



# ORDINARY MEETING OF COUNCIL SUPPLEMENTARY ITEMS

To be held at 5pm on

**Tuesday 19 September 2023**

Council Chambers

11 Manning Street, KIAMA NSW 2533

## **Members**

Mayor

Councillor N Reilly

Deputy Mayor

Councillor I Draisma

Councillor M Brown

Councillor M Croxford

Councillor J Keast

Councillor S Larkins

Councillor K Renkema-Lang

Councillor K Rice

Councillor W Steel

**TABLE OF CONTENTS**

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<b>ITEM</b>	<b>SUBJECT</b>	<b>PAGE NO</b>
<b>18</b>	<b>LATE ITEMS .....</b>	<b>3</b>
18.1	2021/2022 Annual Financial Statements.....	3
18.2	Strategic Improvement Plan - Progress Report.....	105
18.3	Public Interest Disclosure Policy .....	119

## 18 LATE ITEMS

### 18.1 2021/2022 Annual Financial Statements

CSP Objective: Outcome 12: Public funds and assets are managed strategically, transparently and efficiently

CSP Strategy: 12.1 Manage Public Funds in accordance with Financial Management Standards and the Local Government Act

Delivery Program: 12.1.1 Improved financial reporting and legislative compliance through reporting, scrutiny and oversight processes.

#### Summary

To advise Council that the preparation of the Annual Financial Statements for the year ended 30 June 2022 has been completed and have been considered by Council's Audit, Risk and Improvement Committee on 7 September 2023.

#### Financial implication

There are no financial implications because of this report, as this report is simply endorsing the 2021/22 Financial Statements and authorising the Statement by Councillors and Management to be signed.

#### Risk implication

Not applicable.

#### Policy

Section 413(1) of the Local Government Act, 1993 requires that "a Council must prepare financial reports for each year and must refer them for audit as soon as practicable". Council must also prepare a Statement by Councillors and Management as to their opinion on the general purpose and the special purpose financial statements.

The 2021/2022 Annual Financial Statements have been prepared in accordance with:

- Local Government Act 1993 (NSW)
- Local Government (General) Regulation 2021 (NSW)
- Local Government Code of Accounting Practice and Financial Reporting

#### Consultation (internal)

Audit Risk and Improvement Committee

#### Communication/Community engagement

Section 420(1) of the Local Government Act 1993 allows any person to make submissions to Council with respect to Council's audited financial statements or with respect to the auditor's reports.

#### Attachments

- 1 2021-2022 Annual Financial Statements [↓](#)

## Supplementary Reports

## 18.1 2021/2022 Annual Financial Statements (cont)

- 
- 2 CONFIDENTIAL ATTACHMENT: Engagement Closing Report for the year ended 30 June 2022

**Enclosures**

Nil

**RECOMMENDATION**

That Council:

1. resolves to release all internal reserve balances held as at 30 June 2022 for accounting purposes to address unrestricted cash deficit as presented in Note C1-3 of 2021/22 General Purpose Financial Statements. Internal reserves to be re-established for management reporting purposes in the following month.
2. notes the financial result for the year ending 30 June 2022.
3. notes the governance role played by Council's Audit, Risk and Improvement Committee in overseeing the preparation and finalisation of the audited 2021/22 financial statements.
4. authorises the Statement by Councillors and Management be signed by the Chief Executive Officer, the Responsible Accounting Officer, the Mayor and a Councillor as required by the Local Government Act 1993.

**Background**

This report is to advise Council that the 2021/22 Annual Financial Statements have been completed and endorsed by Council's Audit, Risk and Improvement Committee at its meeting held on 7 September 2023. A copy of the financial statements is attached to this report.

Section 413 of the Local Government Act requires that "a Council must prepare financial reports for each year and must refer them for audit as soon as practicable". Council must also prepare a Statement by Councillors and Management as to their opinion on the general purpose and the special purpose financial statements.

These financial reports include:

- General purpose financial statements
- Special purpose financial statements
- Special schedules (not audited except for Special Schedule 2 – Permissible Income Calculation)

The financial reports are 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.

As part of this process, Council is required to present a statement on its opinion on the reports. A copy of the statements required are contained on page 3 of the General Purpose Financial Statements and page 3 of the Special Purpose Financial

## Supplementary Reports

## 18.1 2021/2022 Annual Financial Statements (cont)

Statements and must be signed by the Mayor, a Councillor, the Chief Executive Officer and the Responsible Accounting Officer. It is recommended that the Deputy Mayor, Councillor Draisma, sign the financial statements as the accompanying Councillor in addition to the Mayor.

**Overview of 2021/22 Financial Statements**

Councillors are well aware of the Audit Office of NSW's disclaimer of opinion on the 2020/21 financial statements. However, the recent audit of the 2021/22 financial statements has provided an opportunity to make progress towards obtaining an unmodified audit opinion. This progress has been achieved by gradually reducing the number of financial statement lines for which sufficient audit evidence could not be provided.

During the preparation of the 2021/22 financial statements, management has made significant strides towards obtaining an unmodified audit opinion. While it is inevitable that all opening balances will still be disclaimed by auditors, management was successful in providing sufficient audit evidence to support the majority of closing balances. As a result, for 2021/22 financial statements auditors will issue a "modified" audit opinion rather than a disclaimer.

Despite this progress, there are still some financial line items that will be disclaimed as of 30 June 2022, as additional work is required to ensure the accuracy of the accounting records.

Notably, all fixed asset classes need to be revalued to obtain the auditors' sign-off on the balances. For the 2021/22 financial year, a comprehensive revaluation of buildings, both specialised and non-specialised, and operational land was performed, and the auditors were satisfied with the outcome. However, all other fixed asset classes remain disclaimed as of 30 June 2022, and their revaluation is planned for future years. This matter is acknowledged by Council in the financial statements and disclosed in *Statement by Councillors and Management*.

Some other balances, the accuracy of which management was not able to confirm as at 30 June 2022 relate to restricted assets such as: Holiday Parks (Crown), Blue Haven aged in-home care unspent client funds, Blue Haven ILU maintenance levy carried forward surplus (Terralong and Bonaira), Blue Haven residential aged care prudential standards, Blue Haven community services bus replacement fund. It is important to note, that since 30 June 2022, the majority of these balances were recalculated and updated by management and it is anticipated that this matter will be resolved in 2022/23 financial statements. Blue Haven balances, particularly the liquidity management standard calculation within the broader prudential standards was reviewed by Management and then subject to further external regulatory review in November 2022.

Management will continue to work diligently to address remaining issues and provide the necessary evidence to support all financial statement items in the upcoming periods. Overall, the remaining issues and the audit process in general, reflect a much improved position compared to 2021.

Supplementary Reports

18.1 2021/2022 Annual Financial Statements (cont)

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For detailed summary of audit findings and significant matters, please refer to *Engagement Closing Report for the year ended 30 June 2022* prepared by Audit Office of NSW.

## Supplementary Reports

## 18.1 2021/2022 Annual Financial Statements (cont)

**Financial performance summary**

Council's net operating result before capital grants and contributions indicates a loss of \$21.6 million. However, after adjusting for one-off items, the deficit narrows to \$9.6 million, which is comparable to the results from the previous financial year (a deficit of \$9.5 million). The analysis below is important as a significant adjustment or accounting treatment can have a material impact on the "bottom line" result without necessarily the same or any operational effect. The following one-off items have been adjusted or excluded to determine the alternate results:

- Fair value increment on investment properties: In 2021/22, there was a fair value increment of \$4.1 million, and in 2020/21, it was \$10.8 million (recorded under Other Income). This increment is attributed to the annual fair value movement for Blue Haven Independent Living Units, which are classified as investment property.
- Derecognition of operational land and buildings: An amount of \$11.6 million was double-counted in both the investment property balance and the fixed assets balance. This derecognition corrected the error.
- Write-off of Other Assets: There was a write-off of \$4.5 million relating to a building structure asset that was incorrectly classified as other assets, despite the same building already being recognised in the buildings asset class.

Income Statement including adjusted results is presented below:

<b>\$'000</b>	<b>2022</b>	<b>2021</b>
Income from continuing operations		
Rates and annual charges	25,764	25,411
User charges and fees	22,904	21,543
Other revenues	5,839	5,011
Grants and contributions provided for operating purposes	16,872	14,625
Grants and contributions provided for capital purposes	2,894	4,746
Interest and investment income	289	247
Other income	4,084	10,803
<b>Total income from continuing operations</b>	<b>78,646</b>	<b>82,386</b>
Expenses from continuing operations		
Employee benefits and on-costs	35,729	35,526
Materials and services	31,224	26,195
Borrowing costs	1,510	1,248
Depreciation	11,814	11,314
Other expenses	1,402	924
Net loss from the disposal of assets	15,666	1,164
<b>Total expenses from continuing operations</b>	<b>97,345</b>	<b>76,371</b>
Operating result from continuing operations	(18,699)	6,015
<b>Net operating result for the year before grants and contributions provided for capital purposes:</b>	<b>(21,593)</b>	<b>1,269</b>
Adjustments for significant one-off items:		
<i>Exclude fair value movements/de-recognition of investment properties and infrastructure assets</i>	12,003	(10,803)

## Supplementary Reports

## 18.1 2021/2022 Annual Financial Statements (cont)

\$'000	2022	2021
<b>Adjusted deficit for the year before grants and contributions provided for capital purposes</b>	<b>(9,590)</b>	<b>(9,534)</b>

In terms of cash and investments, the balance increased to \$53.8 million, rising from \$46.6 million as of 30 June 2021. This increase was primarily due to additional capital grants received, which remained unspent at year-end, and the relatively low capital expenses.

For financial reporting purposes, all internal reserves are required to be released to address the unrestricted cash deficit. However, even after this release, the unrestricted cash balance at year-end still remained negative at \$102,000. Note this was not known at the time and has materialized during the year-end accounting processes including better reconciliations. Also, as it was unknown at the time, it was unable to be reported to OLG at the time, but it has now been reported in retrospect with an accompanying explanation, and including that cash balances for internal reserves were subsequently re-established in July 2022, and is now better managed with improved monthly reporting.

Please refer to the attached *2021-2022 Annual Financial Statements* for details.

### **Audit, Risk and Improvement Committee**

The Audit, Risk and Improvement Committee (ARIC) reviewed Draft Financial Statements on 8 August 2023. Management updated financial statements based on feedback received from ARIC members and the second review of the final draft occurred on 7 September 2023. ARIC endorsed financial statements at that meeting. Lisa Berwick, Director – Financial Audit of the Audit Office NSW attended both meetings and provided updates on progress of audit to ARIC members.

### **Going Concern**

Note A1-1 on page 12 of the Financial Statements refers to going concern as follows:

Council is a not for-profit entity.

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

This is quite different to the separate disclosure required for the 2021 Financial Statements signed earlier this year. This again reflects the decisions and actions of Council to improve its financial position.





**KIAMA MUNICIPAL COUNCIL**  
your council, your community



**Kiama Municipal Council**  
**General Purpose Financial Statements**  
for the year ended 30 June 2022



Item 18.1

Attachment 1

## Kiama Municipal Council

## General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>Notes to the Financial Statements</b>	<b>10</b>
<b>Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	70
On the Financial Statements (Sect 417 [3])	71

## Kiama Municipal Council

### General Purpose Financial Statements

for the year ended 30 June 2022

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

During preparation of the 2020-21 financial statements, Council identified underlying issues in relation to its internal control environment and the maintenance of appropriate books and records. These issues related to the year ended 30 June 2021. There were several factors that contributed to these issues, including:

- High turnover in key management and senior staff positions which resulted in a loss of corporate knowledge.
- Finance team turnover and vacancies.
- Operational challenges and additional costs due to the impact of the COVID-19 pandemic.
- Insufficient controls and testing over the implementation of a new finance IT system.
- Weaknesses in internal controls over reconciliations and working papers.

Although Council prepared the 2021-21 financial statements based on the underlying books and records, due to the pervasive nature of the issues identified above, Councillors and Management were unable to warrant the completeness and reliability of the financial statements taken as a whole.

Accordingly, in preparing the 2021-22 financial statements, Councillors and Management are unable to rely on the prior year comparative information presented, which make up the opening balances in the 2021-22 financial statements. This impacts items in the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity and related notes.

During preparation of the 2021-22 financial statements, the following could not be verified by management:

#### *Infrastructure, Property, Plant and Equipment (IPP&E)*

Note C1-8 discloses Council's total net carrying value of IPP&E at 30 June 2022 as \$551.0 million. For the year ended 30 June 2022, management conducted a comprehensive revaluation for buildings and operational land, with net carrying values of \$151.3 million and \$49.9 million, respectively. Councillors and Management are satisfied that the closing net carrying values of buildings and operational land are fairly stated as at 30 June 2022.

The completeness, accuracy and valuation of the remaining categories within the IPP&E balance, with a total closing net carrying value of \$349.8 million, could not be verified for the year ended 30 June 2022. Councillors and management are unable to warrant the completeness, accuracy and valuation of these balances. A plan has been put into place to continue the revaluation cycle for these asset classes in future years.

For those categories of IPP&E that are unable to be verified for the year ended 30 June 2022, Councillors and Management are also unable to attest to the completeness, accuracy and valuation of the following related disclosures in the financial statements:

- Employee Benefits and on-costs, relating to employee related expenses capitalised into assets, disclosed as \$0.39 million.
- Depreciation expense disclosed as \$11.81 million.
- Gain or loss from the disposal, replacement and de-recognition of assets, relating to the gain or loss on disposal of plant and equipment, disclosed as \$0.38 million.
- Material budget variations relating to depreciation expense.
- Fair value measurement note (excluding buildings and operational land)

#### *Restricted and allocated cash, cash equivalents and investments*

Note C1-3 discloses \$53.91 million as Council's total restricted and allocated cash, cash equivalents and investments balance at 30 June 2022. Although Councillors and Management are satisfied that Council's total cash, cash equivalents and investments balance at 30 June 2022 can be verified, Councillors and Management could not verify the accuracy of the balances related to Holiday Parks (Crown Land); Blue Haven aged in-home care unspent client funds; domestic waste management; Blue Haven ILU maintenance levy carried forward surplus (Terralong and Bonaira); and Blue Haven Community Services Bus replacement fund. These five components total \$7.1 million. With regards to the Blue Haven residential aged care prudential standards, Councillors and Management have externally restricted \$4.4 million which accords with an outdated

continued on next page ...

Page 3 of 71

## Kiama Municipal Council

### General Purpose Financial Statements

for the year ended 30 June 2022

liquidity management strategy. This strategy has been updated effective 30 June 2022 and this balance should have been disclosed as \$4.75 million.

**Except for the issues described above, the attached general purpose financial statements have been prepared in accordance with the:**

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

**Except for the issues described above, 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 other matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 19 September 2023**

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Neil Reilly  
Mayor  
19 September 2023

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Imogen Draisma  
Deputy Mayor  
19 September 2023

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Jane Stroud  
Chief Executive Officer  
19 September 2023

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Olena Tulubinska  
Responsible Accounting Officer  
19 September 2023

Kiama Municipal Council | Income Statement | for the year ended 30 June 2022

## Kiama Municipal Council

## Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Income from continuing operations</b>				
26,503	Rates and annual charges	B2-1	25,764	25,411
22,141	User charges and fees	B2-2	22,904	21,543
5,156	Other revenues	B2-3	5,839	5,011
16,763	Grants and contributions provided for operating purposes	B2-4	16,872	14,625
5,597	Grants and contributions provided for capital purposes	B2-4	2,894	4,746
212	Interest and investment income	B2-5	289	247
-	Other income	B2-6	4,084	10,803
378	Net gain from the disposal of assets	B4-1	-	-
76,750	<b>Total income from continuing operations</b>		<b>78,646</b>	<b>82,386</b>
<b>Expenses from continuing operations</b>				
33,924	Employee benefits and on-costs	B3-1	35,729	35,526
21,789	Materials and services	B3-2	31,224	26,195
2,812	Borrowing costs	B3-3	1,510	1,248
10,898	Depreciation, amortisation and impairment of non-financial assets	B3-4	11,814	11,314
4,479	Other expenses	B3-5	1,402	924
-	Net loss from the disposal of assets	B4-1	15,666	1,164
73,902	<b>Total expenses from continuing operations</b>		<b>97,345</b>	<b>76,371</b>
2,848	<b>Operating result from continuing operations</b>		<b>(18,699)</b>	<b>6,015</b>
2,848	<b>Net operating result for the year attributable to Council</b>		<b>(18,699)</b>	<b>6,015</b>
(2,749)	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(21,593)</b>	<b>1,269</b>

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

Kiama Municipal Council | Statement of Comprehensive Income | for the year ended 30 June 2022

## Kiama Municipal Council

## Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
<b>Net operating result for the year – from Income Statement</b>		<b>(18,699)</b>	6,015
<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	73,874	26,451
Other comprehensive income – joint ventures and associates	D2-2	–	(59)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>73,874</b>	26,392
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain / (loss) on revaluation of other reserves		–	(5,350)
Gain / (loss) on revaluation of equity instruments at fair value through Other Comprehensive Income		–	59
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>(5,291)</b>
<b>Total other comprehensive income for the year</b>		<b>73,874</b>	21,101
<b>Total comprehensive income for the year attributable to Council</b>		<b>55,175</b>	27,116

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

Kiama Municipal Council | Statement of Financial Position | for the year ended 30 June 2022

## Kiama Municipal Council

## Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	15,224	15,429
Investments	C1-2	31,587	22,214
Receivables	C1-4	2,587	3,233
Inventories	C1-5	302	246
Contract assets and contract cost assets	C1-6	216	1,218
Current assets classified as held for sale	C1-7	20,178	3,752
Other		111	-
<b>Total current assets</b>		<b>70,205</b>	<b>46,092</b>
<b>Non-current assets</b>			
Investments	C1-2	7,000	9,014
Receivables	C1-4	191	233
Infrastructure, property, plant and equipment (IPPE)	C1-8	550,979	508,009
Investment property	C1-9	139,030	139,078
Right of use assets		121	168
<b>Total non-current assets</b>		<b>697,321</b>	<b>656,502</b>
<b>Total assets</b>		<b>767,526</b>	<b>702,594</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C2-1	139,339	128,454
Contract liabilities	C2-2	3,719	3,931
Lease liabilities		36	99
Borrowings	C2-3	1,000	1,219
Employee benefit provisions	C2-4	7,966	7,404
<b>Total current liabilities</b>		<b>152,060</b>	<b>141,107</b>
<b>Non-current liabilities</b>			
Payables	C2-1	-	27
Lease liabilities		6	78
Borrowings	C2-3	51,427	52,520
Employee benefit provisions	C2-4	764	768
<b>Total non-current liabilities</b>		<b>52,197</b>	<b>53,393</b>
<b>Total liabilities</b>		<b>204,257</b>	<b>194,500</b>
<b>Net assets</b>		<b>563,269</b>	<b>508,094</b>
<b>EQUITY</b>			
Accumulated surplus		187,229	205,928
IPPE revaluation reserve	C3-1	376,040	302,166
<b>Council equity interest</b>		<b>563,269</b>	<b>508,094</b>
<b>Total equity</b>		<b>563,269</b>	<b>508,094</b>

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

Kiama Municipal Council | Statement of Changes in Equity | for the year ended 30 June 2022

**Kiama Municipal Council**  
**Statement of Changes in Equity**  
for the year ended 30 June 2022

	2022				2021			
	Accumulated surplus	IPPE revaluation reserve	Other reserves (specify)	Total equity	Accumulated surplus	IPPE revaluation reserve	Other reserves (specify)	Total equity
Opening balance at 1 July	205,928	302,166	-	508,094	199,913	275,715	5,350	480,978
<b>Restated opening balance</b>	<b>205,928</b>	<b>302,166</b>	<b>-</b>	<b>508,094</b>	<b>199,913</b>	<b>275,715</b>	<b>5,350</b>	<b>480,978</b>
Net operating result for the year	(18,699)	-	-	(18,699)	6,015	-	-	6,015
<b>Restated net operating result for the period</b>	<b>(18,699)</b>	<b>-</b>	<b>-</b>	<b>(18,699)</b>	<b>6,015</b>	<b>-</b>	<b>-</b>	<b>6,015</b>
<b>Other comprehensive income</b>								
Gain (loss) on revaluation of infrastructure, property, plant and equipment	-	73,874	-	73,874	-	26,451	-	26,451
Realised (gain) loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(5,350)	(5,350)
<b>Other comprehensive income</b>	<b>-</b>	<b>73,874</b>	<b>-</b>	<b>73,874</b>	<b>-</b>	<b>26,451</b>	<b>(5,350)</b>	<b>21,101</b>
<b>Total comprehensive income</b>	<b>(18,699)</b>	<b>73,874</b>	<b>-</b>	<b>55,175</b>	<b>6,015</b>	<b>26,451</b>	<b>(5,350)</b>	<b>27,116</b>
<b>Closing balance at 30 June</b>	<b>187,229</b>	<b>376,040</b>	<b>-</b>	<b>563,269</b>	<b>205,928</b>	<b>302,166</b>	<b>-</b>	<b>508,094</b>

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

Page 8 of 71



Kiama Municipal Council | Statement of Cash Flows | for the year ended 30 June 2022

## Kiama Municipal Council

## Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
26,503			25,994	25,199
22,141			23,084	21,842
212			115	510
22,360			22,118	19,894
–			200	27
5,156			3,398	3,086
<i>Payments:</i>				
(35,775)			(34,977)	(35,966)
(21,789)			(34,701)	(25,900)
(2,812)			(1,615)	(1,665)
(4,479)			(800)	5,523
11,517		G1-1	2,816	12,550
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
378			925	588
<i>Payments:</i>				
–			(13)	(65)
–			(7,346)	(19,154)
–			–	(8)
(15,865)			(9,810)	(13,051)
–			–	59
(15,487)			(16,244)	(31,631)
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
9,517			14,530	22,086
<i>Payments:</i>				
–			(1,219)	(1,395)
–			(88)	(127)
9,517			13,223	20,564
5,547			(205)	1,483
39,169			15,429	13,946
44,716		C1-1	15,224	15,429
–		C1-2	38,587	31,228
44,716			53,811	46,657

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

## Kiama Municipal Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2022

<b>A About Council and these financial statements</b>	<b>12</b>
A1-1 Basis of preparation	12
<b>B Financial Performance</b>	<b>14</b>
<b>B1 Functions or activities</b>	<b>14</b>
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
<b>B2 Sources of income</b>	<b>16</b>
B2-1 Rates and annual charges	16
B2-2 User charges and fees	17
B2-3 Other revenues	18
B2-4 Grants and contributions	19
B2-5 Interest and investment income	21
B2-6 Other income	22
<b>B3 Costs of providing services</b>	<b>23</b>
B3-1 Employee benefits and on-costs	23
B3-2 Materials and services	23
B3-3 Borrowing costs	24
B3-4 Depreciation, amortisation and impairment of non-financial assets	24
B3-5 Other expenses	25
<b>B4 Gains or losses</b>	<b>26</b>
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	26
<b>B5 Performance against budget</b>	<b>27</b>
B5-1 Material budget variations	27
<b>C Financial position</b>	<b>29</b>
<b>C1 Assets we manage</b>	<b>29</b>
C1-1 Cash and cash equivalents	29
C1-2 Financial investments	29
C1-3 Restricted and allocated cash, cash equivalents and investments	30
C1-4 Receivables	32
C1-5 Inventories	33
C1-6 Contract assets	33
C1-7 Non-current assets classified as held for sale	34
C1-8 Infrastructure, property, plant and equipment	35
C1-9 Investment properties	39
<b>C2 Liabilities of Council</b>	<b>40</b>
C2-1 Payables	40
C2-2 Contract Liabilities	40
C2-3 Borrowings	41
C2-4 Employee benefit provisions	43
<b>C3 Reserves</b>	<b>44</b>
C3-1 Nature and purpose of reserves	44
<b>D Risks and accounting uncertainties</b>	<b>45</b>

## Kiama Municipal Council

## Contents for the notes to the Financial Statements for the year ended 30 June 2022

D1-1 Risks relating to financial instruments held	45
D2-1 Fair value measurement	48
D3-1 Contingencies	55
<b>E People and relationships</b>	<b>58</b>
<b>E1 Related party disclosures</b>	<b>58</b>
E1-1 Key management personnel (KMP)	58
E1-2 Councillor and Mayoral fees and associated expenses	59
<b>E2 Other relationships</b>	<b>60</b>
E2-1 Audit fees	60
<b>F Other matters</b>	<b>61</b>
F1-1 Statement of Cash Flows information	61
F2-1 Commitments	62
F3-1 Events occurring after the reporting date	63
<b>F4 Statement of developer contributions as at 30 June 2022</b>	<b>64</b>
F4-1 Summary of developer contributions	64
F4-2 Developer contributions by plan	64
<b>F5 Statement of performance measures</b>	<b>66</b>
F5-1 Statement of performance measures – consolidated results	66
<b>G Additional Council disclosures (unaudited)</b>	<b>67</b>
G1-1 Statement of performance measures – consolidated results (graphs)	67
G1-2 Council information and contact details	69

## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 19 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government (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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

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

In preparing the 2021-22 financial statements, Council has formed the view that it has accessed restricted funds during the 2021-22 financial year without the approval of Council (for internal restrictions) or the Minister (for external restrictions), as required by the Local Government Act 1993.

Council is a not for-profit entity.

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

#### **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. 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) Revenue recognition (AASB 15 and AASB 1058)

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

#### **The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

continued on next page ...

Page 12 of 71

## A1-1 Basis of preparation (continued)

- General purpose operations
- Holiday Parks
- Pavilion function centre operations
- Blue Haven Aged Care and Retirement Village operations

### The Trust Fund

Council does not have Trust Funds.

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Council has not accounted for the volunteer services received in the income statement on the basis that the volunteer services were not material, not be purchased if not donated or could not be reliably measured during the reporting year.

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

Certain new interpretations have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

As at the date of authorisation of these financial statements Council does not consider that any of new interpretations have a material impact on 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 standards which were mandatorily effective for the first time at 30 June 2022. For this period, no new standards had been introduced and hence there was no significant impact on Council's reported position or performance.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B Financial Performance**  
**B1 Functions or activities**  
**B1-1 Functions or activities – income, expenses and assets**

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Functions or activities</b>										
Office of Chief Executive Officer	838	482	3,272	5,145	(2,434)	(4,663)	200	–	–	–
Office of Chief Operating Officer	51,146	52,901	62,435	39,273	(11,289)	13,628	16,927	16,033	70,187	65,949
Planning, Environment and Communities	18,589	21,062	14,970	13,001	3,619	8,061	556	540	233,932	191,368
Infrastructure and Liveability	8,073	7,941	16,668	18,952	(8,595)	(11,011)	2,083	2,798	463,407	445,277
<b>Total functions and activities</b>	<b>78,646</b>	<b>82,386</b>	<b>97,345</b>	<b>76,371</b>	<b>(18,699)</b>	<b>6,015</b>	<b>19,766</b>	<b>19,371</b>	<b>767,526</b>	<b>702,594</b>

## B1-2 Components of functions or activities

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

### Office of Chief Executive Officer

Governance costs relating to Council's role as a component of democratic government; including elections, meetings of council and policy making committees, members' fees and expenses, subscriptions to local authority associations, area representation and public disclosure and tourism.

### Office of Chief Operating Officer

Corporate and other support services, human resources, finance, information technology, governance, member services, risk management, aged care and retirement village operations.

### Planning, Environment and Communities

Animal control, building control, compliance, enforcement of local government regulations, food control, public conveniences, public halls, immunisation, town planning, environmental protection, community centre, youth services, family history centre, public libraries other community services.

### Infrastructure and Liveability

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters, fire protection, RTA works, street lighting, emergency services, street cleaning, public cemeteries, swimming pools, sporting grounds, parks and gardens, private works, stormwater drainage, engineering support services, holiday and caravan parks, real estate development, indoor sports complex, leisure centre, waste unit and waste management, property maintenance and beach control.

The functions are based on the Council's structure as at the date of authorisation of financial statements.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B2 Sources of income****B2-1 Rates and annual charges**

\$ '000	2022	2021
<b>Ordinary rates</b>		
Residential	16,950	16,867
Business	1,509	1,518
Farmland	722	699
Less: pensioner rebates (Council policy)	(152)	(155)
Less: pensioner rebates (mandatory)	(192)	(190)
<b>Rates levied to ratepayers</b>	<b>18,837</b>	<b>18,739</b>
Pensioner rate subsidies received	173	172
<b>Total ordinary rates</b>	<b>19,010</b>	<b>18,911</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	6,348	6,118
Waste management services (non-domestic)	243	222
Stormwater management services	226	224
Less: pensioner rebates (Council policy)	(57)	(57)
Less: pensioner rebates (mandatory)	(70)	(70)
<b>Annual charges levied</b>	<b>6,690</b>	<b>6,437</b>
Pensioner subsidies received:		
– Domestic waste management	64	63
<b>Total annual charges</b>	<b>6,754</b>	<b>6,500</b>
<b>Total rates and annual charges</b>	<b>25,764</b>	<b>25,411</b>

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates and 2% rates increase.

**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.



Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B2-2 User charges and fees**

\$ '000	2022	2021
<b>User charges</b>		
Domestic waste management services	1,700	175
Contract plant and truck hire	705	995
Waste management services (non-domestic)	6	25
Trade waste	-	13
<b>Total user charges</b>	<b>2,411</b>	<b>1,208</b>
<b>Other user charges and fees</b>		
Planning and building regulation	763	702
Building services – other	278	293
Registration fees	99	79
Inspection services	55	55
Section 603 certificates	42	55
Holiday parks	10,340	10,879
Blue Haven aged care	5,503	5,037
Leisure centre	1,588	1,131
Council properties	1,011	1,426
Public cemeteries	382	314
Waste disposal tipping fees	140	126
Engineering services	121	114
Saddleback mountain tower	88	(10)
Blue Haven care – in home support packages	26	52
Cemeteries	6	-
Library and family history centre	5	7
Footpath Dining	1	1
Other	45	74
<b>Total other user charges and fees</b>	<b>20,493</b>	<b>20,335</b>
<b>Total user charges and fees</b>	<b>22,904</b>	<b>21,543</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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B2-3 Other revenues**

\$ '000	2022	2021
Deferred payment liabilities amortisation	4,555	3,468
Visitor Information Centre	369	134
Motor vehicle leaseback	221	245
Fines – other	202	175
Recycling income (non-domestic)	145	107
Insurance claims recoveries	111	69
Section 88 rebate	78	75
Diesel fuel rebate	53	67
Legal Settlements	25	9
Rental income – investment property	19	17
Commissions and agency fees	11	103
Return & Earn	11	41
Fines – parking	5	10
Other	128	46
Workers Compensation Rebate	–	101
Sales – general	(94)	344
<b>Total other revenue</b>	<b>5,839</b>	<b>5,011</b>

**Accounting policy for other revenue**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

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

Rental income is accounted for on a straight-line basis over the lease term.

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

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	950	861	-	-
<b>Payment in advance - future year allocation</b>				
Financial assistance	1,460	922	-	-
<b>Amount recognised as income during current year</b>	<b>2,410</b>	<b>1,783</b>	<b>-</b>	<b>-</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
Residential Aged Care and Home Care Funding (HCP)	10,733	6,810	-	1,473
Commonwealth Home Support Program (CHSP)	1,250	3,636	-	-
Transport for NSW contributions (regional roads, block grant)	647	660	-	-
Transport (roads to recovery)	323	323	-	-
Community transport	295	343	-	-
Bushfire and emergency services	253	250	-	-
Tourism	200	-	221	-
Library	119	116	85	1,283
Youth opportunities	87	165	-	-
Road safety program	48	58	-	-
Environmental programs	36	91	-	-
LIRS subsidy	32	42	-	-
Cultural development	31	41	-	-
Recreation and culture	21	-	909	693
Community services	1	190	-	-
Economic development	-	2	-	60
Other specific grants	386	74	-	-
Transport (other roads and bridges funding)	-	-	875	369
Community bus	-	41	-	-
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>14,462</b>	<b>12,842</b>	<b>2,090</b>	<b>3,878</b>
<b>Total grants and non-developer contributions</b>	<b>16,872</b>	<b>14,625</b>	<b>2,090</b>	<b>3,878</b>
<b>Comprising:</b>				
- Commonwealth funding	11,802	12,742	415	2,803
- State funding	5,036	1,801	1,675	1,079
- Other funding	34	82	-	(4)
	<b>16,872</b>	<b>14,625</b>	<b>2,090</b>	<b>3,878</b>

## Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
S 7.11 – contributions towards amenities/services	F4	-	-	795	857
Other developer contributions		-	-	9	11
<b>Total developer contributions</b>		<b>-</b>	<b>-</b>	<b>804</b>	<b>868</b>
<b>Total grants and contributions</b>		<b>16,872</b>	<b>14,625</b>	<b>2,894</b>	<b>4,746</b>

continued on next page ...

Page 19 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	1,423	95	543	467
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,651	33	-	-
<b>Add:</b> Funds received and not recognised as revenue in the current year	-	1,379	-	458
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	-	(84)	-	(200)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	(182)
<b>Unspent funds at 30 June</b>	<b>3,074</b>	<b>1,423</b>	<b>543</b>	<b>543</b>
Funds relate to unspent capital grants. These funds are externally restricted.				
<b>Contributions</b>				
Unspent funds at 1 July	-	4,355	9,683	-
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	876	794	-
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	-	(463)	-	-
<b>Unspent contributions at 30 June</b>	<b>-</b>	<b>4,768</b>	<b>10,477</b>	<b>-</b>

Unspent developer contributions were restricted as required by legislation.

**Accounting policy****Grants and contributions – enforceable agreement with sufficiently specific performance obligations**

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

The performance obligations vary according to the agreement but include performance obligations within AASB 15 grants such as completion of milestones. 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.

continued on next page ...

Page 20 of 71

**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	2022	2021
<b>Interest on financial assets measured at amortised cost</b>		
– Cash and investments	260	227
– Overdue rates and annual charges (incl. special purpose rates)	29	20
<b>Total interest and investment income (losses)</b>	<b>289</b>	<b>247</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
General Council cash and investments	221	208
Overdue rates and annual charges (general fund)	29	20
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	39	19
<b>Total interest and investment income</b>	<b>289</b>	<b>247</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 when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

B2-6 Other income

\$ '000	Notes	2022	2021
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		4,060	10,803
<b>Total fair value increment on investment properties</b>	C1-9	<b>4,060</b>	<b>10,803</b>
<b>Fair value increment on investments</b>			
Fair value increment on investments through profit and loss		24	-
<b>Total fair value increment on investments</b>		<b>24</b>	<b>-</b>
<b>Total other income</b>		<b>4,084</b>	<b>10,803</b>

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B3 Costs of providing services****B3-1 Employee benefits and on-costs**

\$ '000	2022	2021
Salaries and wages	28,272	29,782
Employee leave entitlements (ELE)	3,533	2,545
Superannuation	2,801	2,809
Workers' compensation insurance	742	798
Training costs (other than salaries and wages)	498	63
Fringe benefit tax (FBT)	103	134
Other	170	193
<b>Total employee costs</b>	<b>36,119</b>	<b>36,324</b>
Less: capitalised costs	(390)	(798)
<b>Total employee costs expensed</b>	<b>35,729</b>	<b>35,526</b>
Number of 'full-time equivalent' employees (FTE) at year end	329	330

**Accounting policy**

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

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

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

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

**B3-2 Materials and services**

\$ '000	Notes	2022	2021
Raw materials and consumables		14,662	15,207
Contractor and consultancy costs		3,848	2,128
Agency Staff - Blue Haven Aged Care Operations		3,363	3,240
Computer software charges		1,570	391
Insurance		1,481	1,199
Electricity and heating		1,031	926
Other expenses		249	40
Audit Fees	E2-1	762	92
Telephone and communications		695	167
Subscriptions and publications		417	477
Street lighting		363	315
Cleaning		341	330
Advertising		291	315
Councillor and Mayoral fees and associated expenses	E1-2	284	274
Election expenses		184	–
Bank charges		124	252
Postage		98	86
Printing and stationery		81	340
Valuation fees		64	–
Waste Disposal		676	–
<b>Legal expenses:</b>			
– Legal expenses: planning and development		389	198
– Legal expenses: other		208	204
– Legal expenses: debt recovery		43	14

continued on next page ...

Page 23 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B3-2 Materials and services (continued)**

Total materials and services	<b>31,224</b>	26,195
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**Accounting policy**

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

**B3-3 Borrowing costs**

\$ '000	2022	2021
<b>(i) Interest bearing liability costs</b>		
Interest on loans	1,588	1,597
Interest on leases	10	16
Other debts	6	4
<b>Total interest bearing liability costs</b>	<b>1,604</b>	<b>1,617</b>
<b>Total interest bearing liability costs expensed</b>	<b>1,604</b>	<b>1,617</b>
<b>(ii) Other borrowing costs</b>		
Fair value adjustment on loans (to Council)	(94)	(369)
<b>Total other borrowing costs</b>	<b>(94)</b>	<b>(369)</b>
<b>Total borrowing costs expensed</b>	<b>1,510</b>	<b>1,248</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	2022	2021
<b>Depreciation and amortisation</b>			
Plant and equipment		2,332	2,089
Office equipment		473	560
Furniture and fittings		182	195
Land improvements (depreciable)		133	163
<b>Infrastructure:</b>	C1-8		
– Roads		3,655	3,610
– Buildings – specialised		2,628	2,530
– Buildings – non-specialised		512	508
– Stormwater drainage		471	318
– Bridges		370	193
– Footpaths		330	330
– Other open space/recreational assets		233	228
– Other structures		212	206
– Swimming pools		34	24
Right of use assets		–	128
<b>Other assets:</b>			
– Other		156	146
– Library books		93	86
<b>Total gross depreciation and amortisation costs</b>		<b>11,814</b>	<b>11,314</b>
<b>Total depreciation and amortisation costs</b>		<b>11,814</b>	<b>11,314</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>11,814</b>	<b>11,314</b>

**Accounting policy**

continued on next page ...

Page 24 of 71



Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C1-10 for intangible assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

**B3-5 Other expenses**

\$ '000	Notes	2022	2021
<b>Impairment of receivables</b>			
Other		229	(2)
<b>Total impairment of receivables</b>	C1-4	<b>229</b>	<b>(2)</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Crown reserve levy		539	348
– Emergency services levy (includes FRNSW, SES, and RFS levies)		312	412
Fines and Penalties		162	–
Donations, contributions and assistance to other organisations (Section 356)		160	166
<b>Total other</b>		<b>1,173</b>	<b>926</b>
<b>Total other expenses</b>		<b>1,402</b>	<b>924</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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	Notes	2022	2021
<b>Gain (or loss) on disposal of plant and equipment</b>			
Proceeds from disposal – plant and equipment	C1-8	885	536
Less: carrying amount of plant and equipment assets sold/written off		<u>(508)</u>	<u>(1,248)</u>
<b>Gain (or loss) on disposal</b>		<u>377</u>	<u>(712)</u>
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		40	52
Less: carrying amount of property assets sold/written off		<u>(7,457)</u>	<u>(106)</u>
<b>Gain (or loss) on disposal</b>		<u>(7,417)</u>	<u>(54)</u>
<b>Gain (or loss) on disposal of infrastructure</b>			
Carrying amount of infrastructure assets written off	C1-8	<u>(4,518)</u>	<u>(397)</u>
<b>Gain (or loss) on disposal</b>		<u>(4,518)</u>	<u>(397)</u>
<b>Loss on de-recognition of investment property</b>			
Carrying amount of investment property de-recognised	C1-9	<u>(4,108)</u>	–
<b>Loss on de-recognition</b>		<u>(4,108)</u>	–
<b>Net gain (or loss) from disposal of assets</b>		<u>(15,666)</u>	<u>(1,164)</u>

**Accounting policy**

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

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B5 Performance against budget****B5-1 Material budget variations**

Council's original budget was adopted by the Council on 28 June 2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors including Covid-19 pandemic, and by decisions of Council during the year.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	26,503	25,764	(739)	(3)% <b>U</b>
<b>User charges and fees</b>	22,141	22,904	763	3% <b>F</b>
<b>Other revenues</b>	5,156	5,839	683	13% <b>F</b>
Other revenues reported a favourable variance against budget largely due to increased tourism to the Kiama region as Covid-19 restrictions were eased in the later part of the year. Events such as Kiama Winter Festival contributed positively. Deferred Management Fees (DMF) revenue from retirement village operation was higher than expected due to full year occupancy at the new Bonaira site.				
<b>Operating grants and contributions</b>	16,763	16,872	109	1% <b>F</b>
<b>Capital grants and contributions</b>	5,597	2,894	(2,703)	(48)% <b>U</b>
Capital grants and contributions were unfavourable against budget. This variance is largely related to the unpredictable timing of the recognition of capital grant income. Many planned capital projects experienced significant delays due to Covid-19 restrictions. As such, the payment of capital grants which relied on the completion of these projects was also delayed or carried over into the following financial year. The Covid-19 pandemic restrictions also impacted the inflow of developer contributions revenue.				
<b>Net gains from disposal of assets</b>	378	-	(378)	(100)% <b>U</b>
Budgeted gain on sale of motor vehicles was in line with actuals. However, it was offset by loss on disposal of other assets.				
<b>Other income</b>	-	4,084	4,084	∞ <b>F</b>
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	33,924	35,729	(1,805)	(5)% <b>U</b>
<b>Materials and services</b>	21,789	31,224	(9,435)	(43)% <b>U</b>
Materials and contracts were unfavourable against budget. A portion of this variance relates to a significant budget overspend within the Blue Haven Aged Care Facility and associated support services. Covid-19 added substantial business cost increases in order to comply with government restrictions and to ensure the protection of both residents and staff, but the general increasing regulatory environment also required additional resources. Furthermore, due to a continued nationwide shortage of aged care workers and consistently high staff turnover at both Blue Haven and in all areas of council, the widespread use of agency staff, contractors and consultants further contributed to the highly unfavourable budget variance. Additional IT costs were required to support the provision of work from home capabilities for staff and the re-classification of other expenses to materials and contracts for the purposes of financial statement presentation are other explanations for the unfavourable variance.				

continued on next page ...

Page 27 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**B5-1 Material budget variations (continued)**

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<b>Borrowing costs</b>	2,812	1,510	1,302	46% <b>F</b>
Borrowing costs were unfavourable against budget as a result of the original budget incorrectly including estimates on the repayment of both principal loan amounts, in addition to interest repayments. Excluding this error, the budget variance on loan interest is immaterial.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	10,898	11,814	(916)	(8)% <b>U</b>
<b>Other expenses</b>	4,479	1,402	3,077	69% <b>F</b>
This positive variance partially offsets unfavourable variance in materials and services.				

**Statement of cash flows**

<b>Cash flows from operating activities</b>	11,517	2,816	(8,701)	(76)% <b>U</b>
This variance is the result of over expenditures noted above and difference in accounting for Deferred Management Fees in the budget vs. actuals.				
<b>Cash flows from investing activities</b>	(15,487)	(16,244)	(757)	5% <b>U</b>
<b>Cash flows from financing activities</b>	9,517	13,223	3,706	39% <b>F</b>
Original budget omitted repayments of borrowings which resulted in the unfavourable variance.				

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**C Financial position****C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2022	2021
Cash on hand and at bank	15,224	15,429
<b>Total cash and cash equivalents</b>	<b>15,224</b>	<b>15,429</b>

**Reconciliation of cash and cash equivalents**

Total cash and cash equivalents per Statement of Financial Position	15,224	15,429
<b>Balance as per the Statement of Cash Flows</b>	<b>15,224</b>	<b>15,429</b>

**Accounting policy**

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

**C1-2 Financial investments**

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	30,500	7,000	22,154	8,000
NCD's, FRN's (with maturities > 3 months)	1,003	-	-	1,014
<b>Total</b>	<b>31,503</b>	<b>7,000</b>	<b>22,154</b>	<b>9,014</b>
<b>Other financial assets</b>				
Interest in CivicRisk Mutual	84	-	60	-
<b>Total</b>	<b>84</b>	<b>-</b>	<b>60</b>	<b>-</b>
<b>Total financial investments</b>	<b>31,587</b>	<b>7,000</b>	<b>22,214</b>	<b>9,014</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>46,811</b>	<b>7,000</b>	<b>37,643</b>	<b>9,014</b>

**Accounting policy**

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

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

**Financial assets**

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

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

continued on next page ...

Page 29 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**C1-2 Financial investments (continued)****Amortised cost**

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

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

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

**Financial assets through profit or loss**

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

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

Council's investment in CivicRisk Mutual Limited is valued at fair value through profit and loss. Its value of \$84,000 in the Statement of Financial Position by comparison with the face value of \$129,000 in CivicRisk Mutual Limited's accounts at 30 June 2022. The valuation of CivicRisk Mutual Limited investment was undertaken by David Minty FIAA from Finity Consulting.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>53,811</b>	46,657
Less: External restrictions	<u>(53,913)</u>	<u>(41,222)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>(102)</b>	5,435
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	500	500
Specific purpose unexpended grants – general fund	<u>3,617</u>	<u>1,966</u>
<b>External restrictions – included in liabilities</b>	<b>4,117</b>	2,466
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	10,516	9,683
Holiday Parks (Crown Land)	446	446
Blue Haven aged in-home care unspent client fund	408	690
Domestic waste management	4,105	4,105
Debt Loan Restrictions – TCorp	27,788	18,699
Blue Haven - ILU Maintenance Levy carried forward surplus (Terralong)	1,640	1,640
Blue Haven - ILU Maintenance Levy carried forward surplus (Bonaira)	178	178
Blue Haven – Residential aged care prudential standards	4,400	3,000
Blue Haven - Community Services Bus replacement fund	<u>315</u>	<u>315</u>
<b>External restrictions – other</b>	<b>49,796</b>	38,756
<b>Total external restrictions</b>	<b>53,913</b>	41,222
Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.		
\$ '000	2022	2021

continued on next page ...

Page 30 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022	2021
<b>(b) Internal allocations</b>		
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>(102)</b>	<b>5,435</b>
Internal restrictions	-	(6,683)
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>(102)</b>	<b>(1,248)</b>

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

Carry over works	-	1,477
Council Elections	-	145
Employees leave entitlement	-	1,500
Energy efficiency	-	122
Land development	-	1,601
Plant replacement	-	280
Risk Improvement Incentive	-	105
Unspent Loan Funding	-	-
Waste and sustainability	-	490
Waste business unit	-	963
<b>Total internal allocations</b>	<b>-</b>	<b>6,683</b>

As at 30 June 2022 all internally restricted reserves were temporarily released in order to improve unrestricted cash requirements. The movement in internally restricted funds is allowed in Council's Restricted Funds Policy.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**C1-4 Receivables**

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Rates and annual charges	108	-	665	-
User charges and fees	858	-	926	-
Private works	39	-	39	-
Accrued revenues				
– Interest on investments	174	-	-	-
– Other income accruals	528	-	392	-
Government grants and subsidies	270	-	536	-
Other debtors	2	-	176	-
Net GST receivable	309	-	142	-
Other – advances to public	-	191	-	233
Other – holiday park charges	293	-	347	-
Employee deductions and on costs	6	-	10	-
<b>Total</b>	<b>2,587</b>	<b>191</b>	<b>3,233</b>	<b>233</b>
<b>Total net receivables</b>	<b>2,587</b>	<b>191</b>	<b>3,233</b>	<b>233</b>

\$ '000	2022	2021
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	224	64
<b>Balance at the end of the year</b>	<b>224</b>	<b>64</b>

**Accounting policy**

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

**Impairment**

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

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

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

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

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

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

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



Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Inventories at cost</b>				
Stores and materials	222	-	174	-
Trading stock	80	-	72	-
<b>Total inventories at cost</b>	<b>302</b>	<b>-</b>	<b>246</b>	<b>-</b>
<b>Total inventories</b>	<b>302</b>	<b>-</b>	<b>246</b>	<b>-</b>

## Accounting policy

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

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

## C1-6 Contract assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants	216	-	1,218	-
<b>Total contract assets</b>	<b>216</b>	<b>-</b>	<b>1,218</b>	<b>-</b>

## 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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Land and Building <sup>1</sup>	20,178	-	3,752	-
<b>Total non-current assets classified as held for sale</b>	<b>20,178</b>	<b>-</b>	<b>3,752</b>	<b>-</b>

(1) Change in value of assets held for sale relate to correction of historical error. Council resolved in June 2022 to dispose of 4 parcels of land situated in Akuna Street, Kiama. Shortly thereafter, Council put into place mechanisms to approach the market and in December 2022 the landholdings were sold for \$28 million. This was within 12 months from the date of reclassification.

**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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**C1-8 Infrastructure, property, plant and equipment**

By aggregated asset class	Asset movements during the reporting period							At 30 June 2022				
	At 1 July 2021	During the reporting period					At 30 June 2022	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount		
\$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Transferred to held for sale	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	6,126	-	6,126	1,813	-	-	-	-	-	7,939	-	7,939
Plant and equipment	28,537	(14,974)	13,563	-	1,314	(508)	(2,332)	-	-	28,592	(16,555)	12,037
Office equipment	5,401	(4,267)	1,134	-	-	-	(473)	-	-	5,400	(4,739)	661
Furniture and fittings	3,815	(2,854)	961	-	-	-	(182)	-	-	3,816	(3,037)	779
<b>Land:</b>												
- Operational land	41,014	-	41,014	-	-	(7,456)	-	(13,397)	29,749	49,910	-	49,910
- Community land	82,302	-	82,302	-	-	-	-	-	-	82,302	-	82,302
- Land under roads (post 30/6/08)	28	-	28	-	-	-	-	-	-	28	-	28
Land improvements - non-depreciable	4,728	-	4,728	-	-	-	-	-	-	4,728	-	4,728
Land improvements - depreciable	3,103	(1,636)	1,467	-	-	-	(133)	-	-	3,102	(1,768)	1,334
<b>Infrastructure:</b>												
- Buildings - non-specialised	22,747	(7,967)	14,780	-	-	-	(512)	-	3,129	22,960	(5,563)	17,397
- Buildings - specialised	146,738	(52,888)	93,850	-	4,829	(127)	(2,628)	(3,030)	40,996	169,101	(35,211)	133,890
- Other structures	13,042	(5,860)	7,182	-	-	-	(212)	-	-	13,042	(6,072)	6,970
- Roads	193,865	(59,228)	134,637	1,119	-	(80)	(3,655)	-	-	194,719	(62,698)	132,021
- Bridges	36,038	(13,159)	22,879	706	-	-	(370)	-	-	36,744	(13,529)	23,215
- Footpaths	15,594	(5,788)	9,806	-	6	-	(330)	-	-	15,599	(6,117)	9,482
- Bulk earthworks (non-depreciable)	22,311	-	22,311	-	15	-	-	-	-	22,326	-	22,326
- Stormwater drainage	56,571	(15,797)	40,774	-	-	-	(471)	-	-	56,571	(16,268)	40,303
- Swimming pools	1,208	(307)	901	-	-	-	(34)	-	-	1,208	(341)	867
- Other open space/recreational assets	6,526	(3,231)	3,295	-	16	-	(233)	-	-	6,542	(3,464)	3,078
<b>Other assets:</b>												
- Library books	2,148	(1,712)	436	-	-	-	(93)	-	-	2,149	(1,806)	343
- Other	6,154	(319)	5,835	-	-	(4,310)	(156)	-	-	1,751	(382)	1,369
<b>Total infrastructure, property, plant and equipment</b>	<b>697,996</b>	<b>(189,987)</b>	<b>508,009</b>	<b>3,638</b>	<b>6,180</b>	<b>(12,481)</b>	<b>(11,814)</b>	<b>(16,427)</b>	<b>73,874</b>	<b>728,529</b>	<b>(177,550)</b>	<b>550,979</b>

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

continued on next page ...

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

By aggregated asset class	Asset movements during the reporting period							At 30 June 2021	
	At 1 July 2020	Additions	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000	Gross carrying amount	renewals <sup>(1)</sup>	of disposals	expense	transfers	equity (ARR)	amount	and impairment	amount
Capital work in progress	2,568	2,641	962	(45)	—	—	6,126	—	6,126
Plant and equipment	28,954	66	1,945	(1,247)	8	—	28,537	(14,974)	13,563
Office equipment	5,401	—	—	(560)	—	—	5,401	(4,267)	1,134
Furniture and fittings	3,675	44	97	(195)	1	—	3,815	(2,854)	961
<b>Land:</b>									
– Operational land	39,010	—	—	—	1	2,003	41,014	—	41,014
– Community land	82,292	113	—	—	—	—	82,302	—	82,302
– Land under roads (post 30/6/08)	28	—	—	—	—	—	28	—	28
Land improvements – non-depreciable	4,751	—	—	—	(3)	—	4,728	—	4,728
Land improvements – depreciable	3,079	36	—	(163)	4	—	3,103	(1,636)	1,467
<b>Infrastructure:</b>									
– Buildings – non-specialised	22,565	324	20	(508)	—	—	22,747	(7,967)	14,780
– Buildings – specialised	146,157	869	117	(2,530)	(118)	—	146,738	(52,888)	93,850
– Other structures	5,982	195	57	(206)	4,812	—	13,042	(5,860)	7,182
– Roads	192,443	1,694	169	(3,610)	(1)	—	193,865	(59,228)	134,637
– Bridges	18,483	—	—	(193)	1	11,568	36,038	(13,159)	22,879
– Footpaths	15,472	34	94	(330)	—	—	15,594	(5,788)	9,806
– Bulk earthworks (non-depreciable)	22,294	18	—	—	14	—	22,311	—	22,311
– Stormwater drainage	38,188	161	—	(318)	—	12,880	56,571	(15,797)	40,774
– Swimming pools	461	123	—	(24)	634	—	1,208	(307)	901
– Other open space/recreational assets	13,637	—	300	(228)	(5,362)	—	6,526	(3,231)	3,295
<b>Other assets:</b>									
– Library books	2,076	—	73	(86)	(1)	—	2,148	(1,712)	436
– Other	6,004	133	17	(146)	1	—	6,154	(319)	5,835
<b>Total infrastructure, property, plant and equipment</b>	<b>653,520</b>	<b>6,451</b>	<b>3,651</b>	<b>(1,798)</b>	<b>(9)</b>	<b>26,451</b>	<b>697,996</b>	<b>(189,987)</b>	<b>508,009</b>

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

continued on next page ...

Page 36 of 71

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

### Accounting policy

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

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

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

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

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

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	2 to 35	Playground equipment	5 to 15
Furniture & fittings	3 to 50	Benches, seats etc.	10 to 25
Computer equipment	3 to 5		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings	50 to 117
Other plant and equipment	5 to 40		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	12 to 30	Bulk earthworks	infinite
Sealed roads: structure	80 to 100	Swimming pools	50 to 100
Unsealed roads	20	Other open space/recreational assets	10
Bridge: concrete	100	Other infrastructure	15 to 95
Bridge: other	55		
Kerb, gutter and footpaths	40 to 190		
<b>Stormwater assets</b>			
Drains	80 to 120		
Culverts	50 to 100		
Flood control structures	20 to 120		

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

### Land under roads

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

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

### Crown reserves

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

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

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

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### 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".

Council has performed an assessment of its Rural Fire Service "red fleet assets" and concluded that they are not material. On this basis, Council has elected not to recognise the red fleet assets. Buildings however continue to be recognised.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## C1-9 Investment properties

## Owned investment property

\$ '000	2022	2021
<b>At fair value</b>		
Opening balance at 1 July	139,078	128,267
Disposals during year	(4,108)	–
Net gain/(loss) from fair value adjustments	4,060	10,803
Other movements	–	8
<b>Closing balance at 30 June</b>	<b>139,030</b>	<b>139,078</b>

**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.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## C2 Liabilities of Council

### C2-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
<b>Payables</b>				
Prepaid rates	36	-	363	-
Goods and services	1,921	-	1,577	-
Accrued expenses:				
– Borrowings	548	-	559	-
– Salaries and wages	545	-	351	-
– Other expenditure accruals	1,675	-	739	-
Residential aged care accommodation bonds	30,823	-	29,533	-
Retirement village loan licence agreement	101,203	-	92,519	-
Security bonds, deposits and retentions	2,101	-	1,901	-
In-home aged care unspent client funds	404	-	691	-
ELE oncosts	-	-	235	27
Other	83	-	(14)	-
<b>Total payables</b>	<b>139,339</b>	<b>-</b>	<b>128,454</b>	<b>27</b>

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	107,000	33,887
<b>Total payables</b>	<b>107,000</b>	<b>33,887</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.

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

### C2-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	3,617	-	2,524	-
Other user fees and charges	(ii)	102	-	1,407	-
<b>Total contract liabilities</b>		<b>3,719</b>	<b>-</b>	<b>3,931</b>	<b>-</b>

#### Notes

(i) Council has received funding to construct assets including sporting facilities and playgrounds, Hindmarsh park upgrade, Kiama showground upgrades, various footpaths and carparks, 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) Deposits received in advance for the Holiday Parks do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue in the following financial year.

#### Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring

continued on next page ...

Page 40 of 71



Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**C2-2 Contract Liabilities (continued)**

a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

**C2-3 Borrowings**

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured	1,000	51,427	1,219	52,520
<b>Total borrowings</b>	<b>1,000</b>	<b>51,427</b>	<b>1,219</b>	<b>52,520</b>

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

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	53,739	(1,312)	–	–	–	–	52,427
Lease liability	177	(135)	–	–	–	–	42
<b>Total liabilities from financing activities</b>	<b>53,916</b>	<b>(1,447)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>52,469</b>

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,295	47,444	–	–	–	–	53,739
Government advances	49,208	(49,208)	–	–	–	–	–
Lease liability	285	(108)	–	–	–	–	177
<b>Total liabilities from financing activities</b>	<b>55,788</b>	<b>(1,872)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>53,916</b>

**(b) Financing arrangements**

\$ '000	2022	2021
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	2,000	2,000
Credit cards/purchase cards	400	400
<b>Total financing arrangements</b>	<b>2,400</b>	<b>2,400</b>
<b>Drawn facilities</b>		
Credit cards/purchase cards	35	171
<b>Total drawn financing arrangements</b>	<b>35</b>	<b>171</b>
<b>Undrawn facilities</b>		
Bank overdraft facilities	2,000	2,000
Credit cards/purchase cards	365	229
<b>Total undrawn financing arrangements</b>	<b>2,365</b>	<b>2,229</b>

**Breaches and defaults**

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

**Security over loans**

Loans secured over future cash flows

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

continued on next page ...

Page 41 of 71

## C2-3 Borrowings (continued)

### Accounting policy

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

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

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

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**C2-4 Employee benefit provisions**

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Annual leave	2,347	-	2,447	-
Sick leave	358	-	446	-
Long service leave	3,866	682	4,026	719
TOIL Leave	565	-	-	-
ELE on-costs	830	82	485	49
<b>Total employee benefit provisions</b>	<b>7,966</b>	<b>764</b>	<b>7,404</b>	<b>768</b>

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,878	5,694
Other	527	579
	<b>6,405</b>	<b>6,273</b>

**Description of and movements in provisions****Accounting policy**

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

**Short-term obligations**

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

**Other long-term employee benefit obligations**

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

**On-costs**

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

## C3 Reserves

### C3-1 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.

#### **Fair value through other comprehensive income reserve (FVOCI)**

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

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## D Risks and accounting uncertainties

### D1-1 Risks relating to financial instruments held

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	15,224	15,429	15,224	5,246
Receivables	2,778	3,466	2,777	3,465
Investments				
– Debt securities at amortised cost	38,503	31,168	38,503	41,351
<b>Fair value through other comprehensive income</b>				
Investments				
– Equity securities at fair value through other comprehensive income	84	60	84	60
<b>Total financial assets</b>	<b>56,589</b>	<b>50,123</b>	<b>56,588</b>	<b>50,122</b>
<b>Financial liabilities</b>				
Payables	139,339	128,481	139,339	128,481
Loans/advances	52,427	53,739	52,427	53,739
<b>Total financial liabilities</b>	<b>191,766</b>	<b>182,220</b>	<b>191,766</b>	<b>182,220</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

continued on next page ...

Page 45 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	538	414
Impact of a 10% movement in price of investments		
– Equity / Income Statement	5,381	–

**(b) Credit risk**

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

**Credit risk profile****Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	overdue rates and annual charges				Total
		< 5 years	1 - 2 years	2 - 5 years	≥ 5 years	
<b>2022</b>						
Gross carrying amount	103	1	1	3	–	108
<b>2021</b>						
Gross carrying amount	631	9	9	16	–	665

**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,

continued on next page ...

Page 46 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

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

non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2022</b>						
Gross carrying amount	2,886	-	-	-	-	2,886
Expected loss rate (%)	7.76%	0.00%	0.00%	0.00%	0.00%	7.76%
<b>ECL provision</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>224</b>
<b>2021</b>						
Gross carrying amount	4,019	-	-	-	-	4,019
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(c) Liquidity risk**

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
<b>2022</b>							
Payables	0.00%	2,101	40,389	96,849	-	139,339	139,339
Borrowings	3.44%	-	1,000	48,755	2,672	52,427	52,427
<b>Total financial liabilities</b>		<b>2,101</b>	<b>41,389</b>	<b>145,604</b>	<b>2,672</b>	<b>191,766</b>	<b>191,766</b>
<b>2021</b>							
Payables	0.00%	1,901	38,025	88,192	-	128,118	128,481
Borrowings	5.30%	-	2,818	50,437	5,324	58,579	53,739
<b>Total financial liabilities</b>		<b>1,901</b>	<b>40,843</b>	<b>138,629</b>	<b>5,324</b>	<b>186,697</b>	<b>182,220</b>

## D2-1 Fair value measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

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).

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021	2022	2021
<b>Recurring fair value measurements</b>							
<b>Financial assets</b>							
Other financial assets		84	60	–	–	84	1,074
<b>Total financial assets</b>		<b>84</b>	<b>60</b>	<b>–</b>	<b>–</b>	<b>84</b>	<b>1,074</b>
<b>Investment property</b>							
Blue Haven ILU	C1-9	139,030	139,078	–	–	139,030	139,078
<b>Total investment property</b>		<b>139,030</b>	<b>139,078</b>	<b>–</b>	<b>–</b>	<b>139,030</b>	<b>139,078</b>
<b>Infrastructure, property, plant and equipment</b>							
Work in Progress		–	–	7,969	6,126	7,969	6,126
Plant and equipment		–	–	12,037	13,563	12,037	13,563
Office equipment		–	–	661	1,134	661	1,134
Furniture and fittings		–	–	779	961	779	961
Operational land		49,910	44,766	–	–	49,910	44,766
Community land		–	–	82,302	82,302	82,302	82,302
Land under roads		–	–	28	28	28	28
Land improvements – non-depreciable		–	–	4,728	4,728	4,728	4,728
Land improvements – depreciable		–	–	1,334	1,467	1,334	1,467
Buildings – non-specialised		17,397	14,780	–	–	17,397	14,780
Buildings – specialised		133,890	93,850	–	–	133,890	93,850
Roads bridges footpaths		–	–	164,688	167,322	164,688	167,322
Stormwater drainage		–	–	40,303	40,774	40,303	40,774
Bulk earthworks – non depreciable		–	–	22,326	22,311	22,326	22,311
Other Open Space Recreation Assets		–	–	3,945	4,196	3,945	4,196
Other structures		–	–	6,970	7,182	6,970	7,182
Library books		–	–	343	436	343	436
Other		–	–	1,369	5,835	1,369	5,835

continued on next page ...

Page 48 of 71



Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## D2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
<b>Total infrastructure, property, plant and equipment</b>		<b>201,197</b>	153,396	<b>349,782</b>	358,365	<b>550,979</b>	511,761
<b>Non-recurring fair value measurements</b>							
<b>Non-current assets classified as held for sale</b>	C1-7						
Land		20,178	3,752	-	-	20,178	3,752
<b>Total NCA's classified as held for sale</b>		<b>20,178</b>	3,752	<b>-</b>	-	<b>20,178</b>	3,752

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Page 49 of 71

## D2-1 Fair value measurement (continued)

### Valuation techniques

#### Pre-amble

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

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

**Cost Approach** – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

**Income Approach** – Valuation technique that converts future amounts (cash flow inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

**Market Approach** – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

#### Investment property

As at 30 June 2022 the valuation of Blue Haven Independent Living Units was performed by Nelson Partners Australia. The valuation has been prepared on the basis of market value and realisation by the owners in a willing seller/willing purchaser situation, given appropriate marketing and on the basis of there being no financial pressure or a Receivership situation.

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

##### Plant & Equipment, Office Equipment and 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 - Trucks, tractors, jet skis, ride on mowers, street sweepers, earth moving equipment, buses and motor vehicles
- Office Equipment – Refrigerators, monitors and computer equipment
- Furniture & Fittings – Chairs and desks

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

##### Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input into the valuation is the price per square metre. Operational land was revalued on 30 June 2022 based land values provided by Valuer General.

##### Community Land

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

##### Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metre rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

##### Land Improvements – non depreciable

Non depreciable land improvements are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

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

continued on next page ...

Page 50 of 71

## D2-1 Fair value measurement (continued)

### Land Improvements – depreciable

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. Last year, 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. 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. As such these assets were all classified as having been valued using level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### Buildings – Specialised and Non Specialised

Buildings valuation was undertaken at 30 June 2022 and was performed by APV. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs. For example, a pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### Other Structures

This asset class includes sporting facilities, park furniture, signs, skate facilities etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. 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. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

### Roads

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. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the 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.

The revaluation of Roads, Bridges and Culverts was undertaken by an Independent Valuer, Local Government Engineering Services, as at 30 June 2021.

### Bulk Earthworks – non depreciable

The 'Cost Approach' estimated the replacement cost for each asset. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). 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.

### Stormwater Drainage

Stormwater drainage refers to the system for the collection, storage and removal of stormwater. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater drainage assets is undertaken every 5 years and the last revaluation was undertaken as at 30 June 2021.

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. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

### Library Books

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

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

### Other

Assets within this class comprise Drainage inspection data. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

continued on next page ...

Page 51 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

D2-1 Fair value measurement (continued)

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**Non-current assets classified as 'held for sale'**

This asset class comprises a parcel of land "held for sale" is valued at fair value.

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Page 52 of 71

## D2-1 Fair value measurement (continued)

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

## The valuation process for level 3 fair value measurements

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Community land	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>13,563</b>	14,880	<b>1,134</b>	1,695	<b>961</b>	1,016	<b>82,302</b>	82,292
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	-	-	-	-	-	1	-	-
Purchases (GBV)	1,314	2,011	-	-	-	141	-	113
Disposals (WDV)	(508)	(1,247)	-	-	-	(2)	-	(103)
Depreciation and impairment	(2,332)	(2,089)	(473)	(560)	(182)	(195)	-	-
Other movement (details here)	-	8	-	(1)	-	-	-	-
<b>Closing balance</b>	<b>12,037</b>	13,563	<b>661</b>	1,134	<b>779</b>	961	<b>82,302</b>	82,302

\$ '000	Land under roads		Land improvements non-depreciable		Land improvements depreciable		Other structures	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>28</b>	28	<b>4,728</b>	4,731	<b>1,467</b>	1,593	<b>11,378</b>	11,109
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	-	-	-	(3)	-	4	-	84
Purchases (GBV)	-	-	-	-	-	36	-	675
Disposals (WDV)	-	-	-	-	-	(2)	-	(32)
Depreciation and impairment	-	-	-	-	(133)	(163)	(463)	(458)
Other movement (details here)	-	-	-	-	-	(1)	-	-
<b>Closing balance</b>	<b>28</b>	28	<b>4,728</b>	4,728	<b>1,334</b>	1,467	<b>10,915</b>	11,378

\$ '000	Roads		Bulk earthworks		Stormwater drainage		Library books	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>167,322</b>	158,028	<b>22,311</b>	22,287	<b>40,774</b>	28,051	<b>436</b>	450
<b>Total gains or losses for the period</b>								
Recognised in other comprehensive income – revaluation surplus	-	11,568	-	-	-	12,880	-	-
<b>Other movements</b>								
Transfers from/(to) another asset class	-	1	-	14	-	-	-	-
Purchases (GBV)	1,831	1,991	15	18	-	161	-	73
Disposals (WDV)	(80)	(133)	-	(8)	-	-	-	-
Depreciation and impairment	(4,355)	(4,133)	-	-	(471)	(318)	(93)	(86)
Other movement (details here)	-	-	-	-	-	-	-	(1)
<b>Closing balance</b>	<b>164,718</b>	167,322	<b>22,326</b>	22,311	<b>40,303</b>	40,774	<b>343</b>	436

continued on next page ...

Page 53 of 71

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## D2-1 Fair value measurement (continued)

\$ '000	2022	2021	2022	2021	2022	2021
<b>Opening balance</b>	<b>5,835</b>	5,832	<b>6,126</b>	1,559	<b>358,365</b>	333,551
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	24,448
Transfers from/(to) another asset class	–	1	–	(51)	–	51
Purchases (GBV)	–	150	<b>1,843</b>	5,866	<b>5,003</b>	11,235
Disposals (WDV)	<b>(4,310)</b>	(1)	–	(1,249)	<b>(4,898)</b>	(2,777)
Depreciation and impairment	<b>(156)</b>	(146)	–	–	<b>(8,658)</b>	(8,148)
Other movement (details here)	–	(1)	–	1	–	5
<b>Closing balance</b>	<b>1,369</b>	5,835	<b>7,969</b>	6,126	<b>349,812</b>	<b>358,365</b>

## Highest and best use

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

### D3-1 Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

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

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

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

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

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

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

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

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

\* For 180 Point Members, Employers are required to contribute 7% of salaries to these members’ accumulation accounts, which are paid in addition to members’ defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021 followed by \$20 million per annum thereafter, apportioned according to each employer’s share of the accrued liabilities as at 30 June 2019. The assessed funding requirements remaining for the defined benefits scheme is estimated to be \$98,569 for past service contributions. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$228,637. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2021.

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**D3-1 Contingencies (continued)**

Council's expected contribution to the plan for the next annual reporting period is \$210,903.

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

<b>Employer reserves only *</b>	<b>\$ (millions)</b>	<b>Asset Coverage</b>
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.49% as at 30 June 2022.

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

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

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

\* Plus promotional increases

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

**(ii) CivicRisk Mutual Limited**

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

**(iii) StateCover Limited**

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

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

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

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

**(iv) Other guarantees**

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

**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.

continued on next page ...

Page 56 of 71



### D3-1 Contingencies (continued)

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

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

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

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

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

#### ASSETS NOT RECOGNISED

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

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

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

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

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

**E People and relationships**  
**E1 Related party disclosures**  
**E1-1 Key management personnel (KMP)**

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

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

\$ '000	2022	2021
<b>Compensation:</b>		
Short-term benefits	1,326	1,371
Other long-term benefits	148	-
Termination benefits	224	180
<b>Total</b>	<b>1,698</b>	<b>1,551</b>

**Other transactions with KMP and their related parties**

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

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**E1-2 Councillor and Mayoral fees and associated expenses**

<b>\$ '000</b>	<b>2022</b>	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	41	44
Councillors' fees	175	183
Other Councillors' expenses (including Mayor)	68	47
<b>Total</b>	<b>284</b>	<b>274</b>

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**E2 Other relationships****E2-1 Audit fees**

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
Audit and review of 2021/22 financial statements	378	81
Audit and review of 2020/21 financial statements	274	-
<b>Remuneration for audit and other assurance services</b>	<b>652</b>	<b>81</b>
<b>Total Auditor-General remuneration</b>	<b>652</b>	<b>81</b>
<b>Non NSW Auditor-General audit firms</b>		
Other audit and assurance services	110	11
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>110</b>	<b>11</b>
<b>Total audit fees</b>	<b>762</b>	<b>92</b>

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**F Other matters****F1-1 Statement of Cash Flows information****Reconciliation of net operating result to cash provided from operating activities**

\$ '000	2022	2021
<b>Net operating result from Income Statement</b>	<b>(18,699)</b>	6,015
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	11,814	11,314
(Gain) / loss on disposal of assets	15,666	1,164
Non-cash capital grants and contributions	(9)	–
Deferred Management Fees	(4,555)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(4,060)	(10,803)
– Fair valuation adjustment (re-measurement) of existing loans to Council	(94)	(369)
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	688	(843)
Increase / (decrease) in provision for impairment of receivables	–	(64)
(Increase) / decrease of inventories	(56)	(45)
(Increase) / decrease of other current assets	(111)	–
(Increase) / decrease of contract asset	1,002	(1,063)
Increase / (decrease) in payables	344	(17)
Increase / (decrease) in accrued interest payable	(11)	(48)
Increase / (decrease) in other accrued expenses payable	1,130	(1,389)
Increase / (decrease) in other liabilities	(579)	6,447
Increase / (decrease) in contract liabilities	(212)	2,579
Increase / (decrease) in employee benefit provision	558	(328)
<b>Net cash flows from operating activities</b>	<b>2,816</b>	<b>12,550</b>

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## F2-1 Commitments

## Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Footpaths and cycleways	272	-
Holiday parks	345	-
Plant and equipment	-	2,969
Playgrounds	271	-
Open space and recreation	473	-
<b>Total commitments</b>	<b>1,361</b>	<b>2,969</b>

### F3-1 Events occurring after the reporting date

#### Residential Aged Care - Accommodation Deposits

Council received a Notice of Request for Information from the Federal Department of Health and Aged Care in August 2022 due to concerns pertaining to the financial management of residential accommodation deposits in accordance with the Fees & Payments Principles of the Aged Care Act 1997. The Council has addressed the concerns raised and the matter has been closed by the Department of Health and Aged Care in November 2022.

#### Residential Aged Care - Accreditation Assessment

The Council's Blue Haven Residential Aged Care service underwent the Aged Care Quality and Safety Commission Accreditation Assessment in October 2022, achieving accreditation to April 2025. A follow up visit of the Aged Care Quality and Safety Commission assessment team in July 2023 confirmed Council's Blue Haven accreditation to April 2025.

#### Performance Improvement Order

In November 2022, Minister for Local Government under section 438A of Local Government Act 1993 issued a Performance Improvement Order (PIO) to Kiama Municipal Council due to concerns pertaining to the financial sustainability of the Council and its ability to operate as a going concern. The PIO required an OLG appointed Financial Advisor to assist the Council. The PIO noted governance and operational criteria that the Council is required to progress and satisfy by June 2023 with bimonthly progress report to be submitted to the OLG up to the end of June 2023. Council is in the process of providing information on a range of matters to the Office of Local Government to provide a briefing to the Minister for Local Government as to whether the terms of the PIO have been complied with.

#### Akuna Street landholdings Divestment

At the October 2021 Council meeting, Councillors resolved to begin the process of disposing of the Akuna Street landholdings (which comprised four lots being sold) by engaging a commercial agent to handle the tender. Council appointed Savills Australia as the agent for the public tender, which closed on 14 April 2022. The process of evaluating the tenders continued past the year end and in December 2022 the property sold for \$28 million to Level 33 Property Developers. This is a significant sale, the results of which will be reflected in the 30 June 2023 financial statements and accordingly, the Akuna Street landholdings were classified as an Asset Held for Sale as at 30 June 2022.

#### Blue Haven - Bonaira Divestment

Council resolved in October 2022 to begin the sale process of its Blue Haven Aged Care and Retirement Living services at Bonaira. This was confirmed at a follow up meeting in February 2023. This forms part of Council's asset divestment initiatives and will assist Council's financial sustainability strategy. The sale process is expected to be finalised by February 2024, but conservatively has been included in budget and cash flow forecasts by June 2024. At the date of authorisation of these financial statements, an Expression of Interest was advertised as a part of the overall sale process.

#### Borrowings - NSW Treasury Corporation

At 30 June 2022 Council owed the NSW Treasury Corporation (TCorp) \$45 million. During the 2022-23 financial year, Council has repaid \$30 million of this debt and successfully renegotiated longer settlement terms for the remaining \$15 million. Council has agreed with TCorp that the residual loan balance is not required to be settled until 9 August 2025.

#### Legal Matter

An unsuccessful tender applicant has taken issue with the fact that the successful tender applicant became the purchaser of a parcel of council land. The Council completed the legislative process and awarded the sale. The sale is complete. These proceedings were brought by the unsuccessful tender applicant in the Federal Court on 30 September 2022 seeking compensation in the amount of \$56,800,000 which is alleged to have been incurred due to the loss of opportunity to complete the development resulting in a loss of profit or to otherwise acquire the land. Council is presently defending the unsuccessful tenderer's proceedings and finalised and served a substantive amount of evidence on 28 August 2023. There is a case management hearing that is listed for 25 October 2023 and the unsuccessful tenderer's evidence in reply to Council's evidence is due to be filed on 3 November 2023. Council will continue to monitor the progress of the matter as the 30 June 2023 financial statements are prepared.

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**F4 Statement of developer contributions as at 30 June 2022****F4-1 Summary of developer contributions**

\$ '000	Opening balance at 1 July 2021	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash						
Traffic facilities	32	31	-	-	-	-	63	-	
Parking	183	-	-	-	-	-	183	-	
Open space	(27)	-	-	-	-	-	(27)	-	
Community facilities	3,285	219	-	14	-	-	3,518	-	
Other – Council chambers	3,712	68	-	17	-	-	3,797	-	
Other	119	6	-	1	-	-	126	-	
<b>\$7.11 contributions – under a plan</b>	<b>7,304</b>	<b>324</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>7,660</b>	<b>-</b>	
<b>\$7.12 levies – under a plan</b>	<b>2,379</b>	<b>470</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>2,856</b>	<b>-</b>	
<b>Total \$7.11 and \$7.12 revenue under plans</b>	<b>9,683</b>	<b>794</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>10,516</b>	<b>-</b>	
<b>Total contributions</b>	<b>9,683</b>	<b>794</b>	<b>-</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>10,516</b>	<b>-</b>	

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.

**F4-2 Developer contributions by plan**

\$ '000	Opening balance at 1 July 2021	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash						
<b>CONTRIBUTION PLAN NUMBER 1</b>									
Traffic facilities	58	20	-	-	-	-	78	-	
Community facilities	2,976	184	-	14	-	-	3,174	-	
Other – Council chambers	3,712	68	-	17	-	-	3,797	-	
Other	112	5	-	1	-	-	118	-	
<b>Total</b>	<b>6,858</b>	<b>277</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>7,167</b>	<b>-</b>	
<b>CONTRIBUTION PLAN NUMBER 2</b>									
Traffic facilities	20	2	-	-	-	-	22	-	
Community facilities	66	18	-	-	-	-	84	-	
Other	7	1	-	-	-	-	8	-	
<b>Total</b>	<b>93</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>-</b>	
<b>CONTRIBUTION PLAN NUMBER 3</b>									

continued on next page ...

Page 64 of 71



Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**F4-2 Developer contributions by plan (continued)**

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Traffic facilities	(4)	9	-	-	-	-	5	-
Community facilities	39	17	-	-	-	-	56	-
<b>Total</b>	<b>35</b>	<b>26</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 4</b>								
Parking	183	-	-	-	-	-	183	-
<b>Total</b>	<b>183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 7</b>								
Traffic facilities	(17)	-	-	-	-	-	(17)	-
Open space	(28)	-	-	-	-	-	(28)	-
Community facilities	197	-	-	-	-	-	197	-
<b>Total</b>	<b>152</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152</b>	<b>-</b>
<b>CONTRIBUTION PLAN NUMBER 7a</b>								
Traffic facilities	(25)	-	-	-	-	-	(25)	-
Open space	1	-	-	-	-	-	1	-
Community facilities	7	-	-	-	-	-	7	-
<b>Total</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>-</b>
<b>S7.12 Levies – under a plan</b>								
<b>CONTRIBUTION PLAN NUMBER A</b>								
Traffic facilities	613	139	-	2	-	-	754	-
Open space	1,766	331	-	5	-	-	2,102	-
<b>Total</b>	<b>2,379</b>	<b>470</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>2,856</b>	<b>-</b>

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

**F5 Statement of performance measures****F5-1 Statement of performance measures – consolidated results**

pre-amble

No last year comparatives were provided as prior year financial statements were disclaimed by auditors.

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(9,782)	(13.65)%	∞	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	71,668			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	54,796	73.49%	∞	> 60.00%
Total continuing operating revenue <sup>1</sup>	74,562			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	23,292	0.79x	∞	> 1.50x
Current liabilities less specific purpose liabilities	29,563			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	3,542	1.26x	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,817			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	108	0.41%	0.00%	< 10.00%
Rates and annual charges collectable	26,458			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	52,724	8.62 months	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities	6,117			

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

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

End of the audited financial statements

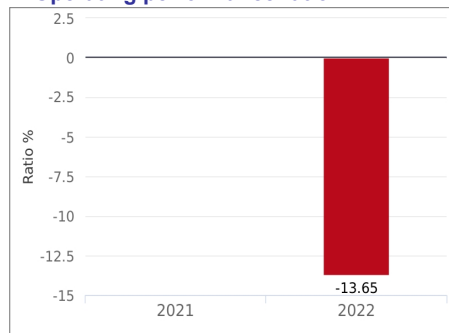
G Additional Council disclosures (unaudited)

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

pre-amble

No last year comparatives were provided as prior year financial statements were disclaimed by auditors.

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio (13.65)%

The 2021/22 financial year has seen a marginal worsening of this ratio comparing the prior year mainly due to the ratio being impacted by loss from assets write-offs.

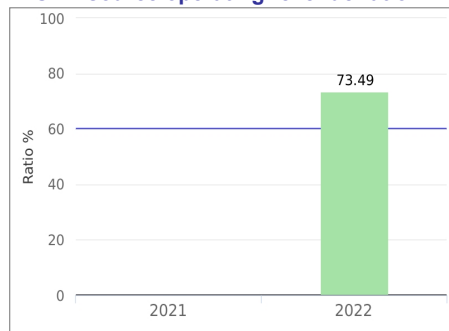
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



**Purpose of own source operating revenue ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio 73.49%

The 2021/22 financial year has seen a marginal improvement of this ratio comparing the prior year. This is largely due to the fact Kiama council has been able to secure a greater portion of its income from its own sources, such as revenue from holiday parks, the Pavilion, Leisure Centre and other operations which generate fees for council, as opposed to relying on grants.

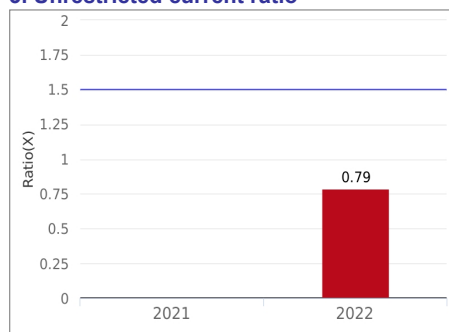
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



**Purpose of unrestricted current ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio 0.79x

Unrestricted current ratio remains below the benchmark in 2021/2022. The main reason for this ratio being below the benchmark is significant balance of Blue Haven current liabilities and no sufficient cash balance to offset it.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

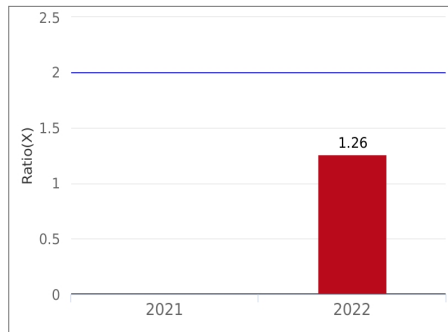
Ratio is outside benchmark

continued on next page ...

Page 67 of 71

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

4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio 1.26x

Operating results of Council didn't improve in 2021/22 financial year comparing to prior financial year. As a result, debt cover ratio remains below the benchmark in 2021/22.

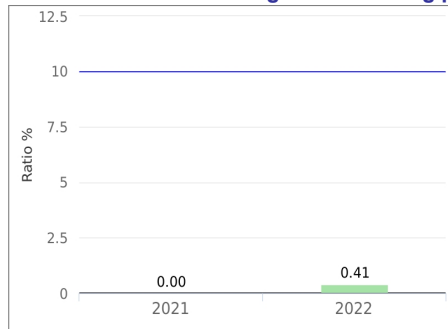
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



**Purpose of rates and annual charges outstanding percentage**

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

**Commentary on 2021/22 result**

2021/22 ratio 0.41%

Rates and annual charges outstanding percentage remains within the benchmark, this demonstrates that Council continues to manage debtors efficiently.

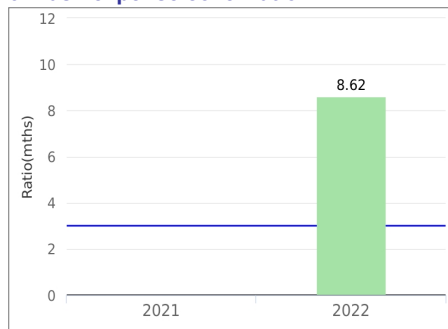
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2021/22 result**

2021/22 ratio 8.62 months

Cash expense cover ratio remains above the benchmark. Whilst unrestricted cash balance is below the benchmark, overall, it appears that Council has sufficient cash to cover expenditures for more than 8 months.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## G1-2 Council information and contact details

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**Principal place of business:**

11 Manning Street  
Kiama NSW 2533

**Contact details**

**Mailing Address:**

PO Box 75  
Kiama NSW 2533

**Telephone:** 02 4232 0444

**Facsimile:** 02 4232 0555

**Opening hours:**

8:45am - 4:15pm  
Monday to Friday

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

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

**Officers**

**Chief Executive Officer**

Jane Stroud

**Responsible Accounting Officer**

Olena Tulubinska

**Auditors**

Audit Office of NSW  
GPO Box 12, Sydney NSW 2001

**Elected members**

**Mayor**

Neil Reilly

**Councillors**

Imogen Draisma (Deputy Mayor)

Matt Brown

Mark Croxford

Jodi Keast

Stuart Larkins

Karen Renkema-Lang

Kathy Rice

Warren Steel

**Other information**

**ABN:** 22 379 679 108

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## Kiama Municipal Council

### General Purpose Financial Statements

for the year ended 30 June 2022

#### 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).

Kiama Municipal Council | Notes to the Financial Statements 30 June 2022

## Kiama Municipal Council

### General Purpose Financial Statements

for the year ended 30 June 2022

#### 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).



**KIAMA MUNICIPAL COUNCIL**  
your council, your community



**Kiama Municipal Council**  
**Special Purpose Financial Statements**  
for the year ended 30 June 2022



Item 18.1

Attachment 1



## Kiama Municipal Council

## Special Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
<b>Statement by Councillors and Management</b>	<b>3</b>
<b>Special Purpose Financial Statements:</b>	
Income Statement of Holiday Parks	5
Income Statement of Blue Haven	6
Income Statement of Commercial Waste and Plant Hire Activities	7
Income Statement of The Pavillion	8
Statement of Financial Position of Holiday Parks	9
Statement of Financial Position of Blue Haven	10
Statement of Financial Position of Commercial Waste and Plant Hire Activities	11
Statement of Financial Position of The Pavillion	12
<b>Note – Significant Accounting Policies</b>	<b>13</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>15</b>

**Background**

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activitie).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

## Kiama Municipal Council

### Special Purpose Financial Statements

for the year ended 30 June 2022

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

During preparation of the 2020-21 financial statements, Council identified underlying issues in relation to its internal control environment and the maintenance of appropriate books and records. These issues related to the year ended 30 June 2021. There were several factors that contributed to these issues, including:

- High turnover in key management and senior staff positions which resulted in a loss of corporate knowledge.
- Finance team turnover and vacancies.
- Operational challenges and additional costs due to the impact of the COVID-19 pandemic.
- Insufficient controls and testing over the implementation of a new finance IT system.
- Weaknesses in internal controls over reconciliations and working papers.

Although Council prepared the 2021-21 financial statements based on the underlying books and records, due to the pervasive nature of the issues identified above, Councillors and Management were unable to warrant the completeness and reliability of the financial statements taken as a whole.

Accordingly, in preparing the 2021-22 financial statements, Councillors and Management are unable to rely on the prior year comparative information presented, which make up the opening balances in the 2021-22 financial statements. This impacts the Income Statement and Statement of Financial Position for those declared business activities that existed in 2020-21, being Holiday Parks.

During preparation of the 2021-22 financial statements, the total balance of Infrastructure, Property, Plant and Equipment (IPP&E) could not be fully verified by management. At 30 June 2022, the total balance of IPP&E was \$105.0 million. For the year ended 30 June 2022, management conducted a comprehensive revaluation for buildings and operational land, with net carrying values of \$ 82 million and \$0.4 million, respectively. Councillors and Management are satisfied that the closing net carrying values of buildings and operational land are fairly stated for the year ended 30 June 2022.

The completeness and reliability of the remaining categories within the IPP&E balance, with a total closing net carrying value of \$22.6 million, could not be verified for the year ended 30 June 2022. Management and Councillors are unable to warrant the completeness and reliability of these balances. A plan has been put into place to continue the revaluation cycle for these asset classes in future years.

For those categories of IPP&E that are unable to be verified for the year ended 30 June 2022, Councillors and Management are also unable to attest to the accuracy and completeness of the associated depreciation expense, disclosed as \$1.3 million for the year ended 30 June 2022.

In April 2023 Council declared the following as Business Activities of Kiama Municipal Council from the 2021-22 financial year:

- a) Category One Business Activities
  - Blue Haven
  - Holiday Parks
- b) Category Two Business Activities
  - Commercial Waste and Hire Services
  - The Pavilion

Comparative data for newly declared business activities relating to Blue Haven, Commercial Waste and Hire Services and Pavilion operations is not available.

**Except for the issues described above, the attached Special Purpose Financial Statements have been prepared in accordance with the:**

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

Except for the issues described above, **to the best of our knowledge and belief, these statements:**

continued on next page ...

Page 3 of 15

## Kiama Municipal Council

### Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

**Signed in accordance with a resolution of Council made on 19 September 2023**

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Neil Reilly  
**Mayor**  
19 September 2023

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Imogen Draisma  
**Deputy Mayor**  
19 September 2023

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Jane Stroud  
**Chief Executive Officer**  
19 September 2023

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Olena Tulubinska  
**Responsible Accounting Officer**  
19 September 2023

Kiama Municipal Council | Income Statement of Holiday Parks | for the year ended 30 June 2022

## Kiama Municipal Council

## Income Statement of Holiday Parks

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>Income from continuing operations</b>		
User charges and Fees	10,352	10,786
Grants and contributions provided for non-capital purposes	2	4
<b>Total income from continuing operations</b>	<b>10,354</b>	<b>10,790</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	332	318
Borrowing costs	111	57
Materials and services	5,208	4,381
Depreciation, amortisation and impairment	1,099	968
Loss on sale of assets	-	98
Calculated taxation equivalents	131	136
Debt guarantee fee (if applicable)	-	33
Other expenses	539	941
<b>Total expenses from continuing operations</b>	<b>7,420</b>	<b>6,932</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,934</b>	<b>3,858</b>
Grants and contributions provided for capital purposes	-	60
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,934</b>	<b>3,918</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2,934</b>	<b>3,918</b>
Less: corporate taxation equivalent [based on result before capital]	(734)	(1,003)
<b>Surplus (deficit) after tax</b>	<b>2,200</b>	<b>2,915</b>
<b>Plus accumulated surplus</b>	<b>16,025</b>	<b>14,931</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	131	136
- Debt guarantee fees	-	33
- Corporate taxation equivalent	734	1,003
<b>Less:</b>		
- Dividend paid (distribution to the general fund)	(651)	(2,993)
<b>Closing accumulated surplus</b>	<b>18,439</b>	<b>16,025</b>
<b>Return on capital %</b>	<b>9.2%</b>	<b>15.3%</b>

Kiama Municipal Council | Income Statement of Blue Haven | for the year ended 30 June 2022

## Kiama Municipal Council

## Income Statement of Blue Haven

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>Income from continuing operations</b>		
User charges and fees	5,529	–
Grants and contributions provided for operating purposes	12,234	–
Interest and investment income	10	–
Other income - deferred management fees (DMF)	4,692	–
Fair value increment - investment property	4,060	–
<b>Total income from continuing operations</b>	<b>26,525</b>	<b>–</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	12,855	–
Materials and services	8,543	–
Borrowing costs	1,278	–
Depreciation, amortisation and impairment	1,322	–
Calculated taxation equivalents	214	–
Other expenses	873	–
<b>Total expenses from continuing operations</b>	<b>25,085</b>	<b>–</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,440</b>	<b>–</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,440</b>	<b>–</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,440</b>	<b>–</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(360)	–
<b>Surplus (deficit) after tax</b>	<b>1,080</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	214	–
– Corporate taxation equivalent	360	–
<b>Add:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>1,654</b>	<b>–</b>
<b>Return on capital %</b>	<b>4.1%</b>	<b>0.0%</b>

Kiama Municipal Council | Income Statement of Commercial Waste and Plant Hire Activities | for the year ended 30 June 2022

## Kiama Municipal Council

## Income Statement of Commercial Waste and Plant Hire Activities

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>Income from continuing operations</b>		
User charges	619	-
Other income	67	-
<b>Total income from continuing operations</b>	<b>686</b>	<b>-</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	556	-
Materials and services	173	-
Depreciation, amortisation and impairment	393	-
Calculated taxation equivalents	27	-
<b>Total expenses from continuing operations</b>	<b>1,149</b>	<b>-</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(463)</b>	<b>-</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(463)</b>	<b>-</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(463)</b>	<b>-</b>
<b>Surplus (deficit) after tax</b>	<b>(463)</b>	<b>-</b>
<b>Plus accumulated surplus</b>	<b>709</b>	<b>-</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	27	-
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>273</b>	<b>-</b>
<b>Return on capital %</b>	<b>(34.0)%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>463</b>	<b>-</b>

Kiama Municipal Council | Income Statement of The Pavillion | for the year ended 30 June 2022

## Kiama Municipal Council

## Income Statement of The Pavillion

for the year ended 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>Income from continuing operations</b>		
Fees	367	-
<b>Total income from continuing operations</b>	<b>367</b>	<b>-</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	179	-
Materials and services	275	-
Depreciation, amortisation and impairment	116	-
Calculated taxation equivalents	9	-
<b>Total expenses from continuing operations</b>	<b>579</b>	<b>-</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(212)</b>	<b>-</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(212)</b>	<b>-</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(212)</b>	<b>-</b>
<b>Surplus (deficit) after tax</b>	<b>(212)</b>	<b>-</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	9	-
<b>Add:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>(203)</b>	<b>-</b>
<b>Return on capital %</b>	<b>(4.3)%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>212</b>	<b>-</b>

Kiama Municipal Council | Statement of Financial Position of Holiday Parks | for the year ended 30 June 2022

## Kiama Municipal Council

## Statement of Financial Position of Holiday Parks

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	446	2,179
Receivables	293	407
<b>Total current assets</b>	<b>739</b>	<b>2,586</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	33,063	25,506
<b>Total non-current assets</b>	<b>33,063</b>	<b>25,506</b>
<b>Total assets</b>	<b>33,802</b>	<b>28,092</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	518	570
Payables	223	1,240
Employee benefit provisions	57	29
<b>Total current liabilities</b>	<b>798</b>	<b>1,839</b>
<b>Non-current liabilities</b>		
Borrowings	3,250	3,767
<b>Total non-current liabilities</b>	<b>3,250</b>	<b>3,767</b>
<b>Total liabilities</b>	<b>4,048</b>	<b>5,606</b>
<b>Net assets</b>	<b>29,754</b>	<b>22,486</b>
<b>EQUITY</b>		
Accumulated surplus	18,439	16,025
Revaluation reserves	11,315	6,461
<b>Total equity</b>	<b>29,754</b>	<b>22,486</b>



Kiama Municipal Council | Statement of Financial Position of Blue Haven | for the year ended 30 June 2022

## Kiama Municipal Council

## Statement of Financial Position of Blue Haven

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,823	-
Receivables	540	-
<b>Total current assets</b>	<b>6,363</b>	<b>-</b>
<b>Non-current assets</b>		
Receivables	191	-
Infrastructure, property, plant and equipment	65,623	-
Investment property	139,030	-
<b>Total non-current assets</b>	<b>204,844</b>	<b>-</b>
<b>Total assets</b>	<b>211,207</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	133,818	-
Employee benefit provisions	1,822	-
Other	183	-
<b>Total current liabilities</b>	<b>135,823</b>	<b>-</b>
<b>Non-current liabilities</b>		
Borrowings	44,537	-
Intercompany Loan	6,057	-
Employee benefit provisions	153	-
<b>Total non-current liabilities</b>	<b>50,747</b>	<b>-</b>
<b>Total liabilities</b>	<b>186,570</b>	<b>-</b>
<b>Net assets</b>	<b>24,637</b>	<b>-</b>
<b>EQUITY</b>		
Retained earnings	1,654	-
Revaluation reserves	22,983	-
<b>Total equity</b>	<b>24,637</b>	<b>-</b>

Kiama Municipal Council | Statement of Financial Position of Commercial Waste and Plant Hire Activities | for the year ended 30 June 2022

## Kiama Municipal Council

Statement of Financial Position of Commercial Waste and Plant Hire Activities  
as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	11	-
<b>Total current assets</b>	<b>11</b>	<b>-</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	1,363	-
<b>Total non-current assets</b>	<b>1,363</b>	<b>-</b>
<b>Total assets</b>	<b>1,374</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Employee benefit provisions	1,005	-
<b>Total current liabilities</b>	<b>1,005</b>	<b>-</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	96	-
<b>Total non-current liabilities</b>	<b>96</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,101</b>	<b>-</b>
<b>Net assets</b>	<b>273</b>	<b>-</b>
<b>EQUITY</b>		
Accumulated surplus	273	-
<b>Total equity</b>	<b>273</b>	<b>-</b>

Kiama Municipal Council | Statement of Financial Position of The Pavillion | for the year ended 30 June 2022

## Kiama Municipal Council

## Statement of Financial Position of The Pavillion

as at 30 June 2022

\$ '000	2022 Category 2	2021 Category 2
<b>ASSETS</b>		
<b>Current assets</b>		
Receivables	15	-
<b>Total current assets</b>	<b>15</b>	<b>-</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	4,921	-
<b>Total non-current assets</b>	<b>4,921</b>	<b>-</b>
<b>Total assets</b>	<b>4,936</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	92	-
Employee benefit provisions	179	-
<b>Total current liabilities</b>	<b>271</b>	<b>-</b>
<b>Total liabilities</b>	<b>271</b>	<b>-</b>
<b>Net assets</b>	<b>4,665</b>	<b>-</b>
<b>EQUITY</b>		
Retained earnings	(203)	-
Revaluation reserves	4,868	-
<b>Total equity</b>	<b>4,665</b>	<b>-</b>

## Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2021* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

(where gross operating turnover is over \$2 million)

##### a. Blue Haven

Aged Care and Independent Living Units

##### b. Holiday Parks

Caravan and Camping Parks

#### Category 2

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

##### a. Commercial Waste and Hire Services

Commercial waste services and commercial plant hire

##### b. The Pavillion

Venue hire

### Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

continued on next page ...

Page 13 of 15

**Note – Significant Accounting Policies (continued)**

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

**Notional rate applied (%)**

Corporate income tax rate – 25%

**Income tax**

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

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

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

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

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

**Local government rates and charges**

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

**Loan and debt guarantee fees**

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

**(i) Subsidies**

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

**(ii) Return on investments (rate of return)**

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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**Written down value of I,PP&E as at 30 June**

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

Kiama Municipal Council | Special Purpose Financial Statements 2022

**Kiama Municipal Council**

**Special Purpose Financial Statements**

for the year ended 30 June 2022

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**Item 18.1**

**Attachment 1**



**KIAMA MUNICIPAL COUNCIL**  
your council, your community



**Kiama Municipal Council**  
**Special Schedules Financial Statements**  
for the year ended 30 June 2022



Item 18.1

Attachment 1

Kiama Municipal Council

Special Schedules  
for the year ended 30 June 2022

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Contents	Page
<b>Special Schedules:</b>	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2022	5



Kiama Municipal Council | Permissible income for general rates | for the year ended 30 June 2022

## Kiama Municipal Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	19,023	19,388
Plus or minus adjustments <sup>2</sup>	b	(19)	16
<b>Notional general income</b>	c = a + b	<b>19,004</b>	<b>19,404</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	380	485
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>19,384</b>	<b>19,889</b>
Plus (or minus) last year's carry forward total	l	10	7
Less valuation objections claimed in the previous year	m	(7)	(8)
<b>Sub-total</b>	n = (l + m)	<b>3</b>	<b>(1)</b>
<b>Total permissible income</b>	o = k + n	<b>19,387</b>	<b>19,888</b>
Less notional general income yield	p	19,388	19,891
<b>Catch-up or (excess) result</b>	q = o - p	<b>(1)</b>	<b>(3)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	8	-
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>7</b>	<b>(3)</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)*.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Permissible income for general rates

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Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

**Kiama Municipal Council**

**Report on infrastructure assets as at 30 June 2022**

Asset Class	Asset Category	Estimated cost to bring to the standard		Estimated cost to bring to the agreed level of service set by Council		2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	2021/22 Required maintenance \$ '000	2021/22 Actual maintenance \$ '000				1	2	3	4	5
<b>Buildings</b>	Buildings	1,403	1,403	820	820	820	133,890	169,101	44.0%	15.0%	40.0%	1.0%	0.0%
	Buildings – non-specialised	498	498	–	–	–	17,397	22,960	32.0%	43.0%	23.0%	2.0%	0.0%
	<b>Sub-total</b>	<b>1,901</b>	<b>1,901</b>	<b>820</b>	<b>820</b>	<b>820</b>	<b>151,287</b>	<b>192,061</b>	<b>42.6%</b>	<b>18.3%</b>	<b>38.0%</b>	<b>1.1%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	618	618	296	296	296	6,970	13,042	38.0%	5.0%	52.0%	3.0%	2.0%
	<b>Sub-total</b>	<b>618</b>	<b>618</b>	<b>296</b>	<b>296</b>	<b>296</b>	<b>6,970</b>	<b>13,042</b>	<b>38.0%</b>	<b>5.0%</b>	<b>52.0%</b>	<b>3.0%</b>	<b>2.0%</b>
<b>Roads</b>	Roads	2,009	2,009	2,119	2,119	2,119	132,021	194,719	43.0%	34.0%	23.0%	1.0%	(1.0%)
	Bridges	1,173	1,173	–	–	–	23,215	36,744	31.0%	34.0%	32.0%	3.0%	0.0%
	Footpaths	953	953	109	109	109	9,482	15,599	40.0%	22.0%	32.0%	4.0%	2.0%
	Bulk earthworks	–	–	–	–	–	22,326	22,326	0.0%	0.0%	0.0%	0.0%	100.0%
	<b>Sub-total</b>	<b>4,135</b>	<b>4,135</b>	<b>2,228</b>	<b>2,228</b>	<b>2,228</b>	<b>187,044</b>	<b>269,388</b>	<b>37.6%</b>	<b>30.5%</b>	<b>22.8%</b>	<b>1.4%</b>	<b>7.7%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	157	157	157	40,303	56,571	24.0%	70.0%	5.0%	0.0%	1.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>157</b>	<b>157</b>	<b>157</b>	<b>40,303</b>	<b>56,571</b>	<b>24.0%</b>	<b>70.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>1.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	–	–	39	39	39	867	1,208	67.0%	1.0%	32.0%	0.0%	0.0%
	Recreation	1,563	1,563	1,880	1,880	1,880	3,078	6,542	25.0%	22.0%	29.0%	23.0%	1.0%
	<b>Sub-total</b>	<b>1,563</b>	<b>1,563</b>	<b>1,919</b>	<b>1,919</b>	<b>1,919</b>	<b>3,945</b>	<b>7,750</b>	<b>31.5%</b>	<b>18.7%</b>	<b>29.5%</b>	<b>19.4%</b>	<b>0.9%</b>
<b>Other Assets</b>	Land Improvements - Depreciable	614	614	–	–	–	1,334	3,102	22.0%	22.0%	36.0%	17.0%	3.0%
	Other Assets - Other	78	78	–	–	–	1,369	1,751	97.0%	1.0%	0.0%	1.0%	1.0%
	<b>Sub-total</b>	<b>692</b>	<b>692</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,703</b>	<b>4,853</b>	<b>49.1%</b>	<b>14.4%</b>	<b>23.0%</b>	<b>11.2%</b>	<b>2.3%</b>
	<b>Total – all assets</b>	<b>8,909</b>	<b>8,909</b>	<b>5,420</b>	<b>5,420</b>	<b>5,420</b>	<b>392,252</b>	<b>543,665</b>	<b>38.0%</b>	<b>29.4%</b>	<b>27.1%</b>	<b>1.5%</b>	<b>4.0%</b>

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

**Infrastructure asset condition assessment 'key'**

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

continued on next page ...

Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

**Kiama Municipal Council**

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

5 **Very poor** Urgent renewal/upgrading required

Page 6 of 10

Report on infrastructure assets as at 30 June 2022

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Report on infrastructure assets as at 30 June 2022: PLUS PDF inserted here

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Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

## Kiama Municipal Council

## Report on infrastructure assets as at 30 June 2022

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021	Benchmark
<b>Buildings and infrastructure renewals ratio</b>				
Asset renewals <sup>1, 2</sup>	3,638	43.08%	104.71%	>= 100.00%
Depreciation, amortisation and impairment	8,445			
<b>Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	8,909	2.23%	2.45%	< 2.00%
Net carrying amount of infrastructure assets	400,191			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	5,420	100.00%	100.00%	> 100.00%
Required asset maintenance	5,420			

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

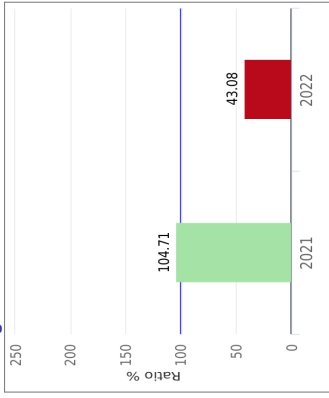
(2) The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 and as at 30 June 2021 could not be fully verified by management.

Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

**Kiama Municipal Council**

**Report on infrastructure assets as at 30 June 2022**

**Buildings and infrastructure renewals ratio**



Benchmark: — >= 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

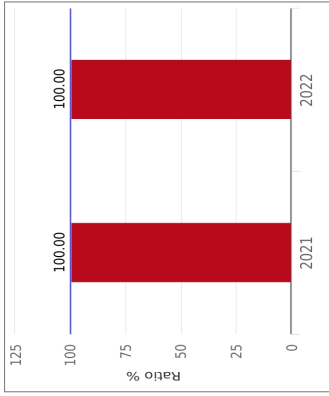
**Buildings and infrastructure renewals ratio**  
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on result**  
21/22 ratio 43.08%  
The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 could not be fully verified by management. As such, ratios calculated are indicative only. In order to maintain financial sustainability, Council reduced its overall capital expenses in 2021/22 financial year, as a result, the renewal ratio has deteriorated.

Ratio achieves benchmark

Ratio is outside benchmark

**Asset maintenance ratio**



Benchmark: — > 100.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

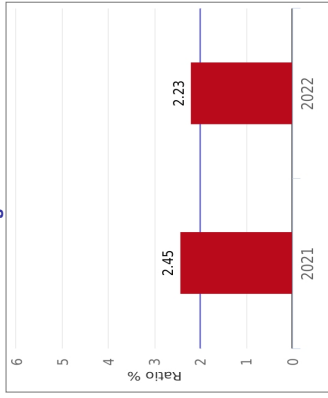
**Asset maintenance ratio**  
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on result**  
21/22 ratio 100.00%  
The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 could not be fully verified by management. As such, ratios calculated are indicative only. Maintenance expenses remain consistent, as a result, the ratio didn't change in 2021/22 financial year.

Ratio achieves benchmark

Ratio is outside benchmark

**Infrastructure backlog ratio**



Benchmark: — < 2.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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

**Commentary on result**  
21/22 ratio 2.23%  
The balance of Infrastructure Property Plant and Equipment as at 30 June 2022 could not be fully verified by management. As such, ratios calculated are indicative only. Backlog has not increased during 2021/22 financial year and there was no significant change in backlog ratio in 2021/22 financial year.

Ratio achieves benchmark

Ratio is outside benchmark

Kiama Municipal Council | Report on infrastructure assets as at 30 June 2022 | for the year ended 30 June 2022

**Kiama Municipal Council**

**Report on infrastructure assets as at 30 June 2022**

**Infrastructure asset performance indicators (by fund)**

	General fund 2022	General fund 2021	Benchmark
<b>\$ '000</b>			
<b>Buildings and infrastructure renewals ratio</b>			
Asset renewals <sup>1</sup>	<b>43.08%</b>	104.71%	>= 100.00%
Depreciation, amortisation and impairment			
<b>Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>2.23%</b>	2.45%	< 2.00%
Net carrying amount of infrastructure assets			
<b>Asset maintenance ratio</b>			
Actual asset maintenance	<b>100.00%</b>	100.00%	> 100.00%
Required asset maintenance			
<b>Cost to bring assets to agreed service level</b>			
Estimated cost to bring assets to an agreed service level set by Council	<b>1.64%</b>	1.70%	
Gross replacement cost			

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



**18.2 Strategic Improvement Plan - Progress Report**

CSP Objective: Outcome 12: Public funds and assets are managed strategically, transparently and efficiently

CSP Strategy: 12.1 Manage Public Funds in accordance with Financial Management Standards and the Local Government Act

Delivery Program: 12.1.1 Improved financial reporting and legislative compliance through reporting, scrutiny and oversight processes.

**Summary**

This report provides an update on actions in the Strategic Improvement Plan 2 (SIP2) in line with Council's prior resolution. The strategic improvement plan notes actions and activities that require advancement in order to address operational issues within the business.

**Financial implication**

The SIP2 outlines key activities to improve the long term sustainability and governance of the Kiama Municipal Council.

**Risk implication**

Not implementing the measures and actions within the SIP2 will create a high-risk working environment that does not address improving the financial sustainability of Council.

**Policy**

Local Government Act

Financial Accounting Standards

Aged Care Act

**Consultation (internal)**

The SIP2 was endorsed by Council at the April meeting.

**Communication/Community engagement**

The CEO has communicated regularly with staff and the community regarding a wide range of matters currently affecting the organisation.

**Attachments**

1 SIP attachment [↓](#)

**Enclosures**

Nil

**RECOMMENDATION**

That Council:

1. Receive and adopt the update report for September 2023 on the Strategic Improvement Plan 2 and the progress of actions undertaken; and

## Supplementary Reports

## 18.2 Strategic Improvement Plan - Progress Report (cont)

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2. Delete from the Strategic Improvement Plan 2 the highlighted actions contained within the attachment note at (1) above since subsequent Council resolutions have rendered those actions nonactionable.

**Background**

A copy of the action status for the Strategic Improvement Plan 2 is attached for Councillors' information. The report also highlights a number of actions which are recommended for deletion as subsequent resolutions of Council have rendered these non-actionable.

During the development of the Delivery Plan and Operational Plan for 2023/24 which has been adopted, the SIP 2 items were allocated to relevant departments or Directors for completion. Work is progressively occurring, and many positive changes and improvements have been realized.

Other more complex items of work, continue to be steadily worked on and require resourcing and staff coordination / time. It is also apparent that some item in the SIP are actually reported on separately in monthly reports or separate update reports. The implementation of the actions remains an organisational priority.



**Strategic Improvement Plan 2 for Kiama Municipal Council**

The structure of SIP2 has been framed initially around the key elements of the OLG Performance Improvement Order, then additional matters identified from the State of the Organisation Report and initial SIP.

The format of this SIP2 update aligns with the Office of Local Government request for additional information in relation to the PIO.

Theme	Actions	Update for September
<b>Performance Improvement Order</b>		
1 Financial management	Review Council's current financial circumstances	<ul style="list-style-type: none"> <li>Extensively progressed and reported on the PIO compliance reports.</li> <li>Review underway by staff to be tabled with the Finance Advisory Committee.</li> </ul>
2 Financial management	Review SIP as necessary with regard to changing financial circumstances, findings from FY21 and FY22 audit, and the Aged Care Quality and Safety Commission s9-3B notice	<ul style="list-style-type: none"> <li>Reviewed bi-monthly.</li> </ul>
3 Financial management	Implement SIP actions and report progress monthly to Council	<ul style="list-style-type: none"> <li>Reported bi-monthly.</li> </ul>
4 Financial management	Review Council's compliance with accounting principles, incl Local Government Act, regulations and Code of Accounting Practice	<ul style="list-style-type: none"> <li>Rates Coordinator approved and Union consultation occurring.</li> <li>Procurement Coordinator approved and Union consultation occurring.</li> <li>Significant improvements made to monthly financial statements reported to Council and statement of investment reporting.</li> </ul>
5 Financial management	Review strategies to improve Council's immediate financial circumstances, including development of a Liquidity Plan	<ul style="list-style-type: none"> <li>Draft Liquidity Plan adopted February 2023.</li> <li>Cash flow adopted and updated.</li> </ul>

Theme	Actions	Update for September
6 Financial management	Develop strategies to ensure Council's long term financial security	<ul style="list-style-type: none"> <li>• LTFP to be prepared for 2023/2024.</li> </ul>
7 Financial management	Undertake strategic review of property holdings and investments	<ul style="list-style-type: none"> <li>• Draft Property Plan adopted February 2023 and Councillors workshop held in August 2023.</li> <li>• To be updated.</li> </ul>
8 Blue Haven Aged Care Facility	Review Council's management and operations of the Blue Haven aged care facility	<ul style="list-style-type: none"> <li>• Operational Plan for Blue Haven developed and adopted.</li> <li>• Second unannounced audit completed with 7 unmetts.</li> </ul>
9 Blue Haven Aged Care Facility	Develop an operational plan of management for the Blue Haven aged care facility	<ul style="list-style-type: none"> <li>• Completed and adopted</li> </ul>
10 Blue Haven Aged Care Facility	Revise the operational plan of management, taking into account Aged Care Quality and Safety Commission accreditation assessment	<ul style="list-style-type: none"> <li>• Update on status of ACQSC continuous improvements reported to ARIC on 4 April 2023.</li> <li>• ACQSC undertook an Unannounced Visit on 25 July – 3 assessors over 2 days – to review the 11 non compliances from the Accreditation Visit in September 2022. Management had previously forwarded an Action Plan in April 2023. The assessment report has been received and the non-compliances have reduced to 7. Management has submitted a response. It is not expected that the response will overturn the result. No further feedback received from ACQSC.</li> <li>• The current result is a positive outcome for the upcoming sale process and for the enduring operations of the RACF.</li> </ul>
11 Blue Haven Aged Care Facility	Prepare a business case outlining options (lease, sell, joint venture or retain) for the Blue Haven facility	<ul style="list-style-type: none"> <li>• Completed.</li> </ul>

Theme	Actions	Update for September
12 Blue Haven Aged Care Facility	Review and report on Council's compliance with Aged Care Act 1997 and related legislation, including: <ul style="list-style-type: none"> <li>- Use of funds, deposits and bonds</li> <li>- Financial circumstances of facility</li> <li>- Strategies to improve financial performance of facility</li> <li>- Response to accreditation audit</li> </ul>	<ul style="list-style-type: none"> <li>• Completed and Prudential Policy adopted.</li> <li>• 9-3B letter closed out.</li> <li>• Findings of business case improvements referred to Blue Haven Advisory Committee and Management for ongoing improvements.</li> <li>• Financial reporting re Forsyths' report adopted August 2023.</li> <li>• Resident budgets completed.</li> <li>• Pricing review of independent living units completed.</li> </ul>
13 Financial Accounting and Management Systems	Review Council's current systems and implement and improvements	<ul style="list-style-type: none"> <li>• Implementation of the recommendations of the Forsyths' report and release of executive summary completed.</li> <li>• Continue configuration, implementation and training in TechOne finance, HR and asset systems.</li> <li>• Simpler cashflow summaries as well as statutory QBRS and SRV reporting are in place from March quarter.</li> <li>• Data now emerging and being reported to ELT on excess leave, overtime, unplanned absence, vacancy and staff establishment per functional area.</li> <li>• Annual budget adopted</li> </ul>
<b>Strategic Improvement Plan 2</b>		
14 Financial Management	Complete the financial statements for FY21 and FY22 and external audit process.	<ul style="list-style-type: none"> <li>• Financial year 2020-21 completed.</li> <li>• Financial year 2021-22 audit underway. Drafts reported to ARIC meetings on 8 August and 7 September 2023.</li> <li>• Tabled with Council for consideration at the 19 September 2023 meeting.</li> </ul>
15 Financial Management	Service Review (including revenue raising opportunities) including: <ul style="list-style-type: none"> <li>- Review of waste business unit</li> </ul>	<ul style="list-style-type: none"> <li>• Council resolution 23/050OC.</li> <li>• Budget allocated as part of 2023/24 budget.</li> </ul>

23/87557

Page 3 of 12

	Theme	Actions	Update for September
		<ul style="list-style-type: none"> <li>- Review of leisure centre</li> <li>- Review of holiday parks</li> </ul>	<ul style="list-style-type: none"> <li>• Directors attended Service Review LGNSW training on 24 August 2023.</li> <li>• Scoping completed and workshop with the Finance Advisory Committee to occur in October 2023.</li> </ul>
41	Property	Sale of superfluous assets	<ul style="list-style-type: none"> <li>• Property plan publicly report 28 February 2023 and Councillor workshop held in August 2023.</li> <li>• Akuna Street carpark sale reporting to the 19 September 2023 Council meeting</li> </ul>
44	Property	Consider outsourcing service components to manage risks	<ul style="list-style-type: none"> <li>• Recommendations of Finance Advisory Committee reported to Council for consideration.</li> <li>• Service reviews may explore in more detail.</li> </ul>
46	Blue Haven Bonaira	Subject to reclassification processes continue the work required to implement Council's decision of 13 October 2022 and resolved on 28 February 2023 concerning divestment of all aged care assets and services located on Blue Haven Bonaira site, and associated resolutions concerning Terralong subdivisions and dilapidation report.	<ul style="list-style-type: none"> <li>• Reclassification resolved and gazettal completed September 2023</li> <li>• EOI for tender for Blue Haven sale undertaken and closed 12 September 2023.</li> <li>• Dilapidation report underway.</li> <li>• Subdivision scoping work being undertaken.</li> </ul>
47	Blue Haven Terralong	Continue to implement resolutions made 28 February concerning Planning Proposals for subdivision, decommissioning and dilapidation condition reports.	<ul style="list-style-type: none"> <li>• See above (duplicated statement).</li> </ul>
48	Blue Haven	Barroul House, options to explore outsourced delivery option.	<ul style="list-style-type: none"> <li>• Resolved to divest of all aged care assets on Bonaira site as per resolution 23/053OC.</li> <li>• No further action to be taken.</li> </ul>
49	Blue Haven	Consider the caretaker / ILU management solution and options.	<ul style="list-style-type: none"> <li>• Contractors appointed and commenced.</li> </ul>

	Theme	Actions	Update for September
51	Blue Haven	Building 4 matters at Blue Haven Bonaira to be addressed.	<ul style="list-style-type: none"> <li>Building works + defects costed.</li> <li>Presentation to ILU residents held on 8 May 2023 and 14 August 2023.</li> <li>Regular reporting in business papers to Council and Blue Haven Advisory Committee on defects</li> </ul>
52	Blue Haven	Defect period for Blue Haven Bonaira to be closed out and all works completed.	<ul style="list-style-type: none"> <li>Specialist project manager appointed to lead process and completing work.</li> <li>Regularly reported to Council separately.</li> </ul>
61	Organisation Transformation	Salary system review	<ul style="list-style-type: none"> <li>Draft model developed, circulated to unions for feedback.</li> <li>LGNSW Consultant engaged to review.</li> <li>Councillor presentation provided 7 February 2023 and interactive workshop held 27 February 2023.</li> <li>Staff engagement held August 2023.</li> <li>People and Performance team leading project.</li> </ul>
63	Organisation Transformation	Cost of salary system and structure to be fully explored and consultation to occur with staff and Councillors	<ul style="list-style-type: none"> <li>Refer above.</li> <li>Need to be cognisant of cost of implementation and award increases impact on finances; as well as union position, and optics to community and staff.</li> </ul>
73	Governance	Review of complaints and Code of Conduct.	<ul style="list-style-type: none"> <li>Work has commenced to review existing Complaints Policy.</li> </ul>
16	Financial Management	Restore negative restricted funds (reserves)	<ul style="list-style-type: none"> <li>As part of the extraordinary meeting Council endorsed the following distribution of funds from Akuna Street "Resolution 23/049OC.</li> <li>This distribution of funds restores the restricted funds position to positive in the short term but will still require work in the LTFP.</li> <li>Pending the results of the dilapidation report for Terralong retirement village, a reserve needs to be established for the</li> </ul>

23/87557

Page 5 of 12

	Theme	Actions	Update for September
17	Financial Management	Replenish unrestricted funds (working capital)	<p>retirement village renewal. Consideration should also be given to the current liabilities held on the balance sheet.</p> <ul style="list-style-type: none"> <li>Forsyths' report made several recommendations concerning the restricted reserves and these have been implemented.</li> <li>Council adopted the new Restricted Funds policy 20 December 2022.</li> <li>A minimum restricted cash position should be established and maintained to meet required ratios. Discussions were held at the Finance Advisory Committee meeting in July 2023.</li> <li>Continued implementation of SIP principles will need to remain on focus.</li> </ul>
18	Financial Management	Strengthen infrastructure reserves and levels of renewals, aligned to depreciation	<ul style="list-style-type: none"> <li>As part of the extraordinary meeting Council endorsed the following distribution of funds from Akuna Street - Resolution 23/049OC.</li> <li>This distribution of funds restores the restricted funds position to positive in the short term but will still require work.</li> <li>A minimum restricted cash position should be established and maintained to meet required OLG ratios. Discussions were held at the Finance Advisory Committee meeting in July 2023.</li> <li>Continued implementation of SIP principles will need to remain on focus.</li> </ul>



Theme	Actions	Update for September
19	Financial Management Pending reclassification process reassign aged care ILU/RAD liabilities (to Blue Haven purchaser)	<ul style="list-style-type: none"> <li>Assess whether the revaluations have been ground-truthed or percentage increases and determine a process to revalue all.</li> <li>Included in tender process the current liabilities held for Bonaira.</li> <li>Reclassification completed</li> </ul>
20	Financial Management Renegotiate terms TCorp debt and amend cash flow accordingly	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
21	Financial Management Reposition DP/OP to meet (averaged) key financial ratios (operating performance, own source revenue, cash expense, debt service)	<ul style="list-style-type: none"> <li>Delivery Program and Operational Plan adopted for 2023-24.</li> </ul>
22	Financial Management Reappraise community service obligation (CSO); and pricing (fee) settings for regulatory and private benefit services	<ul style="list-style-type: none"> <li>To be completed following the service review process.</li> </ul>
23	Financial Management Reassess viability/profitability of business units	<ul style="list-style-type: none"> <li>To be completed following the service review process.</li> </ul>
24	Financial Management Reset sustainable/recurring revenue streams	<ul style="list-style-type: none"> <li>To be completed following the service review process, and Terralong dilapidation/returns paper.</li> </ul>
25	Financial Management Discern municipal services, assets and appropriate resourcing (incl FTE)	<ul style="list-style-type: none"> <li>KPMG assisted separation of books for Blue Haven and KMC. Work completed.</li> <li>Separate budgeting and reporting available now and remains a focus.</li> <li>Workforce Plan adopted.</li> <li>Work to be completed once DPOP is completed.</li> </ul>
26	Financial Management Reframe services, asset standards and levels of service	<ul style="list-style-type: none"> <li>To be completed following the service review process.</li> </ul>

27	Financial Management	Refresh risk appetite, thresholds, and strategic risk	Update for September
28	Financial Management	Reinstate debt recovery practice	Update for September
27	Financial Management	Refresh risk appetite, thresholds, and strategic risk	<ul style="list-style-type: none"> <li>Enterprise Risk workshop held in July 2023.</li> <li>Risk report prepared for ARIC October meeting.</li> </ul>
28	Financial Management	Revise rating structures, incl potential SRV to retain own source revenues (OSR) per capita	<ul style="list-style-type: none"> <li>Adopted budget 2023-24.</li> <li>Considered and declined SRV application for 2023-24.</li> <li>Temporary Advisor provided workshop to Councillors in May 2023.</li> </ul>
29	Financial Management	Reinstate debt recovery practice	<ul style="list-style-type: none"> <li>Monthly reconciliations and debt recovery practice re-established.</li> <li>Debt write-offs approved by Council.</li> <li>Monthly reporting on debtors to ELT and collection status.</li> </ul>
30	Financial Management	Re-survey community views on services and assets (aged care if required)	<ul style="list-style-type: none"> <li>Quotes sourced and scoping underway for survey.</li> </ul>
31	Financial Management	Establish Grants Policy, including pursue grant funding with low exposure to residual/recurrent expenditure or growth in depreciation/renewal	<ul style="list-style-type: none"> <li>Proactive applications for grants occurring.</li> </ul>
32	Financial Management	Establish Debt Policy, including raising debt when supported by new/growth revenues	<ul style="list-style-type: none"> <li>Work to be completed.</li> </ul>
33	Financial Management	Revise and refresh financial and asset strategies, pending above outcomes	<ul style="list-style-type: none"> <li>Work to be completed.</li> </ul>
34	Financial Management	Support advocacy for rate peg to accommodate population and depreciation growth, and removal of ESL	<ul style="list-style-type: none"> <li>Submission on rate peg to IPART.</li> <li>Support LGNSW work.</li> <li>Completed.</li> </ul>
35	Financial Management	Embed costs and distribution of property proceeds into Liquidity Plan	<ul style="list-style-type: none"> <li>CFO to consider and implement.</li> <li>Distribution of funds for Akuna Street sale completed.</li> </ul>

Theme	Actions	Update for September
36	Continue monthly cashflow reports in summarised form	<ul style="list-style-type: none"> <li>Monthly financial reporting continuing.</li> </ul>
37	Prepare quarterly consultant, legal and key project reports	<ul style="list-style-type: none"> <li>Legal briefing held for Councillors in August 2023.</li> <li>Completed.</li> </ul>
38	Assess adequacy of operational reserves and cash	<ul style="list-style-type: none"> <li>Nominate estimated costs and distribution of proceeds of sales of property resolved to divest (liquidity plan schedule).</li> <li>Renegotiated loan with TCorp.</li> <li>Update movements in restricted and unrestricted funds (reserves) as consequence of those above distributions, and anticipated timeframes for Blue Haven divestment (pending reclassification) into cashflow statements.</li> </ul>
39	Compare KMC to similar LGA benchmarks	<ul style="list-style-type: none"> <li>DPOP comparison completed.</li> <li>Development application comparison completed.</li> <li>Model Code of Meeting Practice determined.</li> </ul>
40	Participate in ISJO performance reporting	<ul style="list-style-type: none"> <li>Councillor and CEO participation in bimonthly board meetings.</li> </ul>
42	Commercial considerations report that explores dilapidation report and subdivision report for Blue Haven Terralong site as a result of the Council resolutions	<ul style="list-style-type: none"> <li>Dilapidation report progressing.</li> </ul>
43	Pending reclassification February decision of Council to progress sale of Blue Haven Bonaira property and operations (ILU, RACF, HACF, transport); and preparation of dilapidation report for Terralong	<ul style="list-style-type: none"> <li>EOI for Blue Haven Bonaira sale opened in August 2023 and closed on 12 September 2023.</li> <li>Gazetted of classification occurred in September 2023.</li> </ul>
45	Differentiation of municipal from business unit and aged care services and resourcing	<ul style="list-style-type: none"> <li>Completed.</li> <li>Ledgers and monthly reports evidence this.</li> </ul>


	Theme	Actions	Update for September
49	Blue Haven	Defects at Bonaira ILU to be resolved and bond released	<ul style="list-style-type: none"> <li>Specialist project manager appointed and reports submitted to Council on status monthly.</li> <li>Resident meeting held in September 2023.</li> </ul>
50	Blue Haven	Restructure ILU, in-home care and RACF	<ul style="list-style-type: none"> <li>Interim structure put in place to provide direct leadership to Blue Haven Bonaira. Endorsed by ELT and union notification completed.</li> </ul>
53	Blue Haven	Reduce costs associated with overtime and agency usage.	<ul style="list-style-type: none"> <li>Initial investigations undertaken and sign off process re-established.</li> <li>Weekly reporting for organisation prepared and distributed and monitoring continues.</li> <li>Recruitment activities continuing.</li> <li>Internal Audit on payroll completed.</li> </ul>
54	Blue Haven	Finalise master roster for Blue Haven	<ul style="list-style-type: none"> <li>Master roster work has progressed.</li> <li>Operational plan developed and adopted.</li> </ul>
55	Assets	Asset revaluations on all classification of assets undertaken, responding to management letters from external auditors.	<ul style="list-style-type: none"> <li>Final report for Revaluation of Building and Recreation Assets undertaken in 2021-22 completed.</li> <li>2022-23 revaluations underway</li> </ul>
56	Assets	Asset utilisation work undertaken to ensure maximum use of available assets	<ul style="list-style-type: none"> <li>Plant &amp; Equipment Utilisation reviewed on ongoing basis to inform replacement and maintenance cycle.</li> <li>Reviews of other asset utilisation pending.</li> </ul>
57	Assets	Open space planning and sport facility planning and asset management practices improved.	<ul style="list-style-type: none"> <li>Open Space &amp; Recreation Strategy under preparation for October submission to Council.</li> <li>Community engagement held in September 2023.</li> </ul>
58	Assets	Finalise program of works for flood grants	<ul style="list-style-type: none"> <li>Completed for both flood funding rounds.</li> </ul>

Theme	Actions	Update for September
59 Development and Planning	DA approvals to ensure maximum usage of assets by community and optimal revenue from fees and charges	<ul style="list-style-type: none"> <li>• Work underway to review the following:               <ul style="list-style-type: none"> <li>○ Fees and charges</li> <li>○ Halls and facilities usage and opportunities</li> <li>○ DA approval options and zoning controls to enable additional uses and revenue generation and reporting to 19 September 2023 Council meeting.</li> </ul> </li> </ul>
60 Development and Planning	Developer contributions policy to be rewritten to ensure adequate collection of fees and charges for refurbished assets, alongside analysis of existing and future needs.	<ul style="list-style-type: none"> <li>• Director Environmental Services working on enhancement of control procedures and review of the existing plans, which will include a Development Contribution Officer role to enable oversight of the plans and framework, and staff education.</li> </ul>
62 Organisation Transformation	Casual conversion requirements to be reviewed and met	<ul style="list-style-type: none"> <li>• Initial review undertaken and improvements made.</li> </ul>
64 Organisation Transformation	Review of position descriptions	<ul style="list-style-type: none"> <li>• Position descriptions being discussed during performance review process for 2023 with updates made.</li> <li>• All Directors and Managers PD's have been updated.</li> </ul>
65 Organisation Transformation	Review of the full suite of HR policies to ensure workforce is properly managed	<ul style="list-style-type: none"> <li>• Completed review of workplace HR policies.</li> </ul>
66 Organisation Transformation	Maturity model assessment of Council be conducted in financial year 2022/23 subject to adequate funds being available	<ul style="list-style-type: none"> <li>• Service reviews should be completed first, and then maturity assessment.</li> </ul>
67 Organisation Transformation	Revise age and appropriateness of salary system and HR policies; and affordability in context of KMC financial sustainability	<ul style="list-style-type: none"> <li>• HR policies updated.</li> <li>• Salary System Review ongoing and staff engagement occurring.</li> <li>• Councillor briefings held on the salary system.</li> </ul>
68 Financial Systems	Revise application as Cat 1 business, waste charges and potential General Fund subsidies	<ul style="list-style-type: none"> <li>• Work completed and adopted by Council.</li> </ul>

23/87557

Page 11 of 12

Theme	Actions	Update for September
69 Financial Systems	Continue configuration of TechOne ERP, and improve confidence in data	<ul style="list-style-type: none"> <li>The focus during the past 6 months has been on the critical area of financial reporting and processes, providing significant benefit.</li> <li>An internal PCG and refreshed working relationship with TechnologyOne have helped with planning and future direction.</li> <li>Contracts and Debtors modules to be implemented by the year's end.</li> <li>Civica have appointed a project manager for the critical upgrade to authority to support property, rating, development application and work order modules.</li> </ul>
70 Financial Systems	Improve reconciliation and working papers to support external audit	<ul style="list-style-type: none"> <li>Reconciliation and routinely completed.</li> </ul>
71 Financial Systems	Implement appropriate recommendations of Forsyth report	<ul style="list-style-type: none"> <li>Forsyth's report adopted and released publicly.</li> <li>Actions implemented and reported on to ARIC.</li> </ul>
72 Governance	Reassess availability of information and commercial/privacy obligations	<ul style="list-style-type: none"> <li>Progressively publishing or releasing appropriately redacted documents regarding aged care, property and financial matters as third party consultation is completed.</li> </ul>
74 Governance	Implement appropriate recommendations of Hopwood governance report in following areas	<ul style="list-style-type: none"> <li>Completed and reported to ARIC on progress in July 2023.</li> </ul>

 Removal of these rows will be recommended to Council

### 18.3 Public Interest Disclosure Policy

CSP Objective: Outcome 5.2: Governance is transparent and builds trust

CSP Strategy: 5.2.1 Build strong relationships and ensure our partners and community share the responsibilities and benefits of putting plans into practice.

Delivery Program: 5.2.1.2 Support good governance through systems and processes for legislative compliance.

#### Summary

This report details the revised policy that will reflect the public interest disclosure (PID) legislation in NSW, effective 1 October 2023.

#### Financial implication

Nil

#### Risk implication

Good governance and processes to ensure that any suspicion of serious wrongdoing can be identified, recorded and management compliantly with the Public Interest Disclosures Act (2022)

#### Policy

Public Interest Disclosure Policy

#### Consultation

NSW Ombudsman

#### Attachments

- 1 Public Interest Disclosure Policy - September 2023\_redacted [↓](#)

#### Enclosures

Nil

### **RECOMMENDATION**

That Council endorse the Draft Public Interest Disclosure Policy.

#### Background

The Ombudsman Office has released a Model Public Interest Disclosure Policy that will replace council's current Internal Reporting Policy.

## Supplementary Reports

## 18.3 Public Interest Disclosure Policy (cont)

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Good government relies on public officials speaking up when they witness, or otherwise become aware of, wrongdoing in the public sector.

A strong 'speak up' culture that encourages public officials to report wrongdoing is important to ensure the integrity of the public sector.

An integral part of that 'speak up' culture is having in place a framework that facilitates public interest reporting of wrongdoing by:

- Protecting those who speak up from detriment.
- Taking active steps to maintain the confidentiality of reports.
- Imposing duties on agencies who receive reports of wrongdoing to take appropriate action to investigate or otherwise deal with them.

From 1 October 2023 that framework will be the PID Act 2022.

The PID Act 2022 provides for public officials to have multiple pathways to report serious wrongdoing. This includes reporting to a disclosure officer, their manager and other agencies, such as integrity agencies.

The threshold for what is considered detrimental action has been lowered, and the associated penalties for the detrimental action offence have been increased, when compared to the 1994 Act. Clarity is provided in the PID Act 2022 on what agencies are expected to do with a report when it is received, how they must deal with a report once it is identified that it is a PID and what they must do if serious wrongdoing is found to have occurred. The PID Act 2022 also outlines when an agency must communicate with a PID maker and with the NSW Ombudsman.

Under this framework, all agencies must ensure they have:

- Systems in place to manage confidentiality.
- Welfare support mechanisms for PID makers.
- Procedures for assessing the risk of detrimental action and implementing risk mitigation strategies.





**KIAMA MUNICIPAL COUNCIL**  
your council, your community

# Public Interest Disclosure Policy

Policy Owner/Responsible Officer	Governance Coordinator
Department	People & Performance
Date adopted/endorsed	TBA
Resolution number (if applicable)	TBA
Next review date	October 2023
TRIM reference	23/87751

- 1. Purpose ..... 2
- 2. Accessibility of this policy ..... 3
- 3. Who does this policy apply to? ..... 3
- 4. Who does this policy not apply to? ..... 3
- 5. Compliance with the PID Act ..... 4
- 6. What is contained in this policy? ..... 4
- 7. How to make a report of serious wrongdoing ..... 4
  - 7.1. Reports, complaints and grievances ..... 4
  - 7.2. When will a report be a PID? ..... 5
  - 7.3. Who can make a voluntary PID? ..... 6
  - 7.4. What is serious wrongdoing? ..... 6
  - 7.5. Who can I make a voluntary PID to? ..... 6
  - 7.6. What form should a voluntary PID take? ..... 7
  - 7.7. What should I include in my report? ..... 8
  - 7.8. What if I am not sure if my report is a PID? ..... 8
  - 7.9. Deeming that a report is a voluntary PID ..... 8
  - 7.10. Who can I talk to if I have questions or concerns? ..... 9
- 8. Protections ..... 9
  - 8.1. How is the maker of a voluntary PID protected? ..... 9
  - 8.2. Protections for people who make mandatory and witness PIDs ..... 10
- 9. Reporting detrimental action ..... 10
- 10. General support ..... 10
- 11. Roles and responsibilities of council employees ..... 11
  - 11.1. Chief Executive Officer ..... 11
  - 11.2. Disclosure officers ..... 11
  - 11.3. Managers ..... 11

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11.4. All employees ..... 11

12. How we will deal with voluntary PIDs ..... 12

12.1. How we will acknowledge that we have received a report and keep the person who made it informed ..... 12

12.2. (b) How council will deal with voluntary PIDs ..... 12

12.3. How council will protect the confidentiality of the maker of a voluntary PID..... 13

12.4. How Council will assess and minimise the risk of detrimental action..... 14

12.5. How council will deal with allegations of a detrimental action offence ..... 15

12.6. What council will do if an investigation finds that serious wrongdoing has occurred 16

13. Review and dispute resolution..... 16

13.1. Internal review ..... 16

13.2. Voluntary dispute resolution ..... 16

14. Other agency obligations..... 17

14.1. Record-keeping requirements..... 17

14.2. Reporting of voluntary PIDs and council’s annual return to the Ombudsman.... 17

14.3. How Council will ensure compliance with the PID Act and this policy ..... 17

**Annexure A: Names and contact details of disclosure officers for Council ..... 18**

**Annexure B: List of integrity agencies..... 20**

**1. Purpose**

All agencies in NSW are required to have a Public Interest Disclosure (PID) Policy under section 42 of the *Public Interest Disclosures Act 2022* (PID Act).

At council we take reports of serious wrongdoing seriously. We are committed to building a ‘speak up’ culture where public officials are encouraged to report any conduct that they reasonably believe involves wrongdoing.

The integrity of our agency relies upon our staff, volunteers, contractors and subcontractors speaking up when they become aware of wrongdoing.

This policy sets out:

- how we will support and protect you if you come forward with a report of serious wrongdoing
- how we will deal with the report and our other responsibilities under the PID Act
- who to contact if you want to make a report
- how to make a report
- the protections which are available to you under the PID Act.

This policy also documents our commitment to building a speak up culture. Part of that speak up culture is having in place a framework that facilitates public interest reporting of wrongdoing by:

- protecting those who speak up from detrimental action
- imposing duties on agencies who receive reports of wrongdoing to take appropriate action to investigate or otherwise deal with them.

In NSW, that framework is the PID Act.

This policy should be read in conjunction with:

- Code of Conduct for Council Staff, Contractors and Volunteers
- Code of Conduct for Councillors
- Grievance Handling Protocol
- Fraud and Corruption Control Policy
- Privacy Management Plan
- Policy Framework

## 2. Accessibility of this policy

This policy is available on Council's publicly available website as well as on Council's intranet.

A copy of the policy is also sent to all staff of Council on their commencement. A hard copy of the policy can be requested from Council's Governance Team.

## 3. Who does this policy apply to?

This policy applies to, and for the benefit of, all public officials in NSW. You are a public official if you are:

- a person employed in or by an agency or otherwise in the service of an agency
- a person having public official functions or acting in a public official capacity whose conduct or activities an integrity agency is authorised by another Act or law to investigate
- an individual in the service of the Crown
- a statutory officer
- a person providing services or exercising functions on behalf of an agency, including a contractor, subcontractor or volunteer
- an employee, partner or officer of an entity that provides services, under contract, subcontract or other arrangement, on behalf of an agency or exercises functions of an agency, and are involved in providing those services or exercising those functions
- a judicial officer
- a Member of Parliament (MP), including a Minister
- a person employed under the *Members of Parliament Staff Act 2013*.

The Chief Executive Officer, other nominated disclosure officers and managers within Council have specific responsibilities under the PID Act. This policy also provides information on how people in these roles will fulfil their responsibilities. Other public officials who work in and for the public sector, but do not work for council may use this policy if they want information on who they can report wrongdoing to within council.

## 4. Who does this policy not apply to?

This policy does not apply to:

- people who have received services from an agency and want to make a complaint about those services
- people, such as contractors, who provide services to an agency. For example, employees of a company that sold computer software to an agency.

This means that if you are not a public official, this policy does not apply to your complaint (there are some circumstances where a complaint can be deemed to be a voluntary PID, see section 7.9 of this policy for more information).

However, you can still make a complaint to us. Complaints can be lodged in person, by phone, or email, or letter to PO BOX 75 Kiama NSW 2533.

Council is currently following the NSW Ombudsman's guidelines for the [complaint handling process](#).

## 5. Compliance with the PID Act

This policy will be monitored to ensure it is meeting its purpose, and is reviewed annually by Council's Governance Coordinator in accordance with Council's policy framework.

Following consultation and exhibition, Council will be responsible to endorse the policy.

Please contact Council's Public Officer if any errors or issues are found within the policy.

## 6. What is contained in this policy?

This policy will provide you with information on the following:

- ways you can make a voluntary PID to Council under the PID Act
- the names and contact details for the nominated disclosure officers in council
- the roles and responsibilities of people who hold particular roles under the PID Act and who are employees of council
- what information you will receive once you have made a voluntary PID
- protections available to people who make a report of serious wrongdoing under the PID Act and what we will do to protect you
- Council's procedures for dealing with disclosures
- Council's procedures for managing the risk of detrimental action and reporting detrimental action
- Council's record-keeping and reporting requirements
- how Council will ensure it complies with the PID Act and this policy.

If you require further information about this policy, how public interest disclosures will be handled and the PID Act you can:

- confidentially contact a nominated disclosure officer within Council
- contact the PID Advice Team within the NSW Ombudsman by phone: (02) 9286 1000 or email: [pidadvice@ombo.nsw.gov.au](mailto:pidadvice@ombo.nsw.gov.au), or
- access the NSW Ombudsman's PID guidelines which are available on its website.

If you require legal advice with respect to the PID Act or your obligations under the PID Act, you may need to seek independent legal advice.

## 7. How to make a report of serious wrongdoing

### 7.1. Reports, complaints and grievances

When a public official reports suspected or possible wrongdoing in the public sector, their report will be a PID if it has certain features which are set out in the PID Act.

Some internal complaints or internal grievances may also be PIDs, as long as they have the features of a PID. If an internal complaint or grievance is a report of serious wrongdoing, we will consider

whether it is a PID. If it is a PID, we will deal with it as set out in this policy, but we will also make sure we follow our Code of Conduct and Grievance Handling Procedures and Privacy Management Plan.

It is important that we quickly recognise that we have received a PID. This is because once a PID is received, the person who has made the report is entitled to certain protections and we have certain decisions that we have to make on how we will deal with the PID and how we will protect and support the person who has made the report.

### 7.2. When will a report be a PID?

There are three types of PIDs in the PID Act. These are:

1. *Voluntary PID*: This is a PID where a report has been made by the public official because they decided, of their own accord, to come forward and disclose what they know.
2. *Mandatory PID*: This is a PID where the public official has made a report about serious wrongdoing because they have a legal obligation to make that report, or because making that report is an ordinary aspect of their role or function in an agency.
3. *Witness PID*: This is a PID where a person discloses information during an investigation of serious wrongdoing following a request or requirement of the investigator.

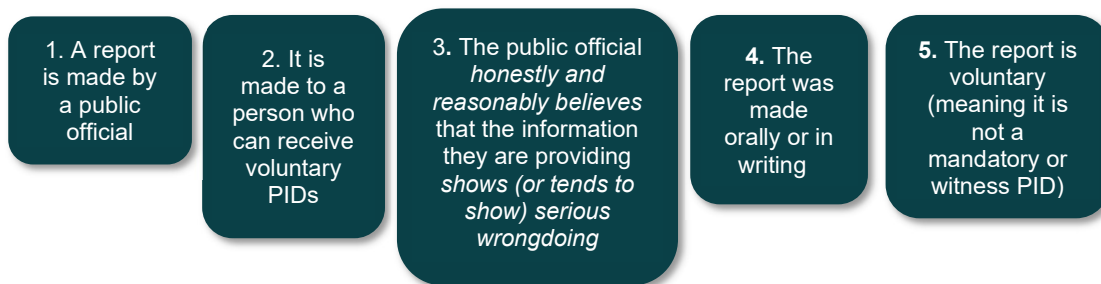
This policy mostly relates to making a voluntary PID and how we will deal with voluntary PIDs. People who make a mandatory PID or a witness PID are still entitled to protection. More information about protections is available in section 8 of this policy.

You can find more information about mandatory and witness PIDs in the Ombudsman’s guidelines ‘Dealing with mandatory PIDs’ and ‘Dealing with witness PIDs’.

Voluntary PIDs are the kind of PIDs most people have in mind when they think about public interest reporting and ‘whistleblowing’.

They involve a public official making a report because they have information that they believe shows (or tends to show) serious wrongdoing, where they are not under a legal obligation to make that report and where it is not an ordinary part of their role to report such wrongdoing.

A report is a voluntary PID if it has the following five features, which are set out in sections 24 to 27 of the PID Act:



If the report has all five features, it is a voluntary PID.

You will not be expected to prove that what you reported actually happened or is serious wrongdoing. You *do* have to honestly believe, on reasonable grounds, that the information you are reporting shows or tends to show serious wrongdoing.

Even though you do not have to prove the serious wrongdoing happened or provide evidence, a mere allegation with no supporting information is unlikely to meet this test.

If we make an error and do not identify that you have made a voluntary PID, you will still be entitled to the protections under the PID Act.

If you make a report and believe we have made an error by not identifying that you have made a voluntary PID, you should raise this with a nominated disclosure officer or your contact officer for the report. If you are still not satisfied with this outcome, you can seek an internal review or we make

seek to conciliate the matter. You may also contact the NSW Ombudsman. Further information on rights to internal review and conciliation is found in section 13 of this policy.

### 7.3. Who can make a voluntary PID?

Any public official can make a voluntary PID — see 'Who this policy applies to'. You are a public official if:

- you are employed by council
- you are a contractor, subcontractor or volunteer who provides services, or exercises functions, on behalf of council, or
- you work for an entity (such as a non-government organisation) who is contracted by council to provide services or exercise functions on behalf of council — if you are involved in undertaking that contracted work.

A public official can make a PID about serious wrongdoing relating to *any* agency, not just the agency they are working for. This means that we may receive PIDs from public officials outside our agency. It also means that you can make a PID to any agency, including an integrity agency like the Independent Commission Against Corruption (ICAC) and the NSW Ombudsman. Annexure B of this policy has a list of integrity agencies.

### 7.4. What is serious wrongdoing?

Reports must be of one or more of the following categories of *serious wrongdoing* to be a voluntary PID (in addition to having the other features set out here). Serious wrongdoing is defined in the PID Act as:

*corrupt conduct* — such as a public official accepting a bribe

*serious maladministration* — such as an agency systemically failing to comply with proper recruitment processes when hiring staff

*a government information contravention* — such as destroying, concealing or altering records to prevent them from being released under a Government Information Public Access application

*a local government pecuniary interest contravention* — such as a senior council staff member recommending a family member for a council contract and not declaring the relationship

*a privacy contravention* — such as unlawfully accessing a person's personal information on an agency's database

*a serious and substantial waste of public money* — such as an agency not following a competitive tendering process when contracting with entities to undertake government work.

When you make your report, you do not need to state to us what category of serious wrongdoing you are reporting or that you are reporting serious wrongdoing.

### 7.5. Who can I make a voluntary PID to?

For a report to be a voluntary PID, it must be made to certain public officials.

#### 7.5.1. Making a report to a public official who works for council

You can make a report inside council to:

- Chief Executive Officer
- a disclosure officer for council — a list of disclosure officers and their contact details can be found at Annexure A of this policy
- your manager — this is the person who directly, or indirectly, supervises you. It can also be the person who you directly, or indirectly, report to. You may have

more than one manager. Your manager will make sure that the report is communicated to a disclosure officer on your behalf or may accompany you while you make the report to a disclosure officer.

### 7.5.2. Making a report to a recipient outside of council

You can also make your report to a public official in another agency (meaning an agency you do not work for) or an integrity agency. These include:

- the *head of another agency* — this means the head of any public service agency
- an *integrity agency* — a list of integrity agencies is located at Annexure B of this policy
- a *disclosure officer for another agency* — ways to contact disclosure officers for other agencies is located in an agency's PID policy which can be found on their public website
- a *Minister or a member of a Minister's staff* but the report *must be made in writing*.

If you choose to make a disclosure outside of [agency name], it is possible that your disclosure will be referred back to us so that appropriate action can be taken.

### 7.5.3. Making a report to a Member of Parliament or journalist

Disclosures to MPs or journalists are different to other reports. You can only disclose a report of wrongdoing as a voluntary PID to an MP or journalist in the following circumstances:

- You must have first made substantially the same disclosure (described here as a 'previous disclosure') to someone who can receive disclosures.
- The previous disclosure must be substantially true.
- You did not make the previous disclosure anonymously.
- You did not give a written waiver of your right to receive information relating to your previous disclosure.
- You did not receive the following from council:
  - notification that council will not investigate the serious wrongdoing and will also not refer the previous disclosure to another agency, or
  - the following information at the end of the investigation period:
    - notice of council's decision to investigate the serious wrongdoing
    - a description of the results of an investigation into the serious wrongdoing
    - details of proposed or recommended corrective action as a result of the previous disclosure or investigation.

Investigation period means:

- after six months from the previous disclosure being made, or
- after 12 months if you applied for an internal review of the agency's decision within six months of making the disclosure.

If all the above requirements are met, your disclosure to an MP or journalist may be a voluntary PID.

## 7.6. What form should a voluntary PID take?

You can make a voluntary PID:

*in writing* — this could be an email or letter to a person who can receive voluntary PIDs.

*orally* — have a private discussion with a person who can receive voluntary PIDs. This can be face-to-face, via telephone or virtually.

*anonymously* — write an email or letter or call a person who can receive PIDs to make a report without providing your name or anything that might identify you as the maker of the report. A report will only be considered anonymous if there is no reasonable or practical way of communicating with the person making the report. Even if you choose to remain anonymous, you will still be protected under the PID Act. It may be difficult, however, for us to investigate the matter(s) you have disclosed if we cannot contact you for further information.

**Guidance:** Agencies should include details of any procedures that have been established to facilitate reporting and include those as a way employees can make reports. For example:

if an agency has created an online reporting portal, a dedicated phone line or email address to which reports can be made

if the responsibility of receiving voluntary PIDs has been delegated to another entity under section 81(3)(a) of the PID Act, information about how a report can be made to that entity.

### 7.7. What should I include in my report?

You should provide as much information as possible so we can deal with the report effectively. The type of information you should include is:

- date, time and location of key events
- names of person(s) involved in the suspected wrongdoing, their role, title and how they are involved
- your relationship with the person(s) involved, such as whether you work closely with them
- your explanation of the matter you are reporting
- how you became aware of the matter you are reporting
- possible witnesses
- other information you have that supports your report.

### 7.8. What if I am not sure if my report is a PID?

You should report all wrongdoing you become aware of regardless of whether you think it is serious wrongdoing. It is important for us to understand what is or may be occurring.

We are then responsible for making sure your report is handled appropriately under the PID Act, or if it is not a PID, in line with our other procedures. Even if your report is not a PID, it may fall within another one of the agency's policies for dealing with reports, allegations or complaints.

### 7.9. Deeming that a report is a voluntary PID

The Chief Executive Officer or their delegate can, in certain circumstances, determine that a report is a voluntary PID even if the report does not otherwise have all the features of a voluntary PID. This is known as the 'deeming power'.

By deeming that a report is a voluntary PID, it ensures that reporters are provided with protections under the PID Act.



If you make a report that has not met all the requirements of a voluntary PID, you can refer your matter to the Chief Executive Officer or their delegate to request that they consider deeming your report to be a voluntary PID.

A decision to deem a report to be a voluntary PID is at the discretion of the Chief Executive Officer or their delegate. For more information about the deeming power, see the Ombudsman's guideline 'Deeming that a disclosure is a voluntary PID'.

#### 7.10. Who can I talk to if I have questions or concerns?

- Council's Public Officer
- Councils Governance team
- Manager People & Performance

## 8. Protections

### 8.1. How is the maker of a voluntary PID protected?

When you make a voluntary PID you receive special protections under the PID Act.

We are committed to taking all reasonable steps to protect you from detriment as a result of having made a PID. We are also committed to maintaining your confidentiality as much as possible while the PID is being dealt with.

We will not tolerate any type of detrimental action being taken against you because you have made a report, might make a report or are believed to have made a report.

The maker of a voluntary PID is protected in the following ways:

- *Protection from detrimental action*

A person cannot take detrimental action against another person because they have made a voluntary PID or are considering making a PID. Detrimental action includes bullying, harassment, intimidation or dismissal.

Once we become aware that a voluntary PID by a person employed or otherwise associated with council that concerns serious wrongdoing relating to council has been made, we will undertake a risk assessment and take steps to mitigate the risk of detrimental action occurring against the person who made the voluntary PID.

It is a criminal offence for someone to take detrimental action against a person because they have made or may make a voluntary PID. It is punishable by a maximum penalty of 200 penalty units or imprisonment for five years or both.

A person may seek compensation where unlawful detrimental action has been taken against them.

A person can apply for a court order (injunction) where detrimental action is threatened or has occurred (for example, an order to prevent dismissal or to require reinstatement).

Note that a person who makes a PID can still be subject to reasonable management action (such as ordinary performance reviews and performance management). Provided such action is not taken because of the PID, it is not detrimental action under the PID Act.

- *Immunity from civil and criminal liability*

Some public officials are often subject to a duty of confidentiality that prevents them disclosing certain information that they obtain or become aware of at work. Sometimes, in order to make a PID, public officials will need to breach or disregard such confidentiality duties. If that happens, a public official cannot be disciplined, sued or criminally charged for breaching confidentiality.

- *Confidentiality*

Public officials and agencies must not disclose information tending to identify a person as the maker of a voluntary PID unless doing so is permitted by the PID Act.

- *Protection from liability for own past conduct*

The Attorney General can give the maker an undertaking that a disclosure of their own past conduct will not be used against them if a person discloses their own wrongdoing or misconduct while making a report. This undertaking can only be given on application by an integrity agency to the Attorney General.

### 8.2. Protections for people who make mandatory and witness PIDs

Apart from PIDs that are made voluntarily by public officials, there are other types of reports that are recognised as PIDs under the PID Act:

*A mandatory PID:* This is a PID where the public official has made the report about serious wrongdoing because they have a legal obligation to make that report, or because making that report is an ordinary aspect of their role or function in an agency.

*A witness PID:* This is a PID where a person discloses information during an investigation of serious wrongdoing following a request or requirement of the investigator.

Protections for makers of mandatory and witness PIDs are detailed in the table below.

Protection	Mandatory PID	Witness PID
Detrimental action — It is an offence to take detrimental action against a person based on the suspicion, belief or awareness that a person has made, may have made or may make a PID.	P	P
Right to compensation — A person can initiate proceedings and seek compensation for injury, damage or loss suffered as a result of detrimental action being taken against them.	P	P
Ability to seek injunction — An injunction can be sought to prevent the commission or possible commission of a detrimental action offence against a person. For example, an order to prevent dismissal or to require reinstatement.	P	P
Immunity from civil and criminal liability — a person will not incur civil or criminal liability if the person breaches a duty of confidentiality while making a disclosure. This means that legal action cannot be taken against a person for: <ul style="list-style-type: none"> <li>• breaching a duty of secrecy or confidentiality, or</li> <li>• breaching another restriction on disclosure.</li> </ul>	P	P

### 9. Reporting detrimental action

If you experience adverse treatment or detrimental action, such as bullying or harassment, you should report this to council’s Public Officer, Governance Coordinator or Manager People and Performance immediately. You can report any experience of adverse treatment or detrimental action directly to us, or to an integrity agency. A list of integrity agencies is located at Annexure B of this policy.

### 10. General support

Council will make the following supports available to a person who has made a report:

- Council will allocate to the maker of the report a person who will be their key contact person and who will take steps to protect their interests, for example, if they are at risk of detrimental action.
- Undertake a risk assessment to identify possible detrimental action
- Employee's are able to seek support through councils EAP Program.

## 11. Roles and responsibilities of council employees

Certain people within council have responsibilities under the PID Act.

### 11.1. Chief Executive Officer

The CEO is responsible for:

- fostering a workplace culture where reporting is encouraged
- receiving disclosures from public officials
- ensuring there is a system in place for assessing disclosures
- ensuring council complies with this policy and the PID Act
- ensuring that council has appropriate systems for:
  - overseeing internal compliance with the PID Act
  - supporting public officials who make voluntary PIDs, including by minimising the risk of detrimental action
  - implementing corrective action if serious wrongdoing is found to have occurred
  - complying with reporting obligations regarding allegations or findings of detrimental action
  - complying with yearly reporting obligations to the NSW Ombudsman.

### 11.2. Disclosure officers

Disclosure officers are responsible for:

- receiving reports from public officials
- receiving reports when they are passed on to them by managers
- ensuring reports are dealt with appropriately, including by referring the matter to the appropriate complaint unit (if relevant)
- ensuring that any oral reports that have been received are recorded in writing.

### 11.3. Managers

The responsibilities of managers include:

- receiving reports from persons that report to them or that they supervise
- passing on reports they receive to a disclosure officer.

### 11.4. All employees

All employees must:

- report suspected serious wrongdoing or other misconduct
- use their best endeavours to assist in an investigation of serious wrongdoing if asked to do so by a person dealing with a voluntary PID on behalf of council
- treat any person dealing with or investigating reports of serious wrongdoing with respect.

All employees must not take detrimental action against any person who has made, may in the future make, or is suspected of having made, a PID.

## 12. How we will deal with voluntary PIDs

### 12.1. How we will acknowledge that we have received a report and keep the person who made it informed

When a disclosure officer in council receives a report which is a voluntary PID, or looks like it may be a voluntary PID, the person who made the report will receive the following information:

You will receive an acknowledgment that the report has been received. This acknowledgement will:

- state that the report will be assessed to identify whether it is a PID
- state that the PID Act applies to how council deals with the report
- provide clear information on how you can access this PID policy
- provide you with details of a contact person and available supports.

If the report is a voluntary PID, we will inform you as soon as possible how we intend to deal with the report. This may include:

- that we are investigating the serious wrongdoing
- that we will refer the report to a different agency (if appropriate) to deal with the voluntary PID. If we do this, we will provide you with details of this referral
- If we decide to not investigate the report and to not refer it to another agency for it to be investigated, we will tell you the reasons for this decision. We will also notify the NSW Ombudsman of this decision.

If we decide to investigate the serious wrongdoing, a risk assessment will be undertaken to identify risks of detrimental action you could be exposed to. This will be re-assessed when additional stakeholders are identified within the investigation.

The Governance coordinator or external investigator will provide you with formal written updates on the investigation at least every three months. During this time, if you would like more frequent updates, you should contact the contact person who was nominated when you made the report.

- If we investigate the serious wrongdoing, we will provide you with the following information once the investigation is complete:
  - a description of the results of the investigation — that is, we will tell you whether we found that serious wrongdoing took place.
  - information about any corrective action as a result of the investigation/s — this means we will tell you what action we took in relation to the person who engaged in the serious wrongdoing or if the serious wrongdoing was by our agency, what we have put in place to address that serious wrongdoing.
- Corrective action could include taking disciplinary action against someone or changing the practices, policies and procedures that we have in place which led to the serious wrongdoing.

There may be some details about both the findings made as a result of the investigation and the corrective action taken that cannot be revealed to you. We will always balance the right of a person who makes a report to know the outcome of that report, with other legal obligations we have.

If you have made an anonymous report, in many cases we may not be able to provide this information to you.

### 12.2. (b) How council will deal with voluntary PIDs

Once a report that may be a voluntary PID is received council will look at the information contained in the report to see if it has the features of a voluntary PID. This assessment is undertaken to identify

whether the report is a voluntary PID or another type of disclosure, and to make sure that the right steps are followed. If it is a voluntary PID, we will ensure that we comply with the requirements in the PID Act.

The report will be referred to the Governance Coordinator or external investigator to manage.

#### 12.2.1. Report not a voluntary PID

Even if the report is not a voluntary PID, it will still need to be dealt with in a manner consistent with our complaints, grievance handling process or through an alternate process. In most cases, the complaint will be forwarded to the relevant operational manager, or director to undertake, with HR support is appropriate.

If the report is not a voluntary PID, we will let you know that the PID Act does not apply to the report and how we will deal with the concerns raised in the report.

If you are not happy with this assessment or otherwise disagree with it, you can raise it with the person who has communicated the outcome with you or a disclosure officer, request an internal review or request that the matter be conciliated. Council can, but do not have to, request the NSW Ombudsman to conciliate the matter.

#### 12.2.2. Cease dealing with report as voluntary PID

Council may stop dealing with a voluntary PID because it is not actually a voluntary PID (meaning it does not have all the features of a PID).

Council will provide reasons to the you if we have has ceased dealing with the report as a voluntary PID.

#### 12.2.3. Where the report is a voluntary PID

If the report is a voluntary PID:

- In most cases we will conduct an investigation to make findings about whether the serious wrongdoing disclosed in the report occurred, who was involved, who was responsible, and whether the people involved, or the agency engaged, in serious wrongdoing. There may be circumstances where we believe an investigation is not warranted — for example, if the conduct has previously been investigated.
- There may also be circumstances where we decide that the report should be referred to another agency, such as an integrity agency. For example, reports concerning possible corrupt conduct may be required to be reported to the ICAC in accordance with section 11 of the *Independent Commission Against Corruption Act 1988*.
- Before referring a matter, we will discuss the referral with the other agency, and we will provide you with details of the referral and a contact person within the other agency.
- If we decide not to investigate a report and to not refer the matter to another agency, we must let you know the reasons for this and notify the NSW Ombudsman.

#### 12.3. How council will protect the confidentiality of the maker of a voluntary PID

We understand that people who make voluntary PIDs may want their identity and the fact that they have made a report to be confidential.

Under the PID Act, information tending to identify a person as the maker of a voluntary PID (known as identifying information) is not to be disclosed by a public official or an agency.

There are certain circumstances under the PID Act that allow for the disclosure of identifying information. These include:

- where the person consents in writing to the disclosure

- where it is generally known that the person is the maker of the voluntary PID because of their voluntary self-identification as the maker
- when the public official or council reasonably considers it necessary to disclose the information to protect a person from detriment
- where it is necessary the information be disclosed to a person whose interests are affected by the disclosure
- where the information has previously been lawfully published
- when the information is disclosed to a medical practitioner or psychologist for the purposes of providing medical or psychiatric care, treatment or counselling to the individual disclosing the information
- when the information is disclosed for the purposes of proceedings before a court or tribunal
- when the disclosure of the information is necessary to deal with the disclosure effectively
- if it is otherwise in the public interest to disclose the identifying information.

We will not disclose identifying information unless it is necessary and authorised under the PID Act.

We will put in place steps to keep the identifying information of the maker and the fact that a report has been made confidential. It may not be possible for us to maintain complete confidentiality while we progress the investigation, but we will do all that we practically can to not unnecessarily disclose information from which the maker of the report can be identified. We will do this by:

- We will limit the number of people who are aware of your identity or information that could identify them.
- If we must disclose information that may identify you, we will still not disclose your actual identity unless we have their consent to do so.
- We will ensure that any person who does know your identity as the maker of a PID is reminded that they have a legal obligation to keep your identity confidential.
- We will ensure that only authorised persons have access to emails, files or other documentation that contain information about you.
- We will undertake an assessment to determine if anyone is aware of your identity and if those persons have a motive to cause detrimental action to be taken against the maker or impede the progress of the investigation.

We will provide information to you about the importance of maintaining confidentiality and how best to protect your identity, for example, not to discuss your report with other staff.

If confidentiality cannot be maintained or is unlikely to be maintained, council will:

- advising you that your identity may become known
- updating our risk assessment
- implementing strategies to minimise the risk of detrimental action
- providing additional supports to you
- reminding persons who become aware of the identifying information of the consequences for failing to maintain confidentiality and that engaging in detrimental action is a criminal offence and may also be a disciplinary matter.

#### 12.4. How Council will assess and minimise the risk of detrimental action

Council will not tolerate any detrimental action being taken by any person against a person who has made a PID, investigators, witnesses or the person the report is about.

We will assess and take steps to mitigate detrimental action from being taken against the maker of a voluntary PID, the person whose conduct is the subject of a PID, investigators and witnesses.

We will take steps to assess and minimise the risk of detrimental action by:

- explaining that a risk assessment will be undertaken, and a risk management plan will be created (including reassessing the risk throughout the entirety of the matter)
- providing details of the unit/role that will be responsible for undertaking a risk assessment
- explaining the approvals for risk assessment and the risk management plan, that is, rank or role of the person who has final approval
- explaining how council will communicate with you to identify risks
- listing the protections that will be offered, that is, council will discuss protection options with you which may including remote working or approved leave for the duration of the investigation
- outlining what supports will be provided.

Detrimental action against a person is an act or omission that causes, comprises, involves or encourages detriment to a person or a threat of detriment to a person (whether express or implied).

Detriment to a person includes:

- injury, damage or loss
- property damage
- reputational damage
- intimidation, bullying or harassment
- unfavourable treatment in relation to another person's job
- discrimination, prejudice or adverse treatment
- disciplinary proceedings or disciplinary action, or
- any other type of disadvantage.

Detrimental action does not include:

- lawful action taken by a person or body to investigate serious wrongdoing or other misconduct
- the lawful reporting or publication of a finding of serious wrongdoing or other misconduct
- the lawful making of adverse comment, resulting from investigative action
- the prosecution of a person for a criminal offence
- reasonable management action taken by someone in relation to a person who made or may make a PID. For example, a reasonable appraisal of a PID maker's work performance.

#### 12.5. How council will deal with allegations of a detrimental action offence

If council become(s) aware of an allegation that a detrimental action offence has occurred or may occur, we will:

- take all steps possible to stop the action and protect the person(s)
- take appropriate disciplinary action against anyone that has taken detrimental action
- refer any evidence of a detrimental action offence to the Commissioner of Police and the ICAC or the Law Enforcement Conduct Commission (whichever is applicable)
- notify the NSW Ombudsman about the allegation of a detrimental action offence being committed.

If you believe that you have become subject to determinantal action you should contact council's Public Officer or Governance Coordinator. This report is taken seriously and will be subject to investigation. During the investigation additional mitigation or support may be offered.

You will receive the outcome if your report has been substantiated.

### 12.6. What council will do if an investigation finds that serious wrongdoing has occurred

If, after an investigation, it is found that serious wrongdoing or other misconduct has occurred, council will take the most appropriate action to address that wrongdoing or misconduct. This is also known as corrective action.

The CEO receives the findings of an investigation and will work with the respective manager and director to address any recommendations in the findings.

The Public Officer or Governance Coordinator will notify you of the proposed or recommended corrective action.

Corrective action can include:

- a formal apology
- improving internal policies to adequately prevent and respond to similar instances of wrongdoing
- providing additional education and training to staff where required
- taking employment action against persons involved in the wrongdoing (such as termination of employment, relocation, a caution or reprimand)
- payment of compensation to people who have been affected by serious wrongdoing or other misconduct.

## 13. Review and dispute resolution

### 13.1. Internal review

People who make voluntary PIDs can seek internal review of the following decisions made by council:

- that council is not required to deal with the report as a voluntary PID
- to stop dealing with the report because council decided it was not a voluntary PID
- to not investigate the serious wrongdoing and not refer the report to another agency
- to cease investigating the serious wrongdoing without either completing the investigation or referring the report to another agency for investigation.

Council will ensure internal reviews are conducted in compliance with the PID Act.

If you would like to make an application for an internal review, you must apply in writing to the CEO within 28 days of being informed of council's decision. The application should state the reasons why you council's decision should not have been made. You may also submit any other relevant material with your application.

The CEO will determine if the review will be managed by the Governance team, executive member or an external independent party.

The review outcome will be notified to you within 14 days.

### 13.2. Voluntary dispute resolution

If a dispute arises between council and a person who has made a report which is, or may be, a voluntary PID, we may request the NSW Ombudsman to conciliate the dispute. Conciliation is a voluntary process and will only be suitable for disputes where council and the maker of the report are willing to resolve the dispute.



## 14. Other agency obligations

### 14.1. Record-keeping requirements

Council must keep full and accurate records with respect to all information received in connection with the PID Act. Records are stored on council's online record management system in secure and confidential electronic files with restricted access.

This ensures that Council complies with its obligations under the *State Records Act 1998*.

### 14.2. Reporting of voluntary PIDs and council's annual return to the Ombudsman

Each year council provide an annual return to the NSW Ombudsman which includes:

- information about voluntary PIDs received by council during each return period (yearly with the start date being 1 July)
- action taken by council to deal with voluntary PIDs during the return period
- how council promoted a culture in the workplace where PIDs are encouraged.

This collection of information and completion of the annual return is completed by Council's Governance Coordinator and is stored on council's online record management system in secure and confidential electronic files with restricted access.

### 14.3. How Council will ensure compliance with the PID Act and this policy

This policy will be reviewed for accuracy, compliance with the PID Act and monitoring effectiveness in accordance with council's Policy Framework by the Governance Coordinator annually.

Compliance reporting as required by the Ombudsman office and/or Office of Local Government will be managed by the Governance coordinator.

In the event of non-compliance, reports will be provided to the executive leadership team and Council's ARIC, with remedial processes or amendments for consideration and approval.

**Annexure A: Names and contact details of disclosure officers for Council**

Disclosure Coordinators		
[Redacted]	Governance Coordinator	[Redacted]
[Redacted]	Manager People and Performance	[Redacted]
Disclosure Officers		
[Redacted]	Chief Executive Officer	[Redacted]
[Redacted]	Chief Operating Officer	[Redacted]
[Redacted]	Director Planning, Environment and Communities	[Redacted]
[Redacted]	Director Infrastructure and Liveability	[Redacted]
[Redacted]	Chief Financial Officer	[Redacted]
[Redacted]	Internal Auditor	[Redacted]
[Redacted]	Manager Tourism and Events	[Redacted]
[Redacted]	Manager Aged Care and Operations	[Redacted]
[Redacted]	Manager Residential Aged Care	[Redacted]
[Redacted]	Manager Community Programs	[Redacted]
[Redacted]	Manager ILU Operations	[Redacted]
[Redacted]	Financial Controller Blue Haven	[Redacted]
[Redacted]	Manager ICT	[Redacted]
[Redacted]	Manager Planning and Economic Development	[Redacted]
[Redacted]	Manager Community Hubs	[Redacted]
[Redacted]	Manager Environment and Compliance	[Redacted]
[Redacted]	Manager Libraries and Cultural Hubs	[Redacted]
[Redacted]	Manager Engineering and Technical	[Redacted]
[Redacted]	Manager Operations and Maintenance	[Redacted]
[Redacted]	Manager Waste Services	[Redacted]
[Redacted]	Leisure Centre Manager	[Redacted]
[Redacted]	HR Coordinator	[Redacted]
[Redacted]	Event & Conference Marketing Coordinator	[Redacted]
[Redacted]	Acting Senior Ranger	[Redacted]
[Redacted]	Visitor Information Centre	[Redacted]
[Redacted]	Gerringong Library	[Redacted]

**NOTE: PID Act 2022 Reference (s 43(2))**

The following people are also disclosure officers under the Act:

- the head of an agency,
- the most senior ongoing employee who ordinarily works at a permanently maintained worksite where more than 1 employee works, and
- the member of an unelected governing body within an agency.

It is important that agencies nominate a sufficient number of disclosure officers for the size of the agency, and within the permanently maintained worksites across the agency. The purpose of this is to ensure that public officials have sufficient access to report serious wrongdoing

## Annexure B: List of integrity agencies

Integrity agency	What they investigate	Contact information
<b>The NSW Ombudsman</b>	Most kinds of <b>serious maladministration</b> by most agencies and public officials (but not NSW Police, judicial officers or MPs)	<b>Telephone:</b> 1800 451 524 between 9am to 3pm Monday to Friday <b>Writing:</b> Level 24, 580 George Street, Sydney NSW 2000 <b>Email:</b> <a href="mailto:info@ombo.nsw.gov.au">info@ombo.nsw.gov.au</a>
<b>The Auditor-General</b>	<b>Serious and substantial waste of public money</b> by auditable agencies	<b>Telephone:</b> 02 9275 7100 <b>Writing:</b> GPO Box 12, Sydney NSW 2001 <b>Email:</b> <a href="mailto:governance@audit.nsw.gov.au">governance@audit.nsw.gov.au</a>
<b>Independent Commission Against Corruption</b>	<b>Corrupt conduct</b>	<b>Telephone:</b> 02 8281 5999 or toll free on 1800 463 909 (callers outside Sydney) between 9am and 3pm, Monday to Friday <b>Writing:</b> GPO Box 500, Sydney NSW 2001 or faxing 02 9264 5364 <b>Email:</b> <a href="mailto:icac@icac.nsw.gov.au">icac@icac.nsw.gov.au</a>
<b>The Inspector of the Independent Commission Against Corruption</b>	<b>Serious maladministration</b> by the ICAC or the ICAC officers	<b>Telephone:</b> 02 9228 3023 <b>Writing:</b> PO Box 5341, Sydney NSW 2001 <b>Email:</b> <a href="mailto:oiicac_executive@oiicac.nsw.gov.au">oiicac_executive@oiicac.nsw.gov.au</a>
<b>The Law Enforcement Conduct Commission</b>	<b>Serious maladministration</b> by the NSW Police Force or the NSW Crime Commission	<b>Telephone:</b> 02 9321 6700 or 1800 657 079 <b>Writing:</b> GPO Box 3880, Sydney NSW 2001 <b>Email:</b> <a href="mailto:contactus@lecc.nsw.gov.au">contactus@lecc.nsw.gov.au</a>
<b>The Inspector of the Law Enforcement Conduct Commission</b>	<b>Serious maladministration</b> by the LECC and LECC officers	<b>Telephone:</b> 02 9228 3023 <b>Writing:</b> GPO Box 5341, Sydney NSW 2001 <b>Email:</b> <a href="mailto:oilc_executive@oilc.nsw.gov.au">oilc_executive@oilc.nsw.gov.au</a>
<b>Office of the Local Government</b>	<b>Local government pecuniary interest contraventions</b>	<b>Email:</b> <a href="mailto:olg@olg.nsw.gov.au">olg@olg.nsw.gov.au</a>
<b>The Privacy Commissioner</b>	<b>Privacy contraventions</b>	<b>Telephone:</b> 1800 472 679 <b>Writing:</b> GPO Box 7011, Sydney NSW 2001 <b>Email:</b> <a href="mailto:ipcinfo@ipc.nsw.gov.au">ipcinfo@ipc.nsw.gov.au</a>
<b>The Information Commissioner</b>	<b>Government information contraventions</b>	<b>Telephone:</b> 1800 472 679 <b>Writing:</b> GPO Box 7011, Sydney NSW 2001 <b>Email:</b> <a href="mailto:ipcinfo@ipc.nsw.gov.au">ipcinfo@ipc.nsw.gov.au</a>