

FINANCIAL STATEMENTS

year ended 30 June 2023



Maitland City Council

Financial statements for the year ended 30 June 2023

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Maitland City Council

General purpose financial statements for the year ended 30 June 2023

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

Maitland City Council
263 High Street
Maitland NSW 2320

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 available on our website: www.maitland.nsw.gov.au

Maitland City Council

General purpose financial statements for the year ended 30 June 2023

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

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

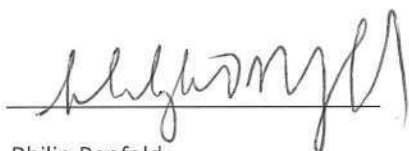
- * The *Local Government Act 1993* (as amended) and the Regulations made thereunder
- * The Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- * The Local Government Code of Accounting Practice and Financial Reporting

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

- * Present fairly the Council's operating result and financial position for the year, and
- * Accord with Council's accounting and other records

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

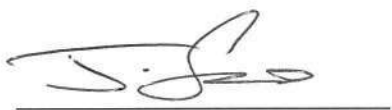
Signed in accordance with a resolution of Council made on 24/10/2023.



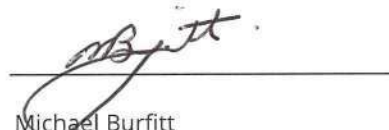
Philip Penfold
Mayor
24/10/2023



Mitchell Griffin
Deputy Mayor
24/10/2023



Jeff Smith
General Manager
24/10/2023



Michael Burfitt
Responsible Accounting Officer
24/10/2023

Maitland City Council

Income Statement

For the year ended 30 June 2023

| Original unaudited budget 2023 \$'000 | | Notes | Actual 2023 \$'000 | Actual 2022 \$'000 |
|---|--|-------|--------------------------|--------------------------|
| | Income from continuing operations | | | |
| | <i>Revenue:</i> | | | |
| 97,975 | Rates and annual charges | B2-1 | 99,709 | 96,870 |
| 9,262 | User charges and fees | B2-2 | 10,230 | 9,210 |
| 3,308 | Other revenues | B2-3 | 3,025 | 2,085 |
| 9,664 | Grants and contributions provided for operating purposes | B2-4 | 19,368 | 15,645 |
| 14,873 | Grants and contributions provided for capital purposes | B2-4 | 75,356 | 58,427 |
| 2,025 | Interest and investment income | B2-5 | 7,152 | 718 |
| - | Other Income | B2-6 | 1,091 | 736 |
| <u>137,107</u> | Total income from continuing operations | | <u>215,931</u> | <u>183,691</u> |
| | Expenses from continuing operations | | | |
| 51,637 | Employee benefits and on-costs | B3-1 | 53,138 | 45,402 |
| 38,055 | Materials and Services | B3-2 | 50,165 | 43,109 |
| 2,187 | Borrowing costs | B3-3 | 2,474 | 1,924 |
| 26,264 | Depreciation, amortisation and impairment of non-financial assets | B3-4 | 29,869 | 26,896 |
| 8,021 | Other expenses | B3-5 | 8,270 | 3,928 |
| - | Net loss from the disposal of assets | B4-1 | 3,785 | 1,791 |
| <u>126,164</u> | Total expenses from continuing operations | | <u>147,701</u> | <u>123,050</u> |
| <u>10,943</u> | Operating result from continuing operations | | <u>68,230</u> | <u>60,641</u> |
| <u>10,943</u> | Net operating result for the year Attributable to Council | | <u>68,230</u> | <u>60,641</u> |
| <u>(3,930)</u> | Net operating result for the year before grants and contributions provided for capital purposes | | <u>(7,126)</u> | <u>2,214</u> |

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

Maitland City Council

Statement of Comprehensive Income for the year ended 30 June 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|-------|-----------------------|-----------------------|
| Net operating result for the year - from income statement | | 68,230 | 60,641 |
| Other comprehensive income | | | |
| <i>Amounts which will not be reclassified subsequently to operating result</i> | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-7 | <u>337,299</u> | <u>133,616</u> |
| Total other comprehensive income for the year | | <u>337,299</u> | <u>133,616</u> |
| Total comprehensive income for the year attributable to Council | | <u>405,529</u> | <u>194,257</u> |

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Maitland City Council

Statement of Financial Position as at 30 June 2023

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 25,189 | 15,757 |
| Investments | C1-2 | 127,434 | 138,375 |
| Receivables | C1-4 | 11,709 | 9,489 |
| Contract assets and Contract cost assets | C1-6 | 1,628 | 3,476 |
| Inventories | C1-5 | 642 | 572 |
| Total current assets | | 166,602 | 167,669 |
| Non-current assets | | | |
| Investments | C1-2 | 74,212 | 83,702 |
| Infrastructure, property, plant and equipment (IPPE) | C1-7 | 1,862,725 | 1,438,610 |
| Intangible assets | C1-8 | 132 | 316 |
| Right of use assets | | 882 | 704 |
| Total non-current assets | | 1,937,951 | 1,523,332 |
| Total assets | | 2,104,553 | 1,691,001 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C2-1 | 13,921 | 17,695 |
| Contract liabilities | C2-2 | 11,705 | 5,608 |
| Lease liabilities | | 376 | 361 |
| Borrowings | C2-3 | 9,002 | 8,505 |
| Employee benefit provisions | C2-4 | 14,968 | 14,109 |
| Total current liabilities | | 49,972 | 46,278 |
| Non-current liabilities | | | |
| Lease liabilities | | 473 | 356 |
| Borrowings | C2-3 | 72,772 | 75,775 |
| Employee benefit provisions | C2-4 | 280 | 262 |
| Provisions | C2-5 | 21,148 | 13,952 |
| Total non-current liabilities | | 94,673 | 90,345 |
| Total liabilities | | 144,645 | 136,623 |
| Net assets | | 1,959,908 | 1,554,378 |
| EQUITY | | | |
| Accumulated surplus | | 1,120,297 | 1,052,067 |
| Revaluations reserves | C3-1 | 839,611 | 502,311 |
| Total equity | | 1,959,908 | 1,554,378 |

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

Maitland City Council

Statement of Changes in Equity
for the year ended 30 June 2023

| | 2023 \$'000 | | | 2022 \$'000 | | |
|---|------------------------|--------------------------------|------------------|------------------------|--|-----------------------------|
| | Accumulated surplus | IPPE revaluation reserve | Total Equity | Accumulated surplus | IPPE revaluation reserve Restated | Total Equity Restated |
| Opening balance at 1 July | 1,052,067 | 502,311 | 1,554,378 | 991,426 | 368,695 | 1,360,121 |
| Net operating result for the year | 68,230 | - | 68,230 | 60,641 | - | 60,641 |
| Other comprehensive income | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | - | 337,300 | 337,300 | - | 133,616 | 133,616 |
| Total comprehensive income | 68,230 | 337,300 | 405,530 | 60,641 | 133,616 | 194,257 |
| Closing balance 30 June | 1,120,297 | 839,611 | 1,959,908 | 1,052,067 | 502,311 | 1,554,378 |

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Maitland City Council

Statement of Cash Flows
for the year ended 30 June 2023

| Original unaudited budget 2023 \$'000 | | Notes | Actual 2023 \$'000 | Actual 2022 \$'000 |
|---|---|-------|--------------------------|--------------------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 100,508 | Rates and annual charges | | 99,552 | 96,687 |
| 9,262 | User charges and fees | | 8,784 | 9,856 |
| 1,262 | Interest received | | 5,364 | 588 |
| 24,537 | Grants and contributions | | 65,992 | 43,457 |
| 2,800 | Other | | 2,233 | 2,048 |
| <i>Payments:</i> | | | | |
| 51,637 | Payments to employees | | 52,356 | 45,945 |
| 30,197 | Payments for materials and services | | 51,423 | 42,070 |
| 2,187 | Borrowing costs | | 2,443 | 1,672 |
| 11,492 | Other | | 8,316 | 3,973 |
| 42,856 | Net cash from operating activities | F1-1 | 67,387 | 58,976 |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| - | Sale of investments | | - | 12,898 |
| - | Redemption of term deposits | | 134,633 | 114,871 |
| - | Proceeds from sale of IPPE | | 1,318 | 1,327 |
| <i>Payments:</i> | | | | |
| - | Purchase of investments | | 19,885 | 24,050 |
| - | Acquisition of term deposits | | 96,004 | 136,004 |
| 52,625 | Payments for IPPE | | 75,020 | 60,162 |
| (52,625) | Net cash from investing activities | | (54,958) | (91,120) |
| Cash flow from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| 7,350 | Proceeds from borrowings | | 6,000 | 36,300 |
| <i>Payments:</i> | | | | |
| 8,475 | Repayment of borrowings | | 8,505 | 7,645 |
| - | Principal component of lease payments | | 492 | 268 |
| (1,125) | Net cash from financing activities | | (2,997) | 28,387 |
| (10,894) | Net change in cash and cash equivalents | | 9,431.82 | (3,757) |
| 15,757 | Cash and cash equivalents at beginning of year | | 15,757 | 19,514 |
| 4,863 | Cash and cash equivalents at end of year | C1-1 | 25,189 | 15,757 |

The above Cash flow statement should be read in conjunction with the accompanying notes.

Maitland City Council

Content for the notes to the Financial Statements for the year ended 30 June 2023

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Maitland City Council

Notes to the financial statements 30 June 2023

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 24 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Maitland City Council is a not for profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of the 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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Maitland City 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) fair values of infrastructure, property, plant and equipment - refer Note 1-7
- (ii) tip remediation provisions - refer Note C2-5
- (iii) Employee benefit provisions - refer Note C2-4

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 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.

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

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

- * General purpose operations

Maitland City Council

Notes to the financial statements 30 June 2023

A1-1 Basis of preparation (continued)

The Trust Fund

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

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 which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

New accounting standards and interpretations issued but not yet effective

The following new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

Council's considers there is little or no impact to Council of the following new standards and interpretations:

- 1 AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- 2 AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of effective date
- 3 AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Lease back.
- 4 AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.
- 5 AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- 6 AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies & Definition of Accounting Estimates (amends AASB 7, AASB 108, AASB 134 & AASB Practice Statement 2)

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2023. None of these standards had an impact on reported position, performance or disclosures.

B. Financial Performance**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. | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|-------------------|----------------|--------------------------|----------------|---------------------------|
| Functions / Activities | Income | | Expenses | | Operating results | | Grants and Contributions | | Carrying Amount of Assets |
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | |
| Let's Connect with each Other | 57,642 | 53,243 | 64,485 | 61,425 | (6,843) | (8,181) | 84,456 | 63,762 | 1,399,426 |
| Let's Live Sustainability | 23,605 | 22,626 | 26,569 | 20,426 | (2,964) | 2,200 | 991 | 1,641 | 7,868 |
| Let's Create Opportunities | 39,895 | 18,814 | 16,020 | 8,106 | 23,876 | 10,707 | - | - | 17,117 |
| Let's Lead Together | 94,789 | 89,008 | 40,628 | 33,093 | 54,161 | 55,915 | 9,277 | 8,669 | 266,590 |
| Net operating result for the year | 215,931 | 183,691 | 147,702 | 123,050 | 68,230 | 60,641 | 94,724 | 74,072 | 1,691,001 |

B1-2 Components of functions or activities

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

Let's Connect with each Other

We love our city and our neighbourhoods from our heritage areas to our new areas, and want everyone to feel welcome. We take opportunities to connect and relax with each other and make sure everyone feels included, in areas such as sports, culture and arts, and health and wellbeing. We want to be active, yet safe. We want access to all the essential services a growing community needs and to move quickly and easily about the city, no matter how we choose to travel.

Let's Create Opportunities

We want our new suburbs to have everything in place, and to complement existing suburbs and villages. We want all kinds of homes, for all types of families. We want to show off our city and its iconic sites and events. Shopping and working locally is vital, as it helping us to prepare for future industries and jobs.

Let's Live Sustainability

We love our green spaces, from parks to bushland, rivers to floodplains. We worry about our environment and want to work together to reduce our impact, including what we buy, use and throw away. We know we need to be more resilient to the impacts of climate changes.

Let's Lead Together

We want diverse leaders to listen and represent us in government, as well as in industry and community forums. We want to have our say in important decisions, including making sure our city is well planned, and knowing what will go where and when and how we are doing. We want innovative access to services and better use of technology.

Maitland City Council

Notes to the financial statements 30 June 2023

B2 Sources of income

B2-1 Rates and annual charges

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Ordinary rates | | |
| Residential | 61,147 | 58,852 |
| Farmland | 2,360 | 2,457 |
| Mining | 476 | 478 |
| Business | 15,159 | 15,202 |
| Less: Pensioner rebates | (979) | (975) |
| Rates levied to ratepayers | 78,163 | 76,014 |
| Pensioner rate subsidies received | 494 | 507 |
| Total ordinary rates | 78,657 | 76,521 |
| Special rates | | |
| Maitland CBD / Mall | 492 | 499 |
| Total special rates | 492 | 499 |
| Annual charges (pursuant to s.496, 496A, 496B, s.501 & s.611) | | |
| Domestic waste management services | 18,919 | 18,274 |
| Stormwater management services charge | 820 | 808 |
| Waste management services (not domestic) | 917 | 888 |
| Section 611 charges | - | - |
| Less: Pensioner Rebate | (306) | (306) |
| Annual Charges levied | 20,350 | 19,664 |
| Pensioner annual charges subsidies received | 210 | 186 |
| Total annual charges | 20,560 | 19,850 |
| Total rates and annual charges | 99,709 | 96,870 |

Council has used 1 July 2019 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 in their substance.

Maitland City Council

Notes to the financial statements 30 June 2023

B2-2 User charges and fees

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| User charges | | |
| Waste management services (not domestic) | 2,325 | 2,542 |
| Total user charges | <u>2,325</u> | <u>2,542</u> |
| Fees | | |
| Private works - S67 | 283 | 336 |
| TfNSW works (State roads not controlled by Council) | 626 | 611 |
| Building services - Other | 326 | 360 |
| Planning and building - Regulatory | 2,796 | 2,723 |
| Inspection fees | 140 | 88 |
| Section 10.7 certificates (EP&A Act) | 306 | 299 |
| Section 603 certificates | 186 | 224 |
| Registration fees | 408 | 68 |
| Swimming facilities | 1,867 | 1,206 |
| Cemeteries | 117 | 140 |
| Other | 850 | 613 |
| Total fees | <u>7,905</u> | <u>6,668</u> |
| Total user charges and fees | <u>10,230</u> | <u>9,210</u> |
| Timing of revenue recognition for user charges and fees | | |
| User charges and fees recognised over time | 626 | 611 |
| User charges and fees recognised at a point in time | 9,604 | 8,599 |
| Total user charges and fees | <u>10,230</u> | <u>9,210</u> |

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customer and generally the payment terms are within 30 days of the provision of the service or in some cases the customer is required to pay on request. There is no material obligation for Council in relation to refunds or returns.

Where up front fee is charged such as swimming pool admission, the fee is recognised at time of admission.

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

Maitland City Council

Notes to the financial statements 30 June 2023

B2-3 Other Revenue

| | 2023 \$'000 | 2022 \$'000 |
|---------------------------------|----------------|----------------|
| Parking fines | 321 | 319 |
| Other fines | 5 | 22 |
| Recycling income (Non domestic) | 330 | 363 |
| Insurance claims recoveries | 135 | 230 |
| Commissions and agency fees | 3 | 8 |
| Diesel rebate | 132 | 137 |
| Tourism / Events | 1,174 | 265 |
| Sales of inventories | 236 | 191 |
| Energy and Water Credits | 325 | 27 |
| Other | 364 | 523 |
| Total other revenues | 3,025 | 2,085 |

Timing of revenue recognition for other revenue

| | | |
|---|--------------|--------------|
| Other revenue recognised over time | - | - |
| Other revenue recognised at a point in time | 3,025 | 2,085 |
| Total other revenues | 3,025 | 2,085 |

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

| | Operating | | Capital | |
|--|-----------|--------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| General purpose grants and non-developer contributions (untied) | | | | |
| Financial Assistance Grant | | | | |
| - Relating to current year | 2,028 | 3,784 | - | - |
| - Prepayment received in advance | 8,383 | 5,816 | - | - |
| Total amount recognised as Income | 10,411 | 9,600 | - | - |
| Special purpose grants and non-developer contributions (tied) | | | | |
| Cash Contributions | | | | |
| Transport for NSW contributions | 668 | 359 | 500 | 842 |
| Roads to recovery | - | - | 873 | 873 |
| Community Care | 54 | 48 | - | - |
| Health and safety | 10 | 148 | - | - |
| Environmental programs | 747 | 1,160 | - | - |
| Recreation and culture | 2,290 | 1,512 | 4,034 | 4,187 |
| Storm/flood damage | 1,532 | 1,000 | - | - |
| Rural Fire Service | 235 | 280 | - | 53 |
| OHS Incentive Payment | 143 | 128 | - | - |
| Sporting groups | 159 | 127 | 190 | - |
| Staff - Motor vehicle lease payments | 670 | 549 | - | - |
| Other roads & bridges | 2,121 | 383 | 6,000 | 7,554 |
| Other | 328 | 351 | - | - |
| Non-cash contributions | | | | |
| Other | | | | |
| Total special purpose grants and non-developer contribution (tied) | 8,957 | 6,045 | 11,597 | 13,509 |
| Total grants and non-developer contributions | 19,368 | 15,645 | 11,597 | 13,509 |
| Comprising: | | | | |
| - Commonwealth funding | 10,411 | 9,600 | 1,634 | 6,795 |
| - State funding | 7,322 | 4,805 | 9,764 | 6,714 |
| - Other funding | 1,635 | 1,240 | 199 | - |
| | 19,368 | 15,645 | 11,597 | 13,509 |
| Developer contributions (s7.4 and s7.11 - EP&A Act, s64 of the LGA): | | | | |
| Cash contributions | | | | |
| S 7.11 / S 7.12 | - | - | 26,491 | 13,294 |
| Non-cash contributions | | | | |
| Roadworks (other than by s.711) | - | - | 26,904 | 17,726 |
| Drainage (other than by s.711) | - | - | 7,864 | 10,412 |
| Land (other than by s.711) | - | - | 1,297 | 188 |
| Bridges | - | - | 880 | 2,414 |
| Buildings | - | - | - | - |
| Other | - | - | 323 | 884 |
| Total developer contributions | - | - | 63,759 | 44,918 |
| Total grants and contributions | 19,368 | 15,645 | 75,356 | 58,427 |
| Timing of revenue recognition | | | | |
| Grant & contributions recognised over time | 1,498 | 1,035 | 11,407 | 13,456 |
| Grant & contributions recognised at a point in time | 17,870 | 14,610 | 63,949 | 44,971 |
| Total grants & contributions | 19,368 | 15,645 | 75,356 | 58,427 |

Maitland City Council

Notes to the financial statements 30 June 2023

B2-4 Grants and contributions (cont.)

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:

| Note | Operating | | Capital | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Unspent funds at 1 July | 3,149 | 1,721 | 113,363 | 104,595 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 3,562 | 2,421 | 30,021 | 13,516 |
| Add: Funds received and not recognised as revenue in the current year | - | - | 9,444 | 4,010 |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (1,799) | (993) | (19,545) | (5,477) |
| Less: Funds received in the prior year but revenue recognised and funds spent in the current year. | - | - | (3,347) | (3,281) |
| Unspent funds at 30 June | 4,912 | 3,149 | 129,936 | 113,363 |

Accounting policy

Grants and contributions

Where grant and contribution revenue arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is transferred. The performance obligations are varied according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on achievement of certain milestones for others. Each performance obligation may be satisfied 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 at a single time, whereas over time recognition is where control is ongoing throughout the project. 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 grant received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For 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 contributions revenues levied on developers under the provisions of sections 7.4, 7.11 & 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act). While Council generally incorporates these amounts as part of a Development Consent Order, such developer contributions are only recognised as income on receipt due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly would not be payable to Council.

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

Other grants and contributions

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

Maitland City Council

Notes to the financial statements 30 June 2023

B2-5 Interest and investment income

| | 2023 | 2022 |
|---|---------------------|-------------------|
| | \$'000 | \$'000 |
| Interest on financial assets measured at amortised cost | | |
| - Overdue rates and annual charges | 278 | 250 |
| - Cash and investments | 6,874 | 468 |
| Total interest and investment revenue | <u>7,152</u> | <u>718</u> |

Accounting policy

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

B2-6 Other income

| | | |
|---------------|---------------------|-------------------|
| Rental income | 1,071 | 736 |
| Other | 20 | - |
| | <u>1,091</u> | <u>736</u> |

B3. Costs of providing services

B3-1 Employee benefits and on costs

| | 2023 | 2022 |
|--------------------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Salaries and wages | 40,530 | 36,725 |
| Employee leave entitlements | 8,856 | 6,050 |
| Superannuation | 5,094 | 4,297 |
| Workers' compensation insurance | 1,284 | 995 |
| FBT | 176 | 257 |
| Other | 79 | 130 |
| | <u>56,019</u> | <u>48,454</u> |
| Less: Capitalised costs | (2,881) | (3,052) |
| Total employee costs expensed | <u>53,138</u> | <u>45,402</u> |

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.

Maitland City Council

Notes to the financial statements 30 June 2023

B3. Costs of providing services (Cont.)

B3-2 Materials and services

| | 2023 \$'000 | 2022 \$'000 |
|--|----------------|----------------|
| Raw materials and consumables | 27,762 | 19,661 |
| Cost of Sales | 415 | 281 |
| Insurance | 1,868 | 1,612 |
| Telephone | 350 | 291 |
| Street lighting | 2,399 | 2,437 |
| Electricity and heating | 943 | 535 |
| Election expenses | - | 471 |
| Contractor Costs | 1,132 | 1,361 |
| Contractor and consultancy costs | | |
| - Recycling services | 2,923 | 2,730 |
| - Organics collection & processing | 1,858 | 1,608 |
| - Waste disposal costs | 708 | 5,412 |
| - Other contractor and consultancy costs | 8,815 | 6,025 |
| Legal fees | 363 | 261 |
| Other | | |
| - Advertising | 377 | 194 |
| - Bank charges | 252 | 230 |
| Total materials and contracts | 50,165 | 43,109 |

Accounting policy

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

B3-3 Borrowing costs

| | 2023 \$'000 | 2022 \$'000 |
|---------------------------------------|----------------|----------------|
| Interest on loans | 2,403 | 1,841 |
| Interest on hire purchase | 18 | 35 |
| Interest on leases | 53 | 48 |
| Total borrowing costs expensed | 2,474 | 1,924 |

Accounting policy

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

B3. Costs of providing services (Cont.)**B3-4 Depreciation, amortisation and impairment of non-financial assets**

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|------|----------------|----------------|
| Intangibles - Software | C1-8 | 183 | 183 |
| Plant and equipment | C1-7 | 2,636 | 2,793 |
| Office equipment | C1-7 | 130 | 110 |
| Furniture and fittings | C1-7 | 31 | 32 |
| Infrastructure | C1-7 | 24,639 | 22,584 |
| Other assets | C1-7 | 182 | 184 |
| Tip asset | C1-7 | 1,623 | 595 |
| Right of use assets | | 446 | 415 |
| Total depreciation and amortisation costs | | 29,869 | 26,896 |

Accounting policy

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

Impairment of non-financial assets

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

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

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.

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

B3. Costs of providing services (Cont.)

B3-5 Other expenses

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|------|----------------|----------------|
| Impairment of receivables | C1-4 | 11 | 7 |
| Contributions and donations | | 142 | 127 |
| State Government waste disposal levy | | 6,653 | 2,600 |
| Emergency services levies | | 1,027 | 814 |
| Other | | 437 | 380 |
| Total other expenses from continuing operations | | 8,270 | 3,928 |

Accounting policy

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

Impairment expenses are recognised when identified.

B4. Gains or losses

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

| | Note | 2023 \$'000 | 2022 \$'000 |
|--|-------------|----------------|----------------|
| Gain (or loss) on disposal of infrastructure, property, plant and equipment | C1-7 | | |
| Proceeds from disposal | | 1,199 | 1,207 |
| Less: Carrying amount of assets sold | | 4,984 | 2,998 |
| Gain (or loss) on disposal | | (3,785) | (1,791) |

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 derecognised.

B5. Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 14 June 2022 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 the Council.

While these general purpose financial statements include the original budget adopted by Council, the Local Government 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 are explained below:

Revenues

1. User Charges

Actual amounts of User Charges were over budget by \$1M (10%) and reflects increases in activity with the recovery from COVID 19 and flooding impacts.

2. Grants and contributions provided for operating and capital purposes

Actual capital grants and contributions received were over budget by \$60.4M (407%). Non cash dedications were received for infrastructure (\$31.4M) are not budgeted as they are not reliably estimated. Capital grants received for roads & recreation infrastructure (\$11.6M) were not budgeted. Cash contributions from developers exceeded budget by \$13M due to increasing development activity.

Actual operating grants and contributions received were over budget by \$9.7M (100%). Flood funding of \$1.5M, additional FAG advance payment of \$2.1M and funding for the pothole repair Program \$2.1M were not budgeted.

3. Interest

Actual interest received was over budget by \$5.1M (253%). Council's return on investment was above expectations due to the significant increase in market rates over this period.

Expenses

1. Materials & Services

Materials & Services were over budget by \$12M (32%). Flood repair program of \$3.9M impacted the results. Other unbudgeted items include prior year grants spent in the current year \$1.8M, current year grants spent in the current year \$3.4M and expenditure on non Council assets \$1M.

2. Borrowing Costs

Borrowing costs were over budget by \$0.3M (13%). This was the result of higher rates on the draw down of borrowing.

3. Depreciation and Amortisation

Depreciation and amortisation were over budget by \$3.6M (14%). Increases in infrastructure assets dedicated and acquired by Council increased depreciation which was not reflected in the budget. In addition an adjustment of \$1M was made to the amortisation of the tip assets as it moves closer to rehabilitation.

Statement of cash flows

1. Cash flows from operating activities

Total Net Cash flows from operating activities were favourable to budget by \$24M (57%). Increases in Grants and contributions and Interest received partly offset by an increase in materials & services.

2. Cash flows from investing activities

Total Net Cash flows from investing activities were in line with budget.

3. Cash flows from financing activities

Total Net Cash flows from financing activities were unfavourable on budget by \$1.8M (166%). Reduction in proceeds from borrowings due to delayed timing on major plant delivery.

C. Financial Position

C1. Assets we manage

C1-1 Cash and cash equivalents

| | Note | 2023 \$'000 | 2022 \$'000 |
|--------------------------|------|----------------|----------------|
| Cash at bank and on hand | | 13,189 | 14,757 |
| Deposits at call | | 12,000 | 1,000 |
| | | <u>25,189</u> | <u>15,757</u> |

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.

C1-2 Financial investments

| | 2023 | | 2022 | |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Debt securities at amortised cost. | 127,434 | 74,212 | 138,375 | 83,702 |
| Equity securities at FVOCI | - | - | - | - |
| Total | 127,434 | 74,212 | 138,375 | 83,702 |
| Debt securities at amortised cost. | | | | |
| - Term Deposits | 116,381 | 7,094 | 138,375 | 26,072 |
| - FRNs | 8,543 | 59,091 | - | 53,213 |
| - Bonds | 2,510 | 8,027 | - | 4,417 |
| | 127,434 | 74,212 | 138,375 | 83,702 |

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 expenses as incurred).

Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised costs 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.

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 the profit and loss.

Maitland City Council

Notes to the financial statements 30 June 2023

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

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Total cash, cash equivalents and investments | 226,836 | 237,834 |
| Less: Externally restricted cash & investments | 141,868 | 121,543 |
| Cash & Investment not subject to external restrictions | 84,968 | 116,291 |

| | 2023 restricted cash \$'000 | 2022 restricted cash \$'000 |
|------------------------------------|--------------------------------|--------------------------------|
| External restrictions | | |
| General fund | | |
| Developer contributions | 118,231 | 107,755 |
| Domestic waste management | 7,020 | 5,031 |
| Specific purpose unexpended grants | 16,617 | 8,757 |
| Total external restrictions | 141,868 | 121,543 |

Cash & 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.

| | | |
|--|---------------|----------------|
| Internal allocations | | |
| Employee leave entitlements | 3,365 | 5,584 |
| Economic development | 903 | 903 |
| Waste disposal site construction | 2,421 | 2,531 |
| Technology | 3,198 | 5,171 |
| Carry over works | 17,264 | 34,625 |
| Environmental works | 690 | 538 |
| Workers compensation | 1,038 | 1,072 |
| Asset management | 2,061 | 2,052 |
| General purpose reserve | 5,727 | 3,721 |
| Waste disposal site rehabilitation | 12,486 | 11,815 |
| Transfer station construction | 13,898 | 17,704 |
| Financial Assistance Grant advance payment | 8,383 | 5,816 |
| Election cost reserve | 512 | 362 |
| Pandemic / Emergency Response | 899 | 974 |
| Unexpended loans | 5,284 | 14,704 |
| Total internal allocations | 78,129 | 107,572 |

Maitland City Council

Notes to the financial statements 30 June 2023

C1-4 Receivables

| | 2023 | | 2022 | |
|---------------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Rates and annual charges | 6,201 | - | 5,538 | - |
| Interest and extra charges | 632 | - | 531 | - |
| User charges and fees | 252 | - | 485 | - |
| Government grants and subsidies | 306 | - | 757 | - |
| Contributions | 383 | - | 110 | - |
| Net GST Receivable | 1,381 | - | 1,881 | - |
| Property rentals | 254 | - | 281 | - |
| Other | 2,418 | - | 24 | - |
| Total | 11,827 | - | 9,607 | - |
| Less: Provision for impairment | | | | |
| - Other | (118) | - | (118) | - |
| Net receivables | 11,709 | - | 9,489 | - |

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 costs is recognised on a expected credit loss (ECL) basis. When determining whether the credit risk of a financial assets has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable information that is relevant and available without 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 rate debtors, Council takes into account that unpaid rates represents a charge against the rateable property that will be recovered when the property is sold.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and cash flows expected to be received.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the receivables are over 2 years past due, which ever occurs first.

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

C1-5 Inventories

| | 2023 | | 2022 | |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Inventories | | | | |
| At cost: | | | | |
| Stores, materials and/or trading stock | 642 | - | 572 | - |
| Total inventories | 642 | - | 572 | - |

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.

Inventory held for distribution

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

Maitland City Council

Notes to the financial statements 30 June 2023

C1-6 Contract assets and Contract cost assets

| | 2023 \$'000 | 2022 \$'000 |
|----------------------|----------------|----------------|
| Contract assets | 1,628 | 3,476 |
| Contract cost assets | - | - |
| | <u>1,628</u> | <u>3,476</u> |

Contract assets

| | | |
|--|--------------|--------------|
| Work relating to infrastructure grants | 1,628 | 3,476 |
| Less: impairment of contract assets | - | - |
| | <u>1,628</u> | <u>3,476</u> |

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services 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 give 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 credit loss model where lifetime losses are recognised on initial recognition.

Maitland City Council

Notes to the financial statements 30 June 2023

C1-7 Infrastructure. property, plant and equipment

| By aggregated asset class | Restated At 1 July 2022 | | | Movements during year | | | | | | At 30 June 2023 | | |
|--|------------------------------|---------------------------------|----------------------------|--------------------------------|-------------------|------------------------------------|----------------------------|------------------|---|------------------------------|---------------------------------|----------------------------|
| | Gross carrying amount \$'000 | Accumulated Depreciation \$'000 | Net carrying amount \$'000 | Renewals ⁽¹⁾ \$'000 | New assets \$'000 | Carrying value of disposals \$'000 | Depn and impairment \$'000 | Transfers \$'000 | Revaluation increments/ (decrements) \$'000 | Gross carrying amount \$'000 | Accumulated Depreciation \$'000 | Net carrying amount \$'000 |
| Capital WIP | 51,679 | - | 51,679 | 14,544 | 9,211 | - | - | (48,560) | - | 26,874 | - | 26,874 |
| Plant, equipment, furniture and fittings | 26,061 | 18,653 | 7,408 | - | 4,618 | (380) | (2,797) | - | - | 28,498 | 19,649 | 8,849 |
| Land | 134,187 | - | 134,187 | - | 3,346 | - | - | - | 112,446 | 249,979 | - | 249,979 |
| Infrastructure | | | | | | | | | | | | |
| - Buildings & other structures | 175,252 | 88,253 | 86,999 | 2,911 | 18,592 | - | (3,114) | 30,081 | 19,604 | 279,065 | 123,991 | 155,074 |
| - Roads, bridges & footpaths | 1,134,269 | 257,654 | 876,615 | 22,862 | 27,785 | (3,665) | (17,175) | 10,876 | 78,453 | 1,255,146 | 259,395 | 995,751 |
| - Storm water drainage | 245,462 | 43,929 | 201,533 | 452 | 7,864 | - | (1,743) | - | 120,200 | 400,060 | 71,754 | 328,306 |
| - Open space / recreational assets | 91,104 | 31,409 | 59,695 | - | 1,114 | (936) | (2,325) | 6,435 | 6,495 | 105,843 | 35,365 | 70,478 |
| - Other infrastructure (waste depot) | 4,954 | 2,417 | 2,537 | - | - | - | (282) | 1,167 | - | 6,121 | 2,699 | 3,422 |
| Other assets | 15,029 | 1,235 | 13,794 | - | 545 | (4) | (182) | - | 102 | 15,458 | 1,203 | 14,255 |
| Tip asset | 10,965 | 6,801 | 4,164 | - | - | - | (1,623) | - | 7,196 | 18,161 | 8,424 | 9,737 |
| Totals | 1,888,962 | 450,351 | 1,438,610 | 40,769 | 73,075 | (4,985) | (29,241) | - | 344,496 | 2,385,205 | 522,480 | 1,862,725 |

1. Renewals are defined as replacements of existing assets as opposed to the acquisition of new assets.

Maitland City Council

Notes to the financial statements 30 June 2023

C1-7 Infrastructure. Property, plant and equipment (Cont)

| By aggregated asset class | At 1 July 2021 | | | Movements during year | | | | | | Restated At 30 June 2022 | | |
|--|------------------------------|---------------------------------|----------------------------|-----------------------|-------------------|------------------------------------|----------------------------|------------------|---|------------------------------|---------------------------------|----------------------------|
| | Gross carrying amount \$'000 | Accumulated Depreciation \$'000 | Net carrying amount \$'000 | Renewals (1) \$'000 | New assets \$'000 | Carrying value of disposals \$'000 | Depn and impairment \$'000 | Transfers \$'000 | Revaluation increments/ (decrements) \$'000 | Gross carrying amount \$'000 | Accumulated Depreciation \$'000 | Net carrying amount \$'000 |
| Capital WIP | 15,148 | - | 15,148 | 11,965 | 27,805 | - | - | (3,239) | - | 51,679 | - | 51,679 |
| Plant, equipment, furniture & fittings | 24,454 | 16,821 | 7,633 | - | 3,300 | (591) | (2,935) | - | - | 26,061 | 18,653 | 7,407 |
| Land | 130,471 | - | 130,471 | - | 246 | - | - | - | 3,469 | 134,187 | - | 134,187 |
| Infrastructure: | | | | | | | | | | | | |
| - Buildings & other structures | 159,769 | 78,000 | 81,769 | - | 799 | - | (3,115) | 510 | 7,037 | 175,252 | 88,253 | 86,999 |
| - Roads, bridges & footpaths | 1,024,358 | 277,363 | 746,995 | 12,560 | 20,184 | (1,317) | (15,732) | 2,201 | 111,722 | 1,134,269 | 257,654 | 876,615 |
| - Storm water drainage | 224,230 | 39,985 | 184,245 | - | 10,553 | (61) | (1,592) | - | 8,388 | 245,462 | 43,929 | 201,533 |
| - Open space / recreational assets | 85,487 | 28,674 | 56,813 | - | 2,830 | (1,030) | (1,917) | 528 | 2,472 | 91,104 | 31,409 | 59,695 |
| - Other infrastructure (waste depots) | 4,954 | 2,188 | 2,766 | - | - | - | (229) | - | - | 4,954 | 2,417 | 2,537 |
| Other assets | 16,129 | 3,314 | 12,815 | - | 1,082 | (447) | (184) | - | 528 | 15,029 | 1,235 | 13,794 |
| Tip asset | 9,847 | 6,206 | 3,641 | - | - | - | (595) | - | 1,118 | 10,965 | 6,801 | 4,164 |
| Totals | 1,694,847 | 452,551 | 1,242,296 | 24,525 | 66,799 | (3,445) | (26,299) | - | 134,734 | 1,888,962 | 450,351 | 1,438,610 |

C1-7 Infrastructure. Property, plant and equipment (Cont.)**Accounting policy for infrastructure, property, plant & equipment**

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

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

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

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

| | | | |
|------------------------------------|----------------|--------------------------|-----------------|
| Office equipment | 5 years | Flood control structures | 100 - 200 years |
| Office furniture | 10 years | Sealed roads - Surface | 15 - 125 years |
| Vehicles and road making equipment | 5 - 6 years | Sealed roads - Structure | 50 - 200 years |
| Other plant and equipment | 5 - 15 years | Unsealed roads | 15 - 125 years |
| Buildings - Operational | 30 - 150 years | Footpaths | 75 years |
| Buildings - Community | 30 - 150 years | Kerb and gutter | 100 years |
| Park equipment | 5 years | Road furniture | 20 years |
| Community improvements | 10 - 50 years | Bridge - Concrete | 150 years |
| Drains | 140-200 years | Bridge - Other | 150 years |
| Culverts | 200 years | Bulk earthworks | Infinite |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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.

Land under roads

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

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

Crown reserves

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

Maitland City Council

Notes to the financial statements 30 June 2023

C1-8 Intangible assets

| Software | 2023 | 2022 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| <i>Opening values at 1 July</i> | | |
| Gross book value | 914 | 914 |
| Accumulated amortisation and impairment | (598) | (415) |
| Net book value - opening balance | 316 | 499 |
| | | |
| - Amortisation charges | (184) | (183) |
| | | |
| <i>Closing values at 30 June</i> | | |
| Gross book value | 914 | 914 |
| Accumulated amortisation and impairment | (782) | (598) |
| | | |
| Total intangible assets - net book value | 132 | 316 |

Accounting policy

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

Maitland City Council

Notes to the financial statements 30 June 2023

C2. Liabilities of Council

C2-1 Payables

| | 2023 | | 2022 | |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Payables | | | | |
| Goods and services | 8,741 | - | 13,094 | - |
| Accrued wages and salaries | 1,357 | - | 1,316 | - |
| Accrued expenses - Other | 675 | - | 643 | - |
| Prepaid rates | 3,148 | - | 2,642 | - |
| Total payables | 13,921 | - | 17,695 | - |
| Current payables not expected to be settled within the next 12 months | - | N/A | - | N/A |

Accounting policy

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

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

Maitland City Council

Notes to the financial statements 30 June 2023

C2-2 Contract liabilities

| | 2023 | | 2022 | |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Funds to construct Council controlled assets | 11,705 | - | 5,608 | - |
| Total contract liabilities | 11,705 | - | 5,608 | - |

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

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

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Funds to construct Council controlled asset | 3,347 | 2,873 |
| | 3,347 | 2,873 |

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

C2-3 Borrowings

| | 2023 | | 2022 | |
|-------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Loans: | | | | |
| - Secured | 8,731 | 72,589 | 8,110 | 75,321 |
| Hire purchase | 271 | 183 | 395 | 454 |
| Total borrowings | 9,002 | 72,772 | 8,505 | 75,775 |

(a) Changes in liabilities arising from financing activities

| | 2022 \$'000s | Cash flows \$'000s | 2023 \$'000s |
|--|-----------------|--------------------------|-----------------|
| Loans: | | | |
| - secured | 83,431 | (2,110) | 81,321 |
| Hire purchase | 849 | (395) | 454 |
| Other | - | - | - |
| Total liabilities from financing activities | 84,280 | (2,505) | 81,775 |

| | 2021 \$'000s | Cash flows \$'000s | 2022 \$'000s |
|--|-----------------|--------------------------|-----------------|
| Loans: | | | |
| - secured | 54,163 | 29,269 | 83,432 |
| Hire purchase | 1,463 | (614) | 849 |
| Other | - | - | - |
| Total liabilities from financing activities | 55,626 | 28,655 | 84,281 |

Maitland City Council

Notes to the financial statements 30 June 2023

C2-3 Borrowings (Cont.)

| (b) Financing Arrangements | 2023 \$'000 | 2022 \$'000 |
|---|------------------------|------------------------|
| Total facilities | | |
| Total facilities available to council at the reporting date is: | | |
| Asset finance facility | 2,000 | 2,000 |
| Corporate credit cards | 140 | 140 |
| | <u>2,140</u> | <u>2,140</u> |
| Drawn facilities | | |
| Financing facilities drawn down at the reporting date is: | | |
| Asset finance facility | - | - |
| Corporate credit cards | 43 | 47 |
| | <u>43</u> | <u>47</u> |
| Undrawn facilities | | |
| Undrawn financing facilities available to council at the reporting date is: | | |
| Asset finance facility | 2,000 | 2,000 |
| Corporate credit cards | 97 | 93 |
| | <u>2,097</u> | <u>2,093</u> |

Breaches and defaults

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

Security over loans

Loans are secured over the revenue of Council.

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised costs 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. In this case, the fee is deferred until the drawdown occurs.

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

C2-4 Employee benefit provisions

| | 2023 | | 2022 | |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Annual leave | 4,718 | - | 4,674 | - |
| Sick leave | 472 | - | 446 | - |
| Long service leave | 9,162 | 280 | 8,455 | 262 |
| RDO / Time in Lieu | 616 | - | 534 | - |
| Total provisions | 14,968 | 280 | 14,109 | 262 |
| Current provisions not expected to be settled within the next 12 months | 11,225 | N/A | 10,448 | N/A |

Accounting Policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if the council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur 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 on-cost liabilities that will arise when payment of current employee benefits is made in future periods. These amounts include superannuation, payroll tax & workers compensation which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

Maitland City Council

Notes to the financial statements 30 June 2023

C2-5 Provisions

| | 2023 | | 2022 | |
|-------------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Current \$'000 | Non-current \$'000 | Current \$'000 | Non-current \$'000 |
| Tip remediation | - | 21,148 | - | 13,952 |
| Total provisions | - | 21,148 | - | 13,952 |

Movements in provisions

| | Asset remediation \$'000 | Other Provision \$'000 | Total \$'000 |
|-----------------------------------|--------------------------------|------------------------------|-----------------|
| At beginning of year | 13,952 | - | 13,952 |
| Changes to provision: | | | |
| Revised life & costs to remediate | 11,021 | - | 11,021 |
| Revised discount rate | (3,825) | - | (3,825) |
| Total | 21,148 | - | 21,148 |

Nature and purpose 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 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 borrowing costs.

Asset remediation - tips

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 costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated costs 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 affect future financial results.

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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

C3. Reserves

C3-1 Nature and purpose of reserves

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of Infrastructure, property, plant & equipment.

D. Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance Section under policies approved by the Council.

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

The risks associated with the financial instruments held are:

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

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

(a) Market risk - interest rate and price risk

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 movement was determined based on historical movements and economic conditions in place at the reporting date.

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Impact of a 2% (2022: 1%) movement in price of Bonds (investments): | | |
| - Equity / Income statement | 211 | 44 |
| Impact of a 2% (2022: 1%) movement in interest rates: | | |
| - Equity / Income statement | 1,014 | 218 |

D1-1 Risks relating to financial instruments held (Cont.)**(b) Credit risk**

Council's major receivables comprise rates, annual charges, user charges and fees. Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery policies. Council also encourages ratepayers to pay 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. Benchmarks are set and monitored for acceptable collection performance.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

There are no material receivables that have been subject 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.

| | Not yet due | Overdue debts | | Total |
|---------------------------------|-------------|---------------|-----------|--------|
| | | < 5 year | > 5 years | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Rates and annual charges | | | | |
| 2023 | - | 6,148 | 53 | 6,201 |
| 2022 | - | 5,491 | 47 | 5,538 |

Receivables - non-rates and annual charges and contract assets

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

The loss allowance provision is determined as follows.

| | Not yet due | Overdue debts | | | | Total |
|--|-------------|---------------|--------------|--------------|-----------|--------|
| | | < 30 days | 30 - 60 days | 60 - 90 days | > 90 days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables - other than rates and annual charges | | | | | | |
| 2023 | 4,950 | 1,285 | 33 | 69 | 284 | 6,621 |
| ECL provision | - | - | - | - | - | - |
| 2022 | 3,377 | 441 | 11 | 24 | 98 | 3,951 |
| ECL provision | - | - | - | - | - | - |

D1-1 Risks relating to financial instruments held (Cont.)**(c) Liquidity risk**

Payables, lease liabilities and borrowings are both subject to liquidity risk - that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon in extenuating circumstances.

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

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

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

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

| 2023 \$'000 | Weighted Average Interest rate % | Due within 1 Year \$'000 | Due between 1 and 5 years \$'000 | Due after 5 years \$'000 | Total Contractual cash flows \$'000 | Carrying values \$'000 |
|------------------------|---|---|---|---|--|---------------------------------------|
| Payables | 0.00% | 13,921 | - | - | 13,921 | 13,921 |
| Borrowings | 3.01% | 10,632 | 31,845 | 50,084 | 92,561 | 81,775 |
| | | 24,553 | 31,845 | 50,084 | 106,482 | 95,696 |
| 2022 \$'000 | Weighted Average Interest rate % | Due within 1 Year \$'000 | Due between 1 and 5 years \$'000 | Due after 5 years \$'000 | Total Contractual Cash flows \$'000 | Carrying Values \$'000 |
| Payables | 0.00% | 17,695 | - | - | 17,695 | 17,695 |
| Borrowings | 2.79% | 10,895 | 35,870 | 56,690 | 103,455 | 84,280 |
| | | 28,590 | 35,870 | 56,690 | 121,150 | 101,975 |

Maitland City Council

Notes to the financial statements 30 June 2023

D2-1 Fair value measurement

The Council measures the following assets and liabilities at fair value on a recurring basis.

- * Infrastructure, property, plant and equipment

Fair value hierarchy

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 council 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 | Unobservable inputs for the asset or liability. |

None of Council's assets and liabilities at fair value are in Level 1 of the Fair value hierarchy.

The table below shows the assigned level for each asset and liability held at fair value by the Council:

| | Note | Level 2 (\$'000's) Significant observable inputs \$'000 | | Level 3 (\$'000s) Significant unobservable inputs \$'000 | | Total (\$'000s) | |
|--|-------------|--|---------------|---|------------------|------------------|------------------|
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Recurring fair value measurements | | | | | | | |
| Infrastructure, property, plant and equipment | C1-7 | | | | | | |
| Plant, equipment, furniture and fittings | | - | - | 8,849 | 7,407 | 8,849 | 7,407 |
| Land | | 116,262 | 73,961 | 133,717 | 60,226 | 249,979 | 134,187 |
| Buildings and other structures | | - | - | 155,074 | 87,000 | 155,074 | 87,000 |
| Roads, bridges and footpaths | | - | - | 995,751 | 876,615 | 995,751 | 876,615 |
| Storm water drainage | | - | - | 328,306 | 201,533 | 328,306 | 201,533 |
| Open space / recreational assets | | - | - | 70,478 | 59,695 | 70,478 | 59,695 |
| Other infrastructure assets (waste depot) | | - | - | 3,422 | 2,537 | 3,422 | 2,537 |
| Other assets | | - | - | 14,255 | 13,794 | 14,255 | 13,794 |
| Tip asset | | - | - | 9,737 | 4,164 | 9,737 | 4,164 |
| Total infrastructure, property, plant & equipment | | 116,262 | 73,961 | 1,719,589 | 1,312,970 | 1,835,851 | 1,386,931 |

Maitland City Council

Notes to the financial statements 30 June 2023

D2-1 Fair value measurement

Level 3 Measurements

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 asset class fair values with no changes to valuation techniques during the period.

| Class | Valuation techniques | Unobservable inputs |
|--|--|--|
| Plant and equipment, office equipment, furniture and fittings, library books, bushfire equipment and musical instruments | Cost used to approximate fair value | Current replacement cost of modern equivalent asset, asset condition, useful life and residual value |
| Operational land | External valuer based on current prices in the same location and condition, taking into account highest and best use of the land | Land value, land area |
| Land Under Roads | Valued internally by Council based the market approach community land values supplied by the Valuer General discounted for Englobo. | Land Value, Land area |
| Community / Crown Land | Based on the market approach using VG valuation. | Land value, land area |
| Buildings | External valuer. Non specialised buildings using market based direct valuation method. Specialised buildings using the cost approach (current replacement costs) | Current replacement cost of modern equivalent asset using componentisation asset condition, useful life, residual value. |
| Roads, bridges, footpaths, stormwater drainage | Valued internally by Council using the the cost approach (current replacement costs). | Current replacement cost of modern equivalent asset, asset condition, useful life and residual value |
| Swimming pools | Valued internally by Council using the the cost approach (current replacement costs). | Current replacement cost of modern equivalent asset using componentisation asset condition, useful life, residual value. |
| Other open space / recreational assets | Valued internally by Council using the the cost approach (current replacement costs). | Current replacement cost of modern equivalent asset using componentisation asset condition, useful life, residual value. |
| Other infrastructure assets (waste depot) | Valued internally by Council using the the cost approach (current replacement costs). | Current replacement cost of modern equivalent asset using componentisation asset condition, useful life, residual value. |
| Art works | Cost or external valuation. Based on the market approach. | Current replacement cost. |
| Tip asset | Valued internally by Council using the the cost approach (current replacement costs) including independent report supporting the costs to rehabilitate. | Current replacement cost of modern equivalent asset using componentisation asset condition, useful life, residual value. |

Reconciliation of Movements

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

| | 2023 | 2022 |
|---|-----------|-----------|
| | \$'000 | \$'000 |
| Balance at 1 July | 1,312,970 | 1,153,187 |
| Total gains or losses for the period | | |
| Recognised in profit or loss - Realised (Refer Note B4-1) | (3,785) | (1,791) |
| Recognised in other comprehensive income - Revaluation | 302,196 | 134,734 |
| Other movements | | |
| Purchases | 138,649 | 54,793 |
| Sales | (1,199) | (1,207) |
| Depreciation | (29,241) | (26,299) |
| Other movements | - | (447) |
| Balance at 30 June | 1,719,589 | 1,312,970 |

D3-1 Contingencies

Contingent liabilities

(a) Defined benefit plan

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 the purposes of AASB119 Employee Benefits. for the following reasons:

- assets are not segregated within the sub-group for each sponsoring employer;
- contribution rates are the same for all sponsoring employers;
- benefits for employees are determined according to the same formulae; and
- the same actuarial assumptions are currently used for each employee.

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

Description of the funding arrangements

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

the standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working lifetime of a typical new entrant is calculated. The standard employer contribution rates are:

| | |
|------------|--|
| Division B | 1.9 times for non -180 point members & Nil for 180 point members |
| Division C | 2.5% salaries |
| Division D | 1.64 times member contributions |

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of 20.0M for 1 January 2022 to 31 December 2024.

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

Description of Council's liability and obligations

The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 30 June 2022.

The expected contributions to the Fund by Council for the 2023/24 financial year is \$385,713.

It is estimated that there are \$205,401 past service contributions remaining.

The estimated employer reserves financial position for the pooled employees as at 30 June 2022 is:

| Employer reserves only | \$M | Asset Coverage |
|--------------------------|---------|----------------|
| Assets | 2,290.9 | |
| Past Service Liabilities | 2,236.1 | 102.4% |
| Vested benefits | 2,253.6 | 101.7% |

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement. For this reason no liability for the deficiency is recognised in the accounts. Council has a possible obligation that may arise should the scheme require immediate payment to correct the deficiency

An investment return of 6.0%, salary inflation of 3.5% and CPI increases of 2.5% are the key long term assumptions for the calculated present value of accrued benefits.

(b) Bank guarantees / loan guarantees

Council is guarantor of a bank loan obtained by the Maitland Hockey Association. The loan, in the amount of \$350,000 was redrawn down in 2018/19.

(c) Land Fill

Council's land fill at Anambah closed in 1993. Since that date the Council has identified contamination that requires containment and remediation. The financial impact to Council cannot be reliably estimated or quantified at this time.

E. People and relationships

E1. Related party disclosures

E1-1 Key management personnel (KMP)

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

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

| | 2023 \$'000 | 2022 \$'000 |
|--------------------------|----------------|----------------|
| Compensation | | |
| Short-term benefits | 2,569 | 2,471 |
| Post-employment benefits | 215 | 202 |
| Total | <u>2,784</u> | <u>2,673</u> |

Other transactions with KMP and their related parties

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

| Nature of the transaction | Transactions during the year (\$'000s) | Outstanding balances, including commitments (\$'000s) | Terms and conditions | Impairment provision on outstanding balances (\$'000s) | Impairment expense (\$'000s) |
|--|--|---|---------------------------------|--|------------------------------|
| 2023 | | | | | |
| Employee expenses relating to close family members of KMP ¹ | 111 | | Council competency based salary | | |
| Payments made for recycling services ² | 2,673 | | - system 30 days | - | - |
| Payments made for services received ³ | 201 | | - 30 days | - | - |
| Payments received for rates ⁴ | 10 | | Invoiced quarterly | - | - |

E1-1 Key management personnel (KMP)**Other transactions with KMP and their related parties (continued)**

| Nature of the transaction | Transactions during the year (\$'000s) | Outstanding balances, including commitments (\$'000s) | Terms and conditions | Impairment provision on outstanding balances (\$'000s) | Impairment expense (\$'000s) |
|--|--|---|--|--|------------------------------|
| 2022 | | | | | |
| Employee expenses relating to close family members of KMP ¹ | 105 | - | Council competency based salary system | - | - |
| Payments made for recycling services ² | 2,664 | - | 30 days | - | - |
| Payments made for services received ³ | 249 | - | 30 days | - | - |
| Payments received for rates ⁴ | 10 | - | Invoiced quarterly | - | - |

¹ Close family members of Council's KMP are employed by the Council under its competency based salary system on an arms length basis. There is one close family member of KMP currently employed by the Council.

² Relates to payments to Hunter Resource Recovery, a company in which Council has an interest, to provide recycling services. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the term of the contract.

³ Council uses Arrow Collaborative Services Limited, a company in which Council has an interest, for a variety of services, including legal services, records storage, training and Environment Management.

⁴ Council receives rates income from Arrow Collaborative Services Limited, a company in which Council has an interest, for two properties owned within the Maitland local government area.

Maitland City Council

Notes to the financial statements 30 June 2023

E1-2 Councillor and mayoral fees and associated expenses

The aggregate amount of Councillor and mayoral fees and associated expenses included in the Income statement is:

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Mayoral fee | 69 | 61 |
| Councillor fees | 361 | 308 |
| Councillors' (including mayor) expenses | 15 | 22 |
| Total | <u>445</u> | <u>391</u> |

E2 Other relationships

E2-1 Audit fees

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Auditors of the Council - NSW Auditor-General: | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 111 | 89 |
| Total fee paid or payable to the Auditor-General | <u>111</u> | <u>89</u> |
| (ii) Other non-assurance services - Other firms | | |
| Internal audit services: | 74 | 47 |
| Total fee paid or payable other firms | <u>74</u> | <u>47</u> |

F. Other matters

F1-1 Statement of cash flows information

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

| | 2023 \$'000 | 2022 \$'000 |
|---|----------------|----------------|
| Operating result | 68,230 | 60,641 |
| Add / (less) non-cash items | | |
| (Gain) / loss on disposal of assets | 3,785 | 1,791 |
| Depreciation and amortisation | 29,869 | 26,896 |
| Non -cash contributions and dedications | (37,267) | (31,624) |
| Impairment of receivables | 11 | 7 |
| Changes in assets and liabilities | | |
| Movement in operating assets and liabilities | | |
| (Increase) / decrease of receivables | (2,220) | (1,773) |
| (Increase) / decrease of other assets | - | - |
| (Increase) / decrease of Inventories | (70) | (36) |
| (Increase) / decrease of contract asset | 1,848 | (2,680) |
| Increase / (decrease) in trade payables | (3,774) | 4,566 |
| Increase / (decrease) in contract liabilities | 6,097 | 729 |
| Increase / (decrease) in employee benefit provision | 878 | (658) |
| Increase / (decrease) in other provisions | - | 1,117 |
| Net Cash Flows from operating activities | 67,387 | 58,976 |

(b) Non-cash financing and investing activities

| | | |
|-------------------------------|---------------|---------------|
| Asset contributions | | |
| - Roads Bridges and footpaths | 27,784 | 20,140 |
| - Drainage | 7,864 | 10,412 |
| - Land | 1,297 | 188 |
| - Other | 323 | 884 |
| | 37,268 | 31,624 |

Maitland City Council

Notes to the financial statements 30 June 2023

F2-1 Capital commitments

| | Actual 2023 \$'000 | Actual 2022 \$'000 |
|--|--------------------------|--------------------------|
| (a) Capital commitments (exclusive of GST) | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| - Plant and equipment | 6,863 | 5,116 |
| - Roads, bridges & footpaths | 22,027 | 4,120 |
| - Drainage assets | 104 | 200 |
| - Recreational assets | 6,805 | 1,448 |
| - Buildings | 232 | 15,037 |
| - Other | 2,893 | 1,137 |
| Total | <u>38,924</u> | <u>27,058</u> |

The Council has committed to completing various road, bridge and footpath works and replacing various items of major plant.

F3-1 Events occurring after reporting date

NIL

Maitland City Council

Notes to the financial statements 30 June 2023

F4. Statement of developer contributions as at 30 June 2023

F4-1 Summary of developer contributions

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income (\$'000) | Amount Expensed (\$'000) | Plan Consolidation At 30 June 2023 (\$'000) | Held as restricted asset At 30 June 2023 (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|----------------------------|---------------------------------------|------------------------|------------------------------|-------------------|--|--------------------------------|--|---|---|
| | | Cash (\$'000) | Non Cash Land (\$'000) | Other (\$'000) | | | | | |
| Drainage | 767 | 487 | - | - | 25 | 242 | - | 1,037 | - |
| Roads | 391 | 21 | - | - | 11 | 35 | - | 388 | - |
| Traffic facilities | 49,053 | 14,404 | - | - | 1,589 | 13,175 | - | 51,871 | - |
| Parking | 1 | - | - | - | - | - | - | 1 | - |
| Open space | 28,656 | 6,318 | - | - | 940 | 4,067 | - | 31,847 | - |
| Community facilities | 25,367 | 4,059 | - | - | 856 | 253 | - | 30,029 | - |
| Other | 1,271 | 563 | - | - | 46 | 388 | - | 1,492 | - |
| S7.11 under plans | 105,506 | 25,852 | - | - | 3,467 | 18,160 | - | 116,665 | - |
| S7.12 levies | 2,249 | 639 | - | - | 63 | 1,385 | - | 1,566 | - |
| Total Contributions | 107,755 | 26,491 | - | - | 3,530 | 19,545 | - | 118,231 | - |

Under the Environmental Planning and Assessment Act 1979, council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring council to borrow or use general revenue to fund the difference.

F4-2 Developer contributions by plan

Contribution plan no. 1 - 2006 City Wide Plan

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income (\$'000) | Amount Expensed (\$'000) | Plan (i) Consolidation At 30 June 2023 (\$'000) | Held as restricted asset At 30 June 2023 (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|----------------------|---------------------------------------|------------------------|------------------------------|-------------------|--|--------------------------------|--|---|---|
| | | Cash (\$'000) | Non Cash Land (\$'000) | Other (\$'000) | | | | | |
| Drainage | - | - | - | - | - | - | - | - | - |
| Roads | 391 | 21 | - | - | 11 | 35 | - | 388 | - |
| Traffic facilities | 7,521 | 688 | - | - | 161 | 4,158 | - | 4,212 | - |
| Parking | 1 | - | - | - | - | - | - | 1 | - |
| Open space | 9,480 | 256 | - | - | 245 | 3,864 | - | 6,117 | - |
| Community facilities | 11,759 | 148 | - | - | 365 | 253 | - | 12,019 | - |
| Other | 396 | 34 | - | - | 11 | 154 | - | 287 | - |
| Total | 29,548 | 1,147 | - | - | 793 | 8,464 | - | 23,024 | - |

(i) The transfer of funds to the 2006 City wide plan is due to the completion of projects under the 1995 plan.

Maitland City Council

Notes to the financial statements 30 June 2023

F4-2 Developer contributions by plan

Contribution plan no. 2 - 2006 Rutherford Trunk Drainage

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income earned (\$'000) | Amount Expensed (\$'000) | Plan Consolidation At 30 June 2023 (\$'000) | Held as restricted asset (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|--------------|---------------------------------------|------------------------|------------------|----------|--|--------------------------------|--|--|---|
| | | Cash | Non Cash | Other | | | | | |
| | | (\$'000) | Land (\$'000) | (\$'000) | | | | | |
| Drainage | 238 | - | - | - | 4 | 242 | - | - | - |
| Total | 238 | - | - | - | 4 | 242 | - | - | - |

Contribution plan no. 3 - 2006 Thornton North Plan

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income earned (\$'000) | Amount Expensed (\$'000) | Plan Consolidation At 30 June 2023 (\$'000) | Held as restricted asset (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|----------------------|---------------------------------------|------------------------|------------------|----------|--|--------------------------------|--|--|---|
| | | Cash | Non Cash | Other | | | | | |
| | | (\$'000) | Land (\$'000) | (\$'000) | | | | | |
| Traffic facilities | 25,951 | 5,611 | - | - | 863 | 5,955 | - | 26,470 | - |
| Open space | 12,221 | 1,197 | - | - | 407 | 106 | - | 13,719 | - |
| Community facilities | 6,041 | 602 | - | - | 200 | - | - | 6,843 | - |
| Other | 229 | 155 | - | - | 9 | 80 | - | 313 | - |
| Total | 44,442 | 7,565 | - | - | 1,479 | 6,141 | - | 47,345 | - |

Maitland City Council

Notes to the financial statements 30 June 2023

F4-2 Developer contributions by plan (Cont.)

Contribution plan no. 4 - 2014 Lochinvar Plan

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income earned (\$'000) | Amount Expensed (\$'000) | Plan Consolidation At 30 June 2023 (\$'000) | Held as restricted asset (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|----------------------|---------------------------------------|------------------------|------------------|-------------------|--|--------------------------------|--|--|---|
| | | Cash (\$'000) | Non Cash | | | | | | |
| | | | Land (\$'000) | Other (\$'000) | | | | | |
| Drainage | 529 | 487 | - | - | 25 | - | - | 1,041 | - |
| Traffic facilities | 2,216 | 2,263 | - | - | 100 | 46 | - | 4,533 | - |
| Open space | 3,045 | 2,791 | - | - | 136 | - | - | 5,972 | - |
| Community facilities | 1,093 | 1,010 | - | - | 51 | - | - | 2,154 | - |
| Other | 253 | 232 | - | - | 12 | - | - | 497 | - |
| Total | 7,136 | 6,783 | - | - | 324 | 46 | - | 14,197 | - |

Contribution plan no. 5 - 2016 City Wide Plan

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income earned (\$'000) | Amount Expensed (\$'000) | Internal borrowings (\$'000) | Held as restricted asset At 30 June 2023 (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|----------------------|---------------------------------------|------------------------|------------------|-------------------|--|--------------------------------|------------------------------------|---|---|
| | | Cash (\$'000) | Non Cash | | | | | | |
| | | | Land (\$'000) | Other (\$'000) | | | | | |
| Traffic facilities | 11,330 | 4,741 | - | - | 397 | 3,006 | - | 13,462 | - |
| Open space | 1,226 | 860 | - | - | 52 | 97 | - | 2,041 | - |
| Community facilities | 5,753 | 1,942 | - | - | 213 | - | - | 7,908 | - |
| Other | 258 | 69 | - | - | 8 | 154 | - | 181 | - |
| Total | 18,567 | 7,612 | - | - | 670 | 3,257 | - | 23,592 | - |

Maitland City Council

Notes to the financial statements 30 June 2023

F4-2 Developer contributions by plan (Cont.)

Contribution plan no. 6 - 2015 Farley Plan

| Purpose | Balance At 1 July 2022 (\$'000) | Contributions Received | | | Interest & investment income earned (\$'000) | Amount Expensed (\$'000) | Internal borrowings At 30 June 2023 (\$'000) | Held as restricted asset (\$'000) | Cumulative balance of internal borrowings (to) / from (\$'000) |
|----------------------|---------------------------------------|------------------------|------------------|-------------------|--|--------------------------------|---|--|---|
| | | Cash (\$'000) | Non Cash | | | | | | |
| | | | Land (\$'000) | Other (\$'000) | | | | | |
| | | | | | | | | | |
| Traffic facilities | 2,035 | 1,101 | - | - | 68 | 10 | - | 3,194 | - |
| Open space | 2,684 | 1,214 | - | - | 100 | - | - | 3,998 | - |
| Community facilities | 721 | 357 | - | - | 27 | - | - | 1,105 | - |
| Other | 135 | 73 | - | - | 6 | - | - | 214 | - |
| Total | 5,575 | 2,745 | - | - | 201 | 10 | - | 8,511 | - |

F5. Statement of performance measures**F5-1 Statement of performance measures**

| | Amounts 2023 \$'000 | 2023 indicators | 2022 indicators | Benchmark |
|---|---------------------------|--------------------|--------------------|---------------|
| 1. Operating performance | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽⁴⁾ | \$ (3,341) | (2.38%) | 3.20% | >0 |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | \$ 140,575 | | | |
| 2. Own source operating revenue | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | \$ 121,207 | 56.13% | 59.68% | >60% |
| Total continuing operating revenue ⁽¹⁾ inclusive of all grants and contributions | \$ 215,931 | | | |
| 3. Unrestricted current ratio | | | | |
| Current assets less all external restrictions | \$ 98,947 | 2.57 x | 3.66 x | >1.5x |
| Current liabilities less specific purpose liabilities ^{(2), (3)} | \$ 38,489 | | | |
| 4. Debt service cover ratio | | | | |
| Operating results ¹ before capital excluding interest and depreciation / impairment / amortisation (EBTDA) | \$ 29,003 | 2.53 x | 3.34 x | >2x |
| Principal repayments (from statement of cash flows) + borrowing interest costs (from income statement) | \$ 11,471 | | | |
| 5. Rates and annual charges outstanding percentage | | | | |
| Rates and annual charges outstanding | \$ 6,833 | 6.44% | 5.93% | <5% metro |
| Rates and annual charges collectable | \$ 106,056 | | | <10% regional |
| 6. Cash expense cover ratio | | | | |
| Current year's cash and cash equivalents + term deposits | \$ 148,664 | 14.44 | 21.29 | >3 |
| Payments from cash flow of operating and financing activities | \$ 123,534 | months | months | months |

Notes:

- (1) Excludes fair value adjustments, reversal of revaluation decrements, net gain/loss on sale of assets and net share/loss of interests in joint ventures and associates.
- (2) Refer to Note C2-4
- (3) \$11,225 provisions not expected to be settled have been deducted.
- (4) Excludes impairment/revaluation decrements, net loss on sale of assets & net loss on share of interest in joint ventures and joint ventures and associates



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Maitland City Council

To the Councillors of Maitland City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Cassie Malone
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



Clr Philip Penfold
Mayor
Maitland City Council
PO Box 220
MAITLAND NSW 2320

Contact: Cassie Malone
Phone no: 02 9275 7388
Our ref: R008-16585809-47003

31 October 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Maitland City Council**

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

I expressed an unmodified opinion on the Council's GPFS.

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

INCOME STATEMENT

Operating result

| | 2023 | 2022 | Variance |
|--|-------------|-------------|-----------------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 99.7 | 96.9 | ↑ 2.9 |
| Grants and contributions revenue | 94.7 | 74.1 | ↑ 27.9 |
| Operating result from continuing operations | 68.2 | 60.6 | ↑ 12.5 |
| Net operating result before capital grants and contributions | (7.1) | 2.2 | ↓ 422 |

The Council's operating result from continuing operations of \$68.2 million (including depreciation and amortisation costs of \$29.9 million) was \$7.6 million higher than the 2021–22 result.

Total income from continuing operations in the current year increased by \$32.2 million to \$215.9 million, reflecting increases in grant revenue of \$20.7 million and interest and investment income of \$6.4 million.

Total expenditure in the current year increased by \$24.7 million to \$147.7 million, primarily due to increases in employee benefits and on-costs of \$7.7 million, materials and services of \$7.1 million and depreciation and amortisation costs of \$3.0 million.

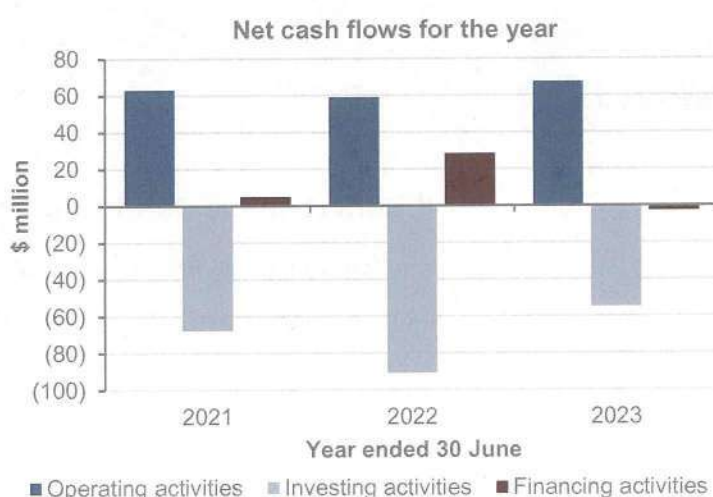
Rates and annual charges revenue increased by \$2.8 million in 2022–23, mainly due to the rate peg.

STATEMENT OF CASH FLOWS

Cash inflows from operating activities increased due to increase in rates and annual charges received during the year as well as an increase in grants and contributions.

Cash outflows from investing activities decreased primarily due to lower purchases of investments.

Cash from financing activities decreased due to a reduction in proceeds from borrowings during the year.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2023 | 2022 | Commentary |
|--|--------------|--------------|---|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 226.8 | 237.8 | External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management charges. The increase in external restrictions of \$20.3 million compared to 2021–22 is mainly due to increases in unspent specific purpose grants and developer contributions. |
| Restricted and allocated cash, cash equivalents and investments: | | | |
| • External restrictions | 141.9 | 121.5 | Balances are internally allocated due to Council policy or decisions for forward plans including the works program. The decrease in internal allocations mainly reflects less funds being set aside for carry over works. |
| • Internal allocations | 78.1 | 107.6 | |

PERFORMANCE

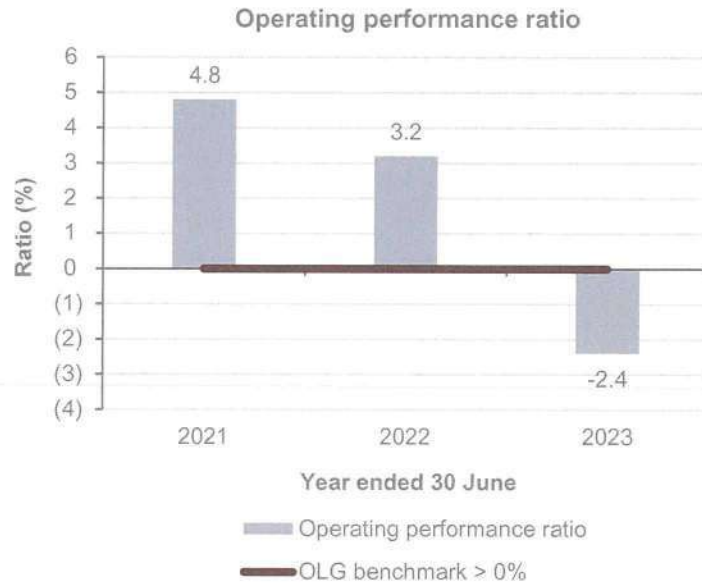
Performance measures

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

Operating performance ratio

The Council did not meet the benchmark for the current reporting period.

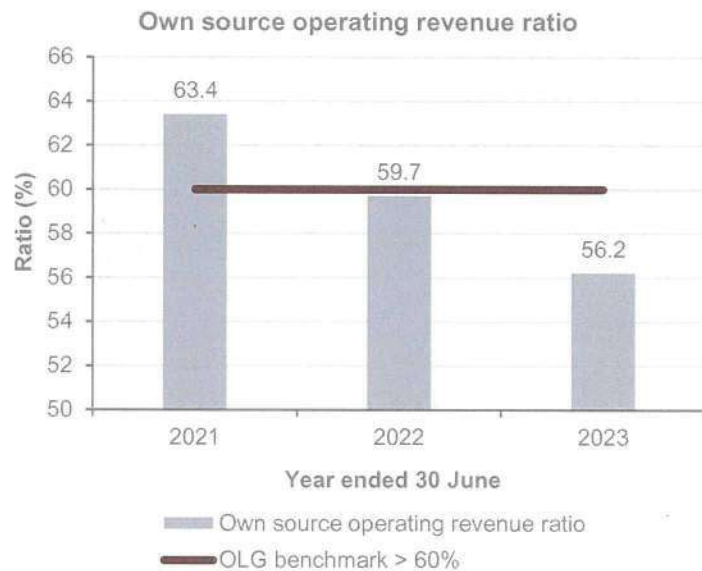
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council did not meet the benchmark for the current reporting period.

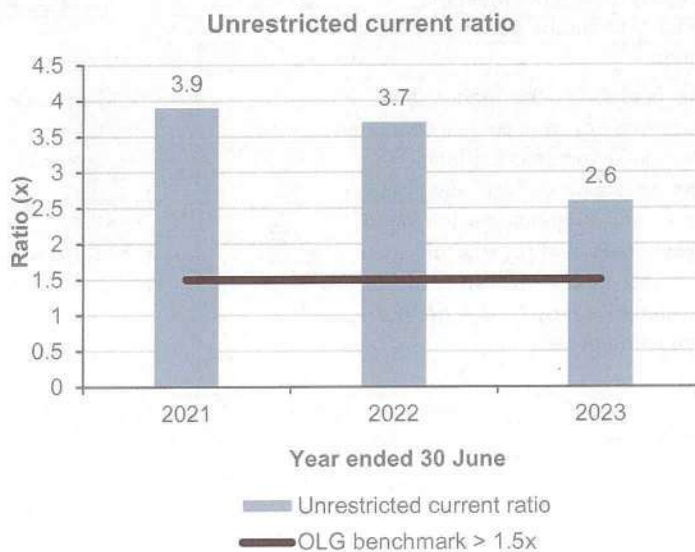
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council met the benchmark for the current reporting period.

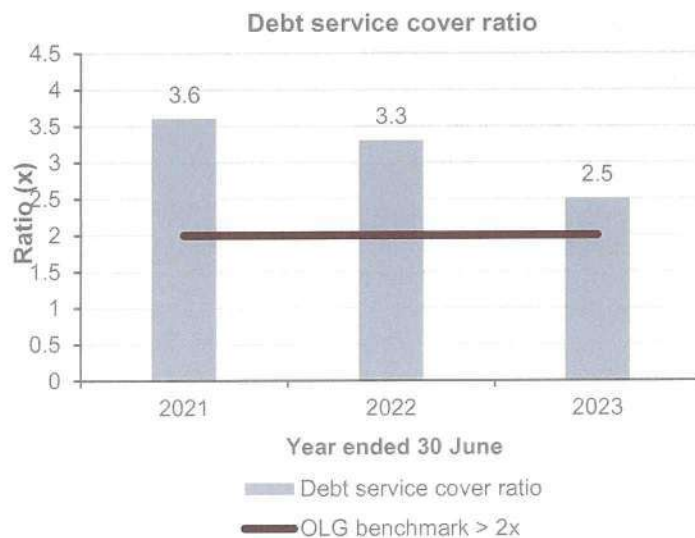
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council met the benchmark for the current reporting period.

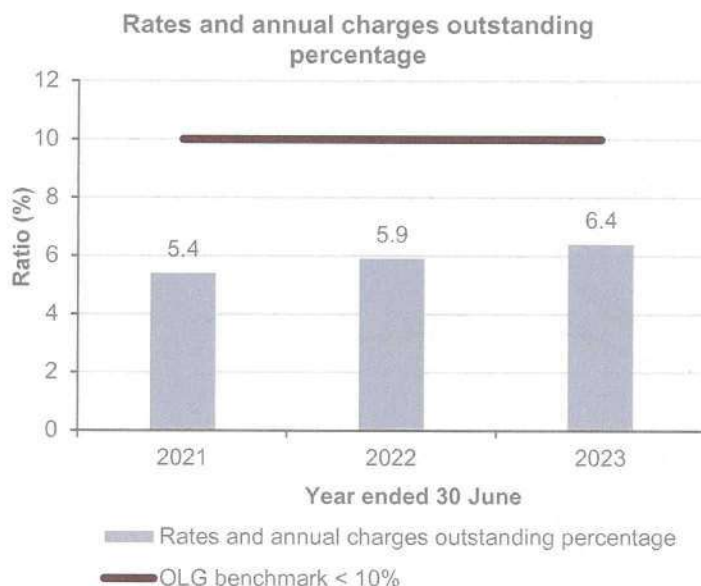
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

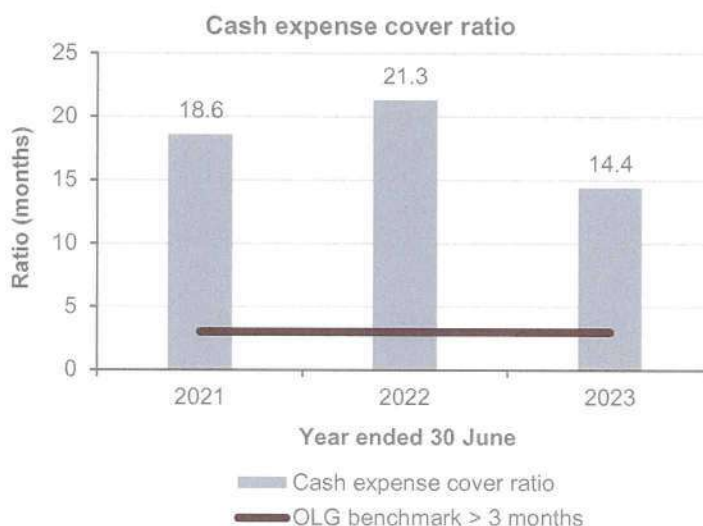
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council met the benchmark for the current reporting period.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Council renewed \$40.8 million of infrastructure, property, plant and equipment during the 2022-23 financial year. This was mainly spent on roads, bridges and footpaths. A further \$73.1 million was spent on new assets across most asset classes.

OTHER MATTERS

Legislative compliance

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

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



Cassie Malone
Delegate of the Auditor-General for New South Wales

Maitland City Council

Special Schedules for the year ended 30 June 2023

Contents

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Special Schedules

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| Special Schedule 2 | Report on infrastructure assets (not audited) | B3 |

Maitland City Council

Special Schedule 1

Permissible Income for General Rates

| | 2023/24 \$'000 | 2022/23 \$'000 |
|---|-------------------|-------------------|
| Notional General Income Calculation⁽¹⁾ | | |
| Last year notional income yield | 79,932 | 76,752 |
| Plus / minus adjustments ⁽²⁾ | 213 | 1,990 |
| Notional general income | 80,145 | 78,742 |
| Permissible income calculation | | |
| Special variation percentage ⁽³⁾ | 0.00% | 0.00% |
| OR Rate peg percentage | 5.90% | 0.70% |
| OR Crown land adjustment incl. rate peg percentage | - | - |
| Less expiring special variation amount | - | - |
| Plus special variation amount | - | - |
| OR Plus rate peg amount | 4,729 | 552 |
| OR Plus crown land adjustment and rate peg amount | - | - |
| Sub total | 84,874 | 79,294 |
| Plus or minus last year's carry forward total | - 293 | 331 |
| Less valuation objections claimed in the previous year | - 14 | - |
| Sub total | - 307 | 331 |
| Total permissible income | 84,567 | 79,625 |
| Less notional general income yield | 84,566 | 79,932 |
| Catch-up or (excess) result | 1 | - 307 |
| Plus income lost due to valuation objections claimed ⁽⁴⁾ | - | 14 |
| Less unused catch-up ⁽⁵⁾ | - | - |
| Carry forward to next year ⁽⁶⁾ | 1 | (293) |

Notes

1. The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
2. Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the *Valuation of Land Act 1916 (NSW)*.
3. The 'special variation percentage' is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
4. Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
5. Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
6. Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from councils' Special Schedule 2 in the Financial Data Return (FDR) to administer this process. Please check data is transferred accurately to the Special Schedule 2 of the Financial

Maitland City Council

Special Schedule No. 2: Report on infrastructure assets as at 30 June 2023

| Asset class | Asset category | Estimated cost to bring to a satisfactory standard \$'000 | Estimated cost to bring to the agreed level of service set by Council \$'000 | 2022/23 Required maintenance \$'000 | 2022/23 actual maintenance [^] \$'000 | Net carrying amount \$'000 | Gross replacement cost (GRC) \$'000 | Assets in condition as a % of Gross Replacement Cost | | | | |
|------------------------------------|--|--|---|--|---|-------------------------------|--|--|-------|-------|-------|-------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings * | | 71,125 | 71,125 | 1,998 | 2,585 | 154,899 | 278,444 | 18.4% | 20.6% | 15.5% | 30.5% | 15.1% |
| Other structures * | | - | - | - | - | - | - | - | - | - | - | - |
| Roads * | | | | | | | | | | | | |
| | Sealed Roads | 36,679 | 13,881 | 4,601 | 10,611 | 654,560 | 788,863 | 57.2% | 33.4% | 7.2% | 1.2% | 1.0% |
| | Unsealed Roads | 3,685 | 3,685 | 14 | 465 | 1,652 | 5,812 | 57.2% | 33.4% | 7.2% | 1.2% | 1.0% |
| | Other Roads Assets | 58,114 | 23,146 | 1,503 | 726 | 163,615 | 232,325 | 49.9% | 31.2% | 10.1% | 5.3% | 3.5% |
| | Bridges | 5,267 | 15 | 612 | 69 | 50,835 | 59,491 | 60.8% | 30.3% | 8.8% | 0.0% | 0.0% |
| | Footpaths | 19,465 | 2,077 | 1,305 | 1,227 | 125,090 | 168,655 | 44.5% | 35.3% | 18.7% | 1.3% | 0.2% |
| | Bulk earthworks | - | - | - | - | - | - | - | - | - | - | - |
| | Sub total | 123,210 | 42,804 | 8,035 | 13,098 | 995,752 | 1,255,146 | | | | | |
| Stormwater drainage * | | | | | | | | | | | | |
| | | 18,292 | 7,537 | 1,743 | 1,800 | 340,555 | 413,630 | 68.2% | 24.4% | 5.3% | 1.0% | 1.1% |
| Open space / recreational assets * | | | | | | | | | | | | |
| | Other open space / recreational assets | - | 2,315 | 2,325 | 5,351 | 70,477 | 105,843 | 49.5% | 39.2% | 8.0% | 2.6% | 0.6% |
| | Sub total | 7,797 | 2,315 | 2,325 | 5,351 | 70,477 | 105,843 | | | | | |
| Total classes | Total - all assets | 220,424 | 123,781 | 14,101 | 22,834 | 1,561,683 | 2,053,063 | | | | | |

Infrastructure Asset Condition Assessment

| Level | Condition | Description |
|-------|-----------------------|---------------------------------------|
| 1 | Excellent / Very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal / upgrading required |

* Reconciles with Note C1-7

[^] Required maintenance is the amount identified in Council's asset management plans.

Maitland City Council

Special Schedule No. 2 (continued)

Report on infrastructure assets

30 June 2023

Infrastructure asset performance indicators *

| | Amounts \$'000 | Current year indicators | 2022 | Benchmark |
|---|-------------------|-------------------------------|--------|-----------|
| 1. Building & infrastructure renewals ratio | | | | |
| Asset renewals (renewals only for Infrastructure Assets) | \$ 40,769 | 165.5% | 108.6% | >100% |
| Depreciation, amortisation and impairment | \$ 24,639 | | | |
| 2. Infrastructure backlog ratio | | | | |
| Estimated cost to bring assets to a satisfactory condition | \$ 220,424 | 14.1% | 12.5% | <2% |
| Net carrying amount of infrastructure assets | \$ 1,561,683 | | | |
| 3. Asset maintenance ratio | | | | |
| Actual asset maintenance | \$ 22,834 | 161.9% | 129.9% | >100% |
| Required asset maintenance | \$ 14,101 | | | |
| 4. Cost to bring assets to agreed service level | | | | |
| Estimated cost to bring assets to an agreed level of service set by Council | \$ 123,781 | 6.0% | 4.1% | |
| Gross replacement cost | \$ 2,053,063 | | | |

* All indicators are calculated using the asset classes identified in the table in Special Schedule 2



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Maitland City Council

To the Councillors of Maitland City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Cassie Malone
Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



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