



# LORD HOWE ISLAND BOARD

Annual Report  
2022–2023



**This is the seventieth report of the Lord Howe Island Board since the passing of the Lord Howe Island Act 1953 and covers the period 1 July 2022 to 30 June 2023.**

Cover Photo: Sample aerial imaging of Lord Howe Island lagoon, captured by Anditi.

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# LETTER OF SUBMISSION

**The Hon Penny Sharpe MLC**

**Minister for Climate Change, Energy, and Environment 52  
Martin Place**

**SYDNEY NSW 2000**

Dear Minister

I am pleased to submit the Annual Report for the Lord Howe Island Board for the year ended 30 June 2023, for tabling in Parliament by 30 November 2023.

This report has been prepared in accordance with the annual reporting provisions (Division 7.3) of the *Government Sector Finance Act 2018* (GSF Act) and Treasury Policy and Guidelines 23-10 Annual Reporting Requirements (TPG23-10).

Yours sincerely,



**Atticus Fleming**

**Chair of the Lord Howe Island Board**



**Suzie Christensen**

**CEO of the Lord Howe Island Board**

# Overview



Lord Howe  
ISLAND BOARD

## OUR CHARTER

The Lord Howe Island Board is a statutory body established under the provisions of the *Lord Howe Island Act, 1953*. The Board is charged with the responsibility of administering the affairs of the Island.

"Island", as defined by the Act, means the island known as Lord Howe Island and all adjacent islands and coral reefs situated within one marine league measured from low-water mark on the coast of Lord Howe Island together with the islands known as Ball's Pyramid, Wheatsheaf Island, Observatory Rock and South-East Rock and the unnamed islands in the vicinity thereof.

Under the Act, the Board has the following charter:

- a. to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the Island community and to ensure that those services and facilities are managed efficiently and effectively,
- b. to exercise community leadership,
- c. to exercise its powers, authorities, duties and functions in a manner that is consistent with and actively promotes the multicultural principals,
- d. to promote and to provide and plan for the needs of children,
- e. to manage, protect, restore, enhance and conserve the Island's environment in a manner that is consistent with and promotes the principles of ecologically sustainable development set out in section 6 (2) of the [\*Protection of the Environment Administration Act 1991\*](#),
- f. to manage, protect, restore, enhance and conserve:
  - i. vacant Crown lands, and
  - ii. lands reserved or dedicated under section 19 or 19A (including, in particular, the Lord Howe Island Permanent Park Preserve), in a manner that recognises the World Heritage values in respect of which the Island is inscribed on the World Heritage List referred to in the United Nations *Convention Concerning the Protection of the World Cultural and Natural Heritage*,
- g. subject to paragraphs (e) and (f), to promote the Island as a tourist destination,
- h. to have regard to the long term and cumulative effects of its decisions,
- i. to bear in mind that it is the custodian and trustee of public assets and to effectively account for and manage the assets for which it is responsible,
- j. to facilitate the involvement of members of the Board, members of the public, users of facilities and services and the Board's staff in the development, improvement and co-ordination of the Board's powers, authorities, duties and functions,
- k. to raise funds for Island community purposes by the fair imposition of charges and fees, by income earned from investments and, when appropriate, by borrowings and grants,
- l. to keep the Island community and the State government (and through it, the wider community) informed about its activities,
- m. to ensure that, in the exercise of its regulatory powers, authorities, duties and functions, it acts consistently and without bias, particularly where an activity of the Board is affected,
- n. to be a responsible employer.

## AIMS AND OBJECTIVES

The following govern the operations and development of the Board and its administration:

### **Vision**

The Island community is strong and sustainable, and the Island environment is protected and enhanced for the benefit of all.

### **Mission**

To provide leadership, services and support which contribute to the wellbeing and sustainability of the Lord Howe Island community and its environment pursuant to the Charter in the *Lord Howe Island Act 1953*.

### **Corporate Values**

The commitment of the Board members and staff of the Lord Howe Island Board to its residents and stakeholders is underpinned by the following corporate values and principles:

- *Leadership* – Responsible community leadership
- *Selflessness* – Teamwork and loyalty and recognition of effort and achievement
- *Impartiality* – Fairness and objectivity in all our dealings
- *Initiative* – Creativity and innovation and openness to new ideas
- *Accountability* – Transparency and accountability in all our dealings
- *Honesty, Openness and Integrity* – Ethical and legal behaviour
- *Respect* – Respect and fairness to all persons
- *Service* – Effective service delivery to the community

### **Governance**

Our administration is governed by a Board of elected and Minister appointed members. Elected Islanders are elected to the Board by the resident Island community every three years. The most recent poll for elected Island members was held on 18 February 2021 with four members being declared elected by the Minister for the Environment for a period of three years (effective 12 April 2021). The next poll will be held in February 2024.

The Chief Executive Officer and administration staff are government employees under the Department of Planning and Environment cluster assigned as personnel services to the Board. The Board reports to the Minister for Energy and Environment.

The Board has adopted a Code of Conduct, which incorporates all the mandatory provisions of the Model Code issued by the Office of Local Government.



# MANAGEMENT AND STRUCTURE

## Our Board

Under the *Lord Howe Island Act 1953* the Board may, with the approval of the Minister, authorise any officer to exercise on behalf of the Board specific powers, authorities, or duties.

Under the *Protection of the Environment Operations Act 1997* (POEO), the Board is the Appropriate Regulatory Authority (ARA) for most non-scheduled activities on Lord Howe Island. This gives the Board certain powers to deal with pollution incidents regarding matters for which it is the ARA. To allow for the efficient administration of the POEO on Lord Howe Island, in February 2011 the Minister authorised the Chief Executive Officer of the Board to exercise the powers of the Board as ARA under the POEO.

The delegation allows for efficient and timely decision making and appropriate services delivery in relation to the day-to-day administration of the island. During the reporting period membership of the Board was as follows:

Name	Position	Term
Mr Atticus Fleming	Chairperson and Appointed Member – employed by NSW Planning and Environment	01/01/2021 – 31/12/2023
Mr Gary Crombie	Elected Islander (Second term)	08/03/2018 – 28/02/2024
Mr James Lonergan	Elected Islander	12/04/2021 – 28/02/2024
Mr Matthew Retmock	Elected Islander (Second term)	08/03/2018 – 28/02/2024
Ms Therese Turner	Elected Islander (Second term)	08/03/2018 – 28/02/2024
Mr Bruce Baird	Appointed Member representing the interests of business and tourism	29/11/2021 – 28/11/2024
Ms Christine Bath	Appointed Member representing the interests of conservation	29/11/2021 – 28/11/2024

## Board Meetings

Board meetings are held four times per year, with additional special meetings held as required. In some special circumstances, Board meetings are deferred to next available meeting date.

Agenda items are discussed and considered in open session (i.e., open to the public), with the exception of items relating to commercial-in-confidence and business affairs, personnel issues, legal matters and items affecting the private affairs of individuals.

Members of the public are informed of the outcome of meetings through publication of minutes of the meetings.

The Board has a Code of Conduct for Board Members and Officials. The Code is available on the Board's website along with the Board Meeting Code of Practice.

During the reporting period, the Board met on the following occasions:

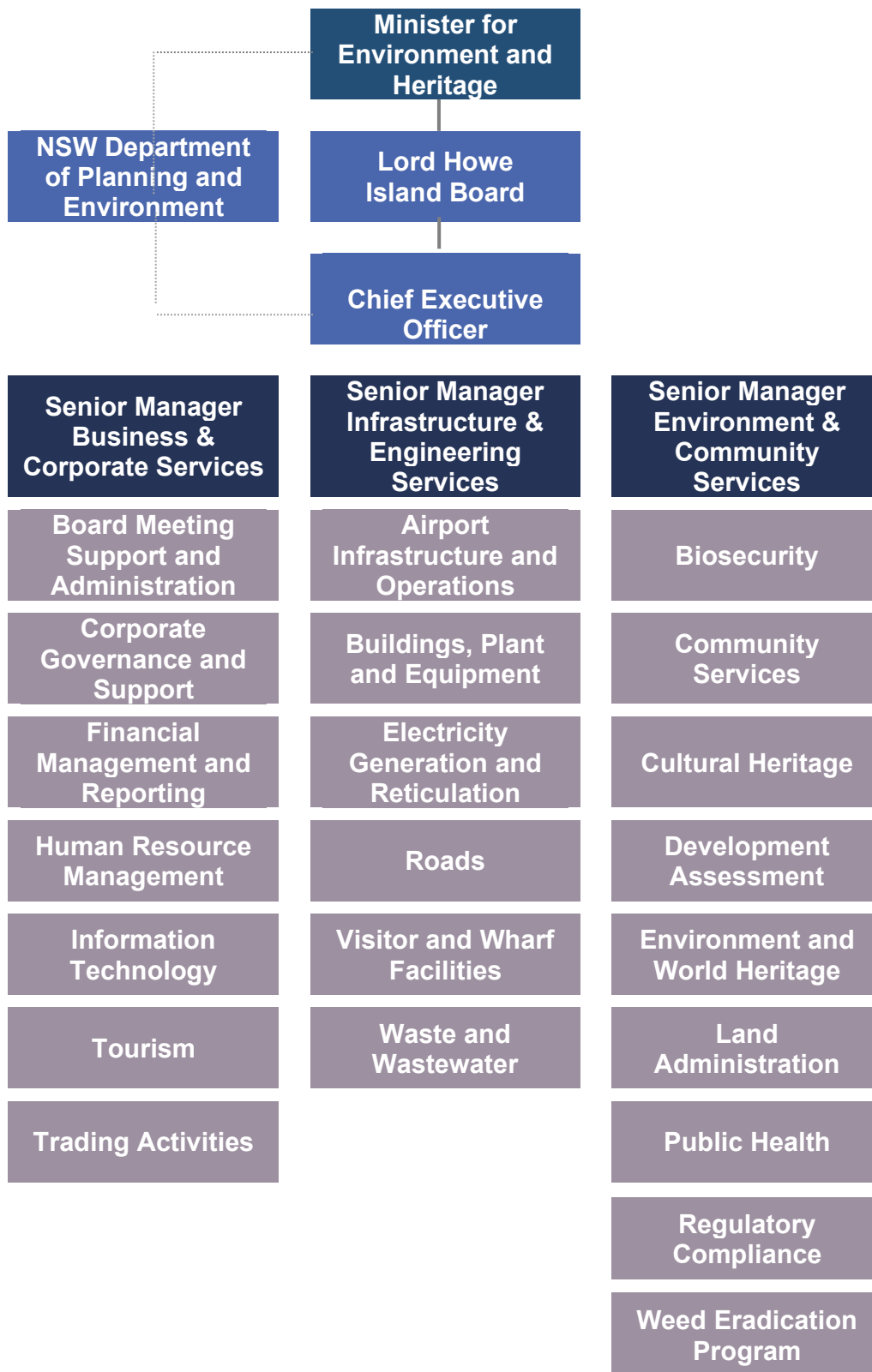
- September 2022– all Board members present.
- December 2022 – all Board members present.
- February/March 2023 – all Board members present.
- May 2023 – all Board members present.

## Executive and Principal Staff

During the reporting period the following persons held executive and senior positions within the Board's administration:

Name	Position	Qualifications
Ms Suzie Christensen	Chief Executive Officer	Master of Business Administration (Sustainability) Graduate Certificate Commerce Graduate Australian Institute Company Directors
Ms Debbie Johnsen	Senior Manager Business & Corporate Services	Certified Practising Accountant (CPA) Australia Graduate Certificate in Financial Planning Bachelor of Business (Accounting & Finance)
Mr Michael Chalmers	Senior Manager Business and Corporate Services	Bachelor of Business, Professional Accounting and Financial Management Certified Practising Accountant Program (Non-active member)
Mr Benjamin Jenkins	Senior Manager Infrastructure & Engineering Services	Bachelor of Engineering (Civil Project Engineering) Bachelor of Science (Financial Mathematics and Statistics)
Mr Bradley Josephs	Senior Manager Infrastructure & Engineering Services	Bachelor of Science (Chemistry)
Mr Justin Sauvage	Manager Environment & Community Services	Master of Environmental Law; Graduate Diploma of Education Bachelor of Science (Biology/Environmental Science)
Ms Paula Pollock	Senior Manager Environment & Community Services	Graduate Certificate in Business (Public Sector Management) Graduate Certificate Geomorphology Bachelor of Science

## Organisation Chart and Functional Responsibilities



# Strategy



Lord Howe  
ISLAND BOARD

# STRATEGIC OBJECTIVES

## Strategic Objectives

Six strategic directions have been identified to carry out the Board's charter and responsibilities, and address the challenges, aspirations, and opportunities of Lord Howe Island. These govern the operation and development of the Board:

- Effective Governance and Leadership – To ensure the provision of effective governance and community leadership for the Island.
- Strong and Sustainable Economy – To support the development of a strong and sustainable economy for the Island.
- Sound Infrastructure – To develop and manage the Island's public assets and infrastructure and ensure the provision of effective services to the Island community and visitors.
- Outstanding Environment – To manage, protect, restore, enhance, and conserve the Island's environment.
- Responsible Land Management – To provide for sustainable planning and development and ensure responsible management of the Island's land and property assets.
- Strong and Engaged Community – To support a strong and engaged community.

## Operations Plan

An annual Operational Plan sets out key performance indicators to measure the Board's success, identifying specific outputs and activities that ensure the strategic objectives are achieved.

A review of current services and strategic priorities for the Board will be determined following development of the Community Strategic plan, planned for Q2 2024. Operational planning, service delivery commitments and a workforce plan will be refined through this process.

Systems and processes did not exist to measure the Board's overall performance against the target outcomes during this financial year. Finalisation of the above plans will enable establishment of methods of reporting on the Board's performance moving forward.

## Resource Allocation to Implement Strategic Plans

The Annual Budget identifies and allocates the funds available for the purpose of achieving the specific outputs and activities to meet the strategic objectives.

## IMPLEMENTATION OF PRICE DETERMINATION

The Board was not subject to any determination or recommendation under the Independent Pricing and Regulatory Tribunal Act 1992 during the reporting period.

# MANAGEMENT AND ACTIVITIES

## Sound Infrastructure

### Aerodrome

The aerodrome plays a crucial role in the Island's infrastructure, and its maintenance and compliance efforts are ongoing. Regular tasks such as mowing, weed control, tarmac repairs, and keeping access gates and fencing in good shape are consistently attended to. Bird hazards are diligently monitored and effectively managed.

Commercial operators have been able to utilise the airstrip seamlessly, without any disruptions in availability. Emergency medical evacuations have also been enabled through uninterrupted access to the aerodrome. Additionally, the aerodrome continues to provide support for Royal Australian Air Force (RAAF) training exercises.

A notable incident occurred in October 2022, when adverse weather conditions led to damage to the primary windsock frame. A Notice to Airmen (NOTAM) promptly informed all stakeholders, and skilled welding operations were carried out. To prevent such occurrences in the future, the frames were reinforced with struts at no extra cost by the manufacturer.

Recognising the importance of aiding operators during unfavourable weather, research was conducted to explore the installation of cameras kindly supplied by Eastern Air Services. These cameras would provide valuable assistance to operators in assessing the aerodrome conditions before making decisions about flight cancellations due to poor weather.

The airport's Annual Technical Inspection, conducted by Jasko Airport Services, included the measurement of both existing and new obstacles to determine their compliance with the required criteria. This assessment has the potential to lead to excavating operations on Blinky's Dune, as has been done previously. These heights will be monitored over the coming year.

### Wharf

The wharf plays a vital role in the Island's infrastructure, ensuring seamless operations for our shipping needs and benefiting various other users.

Funds for planned maintenance have been carried forward. Public Works NSW have been engaged to run a contractor tender for the first lot of repairs on the Jetty, as advised by the Advisian report conducted in 2022. Due to sourcing of materials, these works are scheduled to begin early 2024. This investment sets the stage for an effective and efficient series of repairs to enhance the wharf's functionality.

### Roads

Despite facing challenges, the Board has a drive to improve road conditions and enhance safety. Certain roads had faced deterioration, prompting public concerns and complaints.

While the initial tender process for significant road upgrades didn't yield a contract, procurement moved to a direct negotiation with a single-source provider.

All Island Services was contracted to conduct a 'Lord Howe Island Pothole Program' to focus on roughly 6000m<sup>2</sup> of road identified as a risk.

Furthermore, a segment of Lagoon Road, spanning from the Post Office to TC Douglas Drive, was assigned to test the procedures and methodology used. Evaluations conducted by Civil Engineers highlighted that the contractor's methods align well with the technical requirements specified in the funding agreements.

The upcoming focus remains on priority roads, which are identified based on the preservation of vital infrastructure and wellbeing of residents and tourists in mind. These works are expected to be successfully completed by September 2024.

### Beach Nourishment

Beach nourishment efforts have been successfully completed on the western section of the aerodrome, adjacent to the aerodrome windsock known as 'Windy Point.' Despite the challenges posed by strong winds and waves, the work has effectively replenished the sand in this area. This achievement is particularly important as it mitigates the risk to both the aerodrome land and the valuable assets situated there.

Continuing the proactive approach to erosion management, the dune in the area has been fortified with the introduction of vegetation, contributing to its stabilisation. This intervention has yielded promising results by notably reducing the erosion process.

Royal Haskonings was once again enlisted to assess the Seabee Wall's condition. Their findings have shown minimal movement, alleviating concerns. A well-defined maintenance strategy has been proposed, aiming to prolong the structure's longevity.

The expertise of Marc Daley, Program Lead – Coastal DPE, was sought to draft an encompassing LHI Coastal Management Plan. This strategic initiative ensures the safeguarding of critical infrastructure, underlining a commitment to the region's coastal integrity.

### Waste Management Facility (WMF)

MRA Consulting Group conducted a comprehensive WMF design report, which was accepted by the Environmental Protection Agency (EPA) after being presented to the Board. This report was a necessary step to meet the EPA's Pollution Reduction Program requirements. The EPA will leverage this report to establish future PRPs, ensuring the facility's ongoing compliance and alignment with industry improvements.

WHS issues identified during MRA's site visit were promptly addressed. These included rectifying unsafe lifting practices and the use of ladders without working platforms. The Board is actively exploring funding avenues for a facility upgrade.

Logistical challenges were encountered in the process of waste removal from the Island. Active efforts are currently underway to address and resolve these challenges.

During compost sampling, the discovery of microplastics was made, primarily originating from cardboard. However, the situation is being approached positively, as discussions are



scheduled with the NSW Environment Protection Authority (EPA) to explore the possibility of completely removing paper from the compost. If successful, this step would enable the Board to create a purer compost product with the potential for future distribution to the public.

## **Outstanding Environment and Responsible Land Management**

### Biodiversity Benefits Monitoring Project

Several Biodiversity Benefits Monitoring Projects have commenced including invertebrates, vegetation, food web analysis, little shearwater and Placostylus surveys.

The Board has partnered with scientists in the Department of Planning and Environment to complete the work so that we can understand how the environment is responding to the absence of rodents.

### Myrtle Rust Response

An outbreak of the highly infectious plant pathogen myrtle rust was detected on 3 February 2023. The presence of Myrtle Rust was initially reported by a resident and confirmed by Board staff. This is the first time the exotic fungus has been detected since it was thought to be eradicated in 2016.

With the assistance of National Parks and Wildlife Service, the Board approved Response Plan was implemented. This included an extensive program of searches and inspections, as well as intensive treatments of the four known infection sites in the settlement area.

There were no known infection sites within the PPP, however it was closed for just under two weeks due to the close proximity of infection sites to the area. A Reopening Plan was developed and executed.

Through rapid and cohesive response, the myrtle rust infection has been contained. No evidence of spores has been detected since 17 March 2023.

### Biodiversity Management Plan and Permanent Park Preserve Plan of Management

The Permanent Park Preserve Plan of Management (PPP PoM) has been reviewed by the Community Advisory Committee.

The Biodiversity Management Plan (BMP) is due to be updated to capture the goals and biodiversity objectives in an environment now without rodents. Commencement of the BMP revision and development of a Monitoring and Evaluation Plan and Research Strategy has been delayed due to the myrtle rust response but will commence in 2024.

### Biosecurity

The dual focus for biosecurity continues to be ongoing monitoring and surveillance, and progressing improvements to critical mainland facilities, especially at Port Macquarie. A biosecurity audit of the Qantas freight facility and operational processes at Sydney Airport also took place.

A Birdon Biosecurity Management Plan was agreed during the negotiation of a three-year contract variation. The document outlines roles, responsibilities, and response actions regarding identification of any biosecurity matter during the freight process. The plan is being finalised and aims to minimise and manage biosecurity risks to the Island.

Rats and a number of pests were identified on incoming cargo by monitoring devices and biosecurity dogs, and successfully stopped at their points of departure.

No rodent detections have been reported on the Island since August 2021. Monthly monitoring was undertaken throughout the financial year, and island-wide 6-weekly property searches were conducted.

Contract detector dog teams helped with aircraft and Island Trader inspections as needed. Team training was organised on the Island with a dog trainer.

Planning took place for a Rodent Eradication Project (REP) Checkpoint Program in July 2023, with the aim to confirm the absence of black rats and house mice on the Island. This intensive and spatially comprehensive rodent detection check is an important ecological milestone in the Island's eradication process. Following the Checkpoint, the Board will review the biosecurity measures in place on LHI.

Results of genetic testing of rat samples collected during the 2021 Rodent Response were returned by the Australian Museum. Delays due to COVID and accessing sample collections resulted in an extended processing period. The data supported the conclusion that the rats detected on LHI in 2021 were residual rats from the original population on the Island.

The termite monitoring network received renewed attention following reports of termite activity around the settlement. Investigations are underway to confirm this.

### Fish Sampling

The APVMA permit conditions authorising the use of brodifacoum during the REP required the implementation of a post-baiting sampling regime to monitor for the presence of brodifacoum in the marine environment.

Routine post-REP fish sampling conducted in April and May 2023 indicated no detectable brodifacoum residue in fish flesh and very low levels of residue in two out of 25 sampled livers.

This is within the acceptable level of brodifacoum for seafood, as described in the LHI Human Health Risk Assessment Report developed by the NSW Chief Scientist, however the Board continued to caution against the consumption of fish livers. Further sampling will be conducted until no detectable residues are recorded.

### Dwelling Allocations

Preparations began to open joint applications for six dwelling allocations allowing Perpetual Leaseholders and a person of their choice to build a new dwelling on an existing Perpetual Lease through sub-division or multiple occupancy of a property.

One-on-one consultations were run in June 2023 with interested parties to answer questions about their personal circumstances and the application process.

*The Handley Review of Land Allocation on Lord Howe Island* proposed recommendations about the allocation process for the six dwellings and the remaining 10 dwelling allocations that the Board may release in 2024-2025.

### Weed Management

The LHI Weed Eradication Program (WEP) has reached year 18 – 19 of a projected 30-year program period.

Weed management and grid search efforts were impacted by the myrtle rust incursion, with field crews being seconded to the response and the temporary closure of the PPP limiting access for weed control activities.

Helicopter winch operations were rescheduled from February/March 2023 to November 2023 to allow sufficient time to eradicate the myrtle rust. The last helicopter lance spray program was undertaken between 12 – 18 August 2022 and removed 858 weed infestations.

Before the interruptions, grid search efforts have largely been in the Northern Hills and south of the Island, with a focus on Intermediate Hill, Mt Gower & Mt Lidgbird.

Control of the highly invasive Blue Morning Glory (*Ipomea indica*) commenced in the settlement. Lease holders have been consulted and are very supportive of removing this plant, with consistent work needed to ensure this species is suppressed from smothering native vegetation.

The LHI Weed Eradication Program dashboard updates for this financial year include 8545.16 hours of effort across 321.919 hectares from both LHIB staff and contract labour.

Despite recruitment drives, full resourcing of the WEP team from the local labour pool has not been possible. Mainland weed contractors have been engaged throughout the year to assist in meeting WEP targets.

### Threatened Plants

Preliminary results from flora surveys conducted under the North Coast Local Land Services Regional Land Partnerships Program: Critically Endangered Little Mountain Palm (*Lepidorrhachis mooreana*) project are indicating a positive recovery trajectory post rodent eradication.

Additional threatened plant recovery actions continue to be implemented according to the LHI Saving Our Species (SOS) program.

In conjunction with the SOS Project 3, a total of 11 threatened plant surveys were conducted throughout December 2022. Increases in vegetation cover was recorded, and plants were seen to be fruiting and flowering in quantities never seen before.

### Bushfire Risk Management Planning

A Bushfire Risk Management Committee was convened to prepare a Bushfire Risk Management Plan (BFRMC), under the Rural Fires Act 1997.

The current BFRMC for LHI, approved in May 2019, is due for renewal. A draft Fire Access and Fire Trail Plan (FAFT) Plan exists but has not been approved and requires review.

Work on these strategic plans will commence in coming months.

### Food Safety Inspections

An Environmental Health Officer from the National Parks and Wildlife Service attended the Island from 15 April to 23 April 2023 to conduct food safety assessments for registered food businesses and premises inspections.

Thirty business inspections were undertaken, and any business requisitions have been advised via email. Businesses were given a month for cleaning and easily achievable requisitions, and three months for structural requisitions.

### Spatial and Data Management

The Board's first spatial and data strategy has been drafted. It provides a framework to support operations across business units and provides an implementation roadmap to guide data collection and management actions, improve access to quality assured data and realise efficiencies in reporting.

The strategy will be strategically and incrementally implemented as resourcing allows.

## **Strong and Engaged Community**

The Stronger Country Communities Fund (SCCF), administered by the Department of Regional NSW, continues to support a number of important projects that help to improve amenities on the Island. These include:

### Playground

A project completion report was submitted in March 2023 after the final addition of a shade pergola and bench to the playground.

### Beach Accessibility

An all-terrain walker and wheelchair has been acquired to enhance the accessibility of LHI's beaches and natural environment for locals and visitors with limited mobility.

A free hire trial is underway, with the opportunity for feedback on both the equipment and the hiring process. The feedback will help determine the best way for the community to access the equipment safely and assess ongoing maintenance needs.

Beyond the SCCF, key project focuses from the financial year were:

### Lord Howe Island Festival

The first staging of the Lord Howe Island Festival took place in February 2023 to align with annual community celebrations for Discovery Day.

The program included a night of community games and races, a senior citizen picnic at North Bay, and performances by local bands and ARIA Award-winning artists.

Economic opportunities were created for local businesses, and community involvement and interaction were incentivised across all age groups.

The 10-day festival was made possible by an NSW Government grant as part of the Reconnecting Regional NSW – Community Events Program. Additional sponsorship support was secured from Easter Air Services, Lord Howe Island Brewery, Oxley Travel, Birdon, and Lord Howe Island Tourism Association. Significant in-kind contribution was secured through the performance of artists free-of-charge.

### Emergency Operations Centre Upgrade

The first stage of the radio upgrade has been successfully completed. This involved replacing the UHF system with a VHF system and installing a new repeater on Transit Hill to enhance coverage. The updated network is being tested and trialled for connectivity and programming.

Developing a radio communications strategy tailored to the unique challenges of the Island whilst including the needs of multiple agency and interagency requirements involved some complexity. Ongoing testing and upgrades are contributing to a more robust emergency response plan.

Kerara Communications will visit the Island in the coming financial year to implement the second phase of the upgrade.

A mobile emergency generator is scheduled to arrive on Island in October 2023 and will be utilised in any emergency situations where power back up is required.

### Other Community Events

A visit by the NSW Governor, the Honourable Margaret Beazley, was enjoyed by the community in February 2023 for Discovery Day celebrations.

During Ms Beazley's visit, meetings were arranged with key stakeholders, and experiences in the field arranged to highlight the Island's values.

The community also commemorated ANZAC Day with a traditional march and laying of wreaths organised by the local RSL branch.

## **Effective Governance and Leadership**

### Efficiency and Effectiveness (E&E) Review

A budget and project plan based on the recommendations from the E&E Review was created and endorsed by the Board.

The key objective of the Review was to provide advice to the Board and Minister for Environment and Heritage on the efficiency and effectiveness of the LHIB Administration in discharging its duties under the Act. It also made recommendations for improvement.

A workforce strategy is in development with support from DPE. and feedback was sought from staff. My Talent plans (the framework for Performance and Review) have been introduced.

Critical and mandatory training has occurred or is planned, including Code of Conduct and Ethics sessions.

Board staff commenced use of DPE's corporate work health and safety (CAMMS) risk management software in November 2022. All WHS events, hazards, near misses and injuries will be reported and managed in CAMMS going forward.

Consultation workshops are being planned to take place in 2023 to seek feedback from the community on a range of plans including draft service delivery commitments and a Community Strategic Plan.

An internal and external communications strategy are being developed to guide the way in which the Board distribute information to key stakeholders. Individual communications plans have been created to guide specific projects. A range of branding collateral and a social media plan has also been set-up to create consistency in templates and leverage new channels for communication.

### Corporate Services

Significant for the period has been the processing and finalisation of reports and documentation for the Annual Financial Audit, for review by the Audit and Risk Committee and submission to the external auditor.

The independent DPE Audit and Risk Committee met 4 times during the report period to review risks. The team made final recommendations on the Annual Financial Report.

Phase one of the discovery process for the Board's IT systems review has been completed.

Funding has been provided to address critical cyber security issues identified by successive audits.

### Human Resources

Ms Suzie Christensen has been in the position of CEO since 6 December 2021.

Three senior managers were appointed during the reporting period. Senior Manger Business and Corporate Services Michael Chalmers joined on 21 May from a local government and retail background with experience in regional and remote locations. Bradley Josephs accepted a temporary assignment as Senior Manager Infrastructure and Engineering Services. Paula Pollock commenced in the role of Senior Manager of Environment and

Community Services on 9 January 2023, and has brought a wealth of knowledge and experience across science, policy, and program implementation.

The Board employed 46 full-time equivalent staff during the financial year, 13 of which were funded through external grants supporting a variety of projects including weed eradication, biosecurity, effectiveness and efficiency review, environmental management, strategic planning and capital works.

Ensuring service delivery capacity remains a challenge, exacerbated by accommodation availability, internal resourcing, and lack of modern IT systems.

Board staff underwent training for tickets such as forklift driving and crane dogging to ensure skilled operators are available. This will assist delivering lifting works across the Island as well as being a contingency in emergency situations.

### Advice to Government

The Board provides relevant and timely advice to Government on matters affecting the management of the Island. Briefings and submissions are prepared as required for the Minister for Environment and Heritage, Department of Planning and Environment, and NSW Treasury.

## **Strong and Sustainable Economy**

### The Island as a Tourist Destination

A grant of \$55,000 was provided to the Lord Howe Island Tourism Association to support the services of the local visitor centre in 2022/23

The Board and LHITA seek to continue to work collaboratively together on future arrangements for visitor services.

The Board continues to support the critical tourism industry of the Island through the maintenance and enhancement of the Permanent Park Preserve, as the primary tourism product.

The Board also contributes to sustainable tourism for the Island by providing and maintaining infrastructure such as the airport, marine freight service, waste management facility and public facilities, along with environmental and business services. The front line administration team field direct enquiries, and website information is accessed frequently by potential visitors.

### Walking Track Maintenance

Maintenance was completed across walking tracks and ropes in the Permanent Park Preserve to support visitation.

The tender for repair of Goat House Track was awarded and completed. A helicopter brought to the Island for weeding was also utilised to lift construction goods to the site.

### Operators Meetings

Meetings with Lagoon tour operators were facilitated jointly with Marine Parks and NSW Police at the end of 2022 as a reminder of compliance obligations, and to encourage cooperation and communication through the tourist season.

### Management of Infrastructure and Services

The Board have focused on the negotiation of a contract variation with Birdon, extending the marine freight service to the Island until March 2026.

Due to the age of the Island Trader and escalating maintenance costs, the variation involves staged increases to rates over the period, effective from 1 April 2023, as previously advised to customers by Birdon.

The Board have developed a long-term Marine Freight Strategy to ensure a sustainable service beyond 2026.

### Communications Project

The Board have engaged a company to develop a high-level options paper covering the current communications landscape of the Island, as well as potential communications network improvements that could be achieved through mobile, Wi-Fi and emerging technologies.

### Legislative and Regulatory Compliance

The Board is responsible for issuing commercial licences to businesses on the Island. All businesses on LHI are required to operate in accordance with the requirements of the NSW Department of Fair Trading for each business type, and to comply with all statutory and regulatory requirements. 14 new business licence applications were received in FY23.

An internal project is underway to align business and liquor licenses and commercial leases, along with bed licenses and appropriate insurance, including an audit and reconciliation of records. Many of the relevant records are paper based and require digitisation to minimise the risks associated with conflicting and dated information.



# Operations and Performance



Lord Howe  
ISLAND BOARD

# SUMMARY REVIEW OF OPERATIONS

## **Budget process and statutory audit**

The 2022/23 budget was developed in concert with the Corporate Plan and Operations Plan, which includes activities that are funded by external partners, and the Schedule of Fees and Charges. The Board reviews the Annual Budget on a quarterly basis, endorsing amendments to the Budget as appropriate.

An External Audit of the 2022/23 end of year accounts was conducted by Thomas, Noble & Russell on behalf of NSW Audit Office. The audit was designed to obtain reasonable assurance that the financial statements are free from material misstatements. The audit did not detect any significant matters that require reporting in the Statutory Audit Report.

## **Financial position**

The 2022/23 financial statements highlight continued improvement post COVID-19. On paper the Board had an operating profit \$1.9. However, the Board received \$2.6m funding that was accounted for upon receipt with work to be completed 2024FY24. If the funding was accounted for at a point in time, the financial result would have been a \$700k loss. To put this in perspective last years' loss was \$1.2m.

The cash position of the Board continues to improve with a \$19.5m balance at the end of the 2023FY and increase of \$5.1m on the previous financial year. \$7.8m is externally restricted to projects, \$2.7m is internally restricted to projects, and the remaining \$9.2m is a combination of internal and unrestricted reserves.

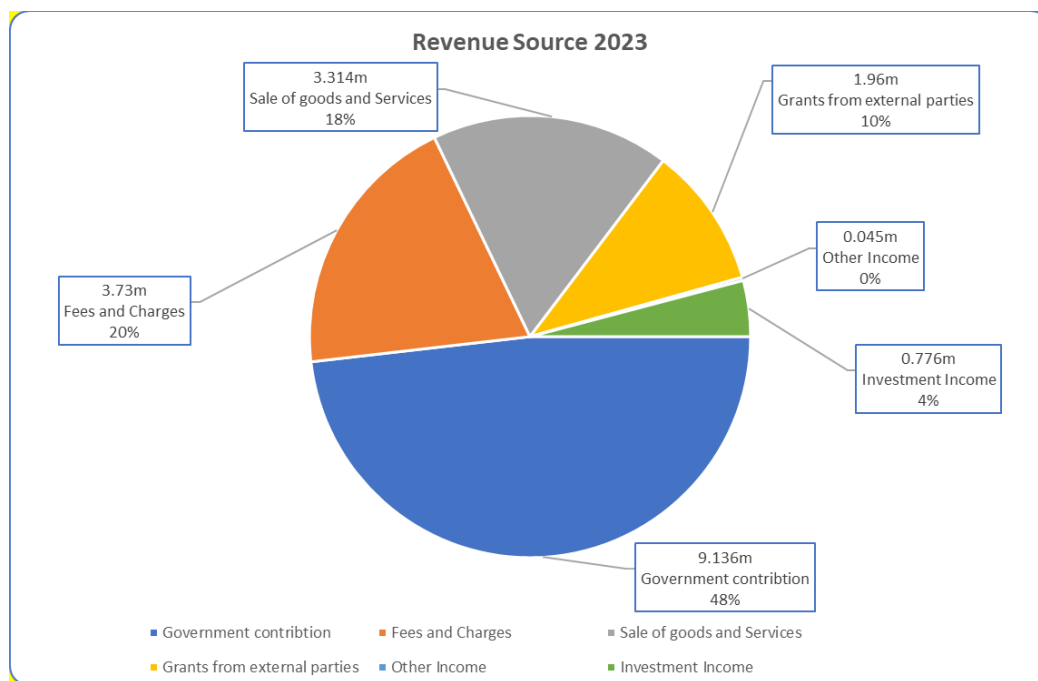
The board faces an ongoing challenge of striking a delicate balance between increasing revenue and allocating resources for capital replacements. In an era of fiscal constraints and evolving public needs, this intricate juggling act necessitates careful planning and prioritisation. On one hand, generating increased revenue is essential to fund essential public services and infrastructure projects, which are essential to a thriving Lord Howe Island. On the other hand, allocating sufficient funds for capital replacements is vital to ensure the longevity and efficiency of existing infrastructure and assets. To navigate this tightrope, the Board has committed to the improvement strategies of the Effectiveness and Efficiency Review. This will improve services and allow data-driven decision-making to ensure that the Board continues to meet both short-term financial requirements and long-term infrastructure sustainability goals.

## **Revenue**

The Board generates most its revenue through government and grant contributions, fees and charges, and its own business operations. In the 2023FY, 15% (\$2.8million) of revenue was from NSW Treasury's contribution through recurrent funding to assist in the management of the Island and its resources.

The following graph (Figure 1) shows the percentage of revenue the Board received from various sources.

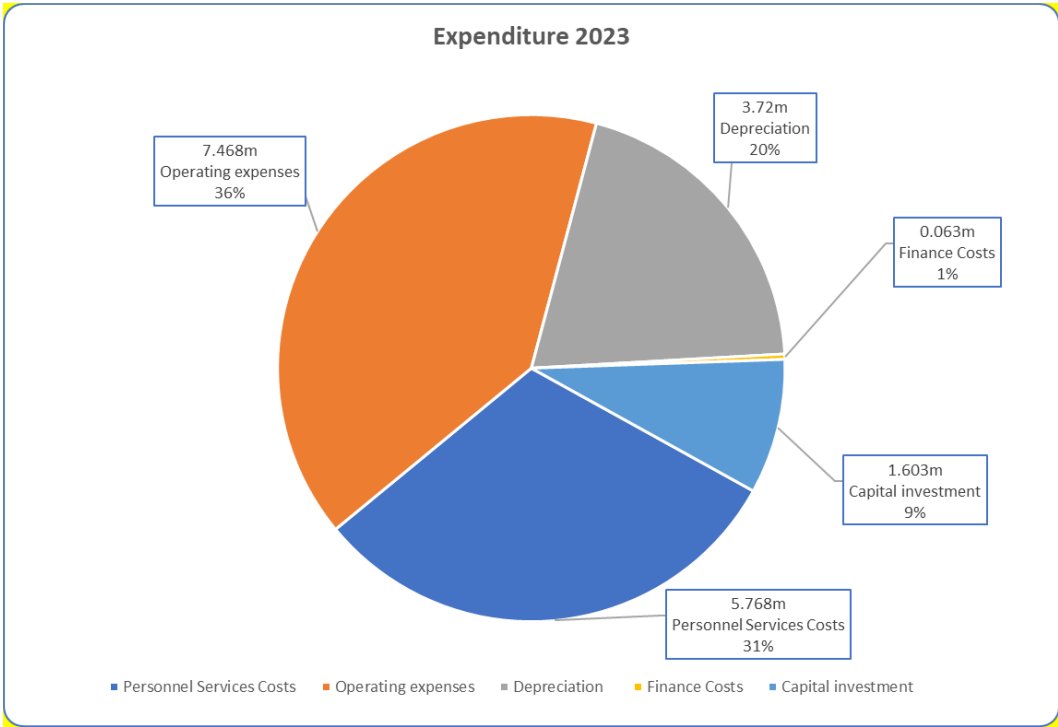
**Figure 1**



## Expenditure

The Financial Statement provide more detailed information on the Board's expenses. The following graph (figure 2) provides a high-level summary.

**Figure 2**



## LAND DISPOSAL

No properties with a value greater than \$5,000,000 were disposed of by the Board during the reporting year.

## RESEARCH AND DEVELOPMENT

The Board approve and oversee a wide range of research undertaken on the island, coordinated through the LHI Biodiversity Management Plan covering a broad range of topics. These include biodiversity, biosecurity, pest management and control, restoration ecology, pollution, marine health, responses to the REP, genetics and evolutionary biology.

Most of this research is conducted through partnership with tertiary institutions, government agencies, non-government organisations and residents.

Completed and continuing research and developmental activities	Resources allocated
Translocation – establishment of ex-situ threatened plant populations on LHI	\$4,000
Regeneration ecology and a secure future for Lagunaria Swamp Forest on LHI	\$17,000
Biodiversity benefits post-Rodent Eradication Program (Vegetation structure and change in woody species; Placostylus; Lord Howe Geckos; Little Shearwaters; invertebrate sampling)	\$73,185
Monitoring residue of brodifacoum in the LHI marine environment	\$9,500
Monitoring population dynamics of the Critically Endangered Little Mountain Palm	\$3,000

# Management and Accountability



## LEGAL CHANGE

During the reporting period there were no changes made to the *Lord Howe Island Act 1953* or the *Lord Howe Island Regulation 2014*.



## ECONOMIC OR OTHER FACTORS

The Board encountered no economic factors that hindered the attainment of operational objectives.

Nevertheless, the emergence of Myrtle Rust on Lord Howe Island in the past financial year significantly hampered the Board's capacity to fulfill all operational and project objectives set for the Environmental and Community Services team.

As a result, approximately \$750k worth of projects were postponed, and these have been rolled over into the 2024 financial year.

Furthermore, there remains a reasonable risk that this carry-forward figure will influence the team's ability to execute the 2024 financial year program.

## HUMAN RESOURCES

### Number of Officers and Employees by Category

The Board budgeted for 37.95 full time equivalent (FTE) staff in the financial year with the Chief Executive Officer responsible for the overall day-to-day management and administration of the staff. Additional temporary staff were engaged during the reporting period to undertake externally funded projects.

**Table 2 Actual full year FTE**

Area	Category	2022/23	2021/22	2020/21	2019/20
<b>CEO Office</b>	Executive Support	0.62	-	-	-
	Externally Funded	0.84	-	-	-
<b>Senior Management</b>	Senior Management	2.5*	2.77	3.00	3.09
<b>Business and Corporate Services</b>	Administration	4.92	5.56	5.66	5.93
	Liquor Store	1.88	2.60	1.86	1.63
<b>Environment and Community Services</b>	Environment	8.35	8.92	10.47	8.91
	Land Administration	-	0.40	-	-
	Externally Funded	12.22	11.38	8.11	20.66
<b>Infrastructure and Engineering Services</b>	Works and Services	13.13	14.32	15.15	15.68
	Powerhouse	2.00	2.00	2.00	2.00
<b>Total FTE</b>		<b>46.46</b>	<b>47.95</b>	<b>46.25</b>	<b>57.90</b>

\* 0.7 FTE supplied via Secondment from NSW Local Land Services

### Exceptional Movements in Wages, Salaries or Allowance

In the reporting year, there are no exceptional movements in wages, salaries or allowances.

## CONSULTANTS

Consultants 2022-23 – engagements costing \$50,000 or more:

Consultant	Cost	Title/Nature
All About Planning	\$116,130	Planning and Assessment Services
APP Corporation Limited	\$142,476	Project Management Waste & Management Strategy
APP Corporation Limited	\$354,783	Project Management & Marine Freight Service Strategy
APP Corporation Limited	\$85,702	Project Management Fixing Local Roads
SMEC Australia Pty Ltd	\$65,050	Marine Quantity Surveyor - Marine Feasibility Study
<b>Total</b>	<b>\$764,141</b>	

Consultants 2022-23 – engagements costing less than \$50,000:

Category	Cost	Number of Engagements
Architecture	\$36,650	1
Engineering	\$17,923	3
Legal	\$52,479	3
Management	\$8,850	1
Planning	\$99,029	3
Valuations	\$800	1
<b>Total</b>	<b>\$215,731</b>	<b>12</b>

## RISK MANAGEMENT AND INSURANCE ACTIVITIES

### **Internal audit**

During the reporting period, the DPE internal audit function supported the Board in accordance with the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03). The internal audit function is governed by the Charter and approved by the Chief Executive Officer (CEO) of the Board.

The Chief Audit Executive (CAE) support for the Board is provided by the DPE Internal Audit Branch, Legal and Governance Division. The internal audit function provides independent and objective review and advisory services designed to improve the operations, risk management, controls, and governance processes.

### **Insurance**

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies.

# INTERNAL AUDIT AND RISK MANAGEMENT POLICY ATTESTATION

## Internal Audit and Risk Management Attestation Statement for the 2022-2023 Financial Year for the Lord Howe Island Board

I, Atticus Fleming, Chair, Lord Howe Island Board am of the opinion that the Lord Howe Island Board has internal audit and risk management processes in operation that are compliant with the seven (7) Core Requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector*, specifically:

### Core Requirements

<b>Risk Management Framework</b>		
1.1	The Accountable Authority shall accept ultimate responsibility and accountability for risk management in the agency.	<b>Compliant</b>
1.2	The Accountable Authority shall establish and maintain a risk management framework that is appropriate for the agency. The Accountable Authority shall ensure the framework is consistent with AS ISO 31000:2018.	<b>Compliant</b>
<b>Internal Audit Function</b>		
2.1	The Accountable Authority shall establish and maintain an internal audit function that is appropriate for the agency and fit for purpose.	<b>Compliant</b>
2.2	The Accountable Authority shall ensure the internal audit function operates consistent with the International Standards for the Professional Practice for Internal Auditing.	<b>Compliant</b>
2.3	The Accountable Authority shall ensure the agency has an Internal Audit Charter that is consistent with the content of the 'model charter'.	<b>Compliant</b>
<b>Audit and Risk Committee</b>		
3.1	The Accountable Authority shall establish and maintain efficient and effective arrangements for independent Audit and Risk Committee oversight to provide advice and guidance to the Accountable Authority on the agency's governance processes, risk management and control frameworks, and its external accountability obligations.	<b>Compliant</b>
3.2	The Accountable Authority shall ensure that the Audit and Risk Committee has a Charter that is consistent with the 'model charter'.	<b>Compliant</b>

## Membership

For the 2022-23 reporting period, the independent Chair and members of the Audit and Risk Committee were:

Role	Name	Start Term Date	Finish Term Date
Independent Chair	Penny Hutchinson	1 February 2020	30 September 2023*
Independent Member	Brian Blood	1 February 2020	30 September 2023*
Independent Member	Julie Elliott	1 November 2019	30 September 2023*
Independent Member	Alan Zammit	1 November 2019	31 October 2022

\* These appointments were extended to finish on 30 September 2023.

## Shared Arrangements

I, Atticus Fleming, Chair, Lord Howe Island Board advise that the Lord Howe Island Board has entered into an approved shared arrangement comprising the following:

- NSW Department of Planning and Environment
- NSW Environmental Trust
- Lord Howe Island Board

The resources shared include the Audit and Risk Committee, the Chief Audit Executive, and the internal audit function. The shared Audit and Risk Committee is a Principal Department Led Shared Audit and Risk Committee.



Atticus Fleming

Chair

Lord Howe Island Board

Date: 9.08.2023

Agency Contact:

Simonne Daly  
Executive Director Governance  
02 9585 6184

## PROMOTION

No overseas visits were conducted by Board employees or officers to promote investments on Lord Howe Island.

## ADDITIONAL MATTERS FOR INCLUSION IN ANNUAL REPORTS

### **Privacy and Personal Information Act 1998**

During the reporting period the Board received no applications under the *Privacy and Personal Information Protection Act 1998*.

The Board's Privacy Management Plan is available on its website [www.lhib.nsw.gov.au](http://www.lhib.nsw.gov.au).

### **After balance date events**

Nil.

### **External costs incurred in report production**

No external costs were incurred in the production of this report.

### **Report availability**

This report is available in the following formats:

Online at the Board's website [www.lhib.nsw.gov.au](http://www.lhib.nsw.gov.au) in electronic format, or hard copy on request to the Lord Howe Island Board Administration Office.

Note that hard copies will not be held in stock but printed as required. Prior notice is requested for persons wishing to collect a hard copy.



## EXEMPTIONS

Nil.

## NUMBERS AND RENUMERATION OF SENIOR EXECUTIVES

The Chief Executive Officer Lord Howe Island Board is a Public Service senior executive. This is the only executive band employee assigned to the Lord Howe Island Board.

The number of executive band employees on Island has not changed since the Board's establishment. This position is identified in the organisation structure of the NSW Department of Planning, Industry and Environment and reported with that department's annual statistics. The position was held during the reporting period by Ms Suzie Christensen.

## *GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009*

The Lord Howe Island Board has delegated its functions under section 9 of the Government Information (Public Access) Act 2009 (GIPA Act) to the Information Access and Privacy Unit of the NSW Department of Planning and Environment. Therefore, all statistical information about access applications required to be included in an annual report regarding the Board, in compliance with s125 of the GIPA Act and Clause 8 of the Government Information (Public Access) Regulation 2018, is included in the annual report for the Department of Planning and Environment.

## *CYBER SECURITY POLICY (CSP) ATTESTATION*

I, Suzie Christensen, Chief Executive Officer, am of the opinion that the Lord Howe Island Board has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Governance is in place to manage the cybersecurity maturity and initiatives of the Lord Howe Island Board.

Risks to the information and systems of Lord Howe Island Board are being assessed and managed.

The Lord Howe Island Board is doing the following to continuously improve the management of cyber security governance and resilience:

- Reviewing cyber security and technology policies to ensure alignment with the cluster and the NSW Government Cyber Security Policy.



Suzie Christensen  
CHIEF EXECUTIVE OFFICER  
07 September 2023

## PUBLIC INTEREST DISCLOSURES

The Board has adopted a Protected Disclosures Policy which establishes an internal reporting system for the reporting of disclosures of corrupt conduct, maladministration or serious and substantial waste of public money by the Lord Howe Island Board or its staff.

No public interest disclosures have been received by the Board.

## REQUIREMENTS ARISING FROM EMPLOYEE ARRANGEMENTS

*Lord Howe Island Act 1953*, Part 2, Division 1, Section 6: Persons may be employed in the Public Service under the *Government Sector Employment Act 2013* to enable the Board to exercise its functions.

Note. Section 59 of the *Government Sector Employment Act 2013* provides that the persons so employed (or whose services the Board makes use of) may be referred to as officers or employees, or members of staff, of the Board. Section 47A of the *Constitution Act 1902* precludes the Board from employing staff.

Personnel services were provided to the Lord Howe Island Board during the reporting period by the then NSW Department of Planning, Industry and Environment.

Staff are engaged under the *Government Sector Employment Act 2013* in accordance with the conditions of the following awards:

- Crown Employees (Lord Howe Island Board Salaries and Conditions 2009) Award
- Crown Employees (Public Service Conditions of Employment) Award 2009

# Sustainability



Lord Howe  
ISLAND BOARD

## WORKFORCE DIVERSITY

Information in the following tables is provided by the Workforce Information group in the Public Service Commission. Statistics disclosed are for staff employed under the Crown Employees (Lord Howe Island Board Salaries and Conditions 2009) Award.

Because the Board is a small organisation operating in a remote location with a small resident population, there are limited employment opportunities and limited capacity to attract and employ people with specialist skills and qualifications. The Board is one of the larger employers on the Island and it is a desirable place of employment. It is a good organisation with a dedicated and committed staff.

The Board's Workforce Plan takes account of the constraints in which the Board operates and contributes to the attraction, retention and development of a capable workforce that delivers the Board's strategies and ensures there is adequate and appropriately skilled staff employed in the most effective and sustainable way.

These constraints affect the Board's ability to meet the set benchmarks in relation to diversity in the workforce. There are no traditional owners of Lord Howe Island, and a limited number of people of Indigenous descent. Any employment decisions relating to a role within the public service is based on merit in accordance with the *Government Sector Employment Act 2013*.

### Statistical Information – Workforce diversity groups

<b>Workforce Diversity Group</b>	<b>Benchmark</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Women	50%	39.1%	43.5%	49.1%
Aboriginal people and Torres Strait Islanders	3.3%	0.0%	0.0%	0.0%
People whose first language was not English	23.2%	4.3%	4.3%	7.3%
People with a disability	5.6%	10.9%	6.5%	7.3%
People with a disability requiring work-related adjustment	N/A	8.7%	6.5%	5.5%

Note 1: The benchmark of 50% for representation of women across the sector is intended to reflect the gender composition of the NSW community.

Note 2: The NSW Public Sector Aboriginal Employment Strategy 2014 – 17 introduced an aspirational target of 1.8% by 2021 for each of the sector's salary bands. If the aspirational target of 1.8% is achieved in salary bands not currently at or above 1.8%, the cumulative representation of Aboriginal employees in the sector is expected to reach 3.3%.

Note 3: A benchmark from the Australian Bureau of Statistics (ABS) Census of Population and Housing has been included for People whose First Language Spoken as a Child was not English. The ABS Census does not provide information about first language, but does provide information about country of birth. The benchmark of 23.2% is the percentage of



the NSW general population born in a country where English is not the predominant language.

Note 4: In December 2017 the NSW Government announced the target of doubling the representation of people with disability in the NSW public sector from an estimated 2.7% to 5.6% by 2027. More information can be found at: [Jobs for People with Disability: A plan for the NSW public sector](#). The benchmark for 'People with Disability Requiring Work-Related Adjustment' was not updated.

**Table 5b. Trends in the Distribution Index for Workforce Diversity Groups**

Workforce Diversity Group	Benchmark	2021	2022	2023
Women	100	N/A	101	116
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A
People with a disability	100	N/A	N/A	N/A
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

Note 1: A Distribution Index score of 100 indicates that the distribution of members of the Workforce Diversity group across salary bands is equivalent to that of the rest of the workforce. A score less than 100 means that members of the Workforce Diversity group tend to be more concentrated at lower salary bands than is the case for other staff. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the Workforce Diversity group tend to be more concentrated at higher salary bands than is the case for other staff.

Note 2: The Distribution Index is not calculated when the number of employees in the Workforce Diversity group is less than 20 or when the number of other employees is less than 20.

## DISABILITY INCLUSION ACTION PLANS

The Board is not required to implement a disability inclusion action plan under the *Disability Inclusion Act 2014*.

## *MODERN SLAVERY ACT 2018 (NSW)*

This is the first Modern Slavery Statement for the Lord Howe Island Board made under the Modern Slavery Act 2018 (Cth). The purpose of this statement is to outline the approach to ensuring that Board has frameworks and processes in place to minimise the risk of modern slavery in our business operations and supply chain.

The Board recognise that slavery and human trafficking can occur in many forms, as considered in the Act. NSW LRS is fully committed to operating responsibly and establishing and adhering to the highest ethical standards across our group. We will not tolerate any forms of slavery in our business.

The risks of Modern Slavery in the Board supply chain are considered low. The Board has annual turnover of less than \$50m and all procurement over \$150k is done using NSW Government procurement frameworks and process that incorporate Modern Slavery risks. The Board is committed to continuous improvement and review the approach to addressing modern slavery with the supply chain by:

- Reviewing Modern Slavery requirements when procurement policies and procedures are reviewed
- Conducting review when appropriate on vendors
- Continuing to train all staff on supplier governance requirements.

## WORK HEALTH AND SAFETY

The following Work Health and Safety claim numbers and statistics are derived from icare Insurance for NSW data for the period ended 30 June 2023:

### Return to Work Data

Reporting Period	Count of Claims	Days Lost	Days Lost - 0-20	Days Lost - 21-40	Days Lost - >41
FY 20-21	13	331	10	1	2
FY 21-22	7	303	4	0	3
FY 22-23	4	0	4	0	0
<b>Total</b>	<b>24</b>	<b>635</b>	<b>18</b>	<b>1</b>	<b>5</b>

### Mechanism of Injury

Reporting Period	FY 20-21	FY 21-22	FY 22-23	Total
<b>Physical</b>	<b>13</b>	<b>4</b>	<b>4</b>	<b>21</b>
Falls on the same level	4	2		6
Hitting moving objects	3	1	3	7
Muscular stress while handling objects other than lifting, carrying or putting down	3			3
Muscular stress while lifting, carrying, or putting down objects		1	1	2
Muscular stress with no objects being handled	3			3
<b>Psychological</b>		<b>3</b>		<b>3</b>
Work pressure		2		2
Work related harassment and/or workplace bullying		1		1
<b>Total</b>	<b>13</b>	<b>7</b>	<b>4</b>	<b>24</b>

### Open Claims

Reporting Period	FY 14-15	FY 16-17	FY 18-19	FY 20-21	FY 22-23	Total
Open Claims	1	1	2	1	1	6

During the reporting period the Board commenced use of Camms Risk Workplace Health and Safety reporting software to improve incident, near miss and hazard data capture and management.

# Financial Performance



Lord Howe  
ISLAND BOARD

# FINANCIAL STATEMENTS



## INDEPENDENT AUDITOR'S REPORT

### Lord Howe Island Board

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of Lord Howe Island Board (the Board), which comprise the Statement by the Board, the 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 the Statement of Cash Flows, for the year then ended, notes comprising a Summary of Significant Accounting Policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Board's financial position, financial performance and cash flows.

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 Board 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 public sector agencies
- 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.

### The Members of the Board's Responsibilities for the Financial Statements

The Members of the Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulation and Treasurer's Directions. The Members of the Board's responsibility also includes such internal control as the members of the Board 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 members of the Board are responsible for assessing the Board'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](http://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 Board carried out its activities effectively, efficiently and economically
- 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.



Caroline Karakatsanis  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 October 2023  
SYDNEY



# LORD HOWE ISLAND BOARD

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

### STATEMENT BY THE BOARD

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018*, and in accordance with a resolution of the members of the Lord Howe Island Board, I state on behalf of the Board that the accompanying financial statements:

- (a) have been prepared in accordance with the Australian Accounting Standards and any other requirements specified by that *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* or the Treasurer's Directions, and
- (b) present fairly the Lord Howe Island Board's financial position as at 30 June 2023, and its financial performance and cash flows for the year ended 30 June 2023.



Chair

Name: Atticus Fleming AM

Dated: 25 October 2023

Lord Howe Island

# LORD HOWE ISLAND BOARD

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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# LORD HOWE ISLAND BOARD

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>REVENUE</b>			
Government contributions	2(a)	8,502	4,129
Sales of goods and services	2(b)	3,314	2,991
User charges and fees	2(c)	3,730	3,105
Investment income	2(d)	776	348
Grants and contributions	2(e)	2,595	2,870
Other income		45	354
<b>Total revenue</b>		<b>18,962</b>	<b>14,245</b>
<b>CONTINUING OPERATIONS EXPENSES EXCLUDING LOSSES</b>			
<b>EXPENSES</b>			
Personnel services	3(a)	5,768	5,319
Operating expenses	3(b)	7,470	5,805
Depreciation	7	3,713	3,624
Amortisation	9	6	6
Finance costs		63	73
Grants and subsidies		-	110
<b>Total expenses</b>		<b>17,020</b>	<b>14,937</b>
<b>Operating result</b>		<b>1,942</b>	<b>(1,140)</b>
Gain (Loss) on disposal of assets	2(f)	(14)	(45)
<b>Net result</b>		<b>1,928</b>	<b>(1,185)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Change in revaluation surplus		6,602	7,234
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>8,530</b>	<b>6,049</b>

The accompanying notes form part of these financial statements.

# LORD HOWE ISLAND BOARD

## STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	19,458	14,337
Receivables	5	1,702	2,060
Other Assets		55	77
Inventories	6	257	314
<b>Total Current Assets</b>		<b>21,472</b>	<b>16,788</b>
Infrastructure, property, plant & equipment	7	103,816	99,425
Intangible assets	9	21	27
<b>Total Non-Current Assets</b>		<b>103,837</b>	<b>99,452</b>
<b>TOTAL ASSETS</b>		<b>125,309</b>	<b>116,240</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	833	772
Contract liabilities	11	7,528	6,939
Provisions	13	1,426	1,550
<b>Total Current Liabilities</b>		<b>9,787</b>	<b>9,261</b>
<b>Non-Current Liabilities</b>			
Borrowings	12	4,835	4,898
Provisions	13	106	30
<b>Total Non-Current Liabilities</b>		<b>4,941</b>	<b>4,928</b>
<b>TOTAL LIABILITIES</b>		<b>14,728</b>	<b>14,189</b>
<b>NET ASSETS</b>		<b>110,581</b>	<b>102,051</b>
<b>EQUITY</b>			
Accumulated funds		12,764	10,836
Revaluation surplus	14	97,817	91,215
<b>TOTAL EQUITY</b>		<b>110,581</b>	<b>102,051</b>

The accompanying notes form part of these financial statements.

# LORD HOWE ISLAND BOARD

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2023

		2023		
	Note	Accumulated Funds \$'000	Revaluation Surplus \$'000	Total \$'000
OPENING BALANCE 1 JULY 2022		10,836	91,215	102,051
Operating Result		1,928	-	1,928
Other comprehensive income				
Gain / (loss) on revaluation of IPP&E	14	-	6,602	6,602
Total other comprehensive income		1,928	6,602	6,602
<b>CLOSING BALANCE 30 June 2023</b>		<b>12,764</b>	<b>97,817</b>	<b>110,581</b>

		2022		
	Note	Accumulated Funds \$'000	Revaluation Surplus \$'000	Total \$'000
OPENING BALANCE 1 JULY 2021		12,021	83,981	96,002
Operating Result		(1,185)	-	(1,185)
Other comprehensive income				
Gain / (loss) on revaluation of IPP&E	14	-	7,234	7,234
Total other comprehensive income		-	7,234	7,234
<b>CLOSING BALANCE 30 JUNE 2022</b>		<b>10,836</b>	<b>91,215</b>	<b>102,051</b>

The accompanying notes form part of these financial statements.

# LORD HOWE ISLAND BOARD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from customers		7,414	6,161
Grants received		11,686	12,734
Interest received		776	348
Other receipts		45	354
<b>Payments</b>			
Payments to personnel and suppliers		(13,222)	(11,111)
Payment of interest		(63)	(73)
<b>Net cash flows from operating activities</b>	<b>15</b>	<b>6,637</b>	<b>8,414</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments</b>			
Payments for property, plant and equipment		(1,516)	(240)
<b>Net cash flows from investing activities</b>		<b>(1,516)</b>	<b>(240)</b>
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,121</b>	<b>8,174</b>
Opening cash and cash equivalents		14,337	6,163
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>4</b>	<b>19,458</b>	<b>14,337</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Reporting entity

The Lord Howe Island Board (the Board) is a statutory body established under the provisions of the Lord Howe Island Act 1953 (the LHI Act). The Board's primary function is administering the affairs of Lord Howe Island.

The Board is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Board is a not-for-profit entity (as profit is not its principal objective). These financial statements for the year ended 30 June 2023 have been authorised for issue by the Lord Howe Island Board on 10 October 2023.

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

### (b) Going concern

The financial statements have been prepared on a going concern basis.

Fair value assessment of assets and liabilities has been completed for 30 June 2023 and disclosed in relevant notes to the financial statements. The fair value assessment as 30 June 2023 by independent valuers includes increases in value of land experienced across most regions and increase in construction costs for buildings and infrastructure due to supply chain issues.

### Basis of preparation

The entity's financial statements are general purpose financial statements which have been prepared on an accrual's basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the Government Sector Finance Act 2018 (the Act) and regulations, and
- Treasurer's Directions issued under the Act.

Infrastructure, property, plant and equipment and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions, and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

### **(c) Comparative information**

Except when an Australian accounting standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

### **(d) Statement of compliance**

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

### **(e) Accounting for the Goods and Services Tax**

Income, expenses, and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **(f) New accounting standards and interpretations adopted during the year**

During the year LHIB adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective for the financial year ended 30 June 2023. These standards did not have a significant impact on the reported financial position or financial performance:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current new accounting standards and interpretations
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 - 2020 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

There are no new accounting standards and interpretations have been published and fully formed that are mandatory for 30 June 2023 financial year.



## 2. REVENUE

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers. Comments regarding the accounting policies for the recognition of income are discussed below.

### (a) Government Contributions

Government contributions are those funds provided through the Department of Planning and Environment (DPE) and NSW Treasury (Treasury) to enable the Board to meet its statutory obligations within the LHI Act 1953. Generally, income from Government contributions is without sufficiently specific performance obligations and so is recognised when the Board obtains control over the granted assets (e.g. cash).

### (b) Sale of goods and services

Revenue from the sale of liquor is recognised when the Board has satisfied the applicable performance obligation, which is generally when the goods are provided to the customer. Revenue from electricity user charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the services being provided (i.e. receives electricity).

	2023	2022
	\$'000	\$'000
Electricity user charges	1,379	1,213
Liquor store sales	1,935	1,778
<b>TOTAL SALES OF GOODS AND SERVICES</b>	<b>3,314</b>	<b>2,991</b>

### (c) User charges and fees

User charges and fees are recognised as revenue when the respective service has been provided.

	2023	2022
	\$'000	\$'000
Electricity fees	7	3
Waste management fees	411	445
Airport user charges	1,169	856
Marine facilities user fees	397	352
Environmental fees	873	639
Business fees	394	372
Lease revenue	408	354
Other fees and charges	71	84
<b>TOTAL USER CHARGES AND FEES</b>	<b>3,730</b>	<b>3,105</b>

#### (d) Investment income

Interest revenue is recognised on an accrual basis using the effective interest rate method.

	2023	2022
	\$'000	\$'000
Interest income - unrestricted	418	9
Residential rent	153	145
Commercial rent	205	194
<b>TOTAL INVESTMENT INCOME</b>	<b>776</b>	<b>348</b>

#### (e) Grants and contributions

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred. Grants and contributions which do not have sufficiently specific performance obligations are recognised when the Board has an unconditional right to receive cash which usually coincides with receipt of cash.

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

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

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

##### Capital grants

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

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

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

### Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received.

For the 2023 financial year and onwards contributions from government organisations (non-DPE) that cannot be categorised as a grant will be shown as a separate line item to add transparency for the funding received.

The Board considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised, then income is recognised for any remaining amount i.e. difference between the fair value of the asset and the related amount recognised

	2023	2022
	\$'000	\$'000
Grants to construct assets	62	581
Grant with performance obligations	1456	1,332
Grant without sufficient performance obligations	442	957
Contributions	636	-
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>2,596</b>	<b>2,870</b>

### (f) Gain (Loss) on disposal of assets

A gain or loss on sale is determined when control of the asset has irrevocably passed to the buyer.

	2023	2022
	\$'000	\$'000
Gain(Loss) incurred from disposal of infrastructure, property, plant & equipment	-	(45)
Carrying amount	(14)	-
<b>Gain (Loss)</b>	<b>(14)</b>	<b>(45)</b>

### 3. EXPENSES

#### (a) Personnel Services expenses

	2023	2022
	\$'000	\$'000
Salaries and wages, including recreation leave	4,450	4,244
Board member fees	39	39
Extended leave	186	129
Superannuation	399	388
Workers' compensation insurance premium	255	209
Fringe benefits tax	36	41
Payroll tax	184	168
Re-measurement of defined benefit superannuation	6	4
Relocated personnel expenses	89	78
Staff training and conferences	121	15
Other personnel costs	3	4
<b>TOTAL PERSONNEL SERVICES EXPENSES</b>	<b>5,768</b>	<b>5,319</b>

The amount of personnel services costs that have been capitalised within infrastructure, property, plant and equipment, and therefore excluded from the above is \$52k (2022: \$33k).

The *Constitution Act 1902* precludes the Board from employing staff. The *Lord Howe Island Act 1953* allows that persons may be employed in the Public Service under the *Government Sector Employment Act 2013* to enable the Board to exercise its functions.

The *Government Sector Employment Act 2013* provides that the persons so employed (or whose services the Board makes use of) may be referred to as officers or employees, or members of staff, of the Board. Personnel services were provided to the Lord Howe Island Board during the reporting period by the NSW Department of Planning and Environment.

#### (b) Operating expenses

	2023	2022
	\$'000	\$'000
Bad debts	1	-
Communications & Information Technology	477	147
Contractors and consultants	3,487	2,461
External audit fee	93	94
Fuel	675	455
Insurance	214	168
Liquor Store – cost of sales	1,465	1,315
Materials purchased	671	806
Other expenses	387	359
<b>TOTAL OPERATING EXPENSES</b>	<b>7,470</b>	<b>5,805</b>

## Recognition and Measurement

### Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The premium expense is determined by the Fund Manager based on past claims experience.

## 4. CASH AND CASH EQUIVALENTS

	2023 \$'000	2022 \$'000
Cash on hand	1	1
Cash at bank	19,457	14,336
<b>TOTAL</b>	<b>19,458</b>	<b>14,337</b>

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value, and net of outstanding bank overdraft. Cash and cash equivalents at balance date subject to restrictions is:

	2023 \$'000	2022 \$'000
Purpose to which the use of cash is restricted:		
Emergency Management Facilities	116	296
Eradication of weeds & environmental management	908	605
Quarantine/biosecurity	460	2,978
Efficiency & Effectiveness (E&E) Implementation	2,673	-
Roads	1,697	-
SCCF-Community Centre/Mobile Phone Connectivity	790	-
E&E IT upgrades	380	-
Southern Precinct Masterplan	117	-
SCCF-Public Amenities	47	-
SCCF-Beach Access	38	-
Retention in relation to hybrid renewable energy assets	-	925
SCCF-Skate Park	218	-
Other purposes	51	251
<b>TOTAL EXTERNALLY RESTRICTED CASH</b>	<b>7,495</b>	<b>7,830</b>

External restrictions arise from contractual obligations applicable to some grants.

## 5. RECEIVABLES

### Recognition and Measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Trade receivables are generally due for settlement within 30 days.

### Subsequent measurement

The Board holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

### Impairment under AASB 9

The entity recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

NSW Treasury mandates the use of the simplified approach in AASB 9 to recognise a loss allowance for expected credit losses on all trade receivables, including those containing a significant financing component. NSW Treasury mandates the application of the practical expedient to calculate expected credit losses on trade receivables using a provision matrix.

The entity has reviewed receivables based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

	2023	2022
	\$'000	\$'000
<b>Current</b>		
Trade receivables	1,388	1,098
Allowance for expected credit losses	(10)	(10)
Grant receivables	252	932
Workers' compensation receivables	63	40
GST Receivable	9	-
<b>TOTAL RECEIVABLES</b>	<b>1,702</b>	<b>2,060</b>

## 6. INVENTORIES

### Recognition and measurement

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs of liquor inventory include inward freight costs, rebates, and discounts.

Diesel fuel stocks held for the generation of electric power on the Island are valued at cost, which includes freight inwards charges. Costs are assigned to closing stocks by using the weighted average cost method.

Other inventories are valued at cost, which includes freight inwards charges. Costs are assigned to closing stocks by using the weighted average cost method.

	2023 \$'000	2022 \$'000
<b>HELD FOR CONSUMPTION</b>		
Diesel fuel – at cost	74	63
Construction materials – at cost	9	13
Other – at cost	-	1
<b>Total</b>	<b>83</b>	<b>77</b>
<b>HELD FOR RESALE</b>		
Liquor – at cost	174	237
<b>Total</b>	<b>174</b>	<b>237</b>
<b>TOTAL INVENTORIES</b>	<b>257</b>	<b>314</b>

## 7. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

### Asset classes

The Board has ten classes of Infrastructure, Property, Plant and Equipment (IPPE) assets which are grouped, for disclosure purposes, under four headings. The asset classes and corresponding headings are:

- Land;
- Buildings (comprising public facilities, commercial and residential buildings);
- Plant and Equipment (comprising motor vehicles, office equipment and other plant and equipment);
- Infrastructure Systems (comprising airport assets, electricity assets, marine facilities, roads, walking tracks and other infrastructure assets).

## Acquisition and capitalisation

IPPE assets are initially recorded at cost for individual IPPE items which cost \$5,000 or more.

Cost is the amount of cash or cash equivalents paid, or the fair value of the other consideration given, to acquire the asset at the time of its acquisition or construction. Costs incurred subsequent to initial recording or the most recent valuation are included in the asset's carrying amount or recognised as a separate asset, as appropriate.

## Subsequent measurement

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP21-09), AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement

Subsequent to initial recording, all IPPE items other than Plant and Equipment, are measured at fair value. Asset classes are periodically valued by independent expert valuers.

The Board assesses at each balance date whether there is objective evidence that an asset is impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

## Asset revaluation

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use, in the case of the Board, is the existing use. This is after taking into account the characteristics of the assets and any socio-political restrictions imposed by government.

Revaluations are made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. Land and Buildings are independently revalued every three years, and Infrastructure Systems assets are independently revalued at least every five years. The last revaluations for each class of IPPE assets were:

Valuer	Asset Class	Date of Comprehensive Revaluation
Australis Asset Advisory Group	Infrastructure systems (marine facilities, roadworks, airport, public facilities and amenities and other infrastructure assets)	30 June 2020
Australis Asset Advisory Group	Infrastructure systems (electricity assets and walking tracks)	30 June 2021
Valustate Pty Ltd	Commercial buildings	30 June 2020
Valustate Pty Ltd	Land and Residential buildings	17 March 2021



The current replacement cost method is used in each valuation of specialised assets. The key inputs to the current replacement cost valuations are mostly unobservable inputs (Level 3), including:

- estimates of current costs to replace the respective asset; and
- an estimate of the extent of physical deterioration or other obsolescence of the asset in its current condition relative to its condition if new.

Desktop revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from carrying value. A Desktop revaluation was completed on 30 June 2023 for land, buildings and general infrastructure. The entity used an external professionally qualified value to conduct the desktop revaluation.

Increases in the carrying amounts arising on revaluation are credited to the revaluation surplus. To the extent that the increase reverses a revaluation decrement previously recognised in net result, the increase is first recognised in the net result in the statement of comprehensive income.

Decreases that reverse previous increases are first charged against revaluation surplus to the extent of the remaining surplus attributable to the respective asset class. Other revaluation decrements are charged to net result in the statement of comprehensive income.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of IPPE, but not otherwise.

## Depreciation

Land is not depreciated. Depreciation of other IPPE assets is estimated using the straight-line method to allocate its cost or valuation, net of the applicable residual value, over the estimated useful life.

The range of useful lives of individual depreciable assets within each IPPE asset class are:

Asset Class	Sub-Asset Class	Range of Useful Lives
Buildings	Buildings	25 years
Plant and Equipment	Motor vehicles	10 years
	Office equipment	3 to 5 years
	Other plant and equipment	5 to 10 years
Infrastructure Systems	Airport assets	10 to 100 years
	Electricity assets	10 to 80 years
	Marine facilities	10 to 60 years
	Roadworks	12 to 25 years
	Walking tracks	10 to 50 years
	Other infrastructure	10 to 60 years

## Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Board assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

There are no impairment indicators for property, plant and equipment as at 30 June 2023.

### Total Infrastructure, Property, Plant and Equipment (2023)

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
<b>AT 1 JULY 2022 – FAIR VALUE</b>						
Gross carrying amount	20,356	17,675	4,633	97,899	139	140,702
Accumulated depreciation and impairment	-	(8,518)	(2,760)	(29,999)	-	(41,277)
<b>NET CARRYING AMOUNT</b>	<b>20,356</b>	<b>9,157</b>	<b>1,873</b>	<b>67,900</b>	<b>139</b>	<b>99,425</b>
<b>AT 30 June 2023 – FAIR VALUE</b>						
Gross carrying amount	20,356	19,273	4,592	107,615	384	152,220
Accumulated depreciation and impairment	-	(9,677)	(2,876)	(35,851)	-	(48,404)
<b>NET CARRYING AMOUNT</b>	<b>20,356</b>	<b>9,596</b>	<b>1,716</b>	<b>71,764</b>	<b>33,238</b>	<b>103,816</b>

## Reconciliation (2023)

A reconciliation of the net carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
<b>AT 01 JULY 2022</b>	20,356	9,157	1,873	67,900	139	99,425
Additions	-	255	178	839	331	1,603
Disposals	-	-	(15)	-	-	(15)
Net revaluation increments	-	668	-	5,934	-	6,602
Depreciation expense	-	(484)	(320)	(2,909)	-	(3,713)
Transfers / adjustments	-	-	-	-	(86)	(86)
<b>AT 30 June 2023</b>	<b>20,356</b>	<b>9,596</b>	<b>1,716</b>	<b>71,764</b>	<b>384</b>	<b>103,816</b>

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
<b>AT 01 JULY 2021 -</b>	19,860	8,784	2,018	64,614	378	95,654
Additions	-	19	171	255	-	445
Disposals	-	-	(15)	(30)	-	(45)
Net revaluation increments	496	832	-	5,906	-	7,234
Depreciation expense	-	(478)	(301)	(2,845)	-	(3,624)
Transfers / adjustments	-	-	-	-	(239)	(239)
<b>AT 30 JUNE 2022</b>	<b>20,356</b>	<b>9,157</b>	<b>1,873</b>	<b>67,900</b>	<b>139</b>	<b>99,425</b>

## 8. FAIR VALUE MEASUREMENT

### (a) Fair value measurement accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the entity categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets /liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The entity recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values of buildings and infrastructure assets are determined by reference to local cost structures, which are generally significantly higher than in most other parts of Australia, due to high transport costs arising from the remoteness of the island.

The fair value hierarchy within which the fair value measurements are categorised, for each respective asset class at 30 June 2023 are:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>NON-FINANCIAL ASSETS</b>				
Land	-	-	20,356	20,356
Buildings	-	-	9,596	9,596
Infrastructure systems	-	-	71,764	71,764
<b>TOTAL</b>	-	-	<b>101,716</b>	<b>101,716</b>

Comparative amounts at 30 June 2022 were:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>NON-FINANCIAL ASSETS</b>				
Land	-	-	20,356	20,356
Buildings	-	-	9,157	9,157
Infrastructure systems	-	-	67,900	67,900
<b>TOTAL</b>	-	-	<b>97,413</b>	<b>97,413</b>

## (b) Valuation techniques and significant unobservable inputs (Level 3)

### Land

All land on the island is vested in the Crown. Three categories of land have been recognised:

- Land leased or subject to permissive occupancies (as an operating lease);
- Crown land reserved or dedicated for a public purpose; and
- Lord Howe Island Permanent Park Preserve.

The 'valuation in use' method has been used for leased land, under which the respective lease rentals are an observable (and fixed) input and the capitalisation rate used is an unobservable input.

Perpetual leases can be transferred among island residents, albeit such transfers are very infrequent. Crown Land that is subject to perpetual leases (including leases where there is a statutory right to buy the freehold) is valued at the present value of net cash flows received under the leases. Market evidence was also used as a valuation technique.

The Crown land reserved or dedicated for public purposes has been measured by reference to the area involved, in square metres (a fixed and observable input) and valued by applying to it an amount per square metre of land. The rate per square metre of Crown land reserved or dedicated for public purposes has been estimated by using, as a guide, historical transfer values for perpetual leases of as near to similar parcels of land as can be identified (a proxy value per square metre for such land).

The permanent park preserve land is subject to significant restrictions – it may not be leased and has virtually no potential for development. The value of this land has been determined by applying to the land area involved (a fixed and observable input), a value per hectare (an unobservable input). The value per hectare has been estimated based on historic sale values for a range of similar unimproved land within mainland New South Wales.

### **Buildings**

The valuation of each building at replacement cost reflects the size and design of the respective building, as well as the materials used (all of which are observable inputs) but also includes unobservable inputs in the form of estimated replacement costs for such materials and the requisite labour and other services required for construction. Some commercial buildings were comprehensively revalued during the year ended 30 June 2020, while the remaining commercial and residential buildings were comprehensively revalued at 17 March 2021. A comprehensive revaluation is expected to occur in the 2024 financial year.

There are different types of commercial buildings with some being utilised by the board and others being commercially leased.

The 2022-23 indices are based on analysis of producer price indices, import indices, wage price index, local government and a construction indices over the subject period. The valuer reviewed the Rawlinson's Construction Handbook and analysis the impact of the movements in the building price index.

### **Infrastructure Systems**

The Cost Approach determines the cost to a market participant to acquire or construct a substitute asset of comparable utility/service potential, adjusted for obsolescence. Due to no directly attributed income to any individual assets, the Cost Approach was used for valuation of the following asset sub-classes:

#### **i) Airport assets**

Major individual airport assets were re-constructed during the year ended 30 June 2016, including the runway. Airport assets were all comprehensively revalued with significant increases on 30 June 2020.

#### **ii) Electricity assets**

Electricity assets include electricity generation and electricity distribution. Unobservable inputs requiring professional judgement when assessing fair value included assessment of asset condition, of ongoing load and consideration of the Board's maintenance program. Electrical assets, including the new renewable energy assets, were comprehensively revalued on 30 June 2021.

### iii) Marine facilities

Most of the value of these assets is represented by the value of the island's wharf. The fair value of marine facilities is also affected by the estimated total useful life of such assets and by its estimated remaining useful life, the latter of which is assessed by reference to the physical condition of each asset.

### iv) Roads

All roads have been classified within three different categories:

- category 1: sealed primary road;
- category 2: sealed internal road; and
- category 3: unsealed road.

The physical composition of each road varies according to its category, and each sealed road comprises both:

- pavement; and
- bitumen seal

The replacement cost of each road has been determined by applying, separately to each of its pavement and bitumen seal components, estimates of current construction costs per square metre (unobservable inputs).

### v) Walking tracks

There are thirteen walking tracks and the separate components of each track, including stairs, bridges, viewing platforms, ropes, and anchors. These assets were independently valued during the 2021 financial year for the first time.

The 2022-23 indices are based on analysis of producer price indices, import indices, wage price index, local government, and construction indices, as well as any currency fluctuations over the subject period. The valuer has analysed and developed several composite index factors, which include Civil, Mechanical, Electrical and Reticulation categories.

## (c) Reconciliation of recurring Level 3 fair value measurements

	Land	Buildings	Infrastructure systems	Total Recurring Level 3 Fair Value
	\$'000	\$'000	\$'000	\$'000
Fair value as at 1 July 2022	20,356	9,157	67,900	97,413
Additions	-	255	839	1,094
Net revaluation increments	-	668	5,934	6,602
Transfers	-	-	-	-
Disposals	-	-	-	-
Impairment Loss	-	-	-	-
Depreciation expense	-	(484)	(2,909)	(3,393)
<b>Fair value as at 30 June 2023</b>	<b>20,356</b>	<b>9,596</b>	<b>71,764</b>	<b>101,716</b>

## Comparative reconciliation for 2022

	Land	Buildings	Infrastructure systems	Total Recurring Level 3 Fair Value
Fair value as at 1 July 2021	19,860	8,784	64,614	93,258
Additions	-	19	256	275
Net revaluation increments	496	832	5,906	7,234
Transfers	-	-	-	-
Disposals	-	-	(31)	(31)
Impairment Loss	-	-	-	-
Depreciation expense	-	(478)	(2,845)	(3,323)
<b>Fair value as at 30 June 2022</b>	<b>20,356</b>	<b>9,157</b>	<b>67,900</b>	<b>97,413</b>

## 9. INTANGIBLE ASSETS

	2023 \$'000	2022 \$'000
Software - at cost	281	281
Accumulated amortisation	(260)	(254)
<b>TOTAL</b>	<b>21</b>	<b>27</b>

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised. Software costs capitalised are subsequently amortised on a straight-line basis over a five-year period.

The Board assesses at each balance date whether there is objective evidence that an asset is impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

### Reconciliation (2023)

A reconciliation of the net carrying amount of intangible assets at the beginning and end of the current reporting period is set out below:

	Software \$'000
Net carrying value as at 1 July 2022	27
Amortisation expense	(6)
<b>Net carrying value as at 30 June 2023</b>	<b>21</b>

## 10. PAYABLES

	2023	2022
	\$'000	\$'000
<b>Current</b>		
Trade creditors and accrued expenses	715	700
Accrued personnel services expenses	112	49
Security deposits	6	7
Net GST payable	-	16
<b>TOTAL</b>	<b>833</b>	<b>772</b>

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 18.

Payables represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. Trade payables are recognised initially at fair value, usually based on the transaction cost or face value. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. These are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process. The Board receives personnel services provided through the NSW Department of Planning and Environment.

The current obligations included in this Note do not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

## 11. CONTRACT LIABILITIES

	2023	2022
	\$'000	\$'000
Grant/contribution related contract liabilities	7,495	6,905
Fees and charges received in advance	9	11
Other receipts in advance	24	23
<b>TOTAL</b>	<b>7,528</b>	<b>6,939</b>

Contract liabilities are recorded when payment is made or due (whichever is earlier) prior to the Board transferring a good or service to the customer for which the Board has received consideration (or an amount of consideration is due) from the customer.



## 12. BORROWINGS

	2023 \$'000	2022 \$'000
<b>Non-current</b>		
TCorp borrowings	4,835	4,898
<b>TOTAL</b>	<b>4,835</b>	<b>4,898</b>

### Recognition and measurement

Borrowings classified as financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised net result when the liabilities are derecognised as well as through the amortisation process.

### Changes in liabilities arising from financing activities

	TCorp borrowings \$'000	Total liabilities from financial activities \$'000
Opening Balance 1 July 2022	4,898	4,898
Cash Flows	(63)	(63)
<b>Closing balance 30 June 2023</b>	<b>4,835</b>	<b>4,835</b>

Unrestricted access was available at the reporting date to the following finance facilities:

	2023 \$'000	2022 \$'000
<b>Total facilities</b>		
TCorp loan limit	5,900	5,900
<b>Undrawn limit at the reporting date</b>		
TCorp	1,065	1,002

TCorp loan repayments commence in March 2025. Note 18 provides information on the timing of loan repayments.

### 13. PROVISIONS

	2023 \$'000	2022 \$'000
<b>Current</b>		
Personnel Services - Recreation Leave	434	381
Personnel Services - Extended Leave	858	843
Performance payment to renewable energy contractor	-	149
Removal of bulky waste materials	134	177
<b>TOTAL</b>	<b>1,426</b>	<b>1,550</b>
<b>Non-current</b>		
Extended leave	106	31
<b>TOTAL</b>	<b>106</b>	<b>31</b>
<b>TOTAL PROVISIONS</b>	<b>1,532</b>	<b>1,581</b>

Liability amounts equivalent to extended leave and recreation leave which is not expected to be wholly settled within twelve months after the end of the period in which the personnel render the related service are measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of personnel departures and periods of service.

#### Movements in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Performance payment to renewable energy contractor \$'000	Removal of bulky waste materials \$'000	Total \$'000
Carrying amount at 1 July 2022	149	177	326
Amounts used	(149)	(43)	(192)
<b>Carrying amount at 30 June 2023</b>	<b>-</b>	<b>134</b>	<b>134</b>

#### Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

#### Other provisions

Provisions are recognised when: the entity has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

## 14. REVALUATION SURPLUS

Revaluation surplus represents the net accumulated revaluation increments and decrements arising from revaluation of certain asset classes among the Board's IPPE assets.

	2023 \$'000	2022 \$'000
Land	17,086	17,086
Buildings	11,356	10,688
Infrastructure Systems	69,375	63,441
<b>TOTAL</b>	<b>97,817</b>	<b>91,215</b>

The movement in Revaluation Surplus during the year were:

	2023 \$'000	2022 \$'000
Net book amount at 1 July	91,215	83,981
Net increment on revaluation of land	-	496
Net increment on revaluation of buildings	668	832
Net increment on revaluation of infrastructure assets	5,934	5,906
<b>TOTAL</b>	<b>97,817</b>	<b>91,215</b>

## 15. RECONCILIATION OF NET RESULT TO NET CASH FLOWS - OPERATING ACTIVITIES

	Notes	2023 \$'000	2022 \$'000
<b>NET RESULT FROM THE STATEMENT OF COMPREHENSIVE INCOME</b>		1,928	(1,185)
<b>Non-cash flows in result</b>			
Accrued interest		(63)	
Depreciation and amortisation	7	3,719	3,630
(Net gain) / loss on sale of property, plant and equipment	2(f)	14	45
<b>Changes in assets and liabilities</b>			
(Increase) / Decrease in receivables		358	65
(Increase) / Decrease in inventories		57	149
(Increase) / Decrease in other current assets		22	(48)
Increase / (Decrease) in payables, provisions		13	(628)
(Increase) / Decrease in contract assets		-	25
Increase / (Decrease) in contract liabilities		589	6,362
<b>Net cash flows from operating activities</b>		<b>6,637</b>	<b>8,414</b>

## 16. COMMITMENTS

	2023	2022
	\$'000	\$'000
<b>CAPITAL EXPENDITURE COMMITMENTS</b>		
Capital expenditure commitments at the reporting date not recognised as liabilities are payable not later than one year		
Infrastructure, property, plant and equipment	387	298
<b>TOTAL</b>	<b>387</b>	<b>298</b>

The amounts shown above are GST inclusive.

## 17. RELATED PARTY DISCLOSURES

The Board relies on ongoing financial support from the New South Wales Government. The Board has no subsidiaries, associates or joint ventures.

### (a) Key management personnel

The key management personnel of the Board during the year ended 30 June 2023 were:

- Mr Atticus Fleming, being Appointed Chair, appointed by the NSW Government from 01 January 2021;
- Ms Christine Bath and Mr Bruce Baird, Board members appointed by the NSW Government;
- Mrs Therese Turner, Mr Craig Wilson (from 1 July 2021 to 7 February 2022), Mr Gary Crombie, Mr Matthew Retmock and Mr James Lonergan being islander elected members of the Board;
- Ms Suzie Christensen, Chief Executive Officer from 6 December 2021.

### (b) Remuneration

The remuneration of key management personnel, whether paid directly or indirectly by the Board was:

	2023	2022
	\$'000	\$'000
Short-term benefits	318	345
Post-retirement benefits	32	29
<b>TOTAL</b>	<b>350</b>	<b>374</b>

Short term benefits include fees paid to Board members and personnel services costs (reflecting salaries and wages, paid recreation leave, paid sick leave and non-monetary benefits, such as subsidised housing) in relation to the Chief Executive Officer. Post-retirement benefits include superannuation contributions, pension payments and other retirement benefits.

### **(c) Relationships**

The Board is the sole provider of certain goods and services to residents of Lord Howe Island (“LHI”), so key management personnel (and close members of their respective families) who are resident on the island have no choice but to transact with the Board for such goods and services, such as electricity supply and waste management services.

All transactions entered into during the year with key management personnel (and close members of their respective families) were entered into in the normal course of business on an ‘arms-length’ basis. The Board has the following additional relationships with key management personnel and/or close members of their respective families:

Mrs Therese Turner

Perpetual lease of property in Mutton Bird Drive, LHI as lessee from the Board as lessor.

Mr Gary Crombie

Perpetual leases of two properties (one each in Anderson Road and Mutton Bird Drive, LHI) as lessee from the Board as lessor.

Mr Crombie’s daughter owns and operates The Butcher The Baker business (trading as Thompson’s Store) in Ned’s Beach Road, LHI. The Butcher The Baker is both a customer of, and a supplier to, the Board, from time to time.

Mr Matthew Retmock

Perpetual lease of property in Lagoon Road, LHI as lessee from the Board as lessor.

Mr James M Lonergan

A property in Lagoon Road, LHI is the subject of a perpetual lease to Mr Lonergan and his wife.

Mrs Suzie Christensen

Residential lease of the Government House property as lessee from the Board as lessor (for a below-market rental amount as part of the CEO’s remuneration arrangements, in accordance with a Board policy). The amount involved is included in the short-term benefits amount shown in Note 17.(b).

The transactions pertain to Rates received from Board members for the leased properties and the amount are not material.

### **(d) Transactions and balances**

The total amount of contribution and grant revenue transactions with other New South Wales government agencies is shown in Note 2(a) and Note 2(e). The major agencies involved are the New South Wales Treasury, the Department of Planning and Environment, the NSW Environment Trust and TCorp.

## 18. FINANCIAL RISK MANAGEMENT

### (a) Objectives and policies

The Board's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risks (price risk and interest rate risk). The Board does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

The Board has the overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies have been established to identify and analyse the risks faced by the Board, to set risk limits and establish controls to monitor risks. Compliance with policies is reviewed on a periodic basis.

The Board's financial risk management objective is to maximise its return on cash and investments, whilst maintaining an adequate level of liquidity and preserving capital.

### (b) Financial instrument categories

The Board's financial assets, comprise:

- cash and cash equivalents (predominantly bank term deposits and monies invested in a TCorpIM Cash Fund); and
- receivables.

TCorp IM Cash Fund invests in Australian cash and fixed interest securities. The unit price of the fund is equal to the total fair value of the net assets of the fund divided by the total number of units on issue for that fund.

The Board's only financial liabilities are payables and a loan from TCorp.

The Board's business model in relation to using financial instruments is for investment rather than trading purposes. The Board also does not enter hedging arrangements.

### (c) Fair value compared to carrying amount

The Board held the following financial instruments at balance date:

	Note	Category	Carrying value		Fair value	
			2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	4	Amortised cost	19,458	14,337	19,458	14,337
Receivables (excluding statutory receivables)	5	Amortised cost	1,768	2,406	1,768	2,406
<b>FINANCIAL LIABILITIES</b>						
Payables (excluding statutory payables)	10	Financial liabilities measured at amortised cost	833	755	833	755
Borrowings	12	Financial liabilities measured at amortised cost	4,835	4,898	4,247	4,282

#### (d) Credit risk

A key risk associated with cash and cash equivalents and receivables is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Board.

These risks are mitigated by:

- the major Australian bank with which the Board’s short-term deposit is lodged has AA- long term credit ratings from major global credit rating agencies;
- TCorp is a managed investment pool. TCorp appoints and monitors fund managers, and establishes and monitors the application of appropriate investment guidelines; and
- monitoring outstanding debt and employing stringent debt recovery policies in relation to receivables.

The Board places funds on deposit with one of Australia’s ‘big four’ banks (rated AA-) and/or with TCorp, which is rated “AAA” by Standards and Poor’s. These deposits are either “at call” or have short term maturity. No collateral is held by the Board in relation to its financial assets.

Collectability of receivables is reviewed on an ongoing basis. Procedures established in the Treasurer’s Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for expected credit losses is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experiences, and current and expected changes in economic conditions and debtor credit ratings. There was no additional expected credit loss provision recognised in the financial statements as at 30 June 2023. No interest is earned on receivables. Liquor sales are made on cash or 30-day credit terms.

The Board is not materially exposed to concentrations of credit risk to a single counterparty or counterparty group within its debtors.

The profile of the Board's credit risk was:

	Totals \$'000	Past due but not impaired \$'000	Considered impaired \$'000
<b>2023</b>			
Amounts < 3 months overdue	147	147	-
Amounts 3 - 6 months overdue	286	279	7
Amounts 7 – 9 months overdue	6	4	2
Amounts 9 – 12 months overdue	1	-	1
<b>TOTAL</b>	<b>441</b>	<b>431</b>	<b>10</b>
<b>2022</b>			
Amounts < 3 months overdue	731	186	-
Amounts 3 - 6 months overdue	364	357	7
Amounts 7 – 9 months overdue	2	-	2
Amounts 9 – 12 months overdue	1	-	1
<b>TOTAL</b>	<b>1,098</b>	<b>543</b>	<b>10</b>

The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7.

#### (e) Liquidity risk

Payables are 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. The Board manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Liabilities are recognised for amounts due to be paid in the future for goods or services. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. NSW TC 11/12 allows the Minister to award interest for late payment. No interest for late payment was awarded during the year ended 30 June 2023 (2022: \$nil).



The undiscounted contractual cash flows of the Board's payables and borrowings are set out below:

	Due within 1 year \$'000	Due between 1 and 5 years \$'000	Due after 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
<b>30 June 2023</b>					
Payables	833	-	-	833	833
Borrowings	126	3,313	1,721	5,160	4,835
<b>TOTAL</b>	<b>959</b>	<b>3,313</b>	<b>1,721</b>	<b>5,993</b>	<b>5,668</b>
<b>30 JUNE 2022</b>					
Payables	767	-	-	767	767
Borrowings	126	2,313	2,818	5,257	4,898
<b>TOTAL</b>	<b>893</b>	<b>2,313</b>	<b>2,818</b>	<b>6,024</b>	<b>5,665</b>

**(f) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Board's exposure to market risk is primarily through interest rate risk. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

**(g) Interest rate risk**

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Board has interest-bearing assets or liabilities comprising investments in a TCorpIM Cash Fund, short term bank term deposits and a TCorp loan. There is no interest rate risk on bank term deposits as the applicable interest rate is fixed for the term of the deposit. TCorp has advised that +/- 1% per annum is the appropriate sensitivity percentage for the TCorpIM Cash Fund. There is no interest risk on borrowings as interest rates are fixed.

Accordingly, the Board's exposure to interest rate risk is:

	Carrying Amount \$'000	Profit \$'000	-1.0% Equity \$'000	+1.0% Profit \$'000	Equity \$'000
<b>30 June 2023</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	19,458	(195)	(195)	195	195
<b>TOTAL INCREASE / (DECREASE)</b>		<b>(195)</b>	<b>(195)</b>	<b>195</b>	<b>195</b>
<b>30 JUNE 2022</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	14,337	(143)	(143)	143	143
<b>TOTAL INCREASE / (DECREASE)</b>		<b>(143)</b>	<b>(143)</b>	<b>143</b>	<b>143</b>

## 19. CONTINGENT ASSETS AND LIABILITIES

### Waste Management Compliance Obligation

The Environmental Protection Agency (EPA) has issued a Pollution Reduction Program (PRP) requiring the Board to upgrade the waste management facility to achieve applicable compliance standards. The Board commissioned an independent report and plan for the upgrade and prepared a costed project plan as required by the EPA order. The NSW State Government has included the construction costs for the new waste management facility in its 2023/24 budget and will construct the waste management facility at no cost to the Board before transferring control and ongoing operational cost responsibility to the Board.

## 20. IMPACT OF COVID-RELATED RESTRICTIONS

Lord Howe Island was placed under a COVID-related 'lockdown' from 26 June 2021 to 23 October 2021. The economy of the island is tourism-dependent so the lockdown resulted directly in adverse impacts for island residents and businesses as well as the Board, due to reduced tourist numbers.

The Board also incurred indirect adverse impacts through it providing financial support to island businesses and individuals, primarily in the form of relief from certain fees and charges.

The estimated financial impact of COVID-related restrictions on the Board during the year ended 30 June 2023, compared to the estimated impact during the year ended 30 June 2022 is set out below:

	2023 \$'000	2022 \$'000
Reduced Liquor Store sales	-	-
Reduced passenger landing fees and environmental levies	-	852
Reduced revenue from other fees and charges	-	24
COVID-related expenses	-	-
<b>ESTIMATED NET IMPACT</b>	<b>-</b>	<b>876</b>

## 21. EVENTS OCCURRING AFTER BALANCE DATE

The NSW State Government announced significant funding for critical infrastructure for Lord Howe Island in the 2023/24 budget, to secure a long-term freight service and upgrade the waste management facility. The funding announced means the Board in partnership with NSW Government agencies can progress plans for a replacement vessel, and modernised wharf facilities, to ensure the community has a reliable marine freight service tailored to the needs of Lord Howe. It also provides for the upgrade to the Waste Management Facility required by the EPA to ensure compliance and safety.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Board's operations, the results of those operations, or the Board's state of affairs, in future financial years.

END OF AUDITED FINANCIAL STATEMENTS



Lord Howe  
ISLAND BOARD