

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.

5 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

10 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

15 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.

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

25 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

30 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
35 Office of Local Government.

Brief explanations for each item follow:

General Purpose Financial Statements

40 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:

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

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

25

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:

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- 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.

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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

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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	
Expenditure			
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.

5 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:

10 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
15 needs to improve this result back towards the benchmark as it is a key financial sustainability indicator.

20 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
25 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
30 percentage has increased.

- Asset Revaluations

35 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

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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.

10 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

15 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
20 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
25 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
30 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.

35 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
40 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 the Finance Advisory Committee and subsequently recommended to Council, that in 10 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.

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

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

- New Accounting Standards

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

- Liquidity

20 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
25 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
30 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'
35 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,
40 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.

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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:

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

- 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		B2-1	54,590	52,004
24,171		B2-2	25,178	27,108
1,618		B2-3	1,552	1,847
6,547		B2-4	22,060	8,264
26,238		B2-4	20,984	23,130
903		B2-5	510	826
1,044		B2-6	949	918
<u>114,345</u>			<u>125,823</u>	<u>114,097</u>
Expenses from continuing operations				
31,762		B3-1	31,852	29,830
36,065		B3-2	54,416	44,280
2,932		B3-3	2,934	3,075
15,780		B3-4	19,134	17,529
2,196		B3-5	2,897	2,464
-		B4-1	3,517	7,451
<u>88,735</u>			<u>114,750</u>	<u>104,629</u>
<u>25,610</u>			<u>11,073</u>	<u>9,468</u>
<u>25,610</u>			<u>11,073</u>	<u>9,468</u>
<u>(628)</u>			<u>(9,911)</u>	<u>(13,662)</u>

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

