>9,458</b>	<b>7,677</b>	<b>23,345</b>	<b>26,643</b>
<b>Total grants and non-developer contributions</b>		<b>19,275</b>	<b>16,768</b>	<b>23,345</b>	<b>26,643</b>
<b>Comprising:</b>					
– Commonwealth funding		12,203	11,220	7,353	2,017

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B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
– State funding		6,918	5,553	8,492	10,986
– Other funding		154	(5)	7,500	13,640
		<b>19,275</b>	<b>16,768</b>	<b>23,345</b>	<b>26,643</b>

Developer contributions

\$ '000	Notes	Timing	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Developer contributions:</b> (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	314	318	7,413	5,721
S 7.12 – fixed development consent levies		2	–	–	1,584	565
Haulage		2	1,072	855	–	–
<b>Total developer contributions – cash</b>			<b>1,386</b>	<b>1,173</b>	<b>8,997</b>	<b>6,286</b>
<b>Total developer contributions</b>			<b>1,386</b>	<b>1,173</b>	<b>8,997</b>	<b>6,286</b>
<b>Total contributions</b>			<b>1,386</b>	<b>1,173</b>	<b>8,997</b>	<b>6,286</b>
<b>Total grants and contributions</b>			<b>20,661</b>	<b>17,941</b>	<b>32,342</b>	<b>32,929</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			5,691	3,306	15,733	11,932
Grants and contributions recognised at a point in time (2)			14,970	14,635	16,609	20,997
<b>Total grants and contributions</b>			<b>20,661</b>	<b>17,941</b>	<b>32,342</b>	<b>32,929</b>

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## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	1,504	79	8,658	4,700
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,186	–	–	–
<b>Add:</b> capital grants received for the provision of goods and services in a future period (2022)	1,659	1,504	7,859	8,658
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(1,510)	(79)	(8,657)	(4,700)
<b>Unspent funds at 30 June</b>	<b>2,839</b>	<b>1,504</b>	<b>7,860</b>	<b>8,658</b>
<b>Contributions</b>				
Unspent funds at 1 July	2,429	2,267	11,498	9,214
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,387	1,172	8,997	6,286
<b>Add:</b> contributions received and not recognised as revenue in the current year	17	19	551	–
<b>Add:</b> Interest	72	3	342	11
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(1,070)	(1,032)	(2,135)	(4,013)
<b>Unspent contributions at 30 June</b>	<b>2,835</b>	<b>2,429</b>	<b>19,253</b>	<b>11,498</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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**B2-4 Grants and contributions (continued)**

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

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

**Developer contributions**

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

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

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

**Other grants and contributions**

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

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

B2-5 Interest and investment income (\*)

\$ '000	2023	2022
<b>Interest on financial assets</b>		
– Overdue rates and annual charges (incl. special purpose rates)	162	159
– Cash and investments	2,561	279
– Newcastle airport	458	20
Dividend income (other)	–	43
<b>Total interest and investment income (losses)</b>	<b>3,181</b>	<b>501</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
General Council cash and investments	2,767	485
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	414	16
<b>Total interest and investment income</b>	<b>3,181</b>	<b>501</b>

**Accounting policy**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2023	2022
<b>Reversal of revaluation decrements on IPPE previously expensed</b>			
Land assets		–	302
<b>Total gross reversal of revaluation decrements on IPPE previously expensed</b>		<b>–</b>	<b>302</b>
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-8	–	302
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		1,220	2,110
Total fair value increment on investment properties	C1-9	1,220	2,110
<b>Rental income</b>			
<b>Investment properties and PPE</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		2,685	2,931
Lease income relating to variable lease payments not dependent on an index or a rate		264	199
<b>Total Investment properties</b>		<b>2,949</b>	<b>3,130</b>
Total rental income	C2-2	2,949	3,130
Total other income		4,169	5,542

### B3 Costs of providing services

#### B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	38,277	37,665
Salaries and wages – Newcastle airport partnership	5,644	4,002
Travel and other allowances	3,472	3,325
Employee leave entitlements (ELE)	9,955	8,186
Superannuation	5,236	4,878
Workers' compensation insurance	1,872	1,875
Fringe benefit tax (FBT)	15	7
Protective clothing	167	140
Corporate uniform	10	12
Employee medical assessments	8	12
Other	17	22
<b>Total employee costs</b>	<b>64,673</b>	<b>60,124</b>
Less: capitalised costs	(6,675)	(7,165)
<b>Total employee costs expensed</b>	<b>57,998</b>	<b>52,959</b>

#### Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		9,014	7,244
– Waste collection (2019 only) and disposal contract		4,868	8,316
– Other contractor and consultancy costs		22,199	19,765
Audit Fees	F2-1	296	229
<b>Previously other expenses (*):</b>			
Councillor and Mayoral fees and associated expenses	F1-2	386	368
Bank charges		543	480
Electricity and heating		1,287	1,276
Insurance		2,386	2,219
Street lighting		1,180	1,045
Telephone and communications		249	260
Training costs (other than salaries and wages)		350	336
Memberships		214	124
Newcastle airport		8,000	5,152
<b>Legal expenses:</b>			
– Legal expenses		586	493
Expenses from short-term leases		14	55
Expenses from leases of low value assets		19	20
Expenses from Peppercorn leases		1	1
Variable lease expense relating to usage		6,138	5,152
Other		862	505
<b>Total materials and services</b>		<b>58,592</b>	<b>53,040</b>

**Accounting policy**

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

## B3-3 Borrowing costs

\$ '000	2023	2022
<b>(i) Interest bearing liability costs</b>		
Interest on leases	112	125
Interest on overdraft	4	37
Interest on loans	630	380
Interest - Newcastle Airport	2,046	316
<b>Total interest bearing liability costs</b>	<b>2,792</b>	<b>858</b>
Less: capitalised costs	(35)	(9)
Less: capitalised costs - Newcastle Airport	(433)	—
<b>Total interest bearing liability costs expensed</b>	<b>2,324</b>	<b>849</b>
<b>Total borrowing costs expensed</b>	<b>2,324</b>	<b>849</b>

**Accounting policy**

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

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

\$ '000	Notes	2023	2022
<b>Depreciation and amortisation</b>			
Plant and equipment		1,448	1,552
Office equipment		247	422
Furniture and fittings		34	39
Land improvements (depreciable)		95	104
<b>Infrastructure:</b>	C1-8		
– Buildings – specialised		4,474	4,628
– Other structures		574	570
– Roads		4,212	2,826
– Bridges		62	57
– Footpaths		423	391
– Car parks		135	139
– Stormwater drainage		802	753
– Swimming pools		111	111
– Other open space/recreational assets		1,755	1,643
– Other infrastructure		676	650
Right of use assets	C2-1	902	871
<b>Other assets:</b>			
– Heritage collections		2	2
– Library books		366	340
– Newcastle airport		3,018	2,663
Intangible assets	C1-10	228	442
<b>Total depreciation and amortisation costs</b>		<b>19,564</b>	<b>18,203</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT</b>		<b>19,564</b>	<b>18,203</b>

#### 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. For civil infrastructure assets depreciation is calculated using the estimated useful life and then adjusted periodically by taking into consideration the condition and the level of remaining service potential of the individual asset.

##### Impairment of non-financial assets

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

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	Notes	2023	2022
<b>Impairment of receivables</b>			
Other		11	(6)
Total impairment of receivables	C1-4	11	(6)
<b>Net share of interests in joint ventures and associates using the equity method</b>			
Joint ventures		–	431
Total net share of interests in joint ventures and associates using the equity method		–	431
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy		1,104	814
– Waste levy		4,905	3,673
– Lands department levy (holiday parks)		510	406
Donations, contributions and assistance to other organisations (Section 356)		830	785
<b>Total other</b>		<b>7,349</b>	<b>5,678</b>
Total other expenses		<b>7,360</b>	<b>6,103</b>

**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
<b>Disposal of Infrastructure, Property, Plant &amp; Equipment (excl. investment property)</b>	C1-8		
Proceeds from disposal – property		548	200
Less: carrying amount of property assets sold/written off		(6,252)	(2,268)
<b>Gain (or loss) on disposal</b>		<b>(5,704)</b>	<b>(2,068)</b>
<b>Newcastle airport partnership</b>	C1-8		
Proceeds from disposal – infrastructure		1	10
Less: carrying amount of infrastructure assets sold/written off		(74)	(25)
<b>Gain (or loss) on disposal</b>		<b>(73)</b>	<b>(15)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>	C1-5		
Proceeds from disposal – real estate assets		–	5,076
Less: carrying amount of real estate assets sold/written off		–	(1,008)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>4,068</b>
<b>Gain (or loss) on disposal of investment property</b>	C1-9		
Proceeds from disposal – investment property		15,371	3,118
Less: carrying amount of investment property sold/written off		(14,875)	(2,750)
<b>Gain (or loss) on disposal</b>		<b>496</b>	<b>368</b>
<b>Gain (or loss) on disposal of cash and investments</b>	C1-1,C1-2		
Proceeds from disposal/redemptions/maturities – cash and investments		70,031	62,111
Less: carrying amount of cash and investments sold/redeemed		(70,031)	(62,657)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(546)</b>
<b>Gain (or loss) on disposal of non-current assets classified as 'held for sale'</b>	C1-7		
Proceeds from disposal – non-current assets 'held for sale'		4,684	177
Less: carrying amount of 'held for sale' assets sold/written off		(1,118)	(42)
<b>Gain (or loss) on disposal</b>		<b>3,566</b>	<b>135</b>
<b>Gain (or loss) on disposal of intangible assets</b>	C1-10		
Proceeds from disposal – intangible assets		–	2,175
Less: carrying amount of intangible assets sold/written off		–	(1,589)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>586</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(1,715)</b>	<b>2,528</b>

#### Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement. 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 dd MMMM yyyy 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 -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	<b>68,994</b>	<b>69,094</b>	<b>100</b>	<b>0% F</b>
<b>User charges and fees</b>	<b>47,079</b>	<b>53,448</b>	<b>6,369</b>	<b>14% F</b>
User charges exceeded the original budget due Councils holiday parks and airport operations recovering from the economic impacts COVID-19 quicker than expected.				
<b>Other revenues</b>	<b>4,314</b>	<b>5,535</b>	<b>1,221</b>	<b>28% F</b>
Other revenues exceeded the original budget due to royalties from mining surpassing original forecasts.				
<b>Operating grants and contributions</b>	<b>12,776</b>	<b>20,661</b>	<b>7,885</b>	<b>62% F</b>
Operating grants exceeded the original budget due to successful applications awarded during the year for new grants in areas such as vibrant places, economic development and planning. Council only budgets for competitive grants and contributions when they are confirmed.				
<b>Capital grants and contributions</b>	<b>19,573</b>	<b>32,342</b>	<b>12,769</b>	<b>65% F</b>
Capital grants and contributions exceeded the original budget due to successful applications being awarded for new grants in areas such as roads and sporting facilities as well as increased cash and non cash developer contributions. Council only budgets for competitive grants and contributions when they are confirmed.				
<b>Interest and investment revenue</b>	<b>1,063</b>	<b>3,181</b>	<b>2,118</b>	<b>199% F</b>
Interest income exceeded the original budget due to successive increases in the official cash rate by the RBA as a result of inflationary pressures from economic recovery.				
<b>Net gains from disposal of assets</b>	<b>250</b>	<b>–</b>	<b>(250)</b>	<b>(100)% U</b>
Council made an overall loss on disposal of assets which is shown as an expense below.				
<b>Other income</b>	<b>3,941</b>	<b>4,169</b>	<b>228</b>	<b>6% F</b>
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	<b>56,552</b>	<b>57,998</b>	<b>(1,446)</b>	<b>(3)% U</b>

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B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Materials and services</b>	<b>55,932</b>	<b>58,592</b>	<b>(2,660)</b>	<b>(5)% U</b>
<b>Borrowing costs</b>	<b>1,710</b>	<b>2,324</b>	<b>(614)</b>	<b>(36)% U</b>
Borrowing costs exceeded the original budget due to new loans taken out to fund the expansion of the Newcastle Airport.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>18,999</b>	<b>19,564</b>	<b>(565)</b>	<b>(3)% U</b>
<b>Other expenses</b>	<b>4,586</b>	<b>7,360</b>	<b>(2,774)</b>	<b>(60)% U</b>
Other expenses increased above the original budget due to a change in organic waste disposal services which incurred a waste levy rather than a contract cost.				
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>1,715</b>	<b>(1,715)</b>	<b>∞ U</b>

Net loss on disposal is as a result of the rehabilitation of civil infrastructure assets such as roads from the capital works program. This is a non cash item and due to the unpredictability is impracticable to budget for.

**Statement of cash flows**

<b>Cash flows from operating activities</b>	<b>33,493</b>	<b>54,529</b>	<b>21,036</b>	<b>63% F</b>
Cashflows from operating activities exceeded the original budget due to new grants & contributions and the recovery of operations from COVID-19.				
<b>Cash flows from investing activities</b>	<b>(32,127)</b>	<b>(79,157)</b>	<b>(47,030)</b>	<b>146% U</b>
Cashflows from investing exceeded budget due to infrastructure projects being added to the capital works program as a result of new grants and contributions.				
<b>Cash flows from financing activities</b>	<b>(3,753)</b>	<b>11,205</b>	<b>14,958</b>	<b>(399)% F</b>

Cashflows from financing exceeded the original budget due to new loans being taken out to fund the Newcastle Airport expansion.

## C Financial position

## C1 Assets we manage

## C1-1 Cash and cash equivalents

\$ '000	2023	2022
<b>Cash assets</b>		
Cash on hand and at bank	16,272	13,458
Cash equivalent assets		
– Deposits at call	–	3,003
– Short-term deposits	526	13,760
<b>Total cash and cash equivalents</b>	<b>16,798</b>	<b>30,221</b>
 <b>Reconciliation of cash and cash equivalents</b>		
Total cash and cash equivalents per Statement of Financial Position	16,798	30,221
Balance as per the Statement of Cash Flows	16,798	30,221

**Accounting policy**

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

## C1-2 Financial investments & derivatives

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
<b>Financial assets at amortised cost</b>				
Long term deposits	53,650	29,154	17,679	22,652
<b>Total</b>	<b>53,650</b>	<b>29,154</b>	<b>17,679</b>	<b>22,652</b>
<b>Derivatives</b>				
Interest rate swap contract - cash flow hedge	-	996	-	-
<b>Total</b>	<b>-</b>	<b>996</b>	<b>-</b>	<b>-</b>
<b>Total financial investments and derivatives</b>	<b>53,650</b>	<b>30,150</b>	<b>17,679</b>	<b>22,652</b>
<b>Total cash assets, cash equivalents, investments and derivatives</b>	<b>70,448</b>	<b>30,150</b>	<b>47,900</b>	<b>22,652</b>

### Derivatives - instruments used

\$ '000		2023	2022
Hedge relationship	Cash flow hedges		-
Instrument type	AUD IRS		
Notional amount	30,000		
Weighted average hedged rate	3.518%		
Hedge ratio	1:1		
<b>At reporting date</b>			
Carrying amount of hedging instruments – Assets		996	
Carrying amount of hedging instruments – Liabilities		-	
Balances deferred in OCI (Hedge Reserves)		(996)	
<b>During the period</b>			
Change in fair value of hedging instruments		996	
Change in value of hedged item used to determine hedge effectiveness		(1,106)	
Changes in the value of the hedging instrument recognised in OCI		996	
Hedge ineffectiveness recognised in profit or loss		-	

### Hedge accounting

On initial designation of a derivative as a hedging instrument, Newcastle airport partnership documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When Newcastle airport partnership designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, all hedges are classified as cash flow hedges.

The hedge ratio is one, due to the notional value of the hedged item equating to the notional value of the hedging instrument.

### Cash flow hedges

Newcastle airport partnership's interest rate swaps are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss.

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## C1-2 Financial investments & derivatives (continued)

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur anymore.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as above.

### Accounting policy - financial Investments

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

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

### Financial assets

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

### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

### Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

### Fair value through other comprehensive income – equity instruments

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

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

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

### Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

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**C1-2 Financial investments & derivatives (continued)**

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Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.



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

\$ '000	2023	2022
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(a) Externally restricted cash,  
cash equivalents and  
investments

Total cash, cash equivalents and investments	100,598	70,552
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Cash, cash equivalents and investments not subject to external restrictions	54,545	40,653
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External restrictions

External restrictions – included in liabilities

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

Deposits, retentions and bonds	1,429	731
Specific purpose unexpended grants - AASB 1058 (exception & AASB 15)	8,955	9,162
External restrictions – included in liabilities	10,384	9,893

External restrictions – other

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

Developer contributions – general	22,089	13,927
Specific purpose unexpended grants (recognised as revenue) – general fund	1,744	1,000
Domestic waste management	5,905	3,335
Crown reserve	5,931	1,744
External restrictions – other	35,669	20,006
Total external restrictions	46,053	29,899

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

Cash, cash equivalents and investments not subject to external restrictions	54,545	40,653
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Unrestricted and unallocated cash, cash equivalents and investments	–	–
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Internal allocations

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

Asset rehabilitation	2,002	1,704
Commercial properties	19,957	1,986
Federal assistance grant in advance	3,369	5,507
Fleet	2,304	384
Newcastle airport partnership	9,716	13,144
Other waste services reserve	156	250
Parking meters	398	125
Section 355C committees	658	697
IT Reserve	1,500	–
Emergency & Natural Disaster reserve	5,119	7,000
Unexpended loan funds	–	269
Repealed funds	2,455	2,830
Transport and Environment Reserve	587	358

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

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Administration building reserve	550	376
Grants Co-contribution	586	3,000
Ward funds	29	23
Resilience fund	3,000	3,000
Community Halls	69	—
Drainage	490	—
Election	358	—
Employee Leave Entitlements	1,000	—
Sustainable Energy and Water	42	—
Community Loans	200	—
<b>Total internal allocations</b>	<b>54,545</b>	<b>40,653</b>

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

C1-4 Receivables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Rates and annual charges	2,823	–	2,636	–
Interest and extra charges	281	–	267	–
User charges and fees	305	–	647	–
Miscellaneous debtors	1,590	–	782	–
Contributions to works	19	–	31	–
Accrued revenues				
– Interest on investments	1,123	–	181	–
– Other income accruals	1,899	–	3,815	–
Government grants and subsidies	28	–	3	–
Net GST receivable	908	–	571	–
Newcastle airport partnership	2,394	–	2,457	–
Other debtors	–	140	–	153
<b>Total</b>	<b>11,370</b>	<b>140</b>	<b>11,390</b>	<b>153</b>
<b>Less: provision for impairment</b>				
User charges and fees	(3)	–	(3)	–
<b>Total provision for impairment – receivables</b>	<b>(3)</b>	<b>–</b>	<b>(3)</b>	<b>–</b>
<b>Total net receivables</b>	<b>11,367</b>	<b>140</b>	<b>11,387</b>	<b>153</b>

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#### C1-4 Receivables (continued)

\$ '000	2023	2022
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	3	135
+ new provisions recognised during the year	3	(10)
– amounts already provided for and written off this year	(2)	(122)
– amounts written off but not provided for	(1)	–
– amounts provided for but recovered during the year	–	–
<b>Balance at the end of the year</b>	<b>3</b>	<b>3</b>

#### 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.

#### Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information. Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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

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

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

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are deemed uncollectable, whichever occurs first. None of the receivables that have been written off are subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2023	2023	2022	2022
\$ '000	Current	Non-current	Current	Non-current
<b>At cost</b>				
Real estate	46	9,903	42	10,617
Stores and materials	168	—	—	—
<b>Total inventories at cost</b>	<b>214</b>	<b>9,903</b>	<b>42</b>	<b>10,617</b>
<b>Total inventories</b>	<b>214</b>	<b>9,903</b>	<b>42</b>	<b>10,617</b>

	2023	2023	2022	2022
\$ '000	Current	Non-current	Current	Non-current
<b>Real estate development</b>				
Residential	—	2,370	—	2,370
Industrial/commercial	46	7,533	42	8,247
<b>Total real estate held for resale</b>	<b>46</b>	<b>9,903</b>	<b>42</b>	<b>10,617</b>

**Accounting policy**

**Raw materials and stores, work in progress and finished goods**

Raw materials and stores are classified as inventories held for distribution and are stated at cost, adjusted when applicable for any loss of service potential. Work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Land held for resale**

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Contract assets	3,547	–	1,086	–
Total contract assets and contract cost assets	3,547	–	1,086	–

Contract assets

Work relating to infrastructure grants	2,414	–	1,086	–
Work relating to infrastructure grants - Newcastle Airport	1,133	–	–	–
Total contract assets	3,547	–	1,086	–

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

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

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Non-current assets held for sale</b>				
Land	–	–	851	–
<b>Total non-current assets classified as held for sale</b>	<b>–</b>	<b>–</b>	<b>851</b>	<b>–</b>

44B Squire Street, Fingal Bay, valued at its carrying amount, was sold prior to 30 June 2023.

Reconciliation of non-current assets held for sale and disposal groups – i.e. discontinued operations

\$ '000	2023 Assets 'held for sale'	2022 Assets 'held for sale'
<b>Opening balance</b>	<b>851</b>	<b>42</b>
Less: carrying value of assets/operations sold	(1,118)	(42)
Add: costs added in current year	267	–
<b>Balance still unsold after 12 months:</b>	<b>–</b>	<b>–</b>
<b>Plus new transfers in:</b>		
– Assets held for sale	–	851
<b>Closing balance of held for sale non-current assets and operations</b>	<b>–</b>	<b>851</b>

**Accounting policy**

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

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

# C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	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 <sup>1</sup>	Carrying value of disposals	Depreciation expense	Transfers	Tfrs from/(to) C1-10 Intangibles	Tfrs from/(to) real estate assets (Note C1-5)	Reval increments/ (decrement) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	19,116	–	19,116	20,229	(135)	–	(8,184)	–	–	–	31,025	–	31,025
Plant and equipment	27,209	(17,993)	9,216	1,974	(248)	(1,448)	8	–	–	–	27,939	(18,434)	9,505
Office equipment	3,789	(2,985)	804	170	–	(247)	–	–	–	–	3,959	(3,233)	726
Furniture and fittings	1,712	(1,173)	539	–	–	(34)	–	–	–	–	1,712	(1,208)	504
<b>Land:</b>													
– Operational land	74,699	(271)	74,428	2	–	–	–	–	730	1,740	77,170	(271)	76,899
– Community land	48,178	–	48,178	320	–	–	–	–	–	–	48,498	–	48,498
– Crown land	31,337	–	31,337	–	–	–	–	–	–	–	31,337	–	31,337
– Land under roads (post 1/7/08)	2,533	–	2,533	120	–	–	–	–	–	2,157	4,810	–	4,810
– Newcastle airport	22,271	–	22,271	–	–	–	(7,228)	–	–	–	15,043	–	15,043
Land improvements – depreciable	10,719	(2,658)	8,061	20	–	(95)	–	–	–	–	10,739	(2,753)	7,986
<b>Infrastructure:</b>													
– Buildings – specialised	224,570	(105,206)	119,364	2,816	(3,854)	(4,474)	385	–	–	52,660	232,641	(65,743)	166,898
– Other structures	14,618	(6,129)	8,489	89	(136)	(574)	67	–	–	–	14,553	(6,618)	7,935
– Roads	478,525	(60,067)	418,458	12,376	(1,796)	(4,212)	5,676	–	–	5,078	518,131	(82,551)	435,580
– Bridges	17,376	(2,355)	15,021	15	–	(62)	–	–	–	874	18,418	(2,570)	15,848
– Footpaths	77,553	(11,899)	65,654	1,600	(52)	(423)	1,072	–	–	5,927	87,177	(13,400)	73,777
– Car parks	18,415	(2,582)	15,833	–	–	(135)	356	–	–	893	19,860	(2,912)	16,948
– Stormwater drainage	259,855	(30,153)	229,702	3,139	(31)	(802)	430	–	–	14,734	280,431	(33,260)	247,171
– Swimming pools	4,946	(1,263)	3,683	3	–	(111)	–	–	–	–	4,949	(1,374)	3,575
– Other open space	37,585	(15,629)	21,956	2,329	–	(1,755)	190	–	–	–	40,133	(17,412)	22,721
– Other infrastructure	21,929	(7,850)	14,079	72	–	(676)	–	–	–	–	22,001	(8,526)	13,475
<b>Other assets:</b>													
– Heritage collections	237	(82)	155	–	–	(2)	–	–	–	–	237	(84)	153
– Library books	6,191	(4,318)	1,873	254	–	(366)	–	–	–	–	6,446	(4,685)	1,761
– Newcastle airport	60,481	(24,078)	36,403	18,563	(74)	(3,018)	7,228	(245)	–	–	85,068	(26,209)	58,859
<b>Total infrastructure, property, plant and equipment</b>	<b>1,463,844</b>	<b>(296,691)</b>	<b>1,167,153</b>	<b>64,091</b>	<b>(6,326)</b>	<b>(18,434)</b>	<b>–</b>	<b>(245)</b>	<b>730</b>	<b>84,063</b>	<b>1,582,277</b>	<b>(291,243)</b>	<b>1,291,034</b>

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

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

By aggregated asset class	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 <sup>1</sup>	Additions new assets	Carrying value of disposals	Deprecia- tion expense	Impairment reversal (previously in P/L)	Transfers	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation increments / (decrements ) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
\$ '000																
Capital work in progress	14,456	(72)	14,384	1,132	5,933	(638)	–	–	(1,696)	–	–	–	19,116	–	19,116	
Plant and equipment	27,113	(17,665)	9,448	1,506	30	(215)	(1,552)	–	–	–	–	–	27,209	(17,993)	9,216	
Office equipment	3,498	(2,564)	934	215	76	–	(422)	–	–	–	–	–	3,789	(2,985)	804	
Furniture and fittings	1,712	(1,135)	577	–	–	–	(39)	–	–	–	–	–	1,712	(1,173)	539	
Land:																
– Operational land	39,061	(573)	38,488	–	3,126	–	–	302	(680)	(853)	–	34,044	74,699	(271)	74,428	
– Community land	47,353	–	47,353	–	115	–	–	–	680	–	29	–	48,178	–	48,178	
– Crown land	29,223	–	29,223	–	42	(343)	–	–	–	–	–	2,416	31,337	–	31,337	
– Land under roads (post 1/7/08)	2,271	–	2,271	–	262	–	–	–	–	–	–	–	2,533	–	2,533	
Land improvements – depreciable	10,302	(2,554)	7,748	–	113	–	(104)	–	304	–	–	–	10,719	(2,658)	8,061	
– Newcastle airport	10,126	–	10,126	–	–	–	–	–	10,046	–	213	1,885	22,271	–	22,271	
Infrastructure:																
– Buildings – specialised	194,920	(91,270)	103,650	2,383	6,333	–	(4,628)	–	1,072	–	–	10,555	224,570	(105,206)	119,364	
– Other structures	13,888	(5,559)	8,329	695	–	–	(570)	–	35	–	–	–	14,618	(6,129)	8,489	
– Roads	429,541	(53,918)	375,623	11,994	3,855	(1,070)	(2,826)	–	–	–	–	30,880	478,525	(60,067)	418,458	
– Bridges	15,061	(2,078)	12,983	1,089	–	–	(57)	–	–	–	–	1,006	17,376	(2,355)	15,021	
– Footpaths	71,383	(11,089)	60,294	–	4,011	–	(391)	–	–	–	–	1,740	77,553	(11,899)	65,654	
– Stormwater drainage	240,464	(27,634)	212,830	1,266	6,328	–	(753)	–	–	–	–	10,031	259,855	(30,153)	229,702	
– Swimming pools	4,882	(1,152)	3,730	64	–	–	(111)	–	–	–	–	–	4,946	(1,263)	3,683	
– Other open space	35,785	(13,986)	21,799	746	1,007	–	(1,643)	–	48	–	–	–	37,585	(15,629)	21,956	
– Other infrastructure	19,547	(7,200)	12,347	8	2,137	–	(650)	–	237	–	–	–	21,929	(7,850)	14,079	
– Car parks	17,076	(2,312)	14,764	25	–	–	(139)	–	–	–	–	1,182	18,415	(2,582)	15,833	
Other assets:																
– Heritage collections	237	(79)	158	–	–	–	(2)	–	–	–	–	–	237	(82)	155	
– Library books	5,950	(3,979)	1,971	242	–	–	(340)	–	–	–	–	–	6,191	(4,318)	1,873	
– Newcastle airport	63,895	(21,686)	42,209	–	6,929	(26)	(2,662)	–	(10,046)	–	–	–	60,481	(24,078)	36,403	
Total infrastructure, property, plant and equipment	1,297,744	(266,505)	1,031,239	21,365	40,297	(2,292)	(16,889)	302	–	(853)	242	93,739	1,463,844	(296,691)	1,167,153	

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

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

### Accounting policy

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

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

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

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

#### Useful lives of IPPE

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	20
Office furniture	10 to 20	Benches, seats etc.	25
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings	10 to 145
Other plant and equipment	5 to 15		
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads		Drains	80 to 100
- Base	50	Culverts	50 to 80
- Seal	15 to 25	Flood control structures	80 to 100
- Sub-base	100		
Unsealed roads	100	<b>Other infrastructure assets</b>	
Bridge concrete	100	Bulk earthworks	20
Bridge other	60 to 100	Swimming pools	50
Kerb, gutter and footpaths	80	Other open space/recreational assets	20
		Other infrastructure	20

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

#### Revaluation model

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

Increases in the carrying amounts arising on revaluation are credited to the IPPE revaluation 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

#### Land under roads

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

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

**Crown reserves**

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

**Rural Fire Service assets**

Under Section 119 of the *Rural 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.

## C1-9 Investment properties

\$ '000	2023	2022
<b>Owned investment property</b>		
Investment property on hand at fair value	<b>28,000</b>	41,655
<b>Total owned investment property</b>	<b>28,000</b>	41,655
<b>Owned investment property</b>		
<b>At fair value</b>		
Opening balance at 1 July	<b>41,655</b>	42,295
Disposals during year	<b>(14,875)</b>	(2,750)
Net gain/(loss) from fair value adjustments	<b>1,220</b>	2,110
<b>Closing balance at 30 June</b>	<b>28,000</b>	41,655

**Accounting policy**

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

## C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	3,765	3,612
Accumulated amortisation	(3,470)	(3,150)
<b>Net book value – opening balance</b>	<b>295</b>	<b>462</b>
<b>Movements for the year</b>		
Purchases	13	153
Amortisation charges	(107)	(320)
<b>Closing values at 30 June</b>		
Gross book value	3,778	3,765
Accumulated amortisation	(3,577)	(3,470)
<b>Total Intangibles– net book value</b>	<b>201</b>	<b>295</b>
<b>Right to Operate</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,872	1,882
Accumulated amortisation	(412)	(299)
<b>Net book value – opening balance</b>	<b>1,460</b>	<b>1,583</b>
<b>Movements for the year</b>		
Transfers	245	–
Amortisation Charges	(121)	(122)
<b>Closing values at 30 June</b>		
Gross book value	2,117	1,872
Accumulated amortisation	(533)	(412)
<b>Total Right to Operate – net book value</b>	<b>1,584</b>	<b>1,460</b>
<b>Bio Banking Credits</b>		
<b>Opening values at 1 July</b>		
Gross book value	2,243	3,831
<b>Net book value – opening balance</b>	<b>2,243</b>	<b>3,831</b>
<b>Movements for the year</b>		
Disposals	–	(1,588)
<b>Closing values at 30 June</b>		
Gross book value	2,243	2,243
<b>Total BioBanking Credits – net book value</b>	<b>2,243</b>	<b>2,243</b>
<b>Total intangible assets – net book value</b>	<b>4,028</b>	<b>3,998</b>

**Accounting policy**

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## C1-10 Intangible assets (continued)

## IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

## Bio Banking Credits

Bio banking credits are held at fair value. 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. 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.

Bio Banking credits are not depreciated as they are deemed to have indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Council. They will exist in perpetuity.

## Right to Operate

Fit out costs incurred for the international processing area within the terminal required by the Department of Home Affairs for border security activities required for international flights represents NAP's contractual / legal right to operate international airport services, and is recognised at cost as an intangible asset.

## C1-11 Other

## Other assets

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Prepayments	1,237	–	1,238	–
Prepayments - Newcastle airport partnership	344	33	233	17
Total other assets	1,581	33	1,471	17

## C2 Leasing activities

### C2-1 Council as a lessee

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

#### Terms and conditions of leases:

##### Plant and equipment

Council leases vehicles and equipment with lease terms varying from 5 to 10 years and include a renewal option to allow Council to renew for another year at their discretion. The lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

##### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 3 years with a renewal option of another 3 years, the payments are fixed, however some of the leases include variable payments based on usage.

##### Other assets - Other

Council leases car parks with lease term of 3 years and include an option to allow Council to renew for another two years at their discretion. The lease contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

##### Land

Council leases land for their holiday park, with a lease term of 40 years and no renewal option. The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Newcastle Airport leases land with a lease term of 81 years and includes 3 renewal options to allow the Airport to renew for another 30 years at their discretion. There are fixed lease payments as well as variable lease payments, the fixed payments increase by CPI at each anniversary of the lease inception and the variable payment is based on a percentage of revenue.

##### Extension options

Council includes options in some of the leases to provide flexibility and certainty to operations and reduce costs of moving premises; and the extension options are at Council's discretion.

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

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C2-1 Council as a lessee (continued)

(a) Right of use assets

\$ '000	Plant & Equipment	Newcastle Airport	Office equipment	Other assets - Other	Land - Operational Land	Total
<b>2023</b>						
Opening balance at 1 July	2,111	333	103	131	382	3,060
Additions to right-of-use assets	–	–	425	443	–	868
Adjustments to right-of-use assets due to re-measurement of lease liability	–	18	3	(4)	54	71
Depreciation charge	(528)	(4)	(187)	(117)	(65)	(901)
<b>Balance at 30 June</b>	<b>1,583</b>	<b>347</b>	<b>345</b>	<b>453</b>	<b>371</b>	<b>3,099</b>
<b>2022</b>						
Opening balance at 1 July	2,639	334	282	215	384	3,854
Adjustments to right-of-use assets due to re-measurement of lease liability	–	6	–	20	54	80
Depreciation charge	(528)	(8)	(179)	(103)	(57)	(875)
<b>Balance at 30 June</b>	<b>2,111</b>	<b>333</b>	<b>103</b>	<b>131</b>	<b>382</b>	<b>3,060</b>

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	915	2,078	752	2,194
Lease liabilities - Newcastle Airport	1	368	1	350
<b>Total lease liabilities</b>	<b>916</b>	<b>2,446</b>	<b>753</b>	<b>2,544</b>

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows and therefore the amounts will not be the same as the recognised lease liability in the statement of Financial Position:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
<b>2023</b>					
Cash flows	1,012	2,140	1,276	4,428	3,362
<b>2022</b>					
Cash flows	851	2,241	1,286	4,378	3,297

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**C2-1 Council as a lessee (continued)**

**(d) Income Statement**

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

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
Interest on lease liabilities	<b>112</b>	125
Variable lease payments based on usage not included in the measurement of lease liabilities	<b>6,138</b>	5,152
Depreciation of right of use assets	<b>902</b>	871
Expenses relating to short-term leases	<b>14</b>	55
Expenses relating to low-value leases	<b>19</b>	20
Expenses relating to peppercorn leases	<b>1</b>	1
	<b>7,187</b>	6,225

**(e) Statement of Cash Flows**

Total cash outflow for leases	<b>7,158</b>	6,183
	<b>7,158</b>	6,183

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

Council has a lease at significantly below market for land and buildings which is used to provide emergency facilities.

The lease is for 5 years that require payment of \$1,000 per year and include a renewal option to allow Council to renew for up to twice the non-cancellable lease term at their discretion. The lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that the lease in place is material from a statement of financial position or performance perspective.

**Accounting policy**

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use 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).

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## C2-1 Council as a lessee (continued)

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

### **Exceptions to lease accounting**

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

### **Leases at significantly below market value / concessionary leases**

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

## C2-2 Council as a lessor

### **Operating leases**

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
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#### **(i) Assets held as investment property**

Investment property operating leases relate to the assets held predominately for rental purposes.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	2,331	2,747
Lease income relating to variable lease payments not dependent on an index or a rate	264	199
<b>Total income relating to operating leases for investment property assets</b>	<b>2,595</b>	<b>2,946</b>

#### **Operating lease expenses**

Direct operating expenses that generated rental income	435	578
<b>Total expenses relating to operating leases</b>	<b>435</b>	<b>578</b>

#### **Repairs and maintenance: investment property**

Contractual obligations for future repairs and maintenance	81	73
<b>Total repairs and maintenance: investment property</b>	<b>81</b>	<b>73</b>

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C2-2 Council as a lessor (continued)

\$ '000	2023	2022
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(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of service delivery objectives, the table below relates to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)

	354	184
<b>Total income relating to operating leases for Council assets</b>	<b>354</b>	<b>184</b>

Amount of IPPE leased out by Council under operating leases

Buildings	10,508	6,931
Furniture and Fittings	30	41
Land - Council Land	6,835	3,479
Open Space Other	156	171
Other Assets - Carparks	184	184
Other Structures	396	29
<b>Total amount of IPPE leased out by Council under operating leases</b>	<b>18,109</b>	<b>10,835</b>

(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	1,993	2,841
1-2 years	831	1,787
2-3 years	547	398
3-4 years	465	203
4-5 years	440	192
> 5 years	2,056	889
<b>Total undiscounted lease payments to be received</b>	<b>6,332</b>	<b>6,310</b>

Accounting policy

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

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

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

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

### C3 Liabilities of Council

#### C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Goods and services	5,527	–	4,287	–
Goods and Services - Newcastle Airport Partnership	5,230	2,461	6,606	165
Accrued expenses:				
– Other expenditure accruals	5,257	–	5,254	–
Security bonds, deposits and retentions	1,429	–	731	–
Unclaimed monies	2	–	2	–
Rates in advance	1,860	–	1,658	–
Government departments and agencies	119	–	575	–
Other	6	–	17	–
<b>Total payables</b>	<b>19,430</b>	<b>2,461</b>	<b>19,130</b>	<b>165</b>

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	396	396
<b>Total payables</b>	<b>396</b>	<b>396</b>

#### Accounting policy

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

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

#### Payables

These amounts represent liabilities for goods and services provided to the 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
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	7,859	–	8,658	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,129	–	504	–
<b>Total grants received in advance</b>		<b>8,988</b>	<b>–</b>	<b>9,162</b>	<b>–</b>
<b>User fees and charges received in advance:</b>					
Fees - Holiday Park Deposits	(iii)	1,948	–	1,969	–
Fees - Newcastle Airport	(iii)	522	–	231	–
Fees - Children's Services		–	–	120	–
<b>Total user fees and charges received in advance</b>		<b>2,470</b>	<b>–</b>	<b>2,320</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>11,458</b>	<b>–</b>	<b>11,482</b>	<b>–</b>

#### Notes

(i) Council has received funding to construct assets including transport infrastructure, recreation and cultural facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants, mostly environmental protection and child care that were received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Fees paid in advance do not meet the definition of a performance obligation and therefore the funds received in advance for holiday park fees and Newcastle airport fees are recorded as a contract liability on receipt and recognised as revenue once the service has been fully delivered.

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

\$ '000	2023	2022
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	4,154	3,494
Operating grants (received prior to performance obligation being satisfied)	439	131
<b>User fees and charges received in advance:</b>		
Fees - Holiday Park Deposits	1,969	1,337
Fees - Newcastle Airport	231	223
Fees - Children's Services	41	–
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>6,834</b>	<b>5,185</b>

#### Accounting policy

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

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**C3-2 Contract Liabilities (continued)**

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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 a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Prior to financial year 2020, revenue was recognised on receipt of the funds.

### C3-3 Borrowings

	2023	2023	2022	2022
\$ '000	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	3,385	13,608	2,897	12,115
Loans – Newcastle airport partnership	–	34,500	–	24,400
<b>Total borrowings</b>	<b>3,385</b>	<b>48,108</b>	<b>2,897</b>	<b>36,515</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E.

#### (a) Changes in liabilities arising from financing activities

	2022	Non-cash movements					2023
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	15,012	1,981	–	–	–	–	16,993
Lease liability (Note C2-1b)	3,297	65	–	–	–	–	3,362
Loans – Newcastle airport	24,400	10,100	–	–	–	–	34,500
<b>Total liabilities from financing activities</b>	<b>42,709</b>	<b>12,146</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>54,855</b>

	2021	Non-cash movements					2022
\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	17,710	(2,698)	–	–	–	–	15,012
Lease liability (Note C2-1b)	4,040	(743)	–	–	–	–	3,297
Loans – Newcastle airport	14,850	9,550	–	–	–	–	24,400
<b>Total liabilities from financing activities</b>	<b>36,600</b>	<b>6,109</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>42,709</b>

#### (b) Financing arrangements

	2023	2022
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	2,500	2,500
Credit cards/purchase cards	1,000	1,000
Bank loan facilities - Port Stephens Council	–	–
Bank loan facilities - Newcastle Airport	117,500	50,000
<b>Total financing arrangements</b>	<b>121,000</b>	<b>53,500</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	3	5
– Bank loan facilities - Newcastle Airport	34,500	24,400
<b>Total drawn financing arrangements</b>	<b>34,503</b>	<b>24,405</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	2,500	2,500
– Credit cards/purchase cards	997	995
– Bank loan facilities - Port Stephens Council	–	–
– Bank loan facilities - Newcastle Airport	83,000	25,600
<b>Total undrawn financing arrangements</b>	<b>86,497</b>	<b>29,095</b>

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**C3-3 Borrowings (continued)****Additional financing arrangements information****Breaches and defaults**

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

**Security over loans**

Loans are secured over the general rating income of Council. Lease liabilities are secured by the underlying leased assets.

<sup>(1)</sup> The bank overdraft facility may be drawn at any time and may be terminated by the bank if any events of default specified in the contract occur.

**Accounting policy**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



### C3-4 Employee benefit provisions

	2023	2023	2022	2022
\$ '000	Current	Non-current	Current	Non-current
Annual leave	4,516	–	4,477	–
Sick leave	2,153	–	2,177	–
Long service leave	8,432	894	7,757	893
Flexi time / RDO leave	483	–	326	–
Total employee benefit provisions	15,584	894	14,737	893

#### 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	8,859	8,913
	8,859	8,913

#### Accounting policy

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

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods. These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### **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.

#### **Hedging reserve**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

## D Council structure

### D1 Results by fund

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Council utilises only a general fund for its operations.

## D2 Interests in other entities

## D2-1 Interests in joint arrangements

## (i) Joint operations

## (a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2023	2022	2023	2022
Newcastle Airport Partnership and Newcastle Airport Pty Ltd	Airport Operation	Williamstown	50%	50%	50%	50%
Greater Newcastle Aerotropolis Partnership & Greater Newcastle Aerotropolis Pty Ltd	Airport Operation	Williamstown	50%	50%	50%	50%

## Council assets employed in the joint operations

\$ '000	2023	2022
<b>Council's share of assets jointly owned with other partners</b>		
Current assets	12,591	15,834
Current liabilities	(6,519)	(7,321)
Non current assets	76,864	60,491
Non-current liabilities	(37,394)	(24,951)
<b>Total net assets employed – Council's share</b>	<b>45,542</b>	<b>44,053</b>

## Accounting policy for joint arrangements:

AASB 11 Joint Arrangements defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

The council has determined that it has joint operations.

## Joint operations:

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

The risks associated with the financial instruments held are:

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

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

#### (a) Market risk – interest rate and price risk

\$ '000	2023	2022
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The impact on the result for the year of a reasonably possible movement in interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

Newcastle airport partnership's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact Newcastle airport partnership's cash flows.

Newcastle airport partnership uses interest rate swap contracts to mitigate interest rate risk. Newcastle airport partnership's policy is to maintain hedging arrangements in accordance with the bands below:

Year 1-3 50%-100%  
Year 4-7 25%-75%

By entering into interest rate swap (IRS) contracts, Newcastle airport partnership agrees to exchange the net difference between fixed and floating interest rate amounts (based on Australian BBSY) calculated by reference to agreed notional principal amounts.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at the reporting date and credit risk inherent in the contract.

Impact of a 1% movement in interest rates		
– Equity / Income Statement	706	283
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	899

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

### (b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to the financial services section manager on a monthly basis and monitoring of acceptable collection performance is carried out.

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

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

#### Credit risk profile

##### Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
<b>2023</b>				
Gross carrying amount	–	2,701	122	2,823
<b>2022</b>				
Gross carrying amount	–	2,535	101	2,636

##### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days	Overdue debts 31 - 60 days	61 - 90 days	> 91 days	Total
<b>2023</b>						
Gross carrying amount	10,251	130	1,347	37	469	12,234
Expected loss rate (%)	0.01%	0.05%	0.30%	0.26%	0.63%	0.07%
ECL provision	1	–	4	–	3	8
<b>2022</b>						
Gross carrying amount	8,804	403	120	74	592	9,993
Expected loss rate (%)	0.34%	0.89%	5.33%	11.51%	13.83%	1.30%
ECL provision	30	4	6	9	82	131

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

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (i.e. principal and interest) and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2023</b>							
Payables	0.00%	1,429	17,960	2,461	–	21,850	21,891
Borrowings	5.20%	–	3,963	48,899	3,270	56,132	51,493
Lease liabilities	0.00%	–	1,012	2,140	1,276	4,428	3,362
Interest rate swaps	3.52%	–	(300)	(750)	(50)	(1,100)	(1,000)
<b>Total financial liabilities</b>		<b>1,429</b>	<b>22,635</b>	<b>52,750</b>	<b>4,496</b>	<b>81,310</b>	<b>75,746</b>
<b>2022</b>							
Payables	0.00%	733	18,408	165	–	19,306	19,295
Borrowings	2.73%	–	3,323	34,821	4,106	42,250	39,412
Lease liabilities	0.00%	–	851	2,241	1,286	4,378	3,297
Interest rate swaps	0.00%	–	–	–	–	–	–
<b>Total financial liabilities</b>		<b>733</b>	<b>22,582</b>	<b>37,227</b>	<b>5,392</b>	<b>65,934</b>	<b>62,004</b>

## E2-1 Fair value measurement

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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).

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## E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022
<b>Recurring fair value measurements</b>							
<b>Investment property</b>	C1-9						
Investment properties held		28,000	41,655	–	–	28,000	41,655
<b>Total investment property</b>		28,000	41,655	–	–	28,000	41,655
<b>Infrastructure, property, plant and equipment</b>							
	C1-8						
Plant and equipment		–	–	9,505	9,216	9,505	9,216
Office equipment		–	–	726	804	726	804
Furniture and fittings		–	–	504	539	504	539
Land		91,942	96,699	84,645	82,048	176,587	178,747
Land Improvements		–	–	7,986	8,061	7,986	8,061
Buildings – specialised		–	–	166,898	119,364	166,898	119,364
Other Structures		–	–	7,935	8,489	7,935	8,489
Infrastructure		–	–	829,095	784,386	829,095	784,386
Other Assets		–	–	60,773	38,431	60,773	38,431
<b>Total infrastructure, property, plant and equipment</b>		91,942	96,699	1,168,067	1,051,338	1,260,009	1,148,037
<b>Non-current assets classified as held for sale</b>							
	C1-7						
Land		–	851	–	–	–	851
<b>Total NCA's classified as held for sale</b>		–	851	–	–	–	851

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## **E2-1 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.

Council's policy for determining transfers between fair value hierarchies is:  
- at the date of the event or change in circumstances that caused the transfer.

### **Valuation techniques**

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

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

#### **Investment property**

Council obtains valuations of its investment properties every year or when there are indicators of a change in the carrying value of the asset.

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary:

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs namely Level 2 inputs (based on per square metres). The income approach is used to value the investment properties and has not changed from prior years.

#### **Infrastructure, property, plant and equipment (IPPE)**

##### **Plant & Equipment, Office Equipment, Furniture & Fittings**

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

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

##### **Land**

The main components of Land include Community Land, Operational Land & Land Under Roads.

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

1. The land's description and/or dimensions;
2. Planning and other constraints on development; and
3. The potential for alternative use.

Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 2 valuation inputs. There has been no change to the valuation techniques during the reporting period.

Land Under Roads was valued in accordance with the Australian Accounting Standard AASB 116 Property, Plant and Equipment, and the Code of Accounting Practice and Financial Reporting.

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## E2-1 Fair value measurement (continued)

Values were determined using valuation of Council's total Land under Roads at the average rate unit of land and applying discounting factors which reflects the restrictions placed on land under roads. This asset class is classified as Level 3 asset as significant inputs used in this methodology are unobservable.

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

### **Buildings - Specialised & Other Structures**

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation.

### **Infrastructure**

The main components of infrastructure include Roads, Bridges, Footpaths, Stormwater Drainage, Recreational and open areas.

Roads bridges and footpaths are valued using the cost replacement approach. Valuations for these asset classes were undertaken in-house based on actual costs and assumptions from Council's Engineering Department.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. There has been no change to the valuation process during the reporting period.

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Councils recreational areas and swimming pools have been valued in house by experienced engineering and asset management staff using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

### **Other Assets**

Other Assets include Other assets in this class includes heritage collections library books, carpark and joint venture operations.

All other asset classes have also been recorded at replacement cost.

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Therefore, Level 3 is best suited.

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

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## E2-1 Fair value measurement (continued)

## Fair value measurements using significant unobservable inputs (level 3)

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

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

\$ '000	Fair value (30/6/23) 2023	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant & Office Equipment	10,231	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Furniture & Fittings	504	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Land & Land Improvements	92,631	Community Land - land values obtained from the NSW Valuer-General. Crown Land - land values based on the NSW Valuer-General where applicable, otherwise compared to similar properties. Any restrictions on land such as zoning, has been taken into consideration.	Land value, land area
Buildings - Specialised	166,898	Cost approach	Unit price
Other Structures	7,935	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Infrastructure	829,095	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Other Assets	60,773	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value

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E2-1 Fair value measurement (continued)

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

\$ '000	Plant and office equipment		Furniture and fittings		Land and land improvements		Buildings	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Opening balance</b>	<b>10,021</b>	10,382	<b>539</b>	577	<b>90,109</b>	86,595	<b>119,365</b>	103,650
Transfers from/(to) another asset class	8	–	–	–	–	826	385	1,072
Purchases	2,144	1,827	–	–	460	689	2,816	8,716
Disposals	(248)	(215)	–	–	–	(343)	(3,854)	–
Depreciation and impairment	(1,694)	(1,973)	(35)	(38)	(95)	(104)	(4,474)	(4,628)
Revaluation increments/decrements	–	–	–	–	2,157	2,417	52,660	10,555
Transfers from/(to) Note C1-9	–	–	–	–	–	29	–	–
<b>Closing balance</b>	<b>10,231</b>	10,021	<b>504</b>	539	<b>92,631</b>	90,109	<b>166,898</b>	119,365

  

\$ '000	Other structures		Infrastructure		Other assets		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Opening balance</b>	<b>8,489</b>	8,329	<b>784,388</b>	714,370	<b>38,433</b>	44,338	<b>1,051,344</b>	<b>968,241</b>
Transfers from/(to) another asset class	67	35	7,724	285	7,228	(10,046)	15,412	(7,828)
Purchases	89	695	19,534	32,530	18,817	7,171	43,860	51,628
Disposals	(136)	–	(1,879)	(1,070)	(74)	(26)	(6,191)	(1,654)
Depreciation and impairment	(574)	(570)	(8,178)	(6,570)	(3,386)	(3,004)	(18,436)	(16,887)
Revaluation increments/decrements	–	–	27,506	44,843	–	–	82,323	57,815
Transfers from/(to) Note C1-9	–	–	–	–	(245)	–	(245)	29
<b>Closing balance</b>	<b>7,935</b>	8,489	<b>829,095</b>	784,388	<b>60,773</b>	38,433	<b>1,168,067</b>	<b>1,051,344</b>

Highest and best use

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

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

\* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

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### E3-1 Contingencies (continued)

members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2023 was \$300,079.91. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$272,119.44.

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

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

\* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 0.82%.

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 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

\* Plus promotional increases

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

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

#### (ii) Statewide Limited

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

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

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

#### (iii) StateCover Limited

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

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**E3-1 Contingencies (continued)**

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

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

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

**(iv) Other guarantees**

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

**2. Other liabilities****(i) Third party claims**

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

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.

**(iii) Legal Matters**

Council is dealing with general matters as part of normal operations. No specific disclosure is made as these matters do not represent a significant and probable outflow of resources other than those already provided for.

**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.

## F People and relationships

## F1 Related party disclosures

## F1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
<b>Compensation:</b>		
Short-term benefits	3,906	4,032
Post-employment benefits	363	360
Termination benefits	221	279
<b>Total</b>	<b>4,490</b>	<b>4,671</b>

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F1-1 Key management personnel (KMP) (continued)

Other transactions with KMP and their related parties

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

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
<b>2023</b>						
Director remuneration	1	93	—		—	—
Director remuneration	2	40	—		—	—
Payment of contributions, annual membership and advertising	3	453	—		—	—
Legal services	4	212	—		—	—
Tourism services and annual subscription	5	93	—		—	—
Development fees & contributions	6	133	—		—	—
Development fees & contributions	7	862	—		—	—
Operating subsidy	9	212	—		—	—
<b>2022</b>						
Director remuneration	1	69	—		—	—
Director remuneration	2	30	—		—	—
Payment of contributions, annual membership and advertising	3	441	—		—	—
Legal services	4	276	—		—	—
Tourism services and annual subscription	5	124	—		—	—
Sub lease of Council buildings	8	68	—		—	—
Operating subsidy	9	130	—		—	—

1 Members of Council's KMP is remunerated for the provision of board member services by Newcastle Airport Pty Ltd which Port Stephens Council has a 50% shareholding in.

2 Members of Council's KMP is remunerated for the provision of board member services by Greater Newcastle Aerotropolis Pty Ltd which Port Stephens Council has a 50% shareholding in.

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**F1-1 Key management personnel (KMP) (continued)**

- 3 A member of Council's KMP is a board member of Destination Port Stephens (a non profit organisation) which receives an annual contribution from Council towards generating economic activity within the LGA, payments were also made for annual membership and advertising services. The KMP member is not remunerated by Destination Port Stephens for their Directorship.
- 4 Port Stephens Council paid for legal services from Local Government Legal (a division of Arrow Collaborative Services Ltd) which is a joint operation between 11 Hunter Councils. A member of Council's KMP is a Director of Arrow Collaborative Services Ltd and is not remunerated for their Directorship.
- 5 Port Stephens Council paid for tourism promotion services from Screen Hunter (a division of Arrow Collaborative Services Ltd) which is a joint operation between 11 Hunter Councils and an annual subscription to core funding. A member of Council's KMP is a Director of Arrow Collaborative Services Ltd and is not remunerated for their Directorship.
- 6 Port Stephens Council received development fees and contributions from Newcastle Airport Pty Limited in relation to the terminal expansion. Council has members of its KMP which are directors of Newcastle Airport Pty Limited. The amounts received were under normal terms and conditions.
- 7 Port Stephens Council received development fees and contributions from Greater Newcastle Aerotropolis Pty Limited in relation to Aero Astra lab expansion. Council has members of its KMP which are directors of Greater Newcastle Aerotropolis Pty Limited. The amounts received were under normal terms and conditions.
- 8 Crest Birubi Beach Pty Ltd (a company which has a former member of Council's KMP as a director) have a sublease with Birubi Point Surf Lifesaving Club in relation to a Council owned building. The rent is based on current market rates and subject to periodic review.
- 9 Port Stephens Council paid a contribution towards the operating costs of Port Stephens Koala and Wildlife Preservation Society Limited which has 2 members of Council's KMP as a director.

## F1-2 Councillor and Mayoral fees and associated expenses

<b>\$ '000</b>	<b>2023</b>	<b>2022</b>
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The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	<b>85</b>	86
Councillors' fees	<b>255</b>	211
Other Councillors' expenses (including Mayor)	<b>46</b>	71
<b>Total</b>	<b>386</b>	368

**F1-3 Other related parties**

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Port Stephens Council is a 50% shareholder in the joint operation of Newcastle Airport Pty Ltd for which it receives an annual dividend from. No dividend was received for the year ended 30 June 2023.

## F2 Other relationships

## F2-1 Audit fees

\$ '000	2023	2022
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	101	91
<b>Remuneration for audit and other assurance services</b>	<b>101</b>	<b>91</b>
<b>Total Auditor-General remuneration</b>	<b>101</b>	<b>91</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>(i) Audit and other assurance services</b>		
Internal audit services - PKF Lawler	72	60
Internal audit services and consulting - Newcastle airport partnership	76	24
Audit and review of financial statements - Newcastle airport partnership	47	54
<b>Remuneration for audit and other assurance services</b>	<b>195</b>	<b>138</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>195</b>	<b>138</b>
<b>Total audit fees</b>	<b>296</b>	<b>229</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>40,877</b>	<b>41,782</b>
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	19,564	18,203
(Gain) / loss on disposal of assets	1,715	(2,528)
Non-cash capital grants and contributions	(7,134)	(13,410)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	—	(302)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(1,220)	(2,110)
Share of net (profits)/losses of associates/joint ventures using the equity method	—	431
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	33	(1,575)
Increase / (decrease) in provision for impairment of receivables	—	(132)
(Increase) / decrease of inventories	(168)	—
(Increase) / decrease of other current assets	(126)	(408)
(Increase) / decrease of contract asset	(2,461)	(509)
Increase / (decrease) in payables	1,240	(1,738)
Increase / (decrease) in other accrued expenses payable	3	1,675
Increase / (decrease) in other liabilities	1,353	1,148
Increase / (decrease) in contract liabilities	(24)	5,143
Increase / (decrease) in employee benefit provision	848	(1,083)
Increase / (decrease) in other provisions	—	(331)
<b>Net cash flows from operating activities</b>	<b>54,500</b>	<b>44,256</b>

#### (b) Non-cash investing and financing activities

Dedicated subdivisions	7,134	12,562
RFS assets	—	847
<b>Total non-cash investing and financing activities</b>	<b>7,134</b>	<b>13,409</b>

#### (c) Net cash flows attributable to discontinued operations

There are no cash flows that relate to discontinued operations

## G2-1 Commitments

## Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Road and Civil Infrastructure	3,333	2,529
Buildings	2,261	9,132
Plant and equipment	3,322	1,644
Newcastle airport	41,877	135,450
Open Space Infrastructure	472	–
Other	87	89
<b>Total commitments</b>	<b>51,352</b>	<b>148,844</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	33,809	69,394
Later than one year and not later than 5 years	17,543	79,450
<b>Total payable</b>	<b>51,352</b>	<b>148,844</b>

**Details of capital commitments**

The majority of Councils capital commitments relate to Newcastle Airport upgrades, the acquisition of new fleet and town centre upgrades.

## G3-1 Events occurring after the reporting date

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

#### G4 Changes from prior year statements

##### G4-1 Changes in accounting policy

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###### Voluntary changes in accounting policies

There were no changes in accounting policies for the year ended 30 June 2023.

##### G4-2 Correction of errors

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There were no corrections of errors for the year ended 30 June 2023.

##### G4-3 Changes in accounting estimates

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###### Changes in accounting estimates

There were no changes in accounting estimates for the year ended 30 June 2023.



## G5 Statement of developer contributions as at 30 June 2023

### G5-1 Summary of developer contributions <sup>1, 2</sup>

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Civic Administration	159	316	–	7	5	(309)	–	171	–
Civic Administration - Works									
Depot	42	265	–	4	1	(223)	–	85	–
Town Centre Upgrades	583	398	–	–	17	(224)	–	774	–
Public Open Space, Parks and Reserves	901	1,119	–	23	27	(126)	(111)	1,810	209
Sports and Leisure Facilities	5,554	2,706	–	62	165	(403)	111	8,133	(209)
Community and Cultural Facilities	1,342	952	–	22	41	(189)	–	2,146	–
Road Works	1,331	894	–	15	39	(101)	–	2,163	–
Medowie, Traffic and Transport	901	554	–	–	27	(10)	21	1,493	(15)
Shared Paths	203	271	–	–	6	(101)	(21)	358	15
Bus Facilities	19	5	–	–	1	–	–	25	–
Fire and Emergency	101	48	–	–	3	–	–	152	–
Flood and Drainage Works	409	223	–	2	12	(42)	–	602	–
Haulage	2,269	1,088	–	–	68	(761)	–	2,664	–
Kings Hill Urban Release Area	31	37	–	–	–	–	–	68	–
<b>S7.11 contributions – under a plan</b>	13,845	8,876	–	135	412	(2,489)	–	20,644	–
<b>S7.12 levies – under a plan</b>	82	2,076	–	–	2	(715)	–	1,445	–
<b>Total S7.11 and S7.12 revenue under plans</b>	13,927	10,952	–	135	414	(3,204)	–	22,089	–
<b>Total contributions</b>	13,927	10,952	–	135	414	(3,204)	–	22,089	–

(1) Interest is earned according to the opening balance for the year

(2) Total internally levied contributions included in 'Cash' contributions is \$567,862

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.

## G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
CATCHMENT DISTRICT – RAYMOND TERRACE - RURAL									
Town Centre Upgrades	161	64	–	–	5	(60)	–	170	–
Public Open Space, Parks and Reserves	445	80	–	–	13	(4)	–	534	–
Sports and Leisure Facilities	1,403	266	–	–	42	(113)	–	1,598	–
Community and Cultural Facilities	195	13	–	–	6	(63)	–	151	–
Road Works	202	130	–	–	6	–	–	338	–
Shared Paths	69	74	–	–	2	(101)	–	44	–
Bus Facilities	–	–	–	–	–	–	–	–	–
Fire and Emergency	44	6	–	–	1	–	–	51	–
Flood and Drainage Works	27	13	–	–	1	–	–	41	–
Kings Hill Urban Release Area	13	14	–	–	–	–	–	27	–
Total	2,559	660	–	–	76	(341)	–	2,954	–
CATCHMENT DISTRICT – CENTRAL GROWTH CORRIDOR									
Town Centre Upgrades	200	140	–	–	6	(60)	–	286	–
Public Open Space, Parks and Reserves	1	579	–	23	–	(37)	(111)	432	209
Sports and Leisure Facilities	2,759	1,411	–	62	82	(113)	111	4,250	(209)
Community and Cultural Facilities	626	497	–	22	19	(63)	–	1,079	–
Road Works	741	393	–	15	22	(101)	–	1,055	–
Medowie, Traffic and Transport	901	554	–	–	27	(10)	21	1,493	(15)
Shared Paths	–	21	–	–	–	–	(21)	–	15
Bus Facilities	2	1	–	–	–	–	–	3	–
Flood and Drainage Works	215	115	–	2	6	–	–	336	–
Kings Hill Urban Release Area	9	11	–	–	–	–	–	20	–
Total	5,454	3,722	–	124	162	(384)	–	8,954	–
CATCHMENT DISTRICT – TOMAREE									
Town Centre Upgrades	180	185	–	–	5	(60)	–	310	–
Public Open Space, Parks and Reserves	395	459	–	–	12	(81)	–	785	–
Sports and Leisure Facilities	1,188	1,025	–	–	35	(113)	–	2,135	–

continued on next page ...

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G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Community and Cultural Facilities	521	441	-	-	16	(63)	-	915	-
Road Works	378	363	-	-	11	-	-	752	-
Shared Paths	58	168	-	-	2	-	-	228	-
Bus Facilities	-	1	-	-	-	-	-	1	-
Fire and Emergency	57	42	-	-	2	-	-	101	-
Flood and Drainage Works	167	95	-	-	5	(42)	-	225	-
Kings Hill Urban Release Area	8	11	-	-	-	-	-	19	-
<b>Total</b>	<b>2,952</b>	<b>2,790</b>	<b>-</b>	<b>-</b>	<b>88</b>	<b>(359)</b>	<b>-</b>	<b>5,471</b>	<b>-</b>
<b>CATCHMENT DISTRICT – FERN BAY</b>									
Town Centre Upgrades	42	9	-	-	1	(44)	-	8	-
Public Open Space, Parks and Reserves	60	1	-	-	2	(4)	-	59	-
Sports and Leisure Facilities	204	4	-	-	6	(64)	-	150	-
Community and Cultural Facilities	-	1	-	-	-	-	-	1	-
Shared Paths	76	8	-	-	2	-	-	86	-
Road Works	10	8	-	-	-	-	-	18	-
Bus Facilities	17	3	-	-	1	-	-	21	-
Kings Hill Urban Release Area	1	1	-	-	-	-	-	2	-
<b>Total</b>	<b>410</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>(112)</b>	<b>-</b>	<b>345</b>	<b>-</b>
<b>CATCHMENT DISTRICT – SHIRE WIDE</b>									
Haulage	2,269	1,088	-	-	68	(761)	-	2,664	-
Civic Administration	159	316	-	7	5	(309)	-	171	-
Civic Administration - Works Depot	42	265	-	4	1	(223)	-	85	-
<b>Total</b>	<b>2,470</b>	<b>1,669</b>	<b>-</b>	<b>11</b>	<b>74</b>	<b>(1,293)</b>	<b>-</b>	<b>2,920</b>	<b>-</b>

S7.12 Levies – under a plan

S7.12 LEVIES – UNDER A PLAN

Section 7.12	82	2,076	-	-	2	(715)	-	1,445	-
<b>Total</b>	<b>82</b>	<b>2,076</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(715)</b>	<b>-</b>	<b>1,445</b>	<b>-</b>

## G6 Statement of performance measures

### G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>9,041</b>	<b>5.84%</b>	3.21%	(0.22)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>154,868</b>				
<b>2. Own source operating revenue ratio <sup>3</sup></b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>134,207</b>	<b>71.69%</b>	69.72%	71.63%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>187,210</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>71,254</b>				
Current liabilities less specific purpose liabilities	<b>31,957</b>	<b>2.23x</b>	2.60x	2.08x	> 1.50x
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>30,929</b>	<b>4.97x</b>	5.36x	3.83x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,219</b>				
<b>5. Rates and annual charges outstanding percentage <sup>3</sup></b>					
Rates and annual charges outstanding	<b>1,244</b>	<b>1.72%</b>	1.77%	3.29%	< 10.00%
Rates and annual charges collectable	<b>72,245</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>99,602</b>	<b>8.77</b>	6.79	5.01	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>11,355</b>	<b>months</b>	months	months	months
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies					
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method					
(3) Reclassification has occurred on comparative figures for this line item					

End of the audited financial statements

## **H Additional Council disclosures (unaudited)**

### **H1-1 Council information and contact details**

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**Principal place of business:**

116 Adelaide Street  
Raymond Terrace NSW 2324

**Contact details****Mailing Address:**

PO Box 42  
Raymond Terrace NSW 2324

**Telephone:** 02 4988 0255

**Facsimile:** 02 4988 0130

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Internet:** [www.portstephens.nsw.gov.au](http://www.portstephens.nsw.gov.au)

**Email:** [council@portstephens.nsw.gov.au](mailto:council@portstephens.nsw.gov.au)

**Officers****General Manager**

Tim Crosdale

**Responsible Accounting Officer (Acting)**

Glen Peterkin

**Public Officer**

Tony Wickham

**Auditors**

The Audit Office of New South Wales  
Level 19, Tower 2 Darling Park, 201 Sussex St,  
Sydney NSW 2000

**Elected members****Mayor**

Ryan Palmer

**Councillors**

Cr Leah Anderson  
Cr Glen Dunkley  
Cr Matthew Bailey  
Cr Chris Doohan  
Cr Steve Tucker  
Cr Jason Wells  
Cr Peter Kafer  
Cr Peter Francis  
Cr Giacomo Arnott

**Other information**

**ABN:** 16 744 377 876

Port Stephens Council

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports:

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On the Financial Statements (Sect 417 [2])

**Independent Auditor's Report**

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

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Port Stephens Council

General Purpose Financial Statements  
for the year ended 30 June 2023

Independent Auditor's Reports: (continued)

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On the Financial Statements (Sect 417 [3])

**Independent Auditor's Report**

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

# Port Stephens Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	46,296	47,913
Plus or minus adjustments <sup>2</sup>	b	452	403
<b>Notional general income</b>	c = a + b	<b>46,748</b>	<b>48,316</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>3</sup>	d	0.00%	9.50%
Or rate peg percentage	e	2.50%	0.00%
Plus special variation amount	h = d x (c + g)	—	4,590
Or plus rate peg amount	i = e x (c + g)	1,169	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>47,917</b>	<b>52,906</b>
Plus (or minus) last year's carry forward total	l	56	60
<b>Sub-total</b>	n = (l + m)	<b>56</b>	<b>60</b>
<b>Total permissible income</b>	o = k + n	<b>47,973</b>	<b>52,966</b>
Less notional general income yield	p	47,913	52,917
<b>Catch-up or (excess) result</b>	q = o - p	<b>60</b>	<b>49</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>60</b>	<b>49</b>

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (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.



## **SUPPLEMENTARY INFORMATION**

**ITEM NO. 11**

**FILE NO: 23/225252  
EDRMS NO: PSC2021-04206**

### **REQUEST FOR FINANCIAL ASSISTANCE**

**REPORT OF: TIMOTHY CROSDALE - GENERAL MANAGER  
GROUP: GENERAL MANAGER'S OFFICE**

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### **RECOMMENDATION IS THAT COUNCIL:**

- 1) Approves provision of financial assistance under Section 356 of the Local Government Act 1993 from Mayoral funds to the following:-
  - a) Endorse the provision of funds to John Clarke - Mayoral funds - \$2000 donation towards publication of Marsh Road history book and place the proposal on public exhibition for a period of 28 days, in accordance with the Local Government Act 1993 to seek public comment.
  - b) Anna Bay Public School P&C – Mayoral funds - \$2000 donation towards 4 iPads for use in classrooms.
  - c) Shoal Bay Public School P&C – Mayoral funds - \$3000 donation towards upgrade of school hall sound system.
  - d) Rotary Club of Medowie-Williamtown – Mayoral funds - \$2000 donation towards prizes and presentation event for local school writing competition.
- 2) Should no submissions be received as a result of the public exhibition stated in 1 a) above, the funds be approved.

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### **BACKGROUND**

The purpose of this report is to amend the name of the recipient of funds in recommendation 1) d) from the Rotary Club of Salamander Bay to the Rotary Club of Medowie-Williamtown.

### **ISSUES**

The school writing competition is a joint event between the Rotary Club of Salamander Bay and the Rotary Club of Medowie-Williamtown.

Council has been advised that, if approved, the financial assistance is to be paid to the Rotary Club of Medowie-Williamtown as that will be the leading Rotary Club for the event.

### **ATTACHMENTS**

Nil.