



Central Coast Council
Business Paper
Ordinary Council Meeting
29 October 2024





COMMUNITY STRATEGIC PLAN 2018-2028

ONE – CENTRAL COAST IS THE COMMUNITY STRATEGIC PLAN (CSP) FOR THE CENTRAL COAST LOCAL GOVERNMENT AREA

ONE – CENTRAL COAST DEFINES THE COMMUNITY'S VISION AND IS OUR ROADMAP FOR THE FUTURE

ONE – CENTRAL COAST BRINGS TOGETHER EXTENSIVE COMMUNITY FEEDBACK TO SET KEY DIRECTIONS AND PRIORITIES

One - Central Coast will shape and inform Council's business activities, future plans, services and expenditure. Where actions are the responsibility of other organisations, sectors and groups to deliver, Council will work with key partners to advocate on behalf of our community.

Ultimately, every one of us who live on the Central Coast has an opportunity and responsibility to create a sustainable future from which we can all benefit. Working together we can make a difference.

RESPONSIBLE

WE'RE A RESPONSIBLE COUNCIL AND COMMUNITY, COMMITTED TO BUILDING STRONG RELATIONSHIPS AND DELIVERING A GREAT CUSTOMER EXPERIENCE IN ALL OUR INTERACTIONS.

We value transparent and meaningful communication and use community feedback to drive strategic decision making and expenditure, particularly around the delivery of essential infrastructure projects that increase the safety, liveability and sustainability of our region. We're taking a strategic approach to ensure our planning and development processes are sustainable and accessible and are designed to preserve the unique character of the coast.

 **Good governance and great partnerships**

G2 Engage and communicate openly and honestly with the community to build a relationship based on trust, transparency, respect and use community participation and feedback to inform decision making

There are 5 themes, 12 focus areas and 48 objectives

COMMUNITY STRATEGIC PLAN 2018-2028 FRAMEWORK

All council reports contained within the Business Paper are now aligned to the Community Strategic Plan. Each report will contain a cross reference to a Theme, Focus Area and Objective within the framework of the Plan.



Meeting Notice

**The Ordinary Council Meeting
of Central Coast Council
will be held in the Central Coast Council Chambers,
2 Hely Street, Wyong
on Tuesday 29 October 2024 at 6.30pm,
for the transaction of the business listed below:**

**The Public Forum will commence at 6.00pm, subject to any
registered speaker/s to items listed on this agenda.**

Further information and details on registration process:

www.centralcoast.nsw.gov.au/council/meetings-and-minutes/council-meetings

Oath or Affirmation of Office

Councillors are reminded of their Oath or Affirmation of Office to undertake their duties in the best interests of the people of the Central Coast and Council and to faithfully and impartially carry out the functions, powers, authorities, and discretions vested in them under the *Local Government Act 1993*, or any other Act to the best of their ability and judgement. Councillors are also reminded of their obligations under the Code of Conduct to disclose and appropriately manage conflicts of interest.

Disclosures of Interest

Councillors are reminded of their obligation under Council's Code of Conduct to declare any conflict of interest in a matter considered by Council.

Recording

In accordance with the *NSW Privacy and Personal Information Protection Act 1998*, you are advised that all discussion held during the Open Council meeting is recorded for the purpose of livestreaming the public meeting and verifying the minutes. This will include any public discussion involving a councillor, staff member or a member of the public.

2 REPORTS

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for
Central Coast Council and Central Coast Council Water Supply Authority 5

David Farmer
Chief Executive Officer



Item No: 2.1
Title: Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority
Department: Corporate Services

29 October 2024 Ordinary Council Meeting

Reference: F2023/00021 - D16441414
Author: Michelle Best, Section Manager Financial Accounting and Assets
Manager: Emma Galea, Chief Financial Officer
Executive: Marissa Racomelara, Director Corporate Services

Recommendation

That Council:

- 1** *Notes the 2023-24 Central Coast Council audited Financial Statements including the auditor's reports as presented to Council, in accordance with s.419(1) of the Local Government Act 1993 (LG Act).*
- 2** *Adopts the 2023-24 Central Coast Council audited Financial Statements as presented in accordance with ss.413(2)(c) and 377(1)(k) of the LG Act, and cl.215(1)(a) of the Local Government (General) Regulation 2021.*
- 3** *Adopts the 2023-24 Central Coast Council Water Supply Authority audited Financial Statements as presented in accordance with s.45 of the Water Management Act, Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.*

Report purpose

To present the final 2023-24 audited Financial Statements for Central Coast Council and Central Coast Council Water Supply Authority.

This report summarises the amendments made to the Financial Statements after the 2023-24 Draft Financial Statements were presented to Council on 27 August 2024.

Executive Summary

The 2023-24 Draft Financial Statements were presented to Council on 27 August 2024, and were referred to audit in accordance with Council's resolution. The NSW Audit Office have now finalised their audit and provided audit clearance on Friday 18 October 2024, resulting in an unmodified opinion being issued.

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

Background

The 2023-24 Draft Financial Statements for Central Coast Council and Central Coast Council Water Supply Authority were presented to Council at its meeting held on 27 August 2024 and Council resolved, in part, as follows:

310/24 Resolves for the purposes of s. 413(1) of the LG Act, to refer the 2023-24 Draft Financial Statements for Central Coast Council and the 2023-24 Draft Financial Statements for Central Coast Council Water Supply Authority for the year ended 30 June 2024 to the Audit Office of New South Wales, for external audit.

312/24 Delegates to the Chief Executive Officer to set the date for the meeting to present the audited 2023-2024 financial reports, together with the auditor's reports, to the public in accordance with s418(1)(a), (b) of the LG Act.

Report

Central Coast Council

The 2023-24 Central Coast Council Financial Statements include the General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules, which include all of Council's activities. The 2023-24 Central Coast Council Financial Statements are included as (Attachment 1) to this report.

The Central Coast Council Financial Statements have been prepared in accordance with the requirements of the *Local Government Act 1993* (LG Act), the *Local Government (General) Regulation 2021* (LG Reg), and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting 2023-24 and Australian Accounting Standards.

In accordance with s. 413(1) of the LG Act, Council must prepare financial statements for each year, and must refer them for audit as soon as practicable after the end of that year.

The Audit, Risk and Improvement Committee met on 22 August 2024 and reviewed the draft 2023-24 Central Coast Council Financial Statements. The Committee recommended that Council refer the 2023-24 Draft Central Coast Council Financial Statements to audit.

Pursuant to resolution 310/24 of 27 August 2024, the 2023-24 Draft Financial Statements were referred to Council's external auditor, The Audit Office of New South Wales.

The audit reports from The Audit Office of New South Wales, pursuant to s. 419(1) of the LG Act, will be presented to this meeting of Council.

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

It is proposed that Council now formally adopt the 2023-24 Central Coast Council Financial Statements. The Financial Statements must be lodged with the Office of Local Government no later than 31 October 2024. Adherence to this deadline is imperative to ensure legislative compliance as well as to maintain Council's reputation within the community.

The audited Financial Statements will also subsequently be included in Council's Annual Report for 2023-24.

Central Coast Council Water Supply Authority

The 2023-24 Central Coast Council Water Supply Authority Financial Statements have been prepared in accordance with the Water Management Act and Australian Accounting Standards. The 2023-24 Central Coast Council Water Supply Authority Financial Statements are included as (Attachment 2) to this report.

The Audit, Risk and Improvement Committee met on 22 August 2024 and reviewed the 2023-24 Central Coast Council Water Supply Authority Financial Statements. The Committee recommended that Council refer the 2023-24 Draft Central Coast Council Water Supply Authority Financial Statements to audit.

Pursuant to resolution 310/24 of 27 August 2024, the 2023-24 Draft Financial Statements of Central Coast Council Water Supply Authority were referred to Council's external auditor, The Audit Office of New South Wales.

It is proposed that Council now formally adopt the 2023-24 Central Coast Council Water Supply Authority Financial Statements.

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

Amendments to the draft 2023-24 Financial Reports referred to audit

During the conduct of the audit of the 2023-24 Draft Financial Statements, a number of audit adjustments have arisen and have been made to the final Financial Statements. The changes have not impacted the Operating Result or the overall Balance Sheet as referred to audit.

The tabled amendments impact some Notes to the Financial Reports in the General Purpose Financial Statements, Water Supply Authority Financial Statements and Special Purpose Financial Statements.

Changes are mainly disclosure, classification or presentation matters. In addition to rounding changes, other changes include correction of minor typographical errors, and updates to wording to improve clarity of the Notes.

The key disclosure changes that have been made include the following items which are reflected in the audited Financial Statements attached to this report:

- Updated the split between current and non-current Contract Liabilities
- Updated Statement of Financial Position, Statement of Cash Flows and related notes to reflect advance receipt of 2024-25 Financial Assistance Grant as cash received rather than receivables
- Updated Water Supply Authority Income Statement to include internal revenue in annual charges instead of netting off against internal expenses
- Amended the restricted cash note to increase the restriction for Domestic Waste Management and equally reduce unrestricted cash

A summary of audit adjustments to amounts in the primary Financial Statements within the Central Coast Council Financial Statements referred to audit is provided below:

	As reported on 27 August 2024 \$'000	As per the Audited Financial Statements \$'000	Movement Increase/(Decrease) \$'000
Income Statement			
Income from operations	716,456	716,456	0
Expenditure from operations	677,856	677,856	0
Net Operating Result for the year	38,600	38,600	0
Income from Capital Grants and Contributions	107,166	107,166	0

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

	As reported on 27 August 2024 \$'000	As per the Audited Financial Statements \$'000	Movement Increase/(Decrease) \$'000
Statement of Financial Position			
Current Assets	496,370	496,370	0
Non-Current Assets	9,363,866	9,363,866	0
Total Assets	9,860,236	9,860,236	0
Current Liabilities	224,874	220,368	(4,506)
Non-Current Liabilities	268,589	273,095	4,506
Total Liabilities	493,463	493,463	0
Net Assets	9,366,773	9,366,773	0
Equity	9,366,773	9,366,773	0

Comparison of 2023–24 financial results to prior financial year

The comparison of the financial performance for Council in the 2023-24 Financial Statements (1 July 2023 to 30 June 2024) is to the 2022-23 financial year (1 July 2022 to 30 June 2023).

Central Coast Council Financial Statements

Operating Result

The operating surplus before capital grants and contributions for the 2023-24 financial year is \$38.6M. This result is an improvement on the prior year result which was a surplus of \$34.8M. The operating result including capital grants and contributions is a surplus of \$145.8M. This is \$16.8M less than the result in the prior year, however, still represents a good result.

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

The below table compares the operating result for the 2023-24 financial to the 2022-2023 financial year.

	2023-24 Actual \$'000	2022-23 Actual \$'000
Income from operations	716,456	665,617
Expenditure from operations	677,856	630,816
Operating result for continuing operations (excluding capital grants and contributions)	38,600	34,801
Income from capital grants and contributions	107,166	127,726
Net operating result (including capital grants and contributions)	145,766	162,527

Statement of Financial Position

The Statement of Financial Position details the value of what Council owns ("assets") and what Council owes ("liabilities"). Within these headings, "Current" means an amount that is due to be realised within the next 12 months whilst "Non-current" indicates an asset or liability that is longer term in nature.

For the movement between financial years, a positive movement means that the values have increased from 30 June 2023 to 30 June 2024.

Statement of Financial Position	30 June 2024 \$'000	30 June 2023 \$'000	Movement \$'000
Assets			
Current Assets	496,370	446,102	50,268
Non-Current Assets	9,363,866	9,020,130	343,736
Total Assets	9,860,236	9,466,232	394,004
Liabilities			
Current Liabilities	220,368	290,669	(70,301)
Non-Current Liabilities	273,095	279,758	(6,663)
Total Liabilities	493,463	570,427	(76,964)
Net Equity	9,366,773	8,895,805	470,968

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

Current assets

Current assets increased by \$50.3M mainly due to an \$8.4M increase in current investments, and an increase of \$43.4M in cash and cash equivalents.

Non-current assets

Non-current assets increased by \$343.7M mainly attributable to an increase in Infrastructure, Plant, Property and Equipment of \$360.7M. This has been offset by a decrease of \$12.7M in non-current investments.

Current Liabilities

Current liabilities decreased by \$70.3M mainly attributable to an \$84.0M decrease in current borrowings (mostly attributable to the early repayment of a significant loan in December 2023, that was shown as a current liability in the prior financial year) offset by a \$9.5M increase in payables.

Non-Current Liabilities

Non-current liabilities decreased by \$6.7M mainly due to reduction in non-current borrowings of \$10.2M, offset by an increase in non-current contract liabilities of \$2.2M.

Financial Performance Benchmarks

Note G6 - Statement of Performance Measures, within the General Purpose Financial Statements includes various indicators mandated by the Office of Local Government (OLG) and the applicable benchmark for all councils to assess their performance against.

Local Government Industry Indicators	2024	2023	OLG Benchmark	2024 Result
Operating Performance Ratio	6.04%	6.15%	> 0.00%	✓
Own Source Operating Revenue Ratio	80.44%	76.62%	> 60.00%	✓
Unrestricted Current Ratio	6.54x	2.64x	> 1.50x	✓
Debt Service Cover Ratio	2.15x	5.64x	> 2.00x	✓
Rates, Annual Charges, Interest Outstanding Percentage	7.07%	6.6%	< 5.00%	✗
Cash Expense Cover Ratio	6.39 months	8.34 months	> 3 months	✓

Operating Performance Ratio - measures how well Council contained operating expenditure within operating revenue. Council has achieved this benchmark in 2023-24, maintaining a small operating surplus as per the previous year. This is due to the 2022-23 ratio including the current portion of the emergency loan that was subsequently paid in the 2023-24 financial year.

2.1 **Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)**

Own Source Operating Revenue Ratio - measures Council's fiscal flexibility and the degree of reliance on external funding sources such as operating grants and contributions. Council's performance is significantly above the benchmark in 2023-24, indicating that Council is not heavily reliant on grant funding.

Unrestricted Current Ratio – measures the adequacy of working capital and Council's ability to satisfy obligations in the short term for the unrestricted activities of Council. Council has achieved this benchmark in 2023-24. The ratio has significantly improved in 2023-24 compared to the previous year. This is due to the 2022-23 ratio including the current portion of the emergency loan which was subsequently paid in the 2023-24 financial year.

Debt Service Cover Ratio - measures the availability of operating cash to service debt including interest, principal, and lease payments. Council has achieved this ratio in 2023-24 on a consolidated basis, noting that for the General Fund the benchmark was not met due to the one-off payment of one of the emergency loans. Accordingly, this ratio is expected to meet benchmark going forward.

Rate and annual charges outstanding ratio - assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. Council has not achieved this ratio in 2023-24. Council actively monitors this ratio to ensure optimal management of cashflow. This ratio is impacted by the water billing cycle resulting in this ratio not being met for the Water and Sewer Funds. As at 30 June each year the amounts associated with the latest cycle are not due, therefore inflating the outstanding amounts. Council met this ratio for other outstanding rates and charges. It is noted that the approach to debt recovery includes consideration of ratepayers' ability to pay, which during 2023-24 has been impacted by economic conditions resulting in cost-of-living challenges for many in the Central Coast local government area. It is noted that the ratio for 2023-24 does not have a significant impact on Council's liquidity.

Cash Expense Cover Ratio - this liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow. Council's performance is above the benchmark in 2023-24.

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

Report on Infrastructure Assets

Council's Special Schedules include the various indicators mandated by the OLG and the applicable benchmark for all councils to assess their performance against, regarding infrastructure assets. Council's performance is summarised below:

Local Government Industry Indicators	2024	2023	OLG	
			Benchmark	2024 Result
Buildings and Infrastructure Renewals Ratio	96.55%	99.25%	> 100.00%	X
Infrastructure Backlog Ratio	2.06%	2.28%	< 2.00%	X
Asset Maintenance Ratio	53.81%	64.91%	> 100%	X

For the 2023-24 financial year Council has not met the Infrastructure Assets benchmarks. Regarding asset renewal, the performance is close to benchmark, noting that for the General Fund and the Sewer Fund Council achieved over 104% which is better than the benchmark. Renewal expenditure on water assets was at 67.22% being under the benchmark and impacting on the overall consolidated result ratio.

Regarding the backlog ratio, Council met the ratio for the General Fund but not for the Water and Sewer Funds. The positive result for the General Fund reflects a significant investment in asset renewal over recent years.

Council underperformed in the asset maintenance ratio for the General Fund and the Water Fund. For its General Fund assets Council achieved 45.15% against a benchmark of >100%, which indicates that Council needs to consider increased investment in asset maintenance. This increased investment will impact on Council's operating result going forward and will need to be considered as part of Council's annual update of its Long-Term Financial Plan.

Details regarding infrastructure assets ratios by Fund are included in Special Schedules included as part of Attachment 1 to this report.

Prior Year Adjustments

As part of preparing the 2023-24 Draft Financial Statements, it was identified that a prior period adjustment was required regarding some assets. During 2023-24 Council recognised roads, drainage, bulk earthworks, footpaths, water and sewer assets that had been constructed by others and handed over to Council prior to 2023-24. The Financial Statements have been adjusted to reflect that these assets relate to periods earlier than the reporting period. These errors have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2022) and taking the adjustments through to accumulated surplus at that date. Comparatives for 2022-23 have also been restated, where applicable to reflect the correction of errors. The total adjustment is \$15.8M and is reflected as an increase in equity.

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

Water Supply Authority (WSA) Financial Statements

The 2023-24 Water Supply Authority Financial Statements are attached as (Attachment 2) to this report.

Operating Result

	2023-24 Actual \$'000	2022-23 Actual \$'000
Income from operations	241,532	201,431
Expenditure from operations	240,243	202,632
Net operating result (excluding capital grants and contributions)	1,289	(1,201)
Income from capital grants and contributions*	26,833	49,981
Net operating result (including capital grants and contributions)	28,122	48,780

Statement of Financial Position

For the movement between financial years a positive movement means that the values have increased from 30 June 2023 to 30 June 2024.

Statement of Financial Position	30 June 2024 \$'000	30 June 2023 \$'000	Movement \$'000
Assets			
Current Assets	175,020	150,394	24,626
Non-Current Assets*	4,667,285	4,482,442	184,843
Total Assets	4,842,305	4,632,836	209,469
Liabilities			
Current Liabilities	79,670	83,790	(4,120)
Non-Current Liabilities	151,772	155,598	(3,826)
Total Liabilities	231,442	239,388	(7,946)
Net Equity	4,610,863	4,393,448	217,415

*2023 figures have been restated

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

Stakeholder Engagement

The 2023-24 Central Coast Council audited Financial Statements were considered by the Audit Risk and Improvement Committee on 21 October 2024. The Committee were also provided with an overview of the conduct of the audit by the NSW Audit Office and have endorsed the presentation of the audited Financial Statements to Council recommending adoption of the Financial Statements.

Financial Considerations

Financial Year (FY) Implications

The proposal has cost financial implications for the current FY only.

Budget and Long-Term Financial Plan (LTFP) Impact.

The FY adopted budget includes funding for this proposal.

The audit of Council's Financial Statements has been undertaken by the Audit Office of NSW at an agreed engagement fee which is included in Council's budget.

Link to Community Strategic Plan

Theme 4: Responsible

Choose Focus Area

R-G3: Provide leadership that is transparent and accountable, makes decisions in the best interest of the community, ensures Council is financially sustainable and adheres to a strong audit process.

Risk Management

The Financial Statements are audited by the Audit Office of New South Wales who, amongst other things, form an opinion on the Financial Statements whether:

- 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; and

2.1 Presentation of 2023-24 Financial Statements and related Auditor's Reports for Central Coast Council and Central Coast Council Water Supply Authority (cont'd)

that 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 2024, 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.



Options

In accordance with s.48 (2) of the LG Act, Council must present its 2023-24 audited Financial Statements and it is a legislative requirement for Councils to adopt annual Financial Statements.

Critical Dates or Timeframes

Council must lodge the audit Financial Reports with the Office of Local Government by no later than 31 October 2024.

Attachments

1 	Central Coast Council 2023-2024 Financial Statements	Provided Under Separate Cover	D16466409
2 	Central Coast Council Water Supply Authority 2023-2024 Financial Statements	Provided Under Separate Cover	D16466421

