

Supplementary Agenda

Notice of Meeting

Audit, Risk and Improvement Committee Meeting

An Audit, Risk and Improvement Committee Meeting of Byron Shire Council will be held as follows:

Venue	Conference Room, Station Street, Mullumbimby
Date	Thursday, 17 November 2022
Time	11.30am

Esmeralda Davis
Director Corporate and Community Service

I2022/1706
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CONFLICT OF INTERESTS

What is a “Conflict of Interests” - A conflict of interests can be of two types:

Pecuniary - an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated.

Non-pecuniary – a private or personal interest that a Council official has that does not amount to a pecuniary interest as defined in the Code of Conduct for Councillors (eg. A friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature).

Remoteness – a person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to a matter or if the interest is of a kind specified in the Code of Conduct for Councillors.

Who has a Pecuniary Interest? - a person has a pecuniary interest in a matter if the pecuniary interest is the interest of the person, or another person with whom the person is associated (see below).

Relatives, Partners - a person is taken to have a pecuniary interest in a matter if:

- The person’s spouse or de facto partner or a relative of the person has a pecuniary interest in the matter, or
- The person, or a nominee, partners or employer of the person, is a member of a company or other body that has a pecuniary interest in the matter.

N.B. “Relative”, in relation to a person means any of the following:

- (a) the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descends or adopted child of the person or of the person’s spouse;
- (b) the spouse or de facto partners of the person or of a person referred to in paragraph (a)

No Interest in the Matter - however, a person is not taken to have a pecuniary interest in a matter:

- If the person is unaware of the relevant pecuniary interest of the spouse, de facto partner, relative or company or other body, or
- Just because the person is a member of, or is employed by, the Council.
- Just because the person is a member of, or a delegate of the Council to, a company or other body that has a pecuniary interest in the matter provided that the person has no beneficial interest in any shares of the company or body.

Disclosure and participation in meetings

- A Councillor or a member of a Council Committee who has a pecuniary interest in any matter with which the Council is concerned and who is present at a meeting of the Council or Committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.
- The Councillor or member must not be present at, or in sight of, the meeting of the Council or Committee:
 - (a) at any time during which the matter is being considered or discussed by the Council or Committee, or

- (b) at any time during which the Council or Committee is voting on any question in relation to the matter.

No Knowledge - a person does not breach this Clause if the person did not know and could not reasonably be expected to have known that the matter under consideration at the meeting was a matter in which he or she had a pecuniary interest.

Non-pecuniary Interests - Must be disclosed in meetings.

There are a broad range of options available for managing conflicts & the option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with. Non-pecuniary conflicts of interests must be dealt with in at least one of the following ways:

- It may be appropriate that no action be taken where the potential for conflict is minimal. However, Councillors should consider providing an explanation of why they consider a conflict does not exist.
- Limit involvement if practical (eg. Participate in discussion but not in decision making or vice-versa). Care needs to be taken when exercising this option.
- Remove the source of the conflict (eg. Relinquishing or divesting the personal interest that creates the conflict)
- Have no involvement by absenting yourself from and not taking part in any debate or voting on the issue as of the provisions in the Code of Conduct (particularly if you have a significant non-pecuniary interest)

Committee members are reminded that they should declare and manage all conflicts of interest in respect of any matter on this Agenda, in accordance with the [Code of Conduct](#).

RECORDING OF VOTING ON PLANNING MATTERS

Clause 375A of the Local Government Act 1993 – Recording of voting on planning matters

- (1) In this section, **planning decision** means a decision made in the exercise of a function of a council under the Environmental Planning and Assessment Act 1979:
- (a) including a decision relating to a development application, an environmental planning instrument, a development control plan or a development contribution plan under that Act, but
- (b) not including the making of an order under that Act.
- (2) The general manager is required to keep a register containing, for each planning decision made at a meeting of the council or a council committee, the names of the councillors who supported the decision and the names of any councillors who opposed (or are taken to have opposed) the decision.
- (3) For the purpose of maintaining the register, a division is required to be called whenever a motion for a planning decision is put at a meeting of the council or a council committee.
- (4) Each decision recorded in the register is to be described in the register or identified in a manner that enables the description to be obtained from another publicly available document and is to include the information required by the regulations.
- (5) This section extends to a meeting that is closed to the public.

OATH AND AFFIRMATION FOR COUNCILLORS

Councillors are reminded of the oath of office or affirmation of office made at or before their first meeting of the council in accordance with Clause 233A of the Local Government Act 1993. This includes undertaking the duties of the office of councillor in the best interests of the people of Byron Shire and the Byron Shire Council and faithfully and impartially carrying out the functions, powers, authorities and discretions vested under the Act or any other Act to the best of one's ability and judgment.

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BUSINESS OF MEETING

6. LATE REPORTS

6.1	Draft 2021/2022 Financial Statements.....	6
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LATE REPORTS

Report No. 6.1 Draft 2021/2022 Financial Statements**Directorate:** Corporate and Community Services5 **Report Author:** James Brickley, Manager Finance**File No:** I2022/1701**Summary:**

10 The Draft 2021/2022 Financial Statements have been prepared, and at the time of writing, are subject to external audit still in progress, albeit close to finalisation. Council's file has been lodged with the NSW Audit Office for review and has been subject to audit review by the contracted auditor, Thomas Noble and Russell. The Audit Office of NSW has now issued the Audit Engagement Closing Report on 16 November 2022.

15 The report to Council recommends the adoption of the Draft 2021/2022 Financial Statements as prepared and the completion of the statutory steps outlined in Section 418 to 420 of the Local Government Act 1993.

RECOMMENDATION:


- 20 1. That the Audit, Risk and Improvement Committee note the Audit Engagement Closing Report for the year ended 30 June 2022 provided by the Audit Office of NSW provided at Confidential Attachment 3 (#E2022/113308).
2. That the Audit, Risk and Improvement Committee recommend to Council:
- 25 (a) That Council adopts the Draft 2021/2022 Financial Statements incorporating the General Purpose Financial Statements (#E2022/112363) and Special Purpose Financial Statements (#E2022/112364).
- 30 (b) That Council approves the signing of the "Statement by Councillors and Management" in accordance with Section 413(2)(c) of the Local Government Act 1993 and Section 215 of the Local Government (General) Regulation 2021 in relation to the 2021/2022 Draft Financial Statements.
- 35 (c) That the Audited Financial Statements and Auditors Report be presented to the public at the Ordinary Meeting of Council scheduled for 15 December 2022 in accordance with Section 418(1) of the Local Government Act 1993.

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Attachments:

- 1 Draft 2021-2022 General Purpose Financial Statements, E2022/112363 , page 20 [↓](#) 
- 5 2 Draft 2021-2022 Special Purpose Financial Statements, E2022/112364 , page 105 [↓](#) 
- 3 Confidential - External Audit Engagement Closing Report 30 June 2022, E2022/113308

Report

The Draft 2021/2022 Financial Statements have been prepared, and at the time of writing this report, are subject to external audit still in progress, albeit close to finalisation.

Council's file has been lodged with the NSW Audit Office for review and has been subject to audit review by the contracted auditor, Thomas Noble and Russell. The Audit Office of NSW has now issued the Audit Engagement Closing Report on 16 November 2022.

External Audit Engagement Closing Report

Provided at Confidential Attachment 3 is the External Audit Closing Report for the year ended 30 June 2022 by the Audit Office of NSW. This report provides information to the Audit, Risk and Improvement Committee about the audit outcome, audit findings and the audit process. A representative on behalf of the Audit Office of NSW will also provide a presentation regarding the Report to the Committee at the 17 November 2022 Meeting.

Financial Statements

This report recommends to Council, following consideration, the adoption of the Draft 2021/2022 Financial Statements as prepared and the completion of the statutory steps outlined in Section 418 to 420 of the Local Government Act 1993. The Audit, Risk and Improvement Committee will also be considering the Draft 2021/2022 Financial Statements their Committee Meeting held on 17 November 2022 anticipated to be a late report.

The Financial Statements are a statutory requirement and provide information on the financial performance of Council over the previous twelve-month period.

The Draft 2021/2022 Financial Statements provided in the attachments are broken down into:

- General Purpose Financial Statements – Attachment 1
- Special Purpose Financial Statements – Attachment 2

As in previous years, Council produces Special Schedules that are not audited (except Permissible Income for General Rates). However, since the 2018/2019 financial year, they are no longer required to be published as part of Council's Financial Statements, except for the Special Schedules relating to Permissible Income for General Rates and Report on Infrastructure Assets. The Special Schedules are still produced and submitted to the Office of Local Government.

Brief explanations for each item follow:

General Purpose Financial Statements

These Statements provide an overview of the operating result, financial position, changes in equity and cash flow movement of Council as at 30 June 2022 on a consolidated basis with internal transactions between Council's General, Water and Sewerage Funds eliminated. The notes included with these reports provide details of major items of income

and expenditure with comparisons to the previous financial year. The notes also highlight the cash position of Council and indicate which funds are externally restricted (i.e., may be used for a specific purpose only), and those that may be used at Council's discretion.

5 **Special Purpose Financial Statements**

These Statements are a result of the implementation of the National Competition Policy and relate to those aspects of Council's operations that are business oriented and compete with other businesses with similar operations. Mandatory disclosures in the Special Purpose Financial Reports are Water and Sewerage. Additional disclosures relate to Council business units that Council deems 'commercial'. In this regard Council has traditionally reported its caravan park operations, being Suffolk Beachfront Holiday Park and First Sun Holiday Park, on a combined basis. These financial reports must also classify business units in the following categories:

- Category 1 – operating turnover is greater than \$2million
- Category 2 – operating turnover is less than \$2million

All Council's business units are classed as Category 1 with all having operating turnover greater than \$2 million.

Another feature of the Special Purpose Financial Reports is to build taxes and charges, where not physically incurred, into the financial results in order that the results can be measured on a level playing field with other organisations operating similar businesses, who are required to pay these additional taxes and charges. These taxes and charges include:

- Land tax – Council is normally exempt from this tax, so notional land tax is applied.
- Income tax – Council is exempt from income tax and in regard to these reports, company tax. Any surplus generated has a notional company tax applied to it.
- Debt guarantee fees – Generally due to the low credit risk associated with Councils, Councils can often borrow loan funds at lower interest rates than the private sector. A debt guarantee fee inflates the borrowing costs by incorporating a notional cost between interest payable on loans at the interest rate borrowed by Council and one that would apply commercially.

The Special Purpose Financial Reports are prepared on a non-consolidated basis - in other words they are grossed up to include any internal transactions with the General Fund.

Specific Items relating to 2021/2022 Draft Financial Statements

Before consideration is given to actual financial outcome, it needs to be pointed out that the Office of Local Government restructured the Local Government Code of Accounting Practice and Financial Reporting from the 2020/2021 financial year onwards. This means that the notes to the General Purpose Financial Statements are now broken into Sections as follows:

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- Section A – About Council and these Financial Statements
- Section B – Financial Performance
- Section C – Financial Position
- Section D – Council Structure
- 5 • Section E – Risks and Accounting Uncertainties
- Section F – People and Relationships
- Section G – Other Matters
- Section H – Additional Council Disclosures

10 Some line items previously within certain notes have been moved to other notes.

The Draft 2021/2022 Financial Statement results have been impacted by the following items that require explanation:

- 15 • Overall Audit Outcome

Council for the 2021/2022 financial year will receive a 'modified' or 'qualified' audit opinion from the NSW Audit Office. This relates to the General Purpose Financial Statements and is due to the non-recognition of Rural Fire Service 'Red Fleet' assets by Council.

20 The Rural Fire Service (RFS) does not recognise 'Red Fleet' assets in their accounts as there is a provision in the Rural Fire Service Act 1997 that these assets 'vests' in Council. However, under Australian Accounting Standard AASB 116 "Property, Plant and Equipment" the Local Government Code of Accounting Practice, Council must assess
25 whether it is of the view it 'controls' these assets in order to recognise them in the Statement of Financial Position. Council has passed resolution **22-272** not to recognise these assets and provided a written response to the NSW Auditor General in June 2022 as to why it formed that view. This matter was also considered by the Audit, Risk and
30 Improvement Committee at their 19 May 2022 Meeting where the Committee recommended to Council not to recognise these assets.

Nevertheless, there is a distinct difference of opinion as to who 'controls' Rural Fire Service 'Red Fleet' assets and it is Council's adopted view it does not. From Council's perspective only, if it was to include them it would be mis-stating its financial position.
35 Whilst this view is not accepted by the Audit Office, Council reviewed assets data provided by the Rural Fire Service, given it has all the records regarding fleet assets as it purchases, maintains, uses and disposes of these assets without consultation with Council, and calculated the carrying value of these assets was around \$677,000. The carrying value of Council's overall assets at 30 June 2022 was \$1.278billion so the value
40 as a percentage has meant Council has not recognised assets equating to 0.05% of its overall infrastructure, property, plant and equipment assets carrying value.

The Audit Office has not accepted Council's assessment further because Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of
45 the Rural Fire Service assets or performed procedures to identify the value of assets vested in it during the year.

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The issuance of a 'modified' or 'qualified' audit opinion is not unique to Byron Shire Council and as at 30 June 2022 Council is aware of at least twenty other Councils which received the same outcome for non-recognition of RFS 'Red Fleet' assets. It is possible this will continue for future financial years whilst Council continues to not recognise the RFS 'Red Fleet' assets.

- Operating Result from Continuing Operations

The 2021/2022 financial year has seen a positive overall financial result. Council recorded a \$11.073million surplus compared to the \$9.468million surplus in 2020/2021. This result incorporates the recognition of capital revenues such as capital grants and contributions for specific purposes and asset dedications amounting to \$20.984 million, compared to \$23.130million in 2020/2021.

A more important indicator is the operating result before capital grants and contributions. This result was a deficit of \$9.911 million in 2021/2022 compared to a deficit of \$13.662million in 2020/2021, representing a decrease of \$3.751million between financial years. Whilst an improvement, this indicates on an ongoing basis Council's operating expenditures continue to exceed operating revenues. Whilst operating revenues, excluding capital grants and contributions, grew by \$13.872million, overall operating expenses grew by \$10.121million.

With reference to the Income Statement to the General Purpose Financial Reports included at Attachment 1, the following table indicates the major changes between 2021/2022 and 2020/2021 by line item:

Item	Change between 2021/2022 and 2020/2021 \$'000	Change Outcome	Comment
<u>Income</u>			
Rates & Annual Charges	+\$2,586	Increase	Reflects imposition of the 2021/2022 rate peg of 2.3% and changes in annual charges from Council's adopted 2021/2022 Revenue Policy.
User Charges and Fees	-\$1,930	Decrease	A contributor to this change was a decline in holiday park and pay parking revenues. Further information is available in Note B2-2 to Attachment 1.
Other Revenues	-\$295	Decrease	The major decrease in this item relates to fine revenues.
Grants & Contributions – Operating	+\$13,796	Increase	Overall operating grants and contributions increased significantly due to 75% advance payment of Financial

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Item	Change between 2021/2022 and 2020/2021 \$'000	Change Outcome	Comment
			Assistance Grant, Flood recovery grants \$3.375million, \$1.7million from Public Works Advisory for clean up works for waste, water and sewerage from flood event along with \$5million from Transport for NSW for emergency repairs to flood damaged infrastructure were the main contributors. Further information is available in Note B2-4 to Attachment 1.
Grants & Contributions – Capital	-\$2,146	Decrease	Revenue decrease in this item mainly relates to the reduced developer contributions received. Further information is available in Note B2-4 to Attachment 1.
Interest and Investment Revenue	-\$316	Decrease	Interest rates during 2021-2022 have remained at historic lows, only starting to increase late in the financial year have reduced investment rates significantly, lowering the return on Council's investments. Cashflow around scale of works and recovering grant payments has also been an influence especially the flood recovery.
Other Income	+\$31	Increase	Principally relates to change in revenues from property leases.
Total Income Change	+11,726	Increase	
<u>Expenditure</u>			
Employee Benefits and Oncosts	+\$2,022	Increase	Increased leave entitlement expenses of \$420k reflect an emphasis on controlling leave balances and the impact of increasing interest rates on present value of liability calculations. A decrease of \$973k of employee costs capitalised on capital works in 2021/2022 compared to 2020/2021 and gross salary and wages increased \$712k. More information is provided at Note B3-1 to Attachment 1.
Borrowing Costs	-\$141	Decrease	Reduction due to ongoing repayment of existing loans and borrowing of new

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Item	Change between 2021/2022 and 2020/2021 \$'000	Change Outcome	Comment
			loans at good interest rates given current market conditions.
Materials & Services	+\$10,136	Increase	Materials and Services increased \$10,136k overall. Raw materials and consumables increased significantly due to expenditure on flood recovery. Further changes include a reduction of \$491K in legal expenses, increase of \$154k in insurance costs, increase of \$129k for IT software costs, increase of \$363k in waste contract costs, \$668k decrease in temporary employment costs. Other changes can be found at Note B3-2 to Attachment 1.
Depreciation	+\$1,605	Increase	Respective changes between asset classes are outlined at Note B3-4 to Attachment 1. Essentially major increase is due to the ongoing revaluation and indexation of assets each year now flowing through with increased depreciation expense.
Other Expenses	+\$433	Increase	Overall variations in line items as disclosed at Note B3-5 to Attachment 1. The major item is the fair value decrement on Council's investments. This is a changed disclosure.
Net Losses from Disposal of Assets	-\$3,934	Decrease	Reflects the written down value of assets disposed of at the end of financial year and is contingent upon the extent of assets disposed and their written down value at the time of disposal which can vary. For 2022/2023, Council has significantly more disposals than gains, including the disposal of infrastructure \$4,117k, reflecting the level of capital works and flood damage disposals with plant and equipment obtaining a \$600k gain. Further details can be found at Note B4-1 to Attachment 1
Total Expenditure Change	+\$10,121	Increase	

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Item	Change between 2021/2022 and 2020/2021 \$'000	Change Outcome	Comment
Change in Result	+\$1,605	Increase	Increase in overall surplus between financial years.

Following from the operating results, are the performance ratios at Note H1-1 to the General Purpose Financial Statements. These have been derived following the financial assessments undertaken by NSW Treasury Corporation on all NSW Councils in 2012 and are now incorporated into the latest update to the Code of Accounting Practice and Financial Reporting that determines the content of Council's Financial Statements.

These ratios present either a stable or improving result for Council except for the following:

Operating Performance Ratio reflects Council's operating result. The benchmark is to be greater than 0% but in 2021/2022 Council's ratio was -5.41% and in 2020/2021 it was -6.55%, a slight improvement. This ratio was impacted by expenditure associated with the flood recovery for which Council is yet to be reimbursed. The ratio will fluctuate with revenue recognition accounting standards now in place in that grant revenues cannot be matched against expenditure but only in accord with firstly grant approvals i.e. natural disaster funding and milestone achievement. Council needs to improve this result back towards the benchmark as it is a key financial sustainability indicator.

Outstanding Rates and Annual Charges – Whilst still just within the industry benchmark, Council's ratio has increased to 9.60% in 2021/2022 from 8.33% in 2020/2021. The increase can be attributable to rates and charges increases, the impact of the COVID-19 pandemic in the first half of the financial year and then the February/March 2022 flood events. Through its assistance program to the community, Council has continued to offer ratepayers extended payment arrangements and suspended debt recovery for the whole financial year. It further set interest on outstanding rates and charges to 0% which was to end at the end of February 2022 but following the February/March flood events, this was extended to 30 June 2022. Whilst providing assistance to ratepayers, it also reduced the incentive for people to pay and as a consequence the rates and charges outstanding percentage has increased.

- Asset Revaluations

During 2021/2022, a revaluation of assets relating to Water and Sewerage Infrastructure was undertaken. These revaluations have increased Council's asset values by the following amounts:

- Water Infrastructure – a decrement or reduction of \$2.716million
- Sewerage Infrastructure – an increase of \$8.810million

In addition the water and sewerage revaluation identified assets described as 'found'. These were assets identified via inspection and development that had not previously been valued or recorded totalling \$5.191million being \$2.518million for water and \$2.673million for sewerage. As a result Council has been required to recognise a 'prior-period error' as these assets should have been disclosed but were not and details of this are provided at Note G3-1. Further disclosure is provided in the Special Purpose Financial Statements as Water and Sewerage functions are declared business units.

For the upcoming 2022/2023 financial year, Council does not need to do any specific asset class revaluation but may consider a revaluation of operational land given the significant indexation applied in 2021/2022 and valuation movements in the property market

- Asset Recognition, Indexation and Impairment

As indicated at Note C1-7 to Council's financial statements, Council expended \$23.121million on asset renewals and \$7.902million on new assets. The extent of asset renewals is still significant and demonstrates ongoing commitment in that area. The depreciation expense of Council's assets for 2021/2022 was \$19.134million so it is pleasing to see that asset renewal was more than the financial depreciation of Council's assets.

The economic climate inclusive of inflationary pressures, low unemployment, supply chain issue and a booming property market prior to recent interest rate increases has meant Council needed to reassess the fair value of assets not subject to a specific revaluation. Consequently across all asset class excluding the revaluation of water and sewerage, indexation has added around \$169million to the value of Council's infrastructure, property, plant and equipment. Land overall increased by around \$110million with roads and bridges increasing close to \$29million and stormwater drainage nearly \$16million as major contributors. With the exception of land that is not depreciated, the indexation will inflate depreciation expense further in future reporting periods that will make the ability to reduce operational deficits especially in the General Fund harder to reduce.

The February/March 2022 flood events has also required Council to consider any impairment on its assets. Impairment is the reflection of writing down the fair value of an asset to reassess its value following events that have a negative impact on the asset's ability to deliver its economic benefits or perform its function completely. In terms of the February/March 2022 flood events, any Council infrastructure completely destroyed has been disposed of fully writing off any carrying value. Other assets that were damaged not totally destroyed were assessed for impairment which has meant Council has reduced the carrying value of its assets by \$2.157million ranging from buildings, roads, bridges, drainage, and swimming pool assets. These impairment charges will be reversed as and when the impaired assets are later repaired and restored.

- Cash and Investments

As at 30 June 2022 as detailed at Note C1-3 to the financial statements, Council has maintained no unrestricted cash and investments being a reduction of \$0.518million

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compared to 2020/2021. Council's goal of maintaining a \$1million unrestricted cash balance has not been able to be achieved which has been exacerbated by the impact of the February/March 2022 flood events and response to the recovery to 30 June 2022.

- 5 Council has established a flood recovery reserve, in an effort to track its expenditure for the recovery works. As at 30 June 2022, this reserve has a balance of negative \$6.3million and is indicative of expenditure incurred by Council that is yet to be reimbursed by the NSW Government through Natural Disaster funding. It needs to be clearly articulated, as it was when the 30 June 2022 Quarterly Budget Review was considered by
10 the Finance Advisory Committee and subsequently recommended to Council, that in establishing this reserve the short term funding to the flood recovery has come from Council's overall internal reserve allocations and that no externally restricted funds have been used for this purpose. It is expected that the flood recovery reserve will cease to exist when Council has completed all flood recovery works and been reimbursed fully for
15 natural disaster funding eligible expenditure over the next few years.

All other cash and investments totalling \$78.306million at 30 June 2022 are restricted for specific purposes. Overall, the cash and investment position of Council increased by \$5.833million during the year.

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- Receivables and Contract Assets

- As at 30 June 2022, as detailed at Note C1-4 and C1-6 to the financial statements, Council was due \$14.712million in receivables and contract assets. Of this amount \$3.465million was due from other levels of Government for grants, \$1.327million from the
25 Commonwealth Government for Goods and Services Tax and \$0.740million in Government grants and subsidies. Outstanding rates and charges were \$5.701million. Overall receivables and contract assets increased by \$1.585million compared to the 2020/2021 financial year.

- Payables, Contract Liabilities and Provisions

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- At 30 June 2022, as detailed at Note C3-1 for payables, Note C3-2 for Contract Liabilities, Note C3-4 for Employee Benefit Provisions and Note C3-5 for Provisions, total payables by Council were \$13.276million including \$4.845million held in security bonds, deposits and retentions, \$1.497million in accrued expenses and \$6.200million payable to suppliers.
35 In addition at 30 June 2022, Council has accrued employee leave entitlements valued at \$7.536million. Specific employee leave entitlements include \$3.070million for annual leave, \$4.339million for long service leave and \$0.127million for gratuities. At 30 June 2022 Council also had \$12.496million in contract liabilities relating to unexpended capital grants and advance bookings for its holiday parks. It has also made provisions of
40 \$7.439million for the restoration of landfill and quarry assets. In comparison to 2020/2021, total liabilities have increased \$2.882million.

- Loan Borrowings

- 45 During 2021/2022 Council borrowed new loans of \$1.500million and continued to make normal loan repayments.

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Council's outstanding loans as at 30 June 2022 are \$58.769million. Total loan expenditure for 2021/2022 included interest of \$2.891million and principal payments of \$3.789million. Total expenditure in 2021/2022 related to loan repayments was \$6.573million or 8.07% of Council's revenue, excluding all grants and contributions.

The outstanding loans by Fund totalling \$58.769million are as follows:

- General Fund \$23.100million
- Water Fund \$0 – Water Fund is debt free
- Sewerage Fund \$35.669million

• New Accounting Standards

The 2021-2022 financial year did not require Council to implement any new accounting standards that impacted the financial statements.

• Liquidity

Council's Statement of Financial Position (balance sheet) indicates net current assets of \$47.928million. It is on this basis, in the opinion of the Responsible Accounting Officer, that the short term financial position of Council remains in a satisfactory position and that Council can be confident it can meet its payment obligations as and when they fall due. That is, there is no uncertainty as to Council being considered a 'going concern'. In addition, Council's cash expense cover ratio is at 8.89 months whereas the minimum benchmark is 3 months. Council exceeds this benchmark by nearly three times.

Council's Unrestricted Current Ratio improved to 3.52, demonstrating Council has \$3.52 in unrestricted current assets compared to every \$1.00 of unrestricted current liabilities. This exceeds the benchmark of \$1.50.

On a longer term basis Council will need to consider its financial position carefully. Nevertheless, in isolation, the financial results for 2021/2022 continue to present a 'stable' financial position especially given the initial impacts of COVID-19 in the first half of the financial year followed by the impact of the February/March 2022 flood events.

Effort is needed to manage the trend towards reducing operational deficits before capital grants and contributions. Furthermore, Council needs to commence restoration of the unrestricted cash balance back towards \$1million during the 2022/2023 financial year, which could not be achieved during 2021/2022. Council will especially need to carefully manage its cash flow obligations as it starts to commit further significant expenditure in the flood recovery for Essential Public Asset Restoration (EPAR) works and the time delay for reimbursement from the NSW Government via Natural Disaster funding for the AGRN 1012 event.

Strategic Considerations

Community Strategic Plan and Operational Plan

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CSP Objective	CSP Strategy	DP Action	Code	OP Activity
1: Effective Leadership We have effective decision making and community leadership that is open and informed	1.3: Ethical and efficient management of resources	1.3.1: Financial Management - Ensure the financial integrity and sustainability of Council through effective financial management	1.3.1.3	Provide completion of Council's statutory annual financial statements for 2021/2022.

Legal/Statutory/Policy Considerations

5 Section 413(2)(c) of the Local Government Act 1993 and Section 215 of the Local Government (General) Regulation 2021 requires Council to specifically form an opinion on the financial statements. Specifically Council needs to sign off an opinion on the Financial Statements regarding their preparation and content as follows:

In this regard the Financial Statements have been prepared in accordance with:

- 10
- The Local Government Act 1993 (as amended) and the Regulations made thereunder.
 - The Australian Accounting Standards and professional pronouncements.
 - The Local Government Code of Accounting Practice and Financial Reporting.

15 And the content to the best of our knowledge and belief:

- Presents fairly the Council's operating result and financial position for the year.
 - Accords with Council's accounting and other records.
 - Management is not aware of any matter that would render the Financial Statements
- 20 false or misleading in any way.

25 Section 416(1) of the Local Government Act 1993, requires a Council's annual Financial Statements to be prepared and audited within four (4) months of the end of that financial year i.e. on or before 31 October 2021. Given the impact of the February/March 2022 flood events, Council sought and was granted an extension to complete its financial statements by 15 December 2022. However, Council must lodge its Annual Report by 30 November 2022 that must include the Financial Statements so the effective date of the extension is 30 November 2022.

30 Section 417(4) of the Local Government Act 1993 requires, as soon as practicable after completing the audit, the Auditor must send a copy of the Auditor's Reports to the Departmental Chief Executive and to the Council.

35 Section 417(5) of the Local Government Act 1993 requires Council, as soon as practicable after receiving the Auditor's Reports, to send a copy of the Auditor's Reports on the Council's Financial Statements, together with a copy of the Council's audited Financial

BYRON SHIRE COUNCIL

LATE REPORTS

4.1

Statements, to the Departmental Chief Executive before 7 November 2022. For 2021/2022 this will be 7 December 2022 given the extension granted.

5 Section 418(1) of the Local Government Act 1993 requires Council to fix a date for the Meeting at which it proposes to present its audited Financial Statements, together with the Auditor's Reports, to the public, and must give public notice of the date so fixed. This requirement must be completed within five weeks after Council has received the Auditor's Reports.

Financial Considerations

10 There are no direct financial implications associated with this report as the report does not involve any future expenditure of Council funds but rather, advises on Council's draft financial outcomes during the 2021/2022 financial year, which are identified in this report and attachments. These financial outcomes are also still subject to final review by the
15 NSW Audit Office at the time of report preparation and may change.

Consultation and Engagement

20 Section 420 of the Local Government Act 1993 requires Council to provide the opportunity for the public to submit submissions on the Financial Statements. Submissions are to be made within seven days of the Financial Statements being presented to the public. In the case of the 2021/2022 Financial Statements, the closing date for submissions is expected to be 22 December 2022.

25

Byron Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022

*Byron Shire is a 'meeting place' - Where people can come
together to connect, share, grow, inspire, and create
positive change.*



Byron Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

70 Station Street
MULLUMBIMBY NSW 2482

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

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

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

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

Byron Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Byron Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 November 2022.

Michael Lyon

Mayor

24 November 2022

Sarah Ndiaye

Deputy Mayor

24 November 2022

Mark Arnold

General Manager

24 November 2022

James Brickley

Responsible Accounting Officer

24 November 2022

Byron Shire Council | Income Statement | for the year ended 30 June 2022

Byron Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
53,824	Rates and annual charges	B2-1	54,590	52,004
24,171	User charges and fees	B2-2	25,178	27,108
1,618	Other revenues	B2-3	1,552	1,847
6,547	Grants and contributions provided for operating purposes	B2-4	22,060	8,264
26,238	Grants and contributions provided for capital purposes	B2-4	20,984	23,130
903	Interest and investment income	B2-5	510	826
1,044	Other income	B2-6	949	918
114,345	Total income from continuing operations		125,823	114,097
Expenses from continuing operations				
31,762	Employee benefits and on-costs	B3-1	31,852	29,830
36,065	Materials and services	B3-2	54,416	44,280
2,932	Borrowing costs	B3-3	2,934	3,075
15,780	Depreciation, amortisation and impairment of non-financial assets	B3-4	19,134	17,529
2,196	Other expenses	B3-5	2,897	2,464
—	Net loss from the disposal of assets	B4-1	3,517	7,451
88,735	Total expenses from continuing operations		114,750	104,629
25,610	Operating result from continuing operations		11,073	9,468
25,610	Net operating result for the year attributable to Council		11,073	9,468
(628)	Net operating result for the year before grants and contributions provided for capital purposes		(9,911)	(13,662)

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

Byron Shire Council | Statement of Comprehensive Income | for the year ended 30 June 2022

Byron Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		11,073	9,468
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	174,602	84,303
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	(2,157)	–
Other comprehensive income – joint ventures and associates		72	(64)
Total items which will not be reclassified subsequently to the operating result		172,517	84,239
Total other comprehensive income for the year		172,517	84,239
Total comprehensive income for the year attributable to Council		183,590	93,707

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

Byron Shire Council | Statement of Financial Position | for the year ended 30 June 2022

Byron Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021 ¹	Restated 2020 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	56,237	41,368	37,327
Investments	C1-2	15,451	22,539	31,000
Receivables	C1-4	12,239	9,691	9,259
Inventories	C1-5	462	508	498
Contract assets and contract cost assets	C1-6	1,812	2,687	2,800
Other	C1-8	53	17	17
Total current assets		86,254	76,810	80,901
Non-current assets				
Investments	C1-2	6,618	8,566	8,235
Receivables	C1-4	561	649	415
Infrastructure, property, plant and equipment (IPPE)	C1-7	1,278,365	1,099,373	997,622
Investments accounted for using the equity method	D2-3	1,214	1,142	1,206
Total non-current assets		1,286,758	1,109,730	1,007,478
Total assets		1,373,012	1,186,540	1,088,379
LIABILITIES				
Current liabilities				
Payables	C3-1	13,276	14,110	13,067
Contract liabilities	C3-2	12,496	6,274	1,489
Borrowings	C3-3	5,524	3,789	3,527
Employee benefit provisions	C3-4	7,030	6,555	6,086
Total current liabilities		38,326	30,728	24,169
Non-current liabilities				
Borrowings	C3-3	53,245	57,269	59,308
Employee benefit provisions	C3-4	506	665	690
Provisions	C3-5	7,439	7,972	8,013
Total non-current liabilities		61,190	65,906	68,011
Total liabilities		99,516	96,634	92,180
Net assets		1,273,496	1,089,906	996,199
EQUITY				
Accumulated surplus	C4-1	648,701	637,556	628,152
IPPE revaluation reserve	C4-1	624,795	452,350	368,047
Council equity interest		1,273,496	1,089,906	996,199
Total equity		1,273,496	1,089,906	996,199

⁽¹⁾ Refer to Note G3-1 for details regarding restatement of prior period error.

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

Byron Shire Council | Statement of Changes in Equity | for the year ended 30 June 2022

Byron Shire Council

Statement of Changes in Equity
for the year ended 30 June 2022

		2022			2021		
		Accumulated surplus ¹	IPPE revaluation reserve	Total equity	Accumulated surplus ¹	IPPE revaluation reserve	Total equity
\$ '000	Notes				Restated	Restated	Restated
Opening balance at 1 July		632,365	452,350	1,084,715	622,961	368,047	991,008
Correction of prior period errors	G3-1	5,191	–	5,191	5,191	–	5,191
Restated opening balance		637,556	452,350	1,089,906	628,152	368,047	996,199
Net operating result for the year		11,073	–	11,073	9,468	–	9,468
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	174,602	174,602	–	84,303	84,303
– Impairment (loss) reversal relating to IPP&E	C1-7	–	(2,157)	(2,157)	–	–	–
Joint ventures and associates		72	–	72	(64)	–	(64)
Other comprehensive income		72	172,445	172,517	(64)	84,303	84,239
Total comprehensive income		11,145	172,445	183,590	9,404	84,303	93,707
Closing balance at 30 June		648,701	624,795	1,273,496	637,556	452,350	1,089,906

(1) See Note G3-1 for details regarding restatement as a result of prior period error.

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

Byron Shire Council | Statement of Cash Flows | for the year ended 30 June 2022

Byron Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
53,824	Rates and annual charges		53,506	50,914
24,171	User charges and fees		25,502	26,901
903	Interest received		716	960
32,785	Grants and contributions		47,411	36,360
—	Bonds, deposits and retentions received		522	193
2,662	Other		1,173	2,693
Payments:				
(31,762)	Payments to employees		(31,536)	(29,386)
(36,065)	Payments for materials and services		(57,135)	(43,650)
(2,932)	Borrowing costs		(2,905)	(3,058)
(2,196)	Other		(1,424)	(2,307)
41,390	Net cash flows from operating activities	G1-1	35,830	39,620
Cash flows from investing activities				
Receipts:				
—	Sale of investments		35,594	79,000
—	Proceeds from sale of IPPE		881	453
—	Deferred debtors receipts		10	10
Payments:				
—	Purchase of investments		(38,233)	(71,039)
—	Acquisition of term deposits		11,000	—
(65,560)	Payments for IPPE		(27,924)	(42,226)
(65,560)	Net cash flows from investing activities		(18,672)	(33,802)
Cash flows from financing activities				
Receipts:				
13,500	Proceeds from borrowings		1,500	1,750
Payments:				
(3,868)	Repayment of borrowings		(3,789)	(3,527)
9,632	Net cash flows from financing activities		(2,289)	(1,777)
(14,538)	Net change in cash and cash equivalents		14,869	4,041
41,368	Cash and cash equivalents at beginning of year		41,368	37,327
26,830	Cash and cash equivalents at end of year	C1-1	56,237	41,368
31,105	plus: Investments on hand at end of year	C1-2	22,069	31,105
57,935	Total cash, cash equivalents and investments		78,306	72,473

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

Byron Shire Council

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Byron Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 24 November 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the 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)*, the Local Government (General) Regulation 2021 and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 Material budget variations

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.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated remediation provisions – refer Note C3-5
- (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. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

Monies and other assets received by Council

The Consolidated Fund

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

continued on next page ...

Page 12 of 85

A1-1 Basis of preparation (continued)

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

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

- General purpose operations
- Water service
- Sewerage service

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports. A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

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 currently utilises the services of volunteers to assist in the management/operation of eleven community facilities under Section 355 of the *Local Government Act 1993*. The financial operations of these facilities in the main are contained within the financial outcomes of Council. The financial consideration relevant though to specific volunteer services (labour) has not been recognised in the financial statements as it is considered not material overall nor can it be reliably measured. That aside, whilst the financial consideration cannot be reliably measured, Council acknowledges the importance and appreciation of the support it receives from volunteers.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

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

continued on next page ...

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A1-1 Basis of preparation (continued)

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

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

This standard has an effective date for the 30 June 2023 reporting period.

New accounting standards adopted during the year

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

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

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

B Financial Performance

B1 Functions or activities

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

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 ¹
Functions or activities										
We have, infrastructure, transport and services which meet our expectations	76,935	73,476	92,591	71,235	(15,656)	2,241	36,231	26,165	852,434	741,921
We cultivate and celebrate our diverse cultures, lifestyle and sense of community	7,238	5,805	8,762	20,109	(1,524)	(14,304)	2,695	1,933	300,619	236,731
We protect and enhance our natural environment	2,551	2,538	2,993	2,993	(442)	(455)	1,214	1,155	31,462	26,179
We manage growth and change responsibly	7,247	6,222	9,392	8,803	(2,145)	(2,581)	6	36	64,475	64,310
We have community led decision making which is open and inclusive	31,852	26,056	1,012	1,489	30,840	24,567	2,898	2,105	124,022	117,399
Total functions and activities	125,823	114,097	114,750	104,629	11,073	9,468	43,044	31,394	1,373,012	1,186,540

(1) See Note G4-2 for details regarding the restatement as a result of Prior Period Error

B1-2 Components of functions or activities

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

We have infrastructure, transport and services which meet our expectations

Provide a road network which is safe, accessible and maintained to an acceptable level of service. Provide essential services and reliable infrastructure which meet an acceptable community standard. Support, through partnership, a network of integrated sustainable transport options. Provide a regular and acceptable waste and recycling service. Provide continuous urban water and sewerage service within the Shire. Manage traffic and parking in an efficient manner.

We cultivate and celebrate our diverse cultures, lifestyle and sense of community

Support and encourage our vibrant culture and creativity. Support access to a wide range of services and activities that contribute to the wellbeing of all members of the Byron Shire community. Provide accessible, local community spaces and facilities. Enhance community safety and amenity while respecting our shared values. Encourage appreciation of cultural vitality and diversity.

We protect and enhance our natural environment

Partner to protect and enhance our biodiversity, ecosystems and ecology. Strive to become a sustainable community. Partner to protect and enhance the health of the Shire's coastlines, estuaries, waterways and catchments. Support and secure our farming future.

We manage growth and change responsibly

Support the visions and aspirations of local communities through place-based planning and management. Support housing diversity in appropriate locations across the Shire. Promote and support local business development, education and employment opportunities. Support tourism and events that reflect our culture and lifestyle. Work to improve community resilience in our changing environment.

We have community led decision making which is open and inclusive

Engage and involve community in decision making. Create a culture of trust with the community by being open, genuine and transparent. Deliver a high level of customer service. Manage Council's assets and allocate resources in a fair and holistic manner. Manage Council's finances sustainably. Manage Council's resources sustainably.

Byron Shire Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022	2021
Ordinary rates		
Residential	19,950	19,442
Farmland	1,365	1,350
Business	5,347	5,095
Rates levied to ratepayers	26,662	25,887
Pensioner rate subsidies received	201	219
Total ordinary rates	26,863	26,106
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,400	6,423
Stormwater management services	301	296
Water supply services	2,601	2,493
Sewerage services	16,080	15,466
Waste management services (non-domestic)	1,149	1,015
Annual charges levied	27,531	25,693
Pensioner subsidies received:		
– Water	71	75
– Sewerage	68	72
– Domestic waste management	57	58
Total annual charges	27,727	25,898
Total rates and annual charges	54,590	52,004

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

Accounting policy

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

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

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	2	6,986	7,252
Sewerage services	2	1,634	2,062
Total specific user charges		8,620	9,314
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	245	287
Private works – section 67	2	46	70
Regulatory/ statutory fees	2	83	96
Section 10.7 certificates (EP&A Act)	2	126	138
Section 603 certificates	2	79	110
Building inspections	2	620	668
Building services	2	1,102	552
Developer fees	2	1,233	1,095
Dog registration / release	2	52	49
Engineering services	2	2	3
Freedom of information	2	56	42
Health inspection	2	489	496
Total fees and charges – statutory/regulatory		4,133	3,606
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	81	45
Caravan park	2	3,024	4,046
Cemeteries	2	282	220
Child care	2	781	781
Leaseback fees – Council vehicles	2	315	255
Parking fees	2	2,790	3,892
Water connection fees	2	165	136
Administration and financial services	2	296	202
Public halls	2	278	233
Sewerage charges	2	387	282
Swimming pools	2	163	246
Other	2	174	126
Waste	2	3,689	3,724
Total fees and charges – other		12,425	14,188
Total other user charges and fees		16,558	17,794
Total user charges and fees		25,178	27,108
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		25,178	27,108
Total user charges and fees		25,178	27,108

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. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as membership 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 the term of the licence.

Byron Shire Council | Notes to the Financial Statements 30 June 2022

B2-3 Other revenues

\$ '000	Timing	2022	2021
Fines	2	1,306	1,659
Insurance claims recoveries	2	–	21
Sales – general	2	40	74
Workers Compensation	2	95	93
Legal Fees Recovery	2	111	–
Total other revenue		1,552	1,847

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,552	1,847
Total other revenue	1,552	1,847

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,885	2,076	–	–
Financial assistance – local roads component	2	1,717	1,241	–	–
Amount recognised as income during current year		4,602	3,317	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Pensioners' rates subsidies:					
Animal Enforcement	2	375	–	–	–
Bushfire and emergency services	2	543	214	–	–
Child care	2	1,181	1,239	–	–
Community centres	2	–	–	336	252
Economic development	2	–	32	–	79
Library	2	152	147	–	–
Street lighting	2	55	55	–	–
Transport (Roads to Recovery)	1	1,025	274	–	–
Transport (other roads, bridges and drainage funding)	1	465	–	14,104	16,635
Waste management	2	1,512	97	–	22
Emergency Services	2	–	134	–	–
Parks & Gardens	2	–	53	942	147
Community services	2	24	21	–	–
Planning	2	6	36	–	–
Crown lands maintenance	2	211	237	29	–
Environmental management	2	296	807	–	–
Employment & Training	2	13	29	–	–
Flood Recovery	2	3,000	–	–	–
Footpaths	2	–	–	–	6
Foreshore Maintenance	2	29	–	20	–
Recreation and Culture	2	15	–	–	–
Sporting Grounds & Venues	2	27	–	195	–
Energy Saving Certificates	2	17	–	–	–
Roads and bridges	1	7,686	593	67	94
Transport for NSW contributions (regional roads, block grant)	2	656	737	155	–
Surf lifesaving	2	170	125	–	–
Other economic development	2	–	117	–	323
OLG - Crown Lands Contribution	2	–	–	–	–
Parks & Gardens	2	–	–	33	–
Total special purpose grants and non-developer contributions – cash		17,458	4,947	15,881	17,558
Non-cash contributions					
Crown land devolved	2	–	–	–	–
Recreation and culture	2	–	–	–	–
Dedications – Assets	2	–	–	2,155	655
Purchase of Former Byron Bay Hospital	2	–	–	–	–
Total other contributions – non-cash		–	–	2,155	655
Total special purpose grants and non-developer contributions (tied)		17,458	4,947	18,036	18,213

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B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Total grants and non-developer contributions		22,060	8,264	18,036	18,213
Comprising:					
– Commonwealth funding		7,169	4,683	300	1,119
– State funding		14,043	2,619	15,392	11,550
– Other funding		848	962	2,344	5,544
		22,060	8,264	18,036	18,213

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	1,707	2,063
S 64 – water supply contributions		2	–	–	167	667
S 64 – sewerage service contributions		2	–	–	1,074	2,187
Total developer contributions – cash			–	–	2,948	4,917
Total developer contributions			–	–	2,948	4,917
Total contributions			–	–	2,948	4,917
Total grants and contributions			22,060	8,264	20,984	23,130
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			8,151	2,356	15,196	17,003
Grants and contributions recognised at a point in time (2)			13,909	5,908	5,788	6,127
Total grants and contributions			22,060	8,264	20,984	23,130

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

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants				
Unspent funds at 1 July	1,866	1,585	5,367	925
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,902	784	–	–
Add: Funds received and not recognised as revenue in the current year	–	–	8,048	5,253
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,445)	(503)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(2,257)	(811)
Unspent grants at 30 June	5,323	1,866	11,158	5,367
Unspent Contributions				
Unspent funds at 1 July	–	–	22,121	25,007
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	3,079	5,134
Add: Funds received and not recognised as revenue in the current year	–	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(4,116)	(8,020)
Unspent contributions at 30 June	–	–	21,084	22,121

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

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

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

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

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

Capital grants

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

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B2-4 Grants and contributions (continued)

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	73	139
– Cash and investments	437	687
Total interest and investment income (losses)	510	826
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	46	99
General Council cash and investments	241	497
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	100	116
– Section 64	96	96
Water fund operations	7	18
Sewer Fund	20	–
Total interest and investment income	510	826

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Other lease income			
Room/Facility Hire		–	12
Property Agreements		771	657
Cavanbah Centre		178	249
Total other lease income		949	918
Total rental income	C2-2	949	918
Total other income		949	918

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

\$ '000	2022	2021
Salaries and wages	25,010	24,298
Employee termination costs	—	141
Employee leave entitlements (ELE)	5,073	4,653
Superannuation	2,824	2,786
Workers' compensation insurance	634	572
Fringe benefit tax (FBT)	21	43
Payroll tax	180	155
Training costs (other than salaries and wages)	244	289
Total employee costs	33,986	32,937
Less: capitalised costs	(2,134)	(3,107)
Total employee costs expensed	31,852	29,830

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		35,900	24,671
– Caravan parks		884	1,182
– Cleaning		270	294
– Security		71	52
– Surf lifesaving		688	598
– Swimming pools		469	449
– Temporary employment		2,608	3,276
– Waste		7,153	6,817
Audit Fees	F2-1	175	165
Infringement notice contract costs (SEINS)		163	250
Expenses from leases of low value assets		489	989
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	318	298
Advertising		53	97
Bank charges		131	143
Computer software charges		1,072	943
Electricity and heating		1,688	1,432
Insurance		1,181	1,027
Postage		90	99
Printing and stationery		69	75
Street lighting		316	364
Telephone and communications		326	267
Valuation fees		92	91
Legal expenses:			
– Legal expenses: planning and development		201	683
– Legal expenses: other		9	18
Total materials and services		54,416	44,280

Accounting policy

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		<u>2,891</u>	<u>3,046</u>
Total interest bearing liability costs		<u>2,891</u>	<u>3,046</u>
Total interest bearing liability costs expensed		<u>2,891</u>	<u>3,046</u>
(ii) Other borrowing costs			
– Remediation liabilities	C3-5	<u>43</u>	<u>29</u>
Total other borrowing costs		<u>43</u>	<u>29</u>
Total borrowing costs expensed		<u>2,934</u>	<u>3,075</u>

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.

Byron Shire Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		1,218	1,080
Office equipment		12	12
Furniture and fittings		8	14
Land improvements (depreciable)		26	150
Infrastructure:	C1-7		
– Buildings		1,803	1,280
– Other structures		39	32
– Roads		7,400	6,443
– Bridges		451	418
– Footpaths		239	205
– Stormwater drainage		1,915	1,870
– Water supply network		1,432	1,429
– Sewerage network		3,093	3,039
– Swimming pools		68	56
– Other open space/recreational assets		469	560
Right of use assets	C2-1	–	–
Other assets:			
– Other		129	125
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	538	517
– Quarry assets	C3-5, C1-7	294	299
Total gross depreciation and amortisation costs		19,134	17,529
Total depreciation and amortisation costs		19,134	17,529
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Buildings		783	–
– Roads		848	–
– Stormwater drainage		321	–
– Swimming pools		108	–
– Other open space/recreational assets		2	–
– Bulk earthworks		84	–
Other assets:			
– Other		11	–
Total gross IPPE impairment / revaluation decrement costs		2,157	–
Amounts taken through revaluation reserve	C1-7	(2,157)	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		19,134	17,529

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		52	17
Total impairment of receivables	C1-4	52	17
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		675	169
Total Fair value decrement on investments	C1-2	675	169
Other			
Contributions/levies to other levels of government			
– Bushfire fighting fund		238	326
– Emergency services levy (includes FRNSW, SES, and RFS levies)		51	67
– NSW fire brigade levy		96	104
– Far North Coast Weeds		118	116
– Other contributions/levies		153	146
Donations, contributions and assistance to other organisations (Section 356)		69	56
Richmond Tweed Regional Library		1,445	1,463
Total other		2,170	2,278
Total other expenses		2,897	2,464

Accounting policy

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

Impairment expenses are recognised when identified.

Byron Shire 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
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		881	453
Less: carrying amount of plant and equipment assets sold/written off		(281)	(270)
Gain (or loss) on disposal		600	183
Gain (or loss) on disposal of infrastructure	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(4,117)	(7,634)
Gain (or loss) on disposal		(4,117)	(7,634)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		35,594	79,000
Less: carrying amount of investments sold/redeemed/matured		(35,594)	(79,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(3,517)	(7,451)

Accounting policy

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

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

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

While these General Purpose Financial Statements include the original budget adopted by Council, the 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 -----	
Revenues				
Rates and annual charges	53,824	54,590	766	1% F
User charges and fees	24,171	25,178	1,007	4% F
Other revenues	1,618	1,552	(66)	(4)% U
Operating grants and contributions	6,547	22,060	15,513	237% F

Actual results for Operating Grants and Contributions exceeded the original budget by \$15.513million with the following items accounting for the majority of the favourable variance that were not included in the original budget:

- Flood Recovery and Companion Animals \$3.375million
- Flood Cleanup (Waste) \$1.246million
- Road Infrastructure Repairs for Flood Damage \$5.000million
- Advance payment of 2022/2023 Financial Assistance Grant \$2.789million

Capital grants and contributions	26,238	20,984	(5,254)	(20)% U
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Actual results for Capital Grants and Contributions were under the original budget by \$5.254 million with the following items accounting for the majority of the unfavourable variance:

- Election commitment grant received \$1.485million less than original budget
- Fixing Country Bridges grant received \$1.392million less than original budget
- Anticipated TfNSW grants received \$2.594million were less than original budget
- LRCIP grant received \$0.675 million less than original budget
- Non-Cash Developer Contributions not budgeted in original budget \$2.155million
- Developer Contributions received \$979,000 more than original budget

Interest and investment revenue	903	510	(393)	(44)% U
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Actual results for Interest and Investment Revenue did not meet the original budget by \$393k due to ongoing low interest rates for investments for most of the financial year and Council's cashflow impacted by responding to the February/March 2022 flood events to June 2022 awaiting reimbursement of Natural Disaster funding.

Other income	1,044	949	(95)	(9)% U
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Expenses

Employee benefits and on-costs	31,762	31,852	(90)	0% U
Materials and services	36,065	54,416	(18,351)	(51)% U

Actual results for Materials and Services exceeded the original budget by \$18.351million with the following items accounting for the majority of the unfavourable variance:

- \$2.833million in capital expenditure included in the original budget that was not capitalised and is therefore expensed. This expenditure was not included in the original budget for Materials and Services.
- \$13.000million in expenditure associated with responding to the February/March 2022 flood events to 30 June 2022 not included in the original budget as an unforeseen event.

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B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Borrowing costs	2,932	2,934	(2)	0% U
Depreciation, amortisation and impairment of non-financial assets	15,780	19,134	(3,354)	(21)% U
<p>Although the original 2021/22 budget for Depreciation was \$15.779million and was underestimated. A further adjustment was made at the 31 December 2021 Quarterly Budget Review to reflect the actual depreciation expense from 2020/21 of \$17.530million. The actual depreciation expense increased further in 2021/22 as the buildings were revalued and the increase to the depreciation expense was not in the original budget \$0.536million. Further the roads depreciation expense increased by \$0.956million as the Byron Bypass, completed mid-2020/21, was depreciated for the full year.</p>				
Other expenses	2,196	2,897	(701)	(32)% U
<p>As at 30 June 2022, there is an unrealised loss of \$0.675million relating to Council's investment portfolio representing the fair value movement of the investment portfolio for the year. Council did not budget for any negative unrealised fair value movement in original 2021/2022 Budget.</p>				
Net losses from disposal of assets	-	3,517	(3,517)	∞ U

Statement of cash flows

Cash flows from operating activities	41,390	35,830	(5,560)	(13)% U
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Actual cash flows from operations did not meet the original budget estimate with an unfavourable budget variance overall of \$5.560million. The major items impacting this cash flow outcome are as follows:

- Grant and contributions receipts exceeded original budget estimate by \$14.626million - favourable variance
- Materials and Services payments exceeded original budget estimate by \$21.070million - unfavourable variance
- User Charges and Fees receipts exceeded original budget estimate by \$1.331million - favourable variance
- Interest and Investment receipts did not exceed original budget estimate by \$0.187million - unfavourable variance

Cash flows from investing activities	(65,560)	(18,672)	46,888	(72)% F
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Actual cashflows from investing activities did not meet the original budget estimate of \$65.56million representing a favourable budget variance of \$46.888million. The budget variance is related to the extent of capital works for the purchase of property, plant and equipment completed. There were a number of capital works projects included in the original estimate that were wither not commenced or partially completed with the majority of favourable budget variance attributable to:

- Bio Energy Facility \$11.057million
- First Sun Holiday Park Land Purchase \$1.500million
- Former Byron Hospital redevelopment \$3.372million
- Landfill rehabilitation \$3.473million
- Fixing Local Roads - Ocean Shores resurfacing \$1.127million
- The Pocket Road \$1.005million
- Main Arm Causeway \$0.706million
- South Arm Carpark \$0.866million
- Bangalow On-Road Cycleway \$0.720million.
- Water Capital Works Program \$3.000million
- Sewerage Capital Works Program \$3.071million

Cash flows from financing activities	9,632	(2,289)	(11,921)	(124)% U
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Actual cash flows from financing activities did not exceed the original budget estimate by \$11.921million and represents an unfavourable budget variance. The original budget contained proposed loan borrowings of \$13.500million with \$12.000million allocated for the Bio-Energy Facility which did not proceed to construction and therefore the loan was not borrowed. Council also had budgeted \$1.500million for purchase of land at First Sun Holiday Park but this did not proceed but Council did borrow \$1.500million not included in the original budget for further remediation works at the former Mullumbimby Hospital site.

Byron Shire 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 assets		
Cash on hand and at bank	5,217	1,523
Cash equivalent assets		
– Deposits at call	38,020	21,845
– Short-term deposits	13,000	18,000
Total cash and cash equivalents	56,237	41,368

Reconciliation of cash and cash equivalents

\$ '000	Notes	2022	2021
Total cash and cash equivalents per Statement of Financial Position		56,237	41,368
Less bank overdraft	C3-3	–	–
Balance as per the Statement of Cash Flows		56,237	41,368

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.

Byron Shire Council | Notes to the Financial Statements 30 June 2022

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Long term deposits	15,451	–	22,539	–
NCD's, FRN's (with maturities > 3 months)	–	1,499	–	3,835
Other long term financial assets	–	5,119	–	4,731
Total	15,451	6,618	22,539	8,566
Total financial investments	15,451	6,618	22,539	8,566
Total cash assets, cash equivalents and investments	71,688	6,618	63,907	8,566

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.

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.

Fair value through other comprehensive income – equity instruments

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

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

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

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022	2021
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(a) Externally restricted cash, cash equivalents and investments

Total cash, cash equivalents and investments	78,306	72,473
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Less: Externally restricted cash, cash equivalents and investments	(53,646)	(46,297)
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Cash, cash equivalents and investments not subject to external restrictions	24,660	26,176
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External restrictions**External restrictions – included in liabilities**

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

Bonds and deposits	2,508	2,508
Specific purpose unexpended grants – general fund	15,714	7,233
Specific purpose unexpended grants – sewer fund	767	–
External restrictions – included in liabilities	18,989	9,741

External restrictions – other

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

Developer contributions – general	11,808	11,122
Developer contributions – water fund	1,845	1,860
Developer contributions – sewer fund	7,180	8,872
Transport for NSW contributions	231	247
Water fund	8,954	9,578
Sewer fund	3,598	4,349
Domestic waste management	672	168
Crown paid parking reserve	275	212
Crown reserve	74	128
Other	20	20
External restrictions – other	34,657	36,556
Total external restrictions	53,646	46,297

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
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	24,660	26,176
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Less: Internally restricted cash, cash equivalents and investments	(24,660)	(25,658)
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Unrestricted and unallocated cash, cash equivalents and investments	–	518
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Internal allocations

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

Plant and vehicle replacement	2,958	2,204
Infrastructure renewal – Byron Bay	763	511
Infrastructure renewal reserve – non Byron Bay	1,575	1,140
Employees leave entitlement	572	603
Asset revaluation reserve	11	11
Bridge replacement fund	2	18

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Byron Shire Council | Notes to the Financial Statements 30 June 2022

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

\$ '000	2022	2021
Brunswick Heads Memorial Hall	23	29
Byron Bay Library Exhibition Space	18	28
Byron Bay Library	300	300
Byron Senior Citizens Hall	84	68
Children's services	218	118
Community development	278	386
Council caravan parks	1,669	2,617
Economic development	83	83
Environmental levy	16	23
Financial assistance grant (in advance)	2,789	1,716
Footpath dining	300	360
General managers office	107	82
Human resources	345	399
Information technology	134	69
Information & technology service fee	350	209
Infrastructure services carryover	339	536
Land and natural environment	233	364
Land remediation	10	10
Legal services	124	14
On-site sewerage management reserve	195	472
Property	136	162
Quarry	625	692
Revolving energy fund	10	38
Risk management	305	243
South Golden Beach Hall	14	26
2017/2018 Special Rate Carryover Reserve	2,411	769
Stormwater	488	299
Suffolk Park Community Hall	2	16
Suffolk park open space	50	50
Unexpended loans	2,461	1,373
Waste management	7,555	6,347
Ocean Shores Community Centre	13	14
Council election	43	214
Community Building Maintenance	476	432
WHS Incentive	40	40
Public Toilets	112	103
Volunteer Visitor Fund	30	26
Byron Bay Town Centre Masterplan	788	1,095
Mullumbimby Civic Hall	—	16
Property development	432	642
Environmental Enforcement Levy	286	191
Byron Bay Construction Contingency	300	300
Pay Parking Meter Replacement	400	200
Pay Parking - Council/TfNSW	43	—
Development & Certification	250	—
Corporate Services Carryover	28	—
Sale of Road Assets	107	—
House Raising	59	—
Flood Recovery ¹	(6,300)	—
Total internal allocations	24,660	25,658

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

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

⁽¹⁾ Council is able to make a resolution at any time to determine internal allocations. It has chosen by resolution to include a Flood Recovery Reserve to represent funds from its overall pool of internal allocations that it has applied to response and recovery activities associated with the February/March 2022 Flood events that it is awaiting reimbursement via Natural Disaster funding. Council has not used any externally restricted funds for this purpose.

Byron Shire Council | Notes to the Financial Statements 30 June 2022

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	5,259	403	4,058	455
Interest and extra charges	21	8	87	34
User charges and fees	3,815	–	3,856	–
Accrued revenues				
– Interest on investments	101	–	215	–
– Other income accruals	–	–	101	–
Net investment in finance lease	–	–	–	–
Deferred debtors	10	150	10	160
Government grants and subsidies	1,653	–	259	–
Net GST receivable	1,327	–	1,074	–
Pensioner subsidy	(6)	–	16	–
Miscellaneous water and sewer	110	–	54	–
Total	12,290	561	9,730	649
Less: provision for impairment				
User charges and fees	(51)	–	(39)	–
Total provision for impairment – receivables	(51)	–	(39)	–
Total net receivables	12,239	561	9,691	649

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C1-4 Receivables (continued)

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	39	30
+ new provisions recognised during the year	12	9
Balance at the end of the year	51	39

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.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	462	–	508	–
Total inventories at cost	462	–	508	–
Total inventories	462	–	508	–

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 and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	1,812	–	2,687	–
Total contract assets and contract cost assets	1,812	–	2,687	–

Contract assets

Government Grants and Subsidies - Roads and Cycleways	1,812	–	2,452	–
Government Grants and Subsidies - Bridges	–	–	235	–
Total contract assets	1,812	–	2,687	–

Significant changes in contract assets

During the 2021/2022 financial year, Council has continued to undertake roads projects that it is awaiting payment from other levels of government amounting to \$1.448million for new works. Council has received outstanding payment during 2021/2022 for contract assets raised in 2020/2021 particularly relating to bridge projects \$232k plus \$950k outstanding for construction of the Byron Bay Bypass.

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

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

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C1-6 Contract assets and Contract cost assets (continued)

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

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

BYRON SHIRE COUNCIL

LATE REPORTS

6.1 - ATTACHMENT 1

Byron Shire Council | Notes to the Financial Statements 30 June 2022

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period										At 30 June 2022		
	Restated Gross carrying amount ²	Restated Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation n decrements to equity (ARR)	Revaluation n increments to equity (ARR)	Restated Gross carrying amount ²	Restated Accumulated depreciation and impairment	Net carrying amount	
\$ '000																
Capital work in progress	21,460	–	21,460	11,076	4,854	–	–	–	(11,705)	–	–	–	25,686	–	25,686	
Plant and equipment	13,984	(9,342)	4,642	19	1,626	(281)	(1,218)	–	18	–	–	–	12,318	(7,513)	4,805	
Office equipment	2,663	(2,604)	59	–	–	–	(12)	–	–	–	–	–	2,261	(2,214)	47	
Furniture and fittings	275	(243)	32	–	–	–	(8)	–	–	–	–	–	275	(251)	24	
Land:																
– Operational land	161,973	–	161,973	–	207	–	–	–	3,095	–	–	23,830	189,105	–	189,105	
– Community land	105,078	–	105,078	–	340	–	–	–	–	–	–	60,852	166,271	–	166,271	
– Crown land	56,236	1	56,237	–	–	–	–	–	–	–	–	26,898	83,134	–	83,134	
– Land under roads (post 30/6/08)	409	(1)	408	–	15	–	–	–	–	–	–	–	424	–	424	
Land improvements – depreciable	1,294	(52)	1,242	–	–	–	(26)	–	–	–	–	–	1,294	(78)	1,216	
Infrastructure:																
– Buildings	91,615	(17,944)	73,671	209	171	–	(1,803)	(783)	291	–	–	6,254	100,249	(22,240)	78,009	
– Other structures	4,412	(3,103)	1,309	8	–	–	(39)	–	68	–	–	–	4,488	(3,142)	1,346	
– Roads	344,761	(127,024)	217,737	7,543	–	(273)	(7,400)	(848)	3,251	–	–	23,776	392,884	(149,099)	243,785	
– Bridges	53,194	(5,201)	47,993	363	–	(239)	(451)	–	365	–	–	5,118	59,315	(6,164)	53,151	
– Footpaths	13,448	(4,134)	9,314	122	222	(14)	(239)	–	2,824	–	–	1,001	18,072	(4,842)	13,230	
– Bulk earthworks (non-depreciable)	38,206	–	38,206	26	–	(6)	–	(84)	128	–	–	4,122	42,477	(84)	42,393	
– Stormwater drainage	187,862	(49,696)	138,166	672	–	–	(1,915)	(321)	117	–	–	15,820	210,467	(57,924)	152,543	
– Water supply network	117,544	(45,771)	71,773	781	–	(1,543)	(1,432)	–	6	4	(2,716)	–	113,719	(46,846)	66,873	
– Sewerage network	200,122	(79,825)	120,297	2,110	–	(1,945)	(3,093)	–	129	(4)	–	8,810	201,926	(75,624)	126,302	
– Swimming pools	3,404	(1,073)	2,331	–	–	–	(68)	(108)	–	–	–	–	3,404	(1,249)	2,155	
– Other open space/recreational assets	21,282	(8,617)	12,665	192	467	(4)	(469)	(2)	1,042	–	–	–	22,976	(9,087)	13,889	
Other assets:																
– Other	2,238	(1,370)	868	–	–	(94)	(129)	(11)	–	–	–	–	1,185	(550)	635	
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	14,285	(3,239)	11,046	–	–	–	(538)	–	–	(298)	–	639	14,654	(3,805)	10,849	
– Quarry assets	4,234	(1,368)	2,866	–	–	–	(294)	–	–	(278)	–	198	4,155	(1,662)	2,493	
Total infrastructure, property, plant and equipment	1,459,979	(360,606)	1,099,373	23,121	7,902	(4,399)	(19,134)	(2,157)	(371)	(576)	(2,716)	177,318	1,670,739	(392,374)	1,278,365	

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

(2) Refer to Note G3-1 for details regarding restatement as a prior period error.

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BYRON SHIRE COUNCIL

LATE REPORTS

6.1 - ATTACHMENT 1

Byron Shire Council | Notes to the Financial Statements 30 June 2022

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

By aggregated asset class	At 1 July 2020 ²			Asset movements during the reporting period								At 30 June 2021 ²		
	Restated Gross carrying amount	Restated Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Restated Gross carrying amount	Restated Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	30,741	–	30,741	12,740	460	–	–	(21,976)	(505)	–	–	21,460	–	21,460
Plant and equipment	12,846	(8,734)	4,112	–	1,890	(270)	(1,080)	–	(10)	–	–	13,984	(9,342)	4,642
Office equipment	2,664	(2,593)	71	–	–	–	(12)	–	–	–	–	2,663	(2,604)	59
Furniture and fittings	276	(230)	46	–	–	–	(14)	–	–	–	–	275	(243)	32
Land:														
– Operational land	87,498	–	87,498	–	–	–	–	–	(177)	–	74,652	161,973	–	161,973
– Community land	105,078	–	105,078	–	–	–	–	–	–	–	–	105,078	–	105,078
– Crown land	56,237	–	56,237	–	–	–	–	–	–	–	–	56,236	1	56,237
– Land under roads (post 30/6/08)	363	–	363	–	44	–	–	–	–	–	1	409	(1)	408
Land improvements – depreciable	6,215	(2,993)	3,222	–	–	(1,829)	(150)	–	–	–	–	1,294	(52)	1,242
Infrastructure:														
– Buildings	86,116	(15,733)	70,383	672	252	(1,230)	(1,280)	194	(42)	–	4,722	91,615	(17,944)	73,671
– Other structures	2,481	(473)	2,008	–	–	(100)	(32)	–	–	(567)	–	4,412	(3,103)	1,309
– Roads	321,811	(121,505)	200,306	13,731	–	(924)	(6,443)	11,067	–	–	–	344,761	(127,024)	217,737
– Bridges	49,590	(5,722)	43,868	3,336	533	(1,921)	(418)	2,595	–	–	–	53,194	(5,201)	47,993
– Footpaths	12,198	(4,011)	8,187	513	–	(92)	(205)	911	–	–	–	13,448	(4,134)	9,314
– Bulk earthworks (non-depreciable)	35,790	–	35,790	1,166	–	(60)	–	1,310	–	–	–	38,206	–	38,206
– Stormwater drainage	181,921	(47,896)	134,025	3,014	–	(146)	(1,870)	3,143	–	–	–	187,862	(49,696)	138,166
– Water supply network	115,320	(44,237)	71,083	3,743	–	(335)	(1,429)	227	–	–	631	117,544	(45,771)	71,773
– Sewerage network	193,902	(76,496)	117,406	6,155	–	(579)	(3,039)	1,983	–	–	1,064	200,122	(79,825)	120,297
– Swimming pools	2,800	(777)	2,023	–	–	–	(56)	–	–	–	364	3,404	(1,073)	2,331
– Other open space/recreational assets	17,098	(5,507)	11,591	407	–	(417)	(560)	546	42	–	1,056	21,282	(8,617)	12,665
Other assets:														
– Other	2,238	(1,245)	993	–	–	–	(125)	–	–	–	–	2,238	(1,370)	868
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	12,685	(2,480)	10,205	–	–	–	(517)	–	(37)	–	1,395	14,285	(3,239)	11,046
– Quarry assets	3,106	(1,069)	2,037	–	–	–	(299)	–	143	–	985	4,234	(1,368)	2,866
Total infrastructure, property, plant and equipment	1,338,974	(341,701)	997,273	45,477	3,179	(7,903)	(17,529)	–	(586)	(567)	84,870	1,459,979	(360,606)	1,099,373

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

(2) Refer to Note G3-1 for details regarding restatement of prior period error.

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

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

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

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

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

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.

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	20 to 100
Office furniture	10 to 20	Benches, seats etc.	0 to 5
Computer equipment	4		
Vehicles	7 to 10		
Heavy plant/road making equipment	7 to 10		
Other plant and equipment	5 to 10		
Buildings		Buildings	
Envelope	40 to 150	Mechanical Services	30
Floors	40	Fire Services	30
Floor Coverings	17 to 34	Electrical Services	50
Internal Screens	20	Hydraulic Services	40
Roof	80		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	40 to 100	Drains	100 to 200
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100
Reticulation pipes: other	40 to 80		
Pumps and telemetry	10 to 60		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	8 to 25	Bulk earthworks	Infinite
Sealed roads: structure	45 to 225	Swimming pools	50
Unsealed roads	12 to 36	Other open space / recreational assets	5 to 100
Bridge: concrete	60 to 100		
Bridge: other	60 to 100		
Road pavements	50		
Kerb, gutter and footpaths	80		

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.

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

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

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

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

Rural Fire Service assets

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

In terms of 'Red Fleet' Rural Fire Service Assets, Council by resolution has determined not to recognise these assets on the basis it can demonstrate in its opinion it does not control these assets and would not comply with Accounting Standard AASB116 Property, Plant and Equipment if it did.

C1-8 Other**Other assets**

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Other	53	–	17	–
Total other assets	53	–	17	–

C2 Leasing activities

C2-1 Council as a lessee

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

Land and Buildings

Council has fourteen leases and licences for a variety of land and buildings as a lessee. These leases/licences are with the NSW Government and are often for minimal rentals, some of the agreements have no end dates and rentals generally increase in line with the Consumer Price Index on anniversary. Council has not outlined any right of use assets or lease liabilities for these leases/licences as it is of the view they are not material to the financial statements of Council.

Vehicles

Council does not lease any vehicles.

Office and IT equipment

Council leases all of its Information Technology equipment including servers, printers, WYSE terminals, laptops, and audio visual equipment.

The vast majority of these assets individually are below the low value threshold individually and therefore Council has taken the view that disclosure requirements of AASB 16 do not apply to this equipment. Council will continue to recognise the operating lease payments as an operating expense,

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups and businesses. These leases have been classified as operating leases for financial reporting purposes.

\$ '000	2022	2021
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(i) Assets held as property, plant and equipment

Council provides operating leases on Council land and buildings for the purpose of community use such as property agreements, use of rooms/facility hire and the Cavanbah Centre.

Lease income	949	918
Total income relating to operating leases for Council assets	949	918

(ii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	400	210
1–2 years	354	181
2–3 years	237	145
3–4 years	178	92
4–5 years	127	62
> 5 years	647	337
Total undiscounted lease payments to be received	1,943	1,027

Byron Shire Council | Notes to the Financial Statements 30 June 2022

C3 Liabilities of Council**C3-1 Payables**

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepaid rates	734	–	669	–
Goods and services – operating expenditure	6,200	–	8,384	–
Accrued expenses:				
– Borrowings	122	–	136	–
– Other expenditure accruals	1,375	–	598	–
Security bonds, deposits and retentions	4,845	–	4,323	–
Total payables	13,276	–	14,110	–

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	4,845	4,323
Total payables	4,845	4,323

Accounting policy

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

Payables

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

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C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	11,484	–	5,533	–
Total grants received in advance		11,484	–	5,533	–
User fees and charges received in advance:					
Advance bookings - holiday parks	(ii)	1,012	–	741	–
Total user fees and charges received in advance		1,012	–	741	–
Total contract liabilities		12,496	–	6,274	–

Notes

(i) Council has received funding to construct infrastructure assets. 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) Advance booking fees for Council's holiday parks do meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when the customer has completed their booking by virtue of their stay at the holiday park.

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	2,423	810
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,423	810

Significant changes in contract liabilities

During the 2021/2022 financial year, Council received significant grant payments to which associated works have not been completed principally due to Council needing to resource recovery efforts from the February/March 2022 flood events. Major advance payments include NSW Government Election Commitment Grant \$4.978million, Sandhills Wetlands Activation \$1.446million and Transport for NSW Grants (non flood recovery related) \$2.147million.

Accounting policy

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

C3-3 Borrowings

	2022 Current	2022 Non-current	2021 Current	2021 Non-current
\$ '000				
Loans – secured ¹	5,524	53,245	3,789	57,269
Total borrowings	5,524	53,245	3,789	57,269

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

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

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

(a) Changes in liabilities arising from financing activities

	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
\$ '000							
Loans – secured	61,058	(2,289)	–	–	–	–	58,769
Total liabilities from financing activities	61,058	(2,289)	–	–	–	–	58,769

	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
\$ '000							
Loans – secured	62,835	(1,777)	–	–	–	–	61,058
Total liabilities from financing activities	62,835	(1,777)	–	–	–	–	61,058

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Byron Shire Council | Notes to the Financial Statements 30 June 2022

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	185	185
Total financing arrangements	1,185	1,185
Drawn facilities		
– Credit cards/purchase cards	1	5
Total drawn financing arrangements	1	5
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	184	180
Total undrawn financing arrangements	1,184	1,180

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

	2022 Current	2022 Non-current	2021 Current	2021 Non-current
\$ '000				
Annual leave	3,070	–	2,635	–
Long service leave	3,833	506	3,764	665
Gratuities	127	–	156	–
Total employee benefit provisions	7,030	506	6,555	665

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	4,402	3,927
	4,402	3,927

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C3-4 Employee benefit provisions (continued)

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2022				
At beginning of year	2,635	4,429	156	7,220
Additional provisions	2,323	442	1	2,766
Amounts used (payments)	(1,888)	(532)	(30)	(2,450)
Total ELE provisions at end of year	3,070	4,339	127	7,536
2021				
At beginning of year	2,348	4,272	156	6,776
Additional provisions	2,065	703	24	2,792
Amounts used (payments)	(1,778)	(546)	(24)	(2,348)
Total ELE provisions at end of year	2,635	4,429	156	7,220

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

Byron Shire Council | Notes to the Financial Statements 30 June 2022

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	7,439	–	7,972
Sub-total – asset remediation/restoration	–	7,439	–	7,972
Total provisions	–	7,439	–	7,972

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	7,972	7,972
Unwinding of discount	43	43
Other	(576)	(576)
Total other provisions at end of year	7,439	7,439
2021		
At beginning of year	8,013	8,013
Unwinding of discount	29	29
Other	(70)	(70)
Total other provisions at end of year	7,972	7,972

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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C3-5 Provisions (continued)

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

D Council structure**D1 Results by fund**

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	36,328	2,653	16,208
User charges and fees	16,688	7,420	2,189
Interest and investment revenue	387	41	82
Other revenues	1,552	—	—
Grants and contributions provided for operating purposes	21,921	71	68
Grants and contributions provided for capital purposes	18,369	267	2,348
Other income	1,309	—	—
Total income from continuing operations	96,554	10,452	20,895
Expenses from continuing operations			
Employee benefits and on-costs	27,364	1,419	3,069
Materials and services	39,593	9,093	7,808
Borrowing costs	1,010	—	1,924
Depreciation, amortisation and impairment of non-financial assets	14,547	1,451	3,136
Other expenses	2,222	—	—
Net losses from the disposal of assets	29	1,543	1,945
Fair value decrement on investments	675	—	—
Share of interests in joint ventures and associates using the equity method	—	—	—
Total expenses from continuing operations	85,440	13,506	17,882
Operating result from continuing operations	11,114	(3,054)	3,013
Net operating result for the year	11,114	(3,054)	3,013
Net operating result attributable to each council fund	11,114	(3,054)	3,013
Net operating result for the year before grants and contributions provided for capital purposes	(7,255)	(3,321)	665

Byron Shire Council | Notes to the Financial Statements 30 June 2022

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	56,237	—	—
Investments	(6,893)	10,799	11,545
Receivables	7,662	2,253	2,324
Inventories	462	—	—
Contract assets and contract cost assets	1,812	—	—
Other	53	—	—
Total current assets	59,333	13,052	13,869
Non-current assets			
Investments	6,618	—	—
Receivables	561	—	—
Infrastructure, property, plant and equipment	1,023,872	80,396	174,097
Investments accounted for using the equity method	1,214	—	—
Total non-current assets	1,032,265	80,396	174,097
Total assets	1,091,598	93,448	187,966
LIABILITIES			
Current liabilities			
Payables	13,166	—	110
Contract liabilities	12,496	—	—
Borrowings	2,882	—	2,642
Employee benefit provision	7,030	—	—
Total current liabilities	35,574	—	2,752
Non-current liabilities			
Borrowings	20,188	—	33,057
Employee benefit provision	506	—	—
Provisions	7,439	—	—
Total non-current liabilities	28,133	—	33,057
Total liabilities	63,707	—	35,809
Net assets	1,027,891	93,448	152,157
EQUITY			
Accumulated surplus	501,356	42,733	104,612
Revaluation reserves	526,535	50,715	47,545
Council equity interest	1,027,891	93,448	152,157
Total equity	1,027,891	93,448	152,157

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2022	2021
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Associates	1,214	1,142
Total net share of interests in joint ventures and associates using the equity method – assets	1,214	1,142
Total Council's share of net assets	1,214	1,142

Interests in associates

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Summarised financial information for individually immaterial associates

\$ '000		
	2022	2021
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,214	1,142
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	72	(64)
Total comprehensive income – individually immaterial associates	72	(64)

E Risks and accounting uncertainties

E1-1 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 Council.

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	56,237	41,368	45,237	41,368
Receivables	12,800	10,340	12,800	10,340
Investments				
– Debt securities at amortised cost	22,069	31,105	33,069	31,105
Total financial assets	91,106	82,813	91,106	82,813
Financial liabilities				
Payables	13,276	14,110	13,276	14,110
Loans/advances	58,769	61,058	61,293	65,429
Total financial liabilities	72,045	75,168	74,569	79,539

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 held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) 'at fair value through profit and loss' or (ii) 'available-for-sale' – 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.
- **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.

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

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	783	725
Impact of a 10% movement in price of investments		
– Equity / Income Statement	3,307	3,910

(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 < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	3,850	132	1,680	5,662
2021				
Gross carrying amount	3,285	406	822	4,513

continued on next page ...

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

Receivables - non-rates and annual charges and contract assets

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

The loss allowance provision as at 30 June 2022 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	
2022						
Gross carrying amount	7,807	513	134	212	335	9,001
Expected loss rate (%)	0.02%	1.72%	1.16%	0.41%	2.44%	0.23%
ECL provision	2	18	3	2	16	41
2021						
Gross carrying amount	6,165	1,209	1,115	52	12	8,553
Expected loss rate (%)	0.22%	4.51%	(0.06)%	1.67%	1.91%	0.80%
ECL provision	14	55	(1)	1	—	69

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	4,845	7,698	—	—	12,543	13,276
Borrowings	4.82%	—	5,525	16,812	36,432	58,769	58,769
Total financial liabilities		4,845	13,223	16,812	36,432	71,312	72,045
2021							
Payables	0.00%	4,323	9,118	—	—	13,441	14,110
Borrowings	4.86%	—	6,694	27,650	45,949	80,293	61,058
Total financial liabilities		4,323	15,812	27,650	45,949	93,734	75,168

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment – Financial assets

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

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

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

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

Fair value measurement hierarchy							
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021 ¹	2022	2021
Infrastructure, property, plant and equipment	C1-7						
Plant and equipment		–	–	4,806	4,642	4,806	4,642
Office equipment		–	–	46	58	46	58
Furniture and fittings		–	–	23	31	23	31
Operational land		189,105	161,973	–	–	189,105	161,973
Community land		–	–	166,271	105,078	166,271	105,078
Crown Land		–	–	83,134	56,236	83,134	56,236
Land under roads (Post 30/6/08)		–	–	424	409	424	409
Land improvements – non-depreciable		–	–	–	–	–	–
Land improvements – depreciable		–	–	1,217	3,072	1,217	3,072
Buildings specialised		–	–	78,009	73,670	78,009	73,670
Other structures		–	–	1,346	1,309	1,346	1,309
Roads		–	–	243,785	217,736	243,785	217,736
Bridges		–	–	53,150	47,994	53,150	47,994
Footpaths		–	–	13,229	9,314	13,229	9,314
Bulk earthworks		–	–	42,393	38,207	42,393	38,207
Stormwater drainage		–	–	152,543	138,169	152,543	138,169
Water supply network		–	–	66,873	69,254	66,873	69,254
Sewerage network		–	–	126,303	117,623	126,303	117,623
Swimming pools		–	–	2,155	2,331	2,155	2,331
Other open space and recreational assets		–	–	13,889	12,664	13,889	12,664
Other assets		–	–	635	869	635	869
Tip assets		–	–	10,849	11,097	10,849	11,097
Quarry assets		–	–	2,492	2,915	2,492	2,915
Total infrastructure, property, plant and equipment		189,105	161,973	1,063,572	912,678	1,252,677	1,074,651

(1) Refer to Note G3-1 for details regarding restatement as a result of a prior period error.

Valuation techniques

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

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

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E2-1 Fair value measurement (continued)

Financial assets

Financial assets are exposed to financial risks such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictable nature of financial markets.

The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment and furniture & fittings assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Operational land

Operational Land has been valued by Assetic, an external valuer utilised by Council at 30 June 2021 plus indexation for 30 June 2022. The report provided by Assetic stated that the valuation was undertaken in accordance with specific accounting standards AASB13 Fair Value Measurement and AASB116 Property Plant and Equipment.

Depending upon the unique circumstances of each lot, land has been valued using a range of approaches. Where there is an active market the 'market approach' has been adopted. If its value is primarily dependent on its income generating capability the income approach was used. For other types of land the 'cost approach' was adopted.

Details of each approach are detailed below.

Level 3 inputs are unobservable inputs for the asset or liability

Unobservable inputs are to be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

There were no assets valued where it was assumed that the highest and best use was other than its current use and all assets have been valued at Level 2

Community land

Community Land has been valued using the Valuer Generals value of land. These rates are not considered to be observable market evidence and as such they have been classified as Level 3

Land under roads (Post 30/6/08)

Land under roads is valued using the 'Englobo' valuation method at 30 June 2021 plus indexation for 30 June 2022. The Englobo value of the land under the road is the proportional site value of the land at the time when the land is sold for subdivision. In prior years, this was valued through information provided by the Valuer General (VG). Information was received by the VG for each zone description and an applicable rate per square metre for rural and residential areas was applied to the land recognised under roads, post 30/6/08. These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Buildings – specialised

Buildings were valued by Assetic at 30 June 2021 using the cost approach plus indexation for 30 June 2022. This approach estimated the replacement cost for each building by componentising it into significant parts with different useful lives taking into account a range of factors. Some of these factors required extensive professional judgement and as such were classified as Level 3.

Roads, bridges and footpaths

Valuations for these asset classes were undertaken by Assetic using the replacement cost approach plus indexation for 30 June 2022. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Water

Water Network assets were valued by Assetic at 30 June 2022. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Sewer

Sewer Network assets were valued by Assetic at 30 June 2022. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

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E2-1 Fair value measurement (continued)

Stormwater drainage

Valuations for these asset classes were undertaken by Assetic using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Swimming pools

This asset class is for the swimming pool shells only. This was valued externally by Assetic at 30 June 2021 plus indexation for 30 June 2022.

Other open space and recreational assets.

This asset class was valued by Assetic as at 30 June 2021 plus indexation for 30 June 2022. All assets within the revaluation identified the assets as Level 3, valued using the cost approach.

Other assets

Other assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Tip assets

Tip assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the tip provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

Quarry assets

Quarry assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the quarry provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

Fair value measurements using significant unobservable inputs (level 3)

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

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

\$ '000	Fair value 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant, Equipment, Furniture, Fittings and Office Equipment	4,875	Cost used to approximate fair value	Asset Condition, remaining useful lives
Operational Land	189,105	Assetic Valuation	Land Value, land area
Community Land	166,271	Land values obtained from the NSW Valuer General	Land Value, land area
Crown Land	83,134	Land values obtained from the NSW Valuer General	Land Value, land area
Land Under Roads	424	Square metre rate calculated from Land and Property information of LG area and applied to depending on zoning of the land	Land Value, land area
Land Improvements	1,217	Cost used to approximate fair value	Asset Condition, remaining useful lives
Buildings	78,009	Assetic valuation	Condition, remaining lives, valuers individual knowledge and skills.
Other Structures	1,346	Cost used to approximate fair value	Asset Condition, remaining useful lives
Roads, Bridges & Footpaths	310,165	Assetic Report - Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Stormwater Drainage	152,543	Assetic Report - Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Bulk Earthworks	42,393	Assetic Report - Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.

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E2-1 Fair value measurement (continued)

\$ '000	Fair value 2022	Valuation technique/s	Unobservable inputs
Water	66,873	Independent valuation using depreciated replacement cost. Indexation applied annually since comprehensive revaluation	Condition, remaining lives, valuers individual knowledge and skills.
Sewer	126,303	Independent valuation using depreciated replacement cost. Indexation applied annually since comprehensive revaluation	Condition, remaining lives, valuers individual knowledge and skills.
Swimming Pools	2,155	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Open Space & Recreation	13,889	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Assets	635	Cost used to approximate fair value	Asset Condition, remaining useful lives
Tip Assets	10,241	Cost used to approximate fair value	Asset Condition, remaining useful lives
Quarry Assets	2,294	Cost used to approximate fair value	Asset Condition, remaining useful lives

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
Opening balance	4,641	4,111	59	71	32	46	161,314	161,314
Total gains or losses for the period								
Other movements								
Prior Period adjustment (Note G3-1)	-	-	-	-	-	-	-	-
Purchases (GBV)	1,645	1,890	-	-	-	-	340	-
Disposals (WDV)	(281)	(270)	-	-	-	-	-	-
Depreciation and impairment	(1,218)	(1,080)	(12)	(12)	(8)	(14)	-	-
WIP Transfers	18	-	-	-	-	-	-	-
Adjustments & Transfers	-	(10)	-	-	-	-	-	-
Reval Equity Movements	-	-	-	-	-	-	87,751	-
Closing balance	4,805	4,641	47	59	24	32	249,405	161,314

\$ '000	Land under Roads (post 30/6/08)		Land improv'mnt depreciable		Building specialised		Other structures	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	407	362	3,073	3,223	73,672	70,383	1,309	2,008
Total gains or losses for the period								
Other movements								
Prior Period adjustment (Note G3-1)	-	-	-	-	-	-	-	-
Purchases (GBV)	15	44	-	-	381	925	8	-
Disposals (WDV)	-	-	-	-	-	(1,230)	-	(100)
Depreciation and impairment	-	-	(26)	(150)	(2,586)	(1,280)	(39)	(32)
WIP Transfers	-	-	-	-	291	194	68	-
Adjustments & Transfers	-	-	(1,831)	-	-	(42)	-	-
Reval Equity Movements	-	1	-	-	6,254	4,722	-	(567)
Closing balance	422	407	1,216	3,073	78,012	73,672	1,346	1,309

\$ '000	Roads		Bridges		Footpaths		Bulk earthworks	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	217,735	200,305	47,992	43,867	9,314	8,187	38,207	35,791

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BYRON SHIRE COUNCIL

LATE REPORTS

6.1 - ATTACHMENT 1

Byron Shire Council | Notes to the Financial Statements 30 June 2022

E2-1 Fair value measurement (continued)

\$ '000	Roads		Bridges		Footpaths		Bulk earthworks	
	2022	2021	2022	2021	2022	2021	2022	2021
Total gains or losses for the period								
Other movements								
Prior Period adjustment (Note G3-1)	—	—	—	—	—	—	—	—
Purchases (GBV)	7,463	13,731	363	3,869	344	513	26	1,166
Disposals (WDV)	(273)	(924)	—	(1,921)	(14)	(92)	(6)	(60)
Depreciation and impairment	(8,248)	(6,443)	(690)	(418)	(239)	(205)	(84)	—
WIP Transfers	3,251	11,066	365	2,595	2,824	911	128	1,310
Adjustments & Transfers	—	—	—	—	—	—	—	—
Reval Equity Movements	23,857	—	5,119	—	1,001	—	4,122	—
Closing balance	243,785	217,735	53,149	47,992	13,230	9,314	42,393	38,207

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Swimming pools	
	2022	2021	2022	2021 ¹	2022	2021 ¹	2022	2021
Opening balance	138,166	134,025	69,253	68,934	117,623	114,711	2,331	2,023
Total gains or losses for the period								
Other movements								
Prior Period adjustment (Note G3-1)	—	—	2,518	—	2,673	—	—	—
Purchases (GBV)	672	3,014	781	1,225	2,110	3,482	—	—
Disposals (WDV)	—	(146)	(1,543)	(335)	(2,590)	(579)	—	—
Depreciation and impairment	(2,236)	(1,870)	(1,432)	(1,429)	(3,093)	(3,039)	(176)	(56)
WIP Transfers	117	3,143	6	227	129	1,984	—	—
Adjustments & Transfers	—	—	4	—	(4)	—	—	—
Reval Equity Movements	15,820	—	(2,716)	631	9,455	1,064	—	364
Closing balance	152,539	138,166	66,871	69,253	126,303	117,623	2,155	2,331

(1) Refer to Note G3-1 for details regarding restatement of prior period error.

\$ '000	Other open space and recreation		Other		Tip assets		Quarry assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	12,663	11,589	869	994	11,045	10,204	2,866	2,037
Total gains or losses for the period								
Other movements								
Prior Period adjustment (Note G3-1)	—	—	—	—	—	—	—	—
Purchases (GBV)	658	407	—	—	—	—	—	—
Disposals (WDV)	(4)	(417)	(94)	—	—	—	—	—
Depreciation and impairment	(469)	(560)	(140)	(125)	(537)	(501)	(294)	(285)
WIP Transfers	1,042	546	—	—	—	—	—	—
Adjustments & Transfers	—	42	—	—	(298)	—	(278)	177
Reval Equity Movements	—	1,056	—	—	639	1,395	198	985
Closing balance	13,890	12,663	635	869	10,849	11,098	2,492	2,914

\$ '000	Total	
	2022	2021 ¹
Opening balance	912,571	874,185
Prior Period adjustment (Note G3-1)	5,191	—
Purchases (GBV)	14,806	30,266
Disposals (WDV)	(4,805)	(6,074)
Depreciation and impairment	(21,527)	(17,499)
WIP Transfers	8,239	21,976

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Byron Shire Council | Notes to the Financial Statements 30 June 2022

E2-1 Fair value measurement (continued)

\$ '000	Total	
	2022	2021 ¹
Adjustments & Transfers	(2,407)	167
Reval Equity Movements	151,500	9,651
Closing balance	1,063,568	912,672

⁽¹⁾ Refer to Note G3-1 for details regarding restatement of prior period error.**Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:**

For 2022 there are no transfers into or out of the level 3 valuation hierarchy.

Highest and best use

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

E3-1 Contingencies

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(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.

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

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E3-1 Contingencies (continued)

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 2020, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

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 \$209,586.02. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$87,812.88. Council's expected contribution to the plan for the next annual reporting period is \$160,078.08.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

The share of any funding surplus or deficit that can be attributed to Council is 0.44%.

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	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022

(ii) Statewide Limited

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

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E3-1 Contingencies (continued)

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

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

(iii) StateCover Limited

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

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

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

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

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

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

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

(ii) Section 7.11 Contributions (Previously S94 Plans)

Council levies Section 7.11 Contributions (previously Section 94/94A) upon various developments across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend monies in accordance with those Plans.

As well, these Plans indicate future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

The future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intentions to spend funds in the manner and timing set out in those Plans.

(iii) Butler Street Byron Bay Contamination

Council is currently in consultation with the Environment Protection Authority undertaking monitoring and investigation of contamination levels at the Butler Street Reserve that is still ongoing. This being the site of a disused landfill. The ongoing monitoring will be used to determine the future management of the Reserve. The current assessment indicates that the site is fit for its current use of passive recreation and markets.

(iv) Former Landfill Brunswick Heads

Council has investigated the environmental impact of a former landfill at Brunswick Heads in association with the NSW Department of Planning, Industry and Environment and the Environment Protection Agency. The site is now being monitored with the prospect of further remediation small but not eliminated.

(v) Native Title Compensation

There may be financial exposure that cannot be quantified for Council related to compensation in respect to Native Title under both the Native Title Act 1993 (Cth) and Native Title (New South Wales) Act 1994.

F People and relationships**F1 Related party disclosures****F1-1 Key management personnel (KMP)**

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,111	1,152
Post-employment benefits	86	83
Total	1,197	1,235

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	45	44
Councillors' fees	168	179
Other Councillors' expenses (including Mayor)	105	75
Total	318	298

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit of financial statements	91	113
Remuneration for audit and other assurance services	91	113
Total Auditor-General remuneration	91	113
Non NSW Auditor-General audit firms		
(ii) Non-assurance services		
Internal audit services	42	52
Other audit and assurance services	42	—
Remuneration for non-assurance services	84	52
Total remuneration of non NSW Auditor-General audit firms	84	52
Total audit fees	175	165

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	11,073	9,468
Add / (less) non-cash items:		
Depreciation and amortisation	19,134	17,529
(Gain) / loss on disposal of assets	3,517	7,451
Non-cash capital grants and contributions	(2,155)	(655)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	675	169
Unwinding of discount rates on reinstatement provisions	43	29
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(2,482)	(685)
Increase / (decrease) in provision for impairment of receivables	12	9
(Increase) / decrease of inventories	46	(10)
(Increase) / decrease of other current assets	(36)	–
(Increase) / decrease of contract asset	875	113
Increase / (decrease) in payables	(2,184)	377
Increase / (decrease) in accrued interest payable	(14)	(12)
Increase / (decrease) in other accrued expenses payable	777	304
Increase / (decrease) in other liabilities	587	374
Increase / (decrease) in contract liabilities	6,222	4,785
Increase / (decrease) in employee benefit provision	316	444
Increase / (decrease) in other provisions	(576)	(70)
Net cash flows from operating activities	35,830	39,620

(b) Non-cash investing and financing activities

Crown land devolved	–	–
Developer dedications	2,155	655
Total non-cash investing and financing activities	2,155	655

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
---------	------	------

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

Property, plant and equipment

Plant and equipment	764	763
Roads	1,027	1,687
Water	2,313	–
Sewer	12,012	1,002
Parks and Gardens	2,491	673
Bridges	1,096	–
Buildings	205	–
Total commitments	19,908	4,125

These expenditures are payable as follows:

Within the next year	19,708	3,625
Later than 1 year not later than 5 years	200	500
Total payable	19,908	4,125

Sources for funding of capital commitments:

Unrestricted general funds	–	(2)
Future grants and contributions	4,288	1,187
Section 7.11 and 64 funds/reserves	5,000	502
Internally restricted reserves	10,620	2,438
Total sources of funding	19,908	4,125

G3 Changes from prior year statements

G3-1 Correction of errors

Nature of prior period error

Council during the 2021/2022 financial year has undertaken a revaluation of the Water and Sewerage Infrastructure under its control. That revaluation process has identified a number of Water and Sewerage infrastructure assets that have been 'found' and not previously recorded in Council's financial statements.

These infrastructure assets have been identified since the last revaluation of Water and Sewerage Infrastructure in the 2016/2017 financial year including some assets also as consequence of private subdivision transferred to Council but not recognised at the time.

Based on timing of recognition back to 1 July 2020 being the extent of the Prior Period Error recognition, the carrying value of infrastructure assets recognised are:

	1 July 2020 \$'000	30 June 2021 \$'000
Water Infrastructure Assets found	2,518	2,518
Sewerage Infrastructure Assets found	2,673	2,673
Total	5,191	5,191

Byron Shire Council | Notes to the Financial Statements 30 June 2022

G3-1 Correction of errors (continued)

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Total current assets	80,901	—	80,901
Infrastructure, property, plant and equipment	992,431	5,191	997,622
Total non-current assets	1,002,287	5,191	1,007,478
Total assets	1,083,188	5,191	1,088,379
Total current liabilities	24,169	—	24,169
Total non-current liabilities	68,011	—	68,011
Total liabilities	92,180	—	92,180
Net assets	991,008	5,191	996,199
Accumulated Surplus	622,961	5,191	628,152
Asset Revaluation Reserve	368,047	—	368,047
Total equity	991,008	5,191	996,199

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Total current assets	76,810	—	76,810
Infrastructure, property, plant and equipment	1,094,182	5,191	1,099,373
Total non-current assets	1,104,539	5,191	1,109,730
Total assets	1,181,349	5,191	1,186,540
Total current liabilities	30,728	—	30,728
Total non-current liabilities	65,906	—	65,906
Total liabilities	96,634	—	96,634
Net assets	1,084,715	5,191	1,089,906
Accumulated Surplus	632,365	5,191	637,556
Asset Revaluation Reserve	452,350	—	452,350
Total equity	1,084,715	5,191	1,089,906

G4 Statement of developer contributions as at 30 June 2022

G4-1 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					
Open space	4,154	601	–	29	(202)	–	4,582	–
Community facilities	1,150	203	–	8	(107)	–	1,254	–
Urban roads	2,347	177	–	16	(1)	–	2,539	–
Rural roads	1,007	350	–	8	(343)	–	1,022	–
Cycleways	994	154	–	6	(150)	–	1,004	–
Carparking	375	–	–	2	–	–	377	–
Civic and urban improvements	357	4	–	2	(111)	–	252	–
Shire support services	112	4	–	1	–	–	117	–
Administration	432	124	–	3	(133)	–	426	–
Section 7.12 levy	194	91	–	1	(50)	–	236	–
S7.11 contributions – under a plan	11,122	1,708	–	76	(1,097)	–	11,809	–
Total S7.11 and S7.12 revenue under plans	11,122	1,708	–	76	(1,097)	–	11,809	–
S64 contributions	10,732	1,241	–	55	(3,003)	–	9,025	–
Total contributions	21,854	2,949	–	131	(4,100)	–	20,834	–

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.

BYRON SHIRE COUNCIL

LATE REPORTS

6.1 - ATTACHMENT 1

Byron Shire Council | Notes to the Financial Statements 30 June 2022

G4-2 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					
CONTRIBUTION PLAN NUMBER 1 – OPEN SPACE								
Byron Bay	147	172	–	2	(9)	–	312	–
Mullumbimby	894	278	–	6	(171)	–	1,007	–
Bangalow	323	18	–	2	–	–	343	–
Suffolk Park	577	–	–	3	(22)	–	558	–
Brunswick Heads	44	8	–	1	–	–	53	–
Ocean Shores	103	27	–	1	–	–	131	–
Shire Wide	2,012	95	–	13	–	–	2,120	–
Rural North	37	3	–	1	–	–	41	–
Rural South	17	–	–	–	–	–	17	–
Total	4,154	601	–	29	(202)	–	4,582	–
CONTRIBUTION PLAN NUMBER 2 – COMMUNITY FACILITIES								
Byron Bay	5	51	–	1	–	–	57	–
Mullumbimby	33	5	–	–	–	–	38	–
Bangalow	212	2	–	1	–	–	215	–
Brunswick Heads	16	1	–	–	–	–	17	–
Ocean Shores	29	22	–	–	–	–	51	–
Shire Wide	735	119	–	5	(94)	–	765	–
Rural North	5	3	–	–	–	–	8	–
Rural South	115	–	–	1	(13)	–	103	–
Total	1,150	203	–	8	(107)	–	1,254	–
CONTRIBUTION PLAN NUMBER 3 – CYCLEWAYS								
Byron Bay	224	58	–	2	–	–	284	–
Mullumbimby	476	43	–	3	(98)	–	424	–
Bangalow	49	4	–	–	(47)	–	6	–
Brunswick Heads	25	28	–	–	–	–	53	–
Ocean Shores	92	7	–	–	(5)	–	94	–
Shire Wide	10	11	–	–	–	–	21	–
Rural North	16	–	–	–	–	–	16	–
Rural South	102	3	–	1	–	–	106	–
Total	994	154	–	6	(150)	–	1,004	–
CONTRIBUTION PLAN NUMBER 4 – SHIRE SUPPORT SERVICES								
Byron Bay	21	–	–	–	–	–	21	–
Mullumbimby	14	–	–	–	–	–	14	–

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BYRON SHIRE COUNCIL

LATE REPORTS

6.1 - ATTACHMENT 1

Byron Shire Council | Notes to the Financial Statements 30 June 2022

G4-2 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					
Bangalow	4	-	-	-	-	-	4	-
Ocean Shores	6	-	-	-	-	-	6	-
Rural North	29	-	-	-	-	-	29	-
Rural South	(6)	4	-	-	-	-	(2)	-
Shire Rural	43	-	-	1	-	-	44	-
Brunswick Heads	1	-	-	-	-	-	1	-
Total	112	4	-	1	-	-	117	-
CONTRIBUTION PLAN NUMBER 5 – CARPARKING								
Byron Bay	58	-	-	-	-	-	58	-
Mullumbimby	131	-	-	1	-	-	132	-
Brunswick Heads	186	-	-	1	-	-	187	-
Total	375	-	-	2	-	-	377	-
CONTRIBUTION PLAN NUMBER 6 – URBAN ROADS								
Byron Bay	157	127	-	2	-	-	286	-
Mullumbimby	593	23	-	4	-	-	620	-
Bangalow	1,321	8	-	8	(1)	-	1,336	-
Brunswick Heads	205	9	-	1	-	-	215	-
Ocean Shores	70	10	-	1	-	-	81	-
Batson Quarry	1	-	-	-	-	-	1	-
Total	2,347	177	-	16	(1)	-	2,539	-
CONTRIBUTION PLAN NUMBER 7 – RURAL ROADS								
Shire Rural	56	24	-	-	(343)	-	(263)	-
Mudges Quarry	18	-	-	-	-	-	18	-
Leela Quarry	4	-	-	-	-	-	4	-
Myocum Quarry (Council)	20	-	-	-	-	-	20	-
Rural North	(62)	232	-	1	-	-	171	-
Rural South	971	94	-	7	-	-	1,072	-
Total	1,007	350	-	8	(343)	-	1,022	-
CONTRIBUTION PLAN NUMBER 8 – CIVIC AND URBAN IMPROVEMENTS								
Byron Bay	(19)	-	-	-	-	-	(19)	-
Mullumbimby	101	-	-	-	(95)	-	6	-
Bangalow	129	-	-	1	(16)	-	114	-

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BYRON SHIRE COUNCIL

LATE REPORTS

6.1 - ATTACHMENT 1

Byron Shire Council | Notes to the Financial Statements 30 June 2022

G4-2 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					
Brunswick Heads	3	-	-	-	-	-	3	-
Ocean Shores	140	1	-	1	-	-	142	-
Rural North	(53)	-	-	-	-	-	(53)	-
Rural South	56	3	-	-	-	-	59	-
Total	357	4	-	2	(111)	-	252	-
CONTRIBUTION PLAN NUMBER 9 – ADMINISTRATION								
Shire Wide	432	124	-	3	(133)	-	426	-
Total	432	124	-	3	(133)	-	426	-
CONTRIBUTION PLAN NUMBER 10 – SECTION 7.12 LEVY								
Shire Wide	194	91	-	1	(50)	-	236	-
Total	194	91	-	1	(50)	-	236	-

G4-3 S64 contributions

CONTRIBUTION PLAN NUMBER 11 – WATER SUPPLY SERVICES

Byron, Bang, Burns, O/Shires	1,068	89	-	7	(57)	-	1,107	-
Mullumbimby	793	78	-	3	(136)	-	738	-
Total	1,861	167	-	10	(193)	-	1,845	-

CONTRIBUTION PLAN NUMBER 12 – SEWERAGE SERVICES

Bangalow	3,204	66	-	17	-	-	3,287	-
Byron Bay	5,667	1,008	-	28	(2,810)	-	3,893	-
Total	8,871	1,074	-	45	(2,810)	-	7,180	-

Byron Shire Council | Notes to the Financial Statements 30 June 2022

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,667)	(5.41)%	(6.55)%	(7.08)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	104,839				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	82,779	65.79%	72.50%	65.41%	> 60.00%
Total continuing operating revenue ¹	125,823				
3. Unrestricted current ratio					
Current assets less all external restrictions	34,649	3.52x	2.41x	3.08x	> 1.50x
Current liabilities less specific purpose liabilities	9,846				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16,401	2.44x	2.22x	1.99x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,723				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	5,691	9.60%	8.33%	7.32%	< 10.00%
Rates and annual charges collectable	59,297				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	71,688	8.89 months	9.36 months	8.76 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	8,066				

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3.96)%	(12.26)%	(32.61)%	(3.13)%	3.59%	10.40%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	57.35%	65.61%	96.77%	92.74%	88.44%	88.84%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.52x	2.41x	∞	∞	5.04x	5.85x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.94x	1.86x	∞	∞	2.25x	2.53x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	14.07%	8.48%	0.00%	8.27%	0.00%	7.99%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.89 months	9.36 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G6-1 above.

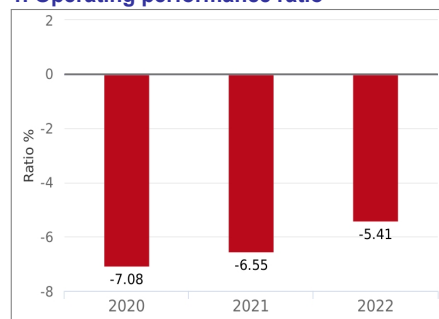
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (5.41)%

Whilst not achieving this benchmark, Council's result has slightly improved which is pleasing and considering the impacts of the February/March 2022 flood events. Council has around \$6.3million in expenditure influencing this result that it would expect to receive funding but this revenue has not been recognised as claims relating to this expenditure are yet to be approved.

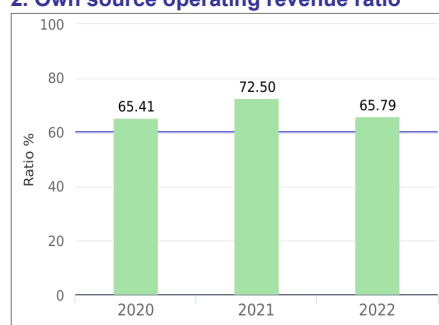
Benchmark: — > 0.00%

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 65.79%

Council has managed to remain above benchmark considering the impact of the February/March 2022 flood events where subsequently Council has received substantial grant funding that has reduced the proportion of overall revenue from its own sources.

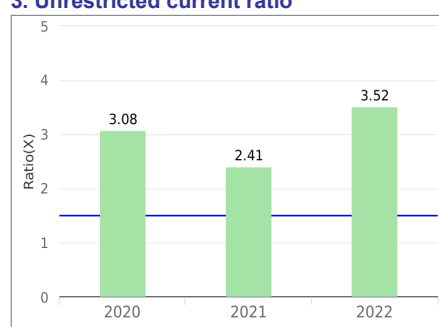
Benchmark: — > 60.00%

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 3.52x

This outcome is a good result considering the impact on Council of the February/March 2022 flood events and shows that Council's short term financial position remains relatively ok even though Council no longer has any unrestricted cash at 30 June 2022.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

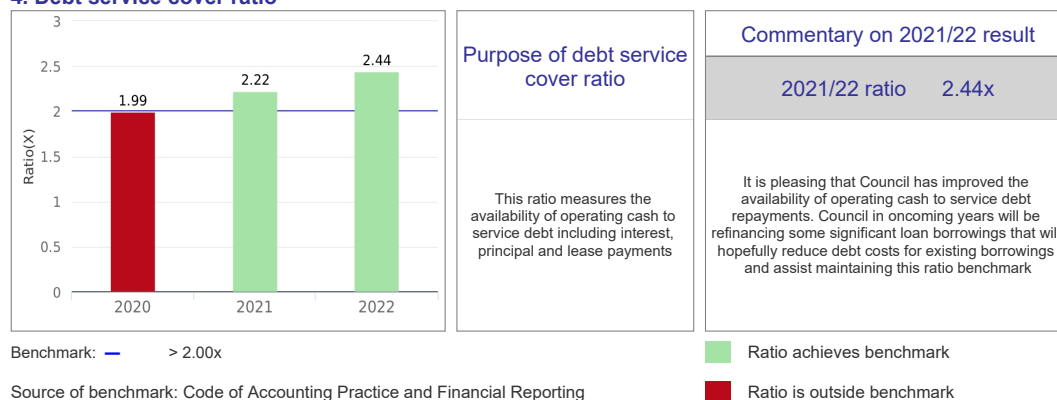
Ratio is outside benchmark

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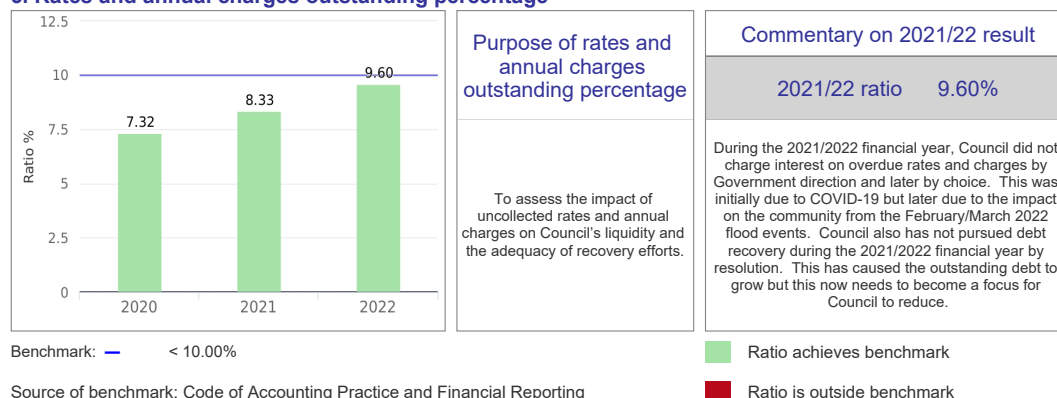
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H1-1 Statement of performance measures – consolidated results (graphs) (continued)

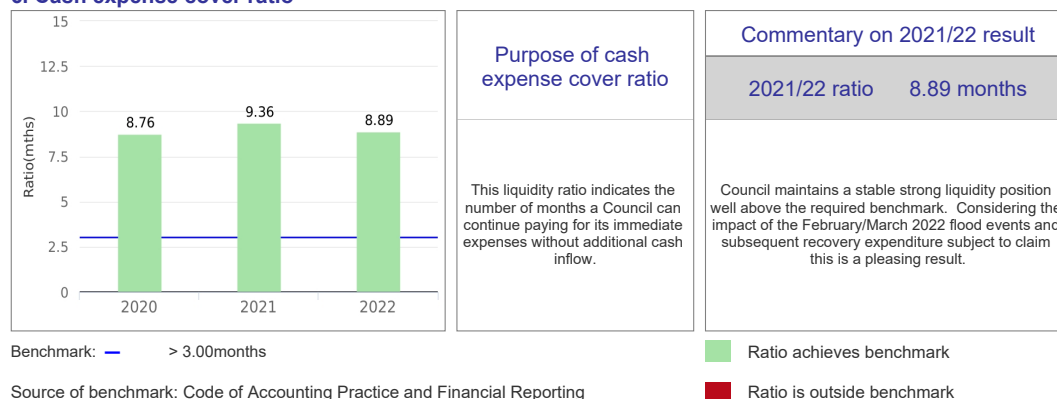
4. Debt service cover ratio



5. Rates and annual charges outstanding percentage



6. Cash expense cover ratio



H1-2 Council information and contact details

Principal place of business:

70 Station Street
MULLUMBIMBY NSW 2482

Contact details**Mailing Address:**

PO Box 219
MULLUMBIMBY NSW 2482

Telephone: 02 6626 7000

Facsimile: 02 6684 3018

Opening hours:

8:30am - 4.30pm
Monday to Friday (except public holidays)

Internet: www.byron.nsw.gov.au

Email: council@byron.nsw.gov.au

Officers**General Manager**

Mark Arnold

Responsible Accounting Officer

James Brickley

Public Officer

Esmeralda Davis

Auditors

Audit Office of New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000

Elected members**Mayor**

Michael Lyon

Councillors

Sarah Ndiaye
Cate Coorey
Alan Hunter
Mark Swivel
Asren Pugh
Sama Balson
Peter Westheimer
Duncan Dey

Other information

ABN: 14 472 131 473

Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2022

*Byron Shire is a 'meeting place' - Where people can come
together to connect, share, grow, inspire, and create
positive change.*



Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- 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 matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 24 November 2022.

Michael Lyon
Mayor
24 November 2022

Sarah Ndiaye
Deputy Mayor
24 November 2022

Mark Arnold
General Manager
24 November 2022

James Brickley
Responsible Accounting Officer
24 November 2022

Byron Shire Council | Income Statement of water supply business activity | for the year ended 30 June 2022

Byron Shire Council

Income Statement of water supply business activity
for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	2,653	2,544
User charges	7,125	7,611
Fees	295	250
Interest and investment income	41	51
Grants and contributions provided for operating purposes	71	75
Total income from continuing operations	10,185	10,531
Expenses from continuing operations		
Employee benefits and on-costs	1,419	1,246
Materials and services	4,268	3,361
Depreciation, amortisation and impairment	1,451	1,439
Water purchase charges	4,825	4,480
Net loss on disposal of assets	1,543	335
Calculated taxation equivalents	164	168
Total expenses from continuing operations	13,670	11,029
Surplus (deficit) from continuing operations before capital amounts	(3,485)	(498)
Grants and contributions provided for capital purposes	267	743
Surplus (deficit) from continuing operations after capital amounts	(3,218)	245
Surplus (deficit) from all operations before tax	(3,218)	245
Surplus (deficit) after tax	(3,218)	245
Plus accumulated surplus	43,297	42,912
Plus/less: prior period adjustments	2,518	2,518
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	164	168
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	42,733	45,815
Return on capital %	(4.3)%	(0.6)%
Calculation of dividend payable:		
Surplus (deficit) after tax	(3,218)	245
Less: capital grants and contributions (excluding developer contributions)	(267)	(743)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Byron Shire Council | Income Statement of sewerage business activity | for the year ended 30 June 2022

Byron Shire Council

Income Statement of sewerage business activity
for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	16,208	15,587
User charges	1,524	1,933
Liquid trade waste charges	235	349
Fees	430	321
Interest and investment income	82	124
Grants and contributions provided for operating purposes	68	72
Total income from continuing operations	18,547	18,386
Expenses from continuing operations		
Employee benefits and on-costs	3,069	3,049
Borrowing costs	1,924	2,054
Materials and services	7,808	7,715
Depreciation, amortisation and impairment	3,136	3,070
Net loss on disposal of assets	1,945	585
Calculated taxation equivalents	527	531
Debt guarantee fee (if applicable)	865	1,307
Total expenses from continuing operations	19,274	18,311
Surplus (deficit) from continuing operations before capital amounts	(727)	75
Grants and contributions provided for capital purposes	2,348	2,229
Surplus (deficit) from continuing operations after capital amounts	1,621	2,304
Surplus (deficit) from all operations before tax	1,621	2,304
Less: corporate taxation equivalent (25%) [based on result before capital]	—	(20)
Surplus (deficit) after tax	1,621	2,284
Plus accumulated surplus	98,954	94,840
Plus/less: prior period adjustments	2,673	2,673
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	527	531
– Debt guarantee fees	865	1,307
– Corporate taxation equivalent	—	20
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	104,612	101,627
Return on capital %	0.7%	1.3%
Calculation of dividend payable:		
Surplus (deficit) after tax	1,621	2,284
Less: capital grants and contributions (excluding developer contributions)	(2,348)	(2,229)
Surplus for dividend calculation purposes	—	55
Potential dividend calculated from surplus	—	28

Byron Shire Council | Income Statement of Holiday Parks Business Activity | for the year ended 30 June 2022

Byron Shire Council

Income Statement of Holiday Parks Business Activity

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Fees	3,024	4,055
Total income from continuing operations	3,024	4,055
Expenses from continuing operations		
Calculated taxation equivalents	475	528
Depreciation, amortisation and impairment	186	153
Net loss from the disposal of assets	120	121
Materials and services	1,608	1,977
Other expenses	618	568
Total expenses from continuing operations	3,007	3,347
Surplus (deficit) from continuing operations before capital amounts	17	708
Surplus (deficit) from continuing operations after capital amounts	17	708
Surplus (deficit) from all operations before tax	17	708
Less: corporate taxation equivalent (25%) [based on result before capital]	(9)	(184)
Surplus (deficit) after tax	8	524
Plus accumulated surplus	7,858	8,533
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	475	528
– Corporate taxation equivalent	8	184
Less:		
– TER dividend paid	(1,206)	(1,206)
– Dividend paid	(649)	(705)
Closing accumulated surplus	6,494	7,858
Return on capital %	0.0%	1.8%
Subsidy from Council	1,742	–

Byron Shire Council | Statement of Financial Position of water supply business activity | for the year ended 30 June 2022

Byron Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Investments	10,799	11,437
Receivables	2,253	2,459
Total current assets	13,052	13,896
Non-current assets		
Infrastructure, property, plant and equipment	80,396	83,679
Total non-current assets	80,396	83,679
Total assets	93,448	97,575
Net assets	93,448	97,575
EQUITY		
Accumulated surplus	42,733	45,815
Revaluation reserves	50,715	51,760
Total equity	93,448	97,575

Byron Shire Council | Statement of Financial Position of sewerage business activity | for the year ended 30 June 2022

Byron Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Investments	11,545	13,221
Receivables	2,324	2,106
Total current assets	13,869	15,327
Non-current assets		
Infrastructure, property, plant and equipment	174,097	158,426
Total non-current assets	174,097	158,426
Total assets	187,966	173,753
LIABILITIES		
Current liabilities		
Payables	110	120
Borrowings	2,642	2,501
Total current liabilities	2,752	2,621
Non-current liabilities		
Borrowings	33,057	35,699
Total non-current liabilities	33,057	35,699
Total liabilities	35,809	38,320
Net assets	152,157	135,433
EQUITY		
Accumulated surplus	104,612	101,627
Revaluation reserves	47,545	33,806
Total equity	152,157	135,433

Byron Shire Council | Statement of Financial Position of Holiday Parks Business Activity | for the year ended 30 June 2022

Byron Shire Council

Statement of Financial Position of Holiday Parks Business Activity

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Non-current assets		
Investments	1,669	2,617
Infrastructure, property, plant and equipment	48,057	39,119
Total non-current assets	49,726	41,736
Total assets	49,726	41,736
LIABILITIES		
Current liabilities		
Payables	1,012	741
Total current liabilities	1,012	741
Total liabilities	1,012	741
Net assets	48,714	40,995
EQUITY		
Accumulated surplus	6,495	7,858
Revaluation reserves	42,219	33,137
Total equity	48,714	40,995

Byron Shire Council | Prior Period Error - Water Supply Business Activity | for the year ended 30 June 2022

Byron Shire Council

Prior Period Error - Water Supply Business Activity

as at 30 June 2022

Nature of Prior-Period Error

During the 2021/2022 financial reporting period, Council's Water Supply Assets were subject to a comprehensive revaluation at 30 June 2022. The process of the revaluation identified a number of infrastructure assets that have been added to the asset register over time since the last comprehensive revaluation at 30 June 2017 but were not previously valued. For Water Supply infrastructure these assets included hydrants, reuse mains, reuse valves, valves and mains. Council has now updated its Capital Value Register to include these assets at appropriate values as at 30 June 2022.

It was determined that this should be treated as a prior period error as the assets should have been included in Council's Capital Value Register in a prior year.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third year in the Statement of Financial Position. The Special Purpose Financial Statements have been prepared in accordance with the Special Purpose reporting framework and the requirements of AASB 101 to disclose a third year in the Statement of Financial Position have not been applied.

Changes to the opening Statement of Financial Position at 1 July 2020**Statement of Financial Position**

	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
\$ '000			
Infrastructure, property, plant and equipment	76,876	2,518	79,394
Total assets	89,620	2,518	92,138
Net assets	89,620	2,518	92,138
Accumulated surplus	42,912	2,518	45,430
Total equity	89,620	2,518	92,138

Adjustments to the comparative figures for the year ended 30 June 2021**Statement of Financial Position**

	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
\$ '000			
Infrastructure, property, plant and equipment	81,161	2,518	83,679
Total assets	95,057	2,518	97,575
Net assets	95,057	2,518	97,575
Accumulated surplus	43,297	2,518	45,815
Total equity	95,057	2,518	97,575

Byron Shire Council | Prior Period Error - Sewerage Business Activity | for the year ended 30 June 2022

Byron Shire Council

Prior Period Error - Sewerage Business Activity

as at 30 June 2022

Nature of Prior-Period Error

During the 2021/2022 financial reporting period, Council's Sewerage Infrastructure Assets were subject to a comprehensive revaluation at 30 June 2022. The process of the revaluation identified a number of infrastructure assets that have been added to the asset register over time since the last comprehensive revaluation at 30 June 2017 but were not previously valued. For Sewerage infrastructure these assets included rising main valves, rising mains, inground structures, site features, switchboard items, pumps, pump instrumentation, pump odour control, pressure boundary valves, pressure mains, gravity mains and gravity manholes. Council has now updated it's Capital Value Register to include these assets at appropriate values as at 30 June 2022.

It was determined that this should be treated as a prior period error as the assets should have been included in Council's Capital Value Register in a prior year.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third year in the Statement of Financial Position. The Special Purpose Financial Statements have been prepared in accordance with the Special Purpose reporting framework and the requirements of AASB 101 to disclose a third year in the Statement of Financial Position have not been applied.

Changes to the opening Statement of Financial Position at 1 July 2020**Statement of Financial Position**

	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
\$ '000			
Infrastructure, property, plant and equipment	134,939	2,673	137,612
Total assets	152,843	2,673	155,516
Net assets	112,143	2,673	114,816
Accumulated surplus	94,840	2,673	97,513
Total equity	112,143	2,673	114,816

Adjustments to the comparative figures for the year ended 30 June 2021**Statement of Financial Position**

	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
\$ '000			
Infrastructure, property, plant and equipment	155,753	2,673	158,426
Total assets	171,080	2,673	173,753
Net assets	132,760	2,673	135,433
Accumulated surplus	98,954	2,673	101,627
Total equity	132,760	2,673	135,433

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 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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 Finance Position includes notional assets/liabilities receivable from/payable to Council's General Fund. These balances reflect the notional inter-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, return 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. Byron Shire Council Water Supplies

Water supply operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

b. Byron Shire Council Sewerage Service

Sewerage reticulation and treatment operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

c. Byron Shire Council Holiday Parks

Council owned Holiday Parks operated in the Shire. The holiday parks include First Sun and Suffolk Beachfront.

Category 2

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

Nil

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.

continued on next page ...

Page 12 of 15

Note – Significant Accounting Policies (continued)

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

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

Notional rate applied (%)

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

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

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

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

The payment of taxation equivalent charges, referred to in the DPIE – Best Practice Management of Water Supply and Sewerage Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DPIE – Best Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

Income tax is only applied where a gain/ (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.

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land 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.

continued on next page ...

Page 13 of 15

Note – Significant Accounting Policies (continued)

Subsidies occur when 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 Statement of each reported business activity.

(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'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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 June 2022.

(iii) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Planning, Industry and Environment (DPIE) – Best Practice Management Water Supply and Sewerage Guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.

Byron Shire Council

Special Purpose Financial Statements
for the year ended 30 June 2022
