



LAKE MACQUARIE CITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021



Lake Macquarie City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Lake Macquarie City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	89
On the Financial Statements (Sect 417 [3])	92

Lake Macquarie City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2021.



Kay Fraser

Mayor

25 October 2021



Christine Buckley

Deputy Mayor

25 October 2021



Morven Cameron

General Manager

25 October 2021



Dwight Graham

Responsible Accounting Officer

25 October 2021

Lake Macquarie City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations				
180,290	Rates and annual charges	B2-1	183,752	177,019
19,272	User charges and fees	B2-2	22,668	17,484
8,309	Other revenue	B2-3	5,774	8,155
29,969	Grants and contributions provided for operating purposes	B2-4	28,379	30,006
48,473	Grants and contributions provided for capital purposes	B2-4	56,545	55,543
5,114	Interest and investment income	B2-5	7,388	6,655
5,013	Other income	B2-6	12,105	4,391
296,440	Total income from continuing operations		316,611	299,253
Expenses from continuing operations				
100,945	Employee benefits and on-costs	B3-1	95,260	95,586
73,394	Materials and services *	B3-2	68,386	71,997
8,287	Borrowing costs	B3-3	4,329	7,226
61,867	Depreciation, amortisation and impairment for non-financial assets	B3-4	69,640	60,666
14,939	Other expenses *	B3-5	14,809	16,102
—	Net losses from the disposal of assets	B4-1	5,510	3,658
259,432	Total expenses from continuing operations		257,934	255,235
37,008	Operating result from continuing operations		58,677	44,018
37,008	Net operating result for the year attributable to Council		58,677	44,018
Net operating result for the year before grants and contributions provided for capital purposes				
(11,465)			2,132	(11,525)

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

(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2020/21.

Lake Macquarie City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		58,677	44,018
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	44,670	484,558
Other movements		–	(494)
Total items which will not be reclassified subsequently to the operating result		44,670	484,064
Total other comprehensive income for the year		44,670	484,064
Total comprehensive income for the year attributable to Council		103,347	528,082

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

Lake Macquarie City Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	17,509	19,847
Investments	C1-2	242,722	196,840
Receivables	C1-4	16,647	15,832
Inventories	C1-5	1,024	1,633
Other	C1-9	371	1,884
Total current assets		278,273	236,036
Non-current assets			
Investments	C1-2	70,973	87,984
Receivables	C1-4	1,893	1,523
Inventories	C1-5	5,088	3,416
Infrastructure, property, plant and equipment	C1-6	3,201,529	3,110,751
Investment property	C1-7	45,621	40,960
Intangible Assets	C1-8	8,320	7,866
Right of use assets	C2-1	644	292
Investments accounted for using the equity method	D2-1	720	902
Other	C1-9	—	199
Total non-current assets		3,334,788	3,253,893
Total assets		3,613,061	3,489,929
LIABILITIES			
Current liabilities			
Payables	C3-1	25,843	24,002
Contract liabilities	C3-2	5,393	755
Lease liabilities	C2-1	166	189
Borrowings	C3-3	8,680	7,433
Employee benefit provisions *	C3-4	41,077	42,416
Provisions *	C3-5	45,876	47,394
Total current liabilities		127,035	122,189
Non-current liabilities			
Lease liabilities	C2-1	486	108
Borrowings	C3-3	195,013	178,620
Employee benefit provisions *	C3-4	1,385	1,671
Provisions *	C3-5	22,872	24,418
Total non-current liabilities		219,756	204,817
Total liabilities		346,791	327,006
Net assets		3,266,270	3,162,923
EQUITY			
Accumulated surplus	C4-1	1,416,031	1,357,354
IPPE revaluation reserve	C4-1	1,850,239	1,805,569
Total equity		3,266,270	3,162,923

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

(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2020/21.

Lake Macquarie City Council

Statement of Changes in Equity

for the year ended 30 June 2021

	as at 30/06/21			as at 30/06/20		
	Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Notes						
Opening balance at 1 July	1,357,354	1,805,569	3,162,923	1,315,042	1,321,011	2,636,053
Changes due to AASB 1058 and AASB 15 adoption	–	–	–	(1,213)	–	(1,213)
Changes due to AASB 16 adoption	–	–	–	1	–	1
Restated opening balance	1,357,354	1,805,569	3,162,923	1,313,830	1,321,011	2,634,841
Net operating result for the year	58,677	–	58,677	44,018	–	44,018
Other comprehensive income						
Gain (loss) on revaluation of infrastructure, property, plant and equipment	–	44,670	44,670	–	484,558	484,558
– Other movements	–	–	–	(494)	–	(494)
Other comprehensive income	–	44,670	44,670	(494)	484,558	484,064
Total comprehensive income	58,677	44,670	103,347	43,524	484,558	528,082
Closing balance	1,416,031	1,850,239	3,266,270	1,357,354	1,805,569	3,162,923

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

Lake Macquarie City Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
180,290	Rates and annual charges		183,811	179,208
19,272	User charges and fees		22,810	18,836
5,114	Investment and interest revenue received		8,384	7,041
29,969	Grants and contributions		70,949	59,632
–	Bonds, deposits and retention amounts received		1,367	3,078
13,322	Other		22,854	23,252
<i>Payments:</i>				
(100,945)	Employee benefits and on-costs		(96,885)	(93,011)
(59,058)	Materials and services		(78,656)	(85,210)
(8,287)	Borrowing costs		(6,767)	(6,026)
–	Bonds, deposits and retention amounts refunded		(1,476)	(884)
(11,675)	Other		(15,652)	(14,337)
68,002	Net cash flows from operating activities	G1-1a	110,739	91,579
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		27,010	205,553
–	Redemption of term deposits		186,000	–
–	Sale of real estate assets		1,817	–
3,961	Sale of infrastructure, property, plant and equipment		2,275	6,802
<i>Payments:</i>				
–	Purchase of investment securities		(28,301)	(266,168)
–	Acquisition of term deposits		(214,000)	–
–	Purchase of investment property		(543)	(1,766)
(89,869)	Purchase of infrastructure, property, plant and equipment		(101,064)	(95,446)
–	Purchase of real estate assets		(2,154)	427
–	Purchase of intangible assets		(1,495)	(1,071)
(85,908)	Net cash flows from investing activities		(130,455)	(151,669)
Cash flows from financing activities				
<i>Receipts:</i>				
30,247	Proceeds from borrowings		25,075	63,814
<i>Payments:</i>				
(8,081)	Repayment of borrowings		(7,435)	(4,683)
–	Principal component of lease payments		(262)	(229)
22,166	Net cash flows from financing activities		17,378	58,902
4,260	Net change in cash and cash equivalents		(2,338)	(1,188)
21,035	Cash and cash equivalents at beginning of year		19,847	21,035
25,295	Cash and cash equivalents at end of year	C1-1	17,509	19,847
313,695	plus: Investments on hand at end of year	C1-2	313,695	284,824
338,990	Total cash, cash equivalents and investments		331,204	304,671

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

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	14
B1 Functions or activities	14
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
B2 Sources of income	17
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenue	19
B2-4 Grants and contributions	20
B2-5 Interest and investment income	24
B2-6 Other income	24
B3 Costs of providing services	25
B3-1 Employee benefits and on-costs	25
B3-2 Materials and services	26
B3-3 Borrowing costs	27
B3-4 Depreciation, amortisation and impairment of non-financial assets	28
B3-5 Other expenses	29
B4 Gains or losses	30
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	30
B5 Performance against budget	31
B5-1 Material budget variations	31
C Financial position	33
C1 Assets we manage	33
C1-1 Cash and cash equivalents	33
C1-2 Financial investments	34
C1-3 Restricted cash, cash equivalents and investments	35
C1-4 Receivables	37
C1-5 Inventories	39
C1-6 Infrastructure, property, plant and equipment	41
C1-7 Investment properties	45
C1-8 Intangible assets	46
C1-9 Other	46
C2 Leasing activities	47
C2-1 Council as a lessee	47
C2-2 Council as a lessor	50
C3 Liabilities of Council	52
C3-1 Payables	52
C3-2 Contract Liabilities	53
C3-3 Borrowings	55
C3-4 Employee benefit provisions	57

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C3-5 Provisions	59
C4 Reserves	61
C4-1 Nature and purpose of reserves	61
D Council structure	62
D1 Results by fund	62
D2 Interests in other entities	62
D2-1 Interests in joint arrangements	62
D3 Discontinued operations	63
D3-1 Discontinued operations	63
E Risks and accounting uncertainties	64
E1-1 Risks relating to financial instruments held	64
E2-1 Fair value measurement	67
E3-1 Contingencies	75
F People and relationships	76
F1 Related party disclosures	76
F1-1 Key management personnel (KMP)	76
F1-2 Councillor and Mayoral fees and associated expenses	77
F1-3 Other related parties	78
F2 Other relationships	79
F2-1 Audit fees	79
G Other matters	80
G1-1 Statement of Cash Flows information	80
G2-1 Commitments	81
G3-1 Events occurring after the reporting date	81
G4 Changes from prior year statements	82
G4-1 Changes in accounting policy	82
G4-2 Correction of errors	82
G4-3 Changes in accounting estimates	82
G5 Statement of developer contributions as at 30 June 2021	83
G5-1 Summary of developer contributions	83
G5-2 Developer contributions by plan	84
G5-3 Contributions not under plans	87
G5-4 S7.4 planning agreements	87
G6 Statement of performance measures	88
G6-1 Statement of performance measures – consolidated results	88

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 25 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993* (Act) and *Local Government (General) Regulation 2005* (Regulation), and the Local Government Code of Accounting Practice and Financial Reporting. Lake Macquarie City Council is a not-for-profit entity. The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Lake Macquarie City Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- i. Estimated fair values of infrastructure, property, plant and equipment - refer Note C1-6
- ii. Estimated fair values of investment properties - refer Note C1-7
- iii. Estimated provision for asset remediation (tips, quarries and sanitary depots) - refer Note C3-5
- iv. Estimated provision for self-insurance claims - refer Note C3-5
- v. Employee benefit provisions - refer Note C3-4

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables - Council has made a significant judgement about the impairment of a number of its receivables - refer Note C1-4
- ii. Interests in other entities - Council has used significant judgement about the relationship that it has with external entities to establish treatment and disclosure of these relationships - refer Note D2
- iii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 Revenue from Contracts with Customers and / or AASB 1058 Income of Not-for-Profit Entities – refer to Notes B2-2 - B2-4
- iv. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease - refer to Note C2-1

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993*, all money and property received by Council is held in Council's Consolidated Fund unless it is required to be held in Council's Trust Fund. The Consolidated Fund and other entities through which Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The Consolidated Fund consists of General Purpose Operations only.

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by Council in trust which must be applied only for the purposes of

A1-1 Basis of preparation (continued)

or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to control of Council, have been excluded from these reports.

A separate statement of monies held in these Trust Funds is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Volunteer services

Income relating to volunteer services should be recognised where the amount is material, the services would be purchased if they were not donated and the amounts of the volunteer services can be measured reliably. Council is not able to reliably measure the value of volunteer services at this time and so are unable to recognise them in the financial statements.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

Council's assessment of these new standards and interpretations are set out below:

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

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

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

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

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

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

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

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,

A1-1 Basis of preparation (continued)

- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

Those newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Functions or activities										
Unique Landscape	21,616	17,753	40,608	38,635	(18,992)	(20,882)	1,116	971	14,037	13,518
Lifestyle and Wellbeing	64,461	64,632	99,797	105,540	(35,336)	(40,908)	25,073	7,067	993,332	956,642
Mobility and Accessibility	35,440	31,583	60,020	53,075	(24,580)	(21,492)	35,416	6,882	2,258,787	2,184,402
Diverse Economy	16,284	14,040	19,115	15,203	(2,831)	(1,163)	86	40	184,223	177,418
Connected Communities	3,770	3,822	16,416	21,297	(12,646)	(17,475)	3,531	2,531	29,009	27,937
Creativity	2,542	361	10,541	4,153	(7,999)	(3,792)	2,210	193	8,535	8,220
Shared Decision-Making	62	25	3,403	2,175	(3,341)	(2,150)	15	–	–	–
Organisational Support	3,874	3,530	7,852	15,082	(3,978)	(11,552)	1,191	626	124,418	120,890
Shares of gains or losses in joint ventures and associates using the equity method	–	–	182	75	(182)	(75)	–	–	719	902
General purpose income	168,562	163,507	–	–	168,562	163,507	16,286	16,789	–	–
Other	–	–	–	–	–	–	–	50,450	1	–
Total functions and activities	316,611	299,253	257,934	255,235	58,677	44,018	84,924	85,549	3,613,061	3,489,929

B1-2 Components of functions or activities

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

Unique Landscape

Waste strategic planning, tree and bushland preservation and management, sustainability governance, ecosystem enhancement, noxious weed control, overgrown land control, management of lake, foreshore, and natural areas, Landcare, development assessment and compliance and integrated planning administration.

Lifestyle and Wellbeing

Waste planning and education, domestic waste collection, Awaba waste management facility, bulk waste collection service, provision and servicing of parks and commercial property bins.

Effluent services, maintenance of pedestrian areas, ranger activities, cleaning of public amenities, environment and public health compliance, food premise compliance and essential services legislative compliance.

Community development and facilities, community planning, Lake Macquarie Family Day Care, public cemeteries, developer contribution administration, management of sport and recreation facilities, Hunter Region Sports Centre, parks liaison, recreation and land planning, development and operations of leisure services.

Beach and lifeguard services, Lake Macquarie City Games, swim centres and cultural activities.

Mobility and Accessibility

Asset management administration and policy development.

Roads – Infrastructure planning, land acquisitions for roads construction, construction of new roads, sealing gravel roads, kerb and gutter construction, resurfacing program, roads reconstruction and rehabilitation works, city wide road, bridges and car park maintenance.

Drainage – Infrastructure planning, construct/improve urban drainage, minor drainage improvements, land acquisition for drainage, customer and technical services, project management.

Traffic and Transportation – Street lighting/charges, street signs, road line marking, traffic facilities, cycleway construction/improvements, footpath improvements.

Diverse Economy

Economic and employment development, tourism including marketing, planning and promotion.

Management of residential, industrial and commercial properties held in Council's ownership, leases to community groups, bowling clubs etc. Holiday parks, administration and management of outdoor dining agreements, development of Council owned industrial, retail / commercial and residential land, sale of scattered lots, acquisition and disposal of investment properties and reclassification of Council owned land.

City Works construction, external contractual works, quarry rehabilitation and establishment, City Works maintenance.

Connected Communities

Environmental security, sustainability engagement, sustainable living, fire protection services, state emergency services.

Social and community planning, including children's services, aboriginal services, aged and disabled services, family day care service, community halls, multi-purpose centres, youth and neighbourhood centres.

Library Services – Library administration, children's and extension services, acquisition services, information services, regional branch libraries.

Creativity

Working together with creative process and outcomes that bring together history, culture, knowledge and expertise that supports new technologies and ways of thinking. This includes Museum of Art and Culture (MAC), cultural services administration and smart city initiatives.

B1-2 Components of functions or activities (continued)

Shared Decision-Making

Elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

Organisational Support

Administrative services, advertising, purchasing, stores, printing and stationery, insurance, risk management, records management, administration building cleaning and maintenance, treasury functions, rates, cash collections, debt collection, personnel and industrial relations, payroll, staff training and development, work health and safety, workers compensation, legal services, information technology, public relations, grants and sponsorship, mechanical services, plant new and replacement, Council's Works Depot operations/services.

B2 Sources of income

B2-1 Rates and annual charges

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	123,217	118,922
Farmland	82	76
Mining	941	1,006
Business	19,913	19,031
Less: pensioner rebates (mandatory)	(3,219)	(3,231)
Rates levied to ratepayers	140,934	135,804
Pensioner rate subsidies received	1,769	1,805
Total ordinary rates	142,703	137,609
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	37,966	36,479
Waste management services (non-domestic)	2,435	2,273
Section 611 charges	61	63
Less: pensioner rebates (mandatory)	(996)	(991)
Domestic waste – sanitary / sullage services	1,038	1,034
Annual charges levied	40,504	38,858
Pensioner subsidies received:		
– Domestic waste management	545	552
Total annual charges	41,049	39,410
Total rates and annual charges	183,752	177,019

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	230	208
Waste management services (non-domestic)	2	154	113
Sullage	2	265	280
Total specific user charges		649	601
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	153	207
Section 10.7 certificates (EP&A Act)	2	561	445
Section 603 certificates	2	460	347
Animal enforcement	2	243	199
Building assessment and compliance	2	984	811
Development assessment	2	2,526	1,730
Health inspection	2	723	465
Subdivision assessment	2	1,020	708
Tipping	2	2,787	2,585
Total fees and charges – statutory/regulatory		9,457	7,497
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan parks	1	8,603	5,749
Restoration charges	2	95	76
Swimming centres	1	1,943	1,732
Community facilities	2	1,076	990
Other	2	845	839
Total fees and charges – other		12,562	9,386
Total user charges and fees		22,668	17,484
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		10,545	7,481
User charges and fees recognised at a point in time (2)		12,123	10,003
Total user charges and fees		22,668	17,484

Accounting policy

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

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

Where an upfront fee is charged such as membership fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

Other

For an overview of the drivers of the movement from prior year, refer to comments contained in Note B5.

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Legal fees recovery – rates and charges (extra charges)	2	5	68
Legal fees recovery – other	2	182	840
Insurance claims recoveries	2	328	318
Recycling income (non-domestic)	2	206	–
Fines – parking, animal and littering	2	925	1,270
Canteen sales	2	227	273
Other	2	587	690
Sale of merchandise	2	66	26
Sundry sales and services	2	292	294
Commissions received	2	42	28
External works	2	2,863	4,177
Movement in provision for real estate inventories	2	51	171
Total other revenue		5,774	8,155
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		5,774	8,155
Total other revenue		5,774	8,155

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	6,473	6,762	–	–
Financial assistance – local roads component	2	1,394	1,390	–	–
Payment in advance - future year allocation ¹					
Financial assistance grant received in advance – equalisation component	2	6,924	7,161	–	–
Financial assistance – local roads component	2	1,496	1,476	–	–
Amount recognised as income during current year		16,287	16,789	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Bushfire and emergency services	1	1,098	1,206	–	–
Community facilities and services	1	2,994	3,372	1,116	553
Environmental	1	1,366	2,249	185	349
Heritage	1	52	25	40	–
Library and arts	1	873	715	1,331	126
Recreation	1	71	394	6,002	991
Waterways	1	–	–	301	1,377
Transport for NSW	1	1,732	1,594	7,682	5,333
Other specific grants	1	288	26	50	–
Previously contributions:					
Bushfire services	2	1	7	–	–
Community services	2	4	4	–	–
Kerb and gutter	2	–	–	402	302
Recreation and culture	2	7	6	216	–
Roads and bridges	2	–	–	899	–
Transport for NSW	2	65	76	220	–
Other contributions	2	767	786	536	39
Environmental	2	926	539	–	–
Community facilities	2	–	–	26	75
Administration	2	1,127	1,259	–	–
Economic development	2	9	11	–	–
Total special purpose grants and non-developer contributions – cash		11,380	12,269	19,006	9,145
Non-cash contributions					
Dedications	2	200	333	18,059	24,753
Total other contributions – non-cash		200	333	18,059	24,753
Total special purpose grants and non-developer contributions (tied)		11,580	12,602	37,065	33,898
Total grants and non-developer contributions		27,867	29,391	37,065	33,898
Comprising:					
– Commonwealth funding		19,411	20,167	6,279	4,007
– State funding		6,432	6,916	11,178	4,722
– Other funding		2,024	2,308	19,608	25,169
		27,867	29,391	37,065	33,898

(1) The Financial Assistance Grant received in advance related to the 2021/2022 allocation of funding from the Commonwealth government. This amount was not expended in the current financial year and has been restricted in note C1-3.

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Developer contributions						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA)						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	512	615	17,861	20,105
S 7.12 – fixed development consent levies		2	–	–	1,183	882
Total developer contributions – cash			512	615	19,044	20,987
Non-cash contributions						
Dedications of land in lieu of cash contributions		2	–	–	436	658
Total developer contributions			512	615	19,480	21,645
Total contributions			512	615	19,480	21,645
Total grants and contributions			28,379	30,006	56,545	55,543
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			8,474	9,582	16,708	8,728
Grants and contributions recognised at a point in time (2)			19,905	20,424	39,837	46,815
Total grants and contributions			28,379	30,006	56,545	55,543

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July ¹	2,741	3,100	2,351	3,618
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	756	435	4,540	405
Add: Funds received and not recognised as revenue in the current year	–	–	5,288	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(915)	(794)	(967)	(1,047)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(482)	(625)
Unspent funds at 30 June	2,582	2,741	10,730	2,351

(1) Developer contributions are not included here. Developer contributions are recognised as revenue in the reporting year they are received. Full details of developer contributions revenue, expenditure and unspent amounts can be found in Note G5

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

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

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For 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 as there is no profit margin.

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

B2-4 Grants and contributions (continued)

Contributions

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

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	229	404
– Cash and investments	5,079	5,312
– Interest on section 7.11 contributions	2,500	939
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(420)	–
Total interest and investment income (losses)	7,388	6,655

Accounting policy

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

	Notes	2021 \$ '000	2020 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		7,318	–
Total fair value increment on investment properties	C1-7	7,318	–
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		3,044	2,751
Lease income relating to variable lease payments not dependent on an index or a rate		116	113
Total Investment properties		3,160	2,864
Other lease income			
Lease income (excluding variable lease payments not dependent on an index or rate)		1,099	1,081
Lease income relating to variable lease payments not dependent on an index or a rate		528	446
Total Other lease income		1,627	1,527
Total rental income	C2-2	4,787	4,391
Total other income		12,105	4,391

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	89,857	83,850
Employee termination costs	561	1,040
Employee leave entitlements (ELE)	12,974	15,735
Superannuation	12,974	12,220
Workers' compensation insurance	3,080	3,678
Fringe benefit tax (FBT)	414	417
Other contractual payments	–	662
Other	714	742
Total employee costs	120,574	118,344
Less: capitalised costs	(25,314)	(22,758)
Total employee cost expensed	95,260	95,586

Accounting policy

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however sufficient information to account for the plan as a defined benefit is not available. Therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable—refer to Note E3-1 for more information.

B3-2 Materials and services *

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		28,180	33,470
Contractor costs			
– Kerbside recycling		5,391	5,412
– Greenwaste collection and processing		8,096	7,372
– Effluent removal		1,254	1,228
– Caravan park managers		1,788	1,150
– Cleaning		689	609
– Other		436	53
Consultancy costs			
– Development assessment		144	42
– Planning		700	213
– Asset management planning		206	389
– Environmental		452	230
– Other consultants		792	554
Audit Fees	F2-1	103	120
Expenses from Peppercorn leases		15	13
Expenses from leases of low value assets		50	46
Expenses from short-term leases		–	43
Previously other expenses			
Councillor and Mayoral fees and associated expenses	F1-2	557	620
Advertising		638	663
Bank charges		524	441
Electricity and heating		1,397	1,328
Insurance		2,897	2,552
Postal charges		296	527
Street lighting		3,119	3,008
Telephone and communications		1,143	1,027
Valuation fees		545	529
Travel expenses		491	492
Training costs (other than salaries and wages)		1,106	1,158
Other expenses		656	525
Subscriptions , memberships and publications		842	762
Legal expenses			
– Legal expenses: planning and development		–	389
– Legal expenses: other		1,188	1,130
Operating leases expense			
– Computers		199	441
– Others		35	39
Family day care		2,601	2,750
Caravan park rental commission		–	276
RSPCA payments		189	226
Vehicle registrations		431	435
Water charges		1,236	1,735
Total materials and services		68,386	71,997

Accounting policy

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

(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2020/21.

B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs			
Interest on leases		13	9
Interest on loans		7,173	6,027
Total interest bearing liability costs		7,186	6,036
Total interest bearing liability costs expensed		7,186	6,036
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
– Remediation liabilities	C3-5	(2,857)	1,190
Total borrowing costs expensed		4,329	7,226

Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		5,834	5,827
Office equipment		1,174	576
Furniture and fittings		446	425
Land improvements (depreciable)		2,636	2,373
Infrastructure	C1-6		
– Buildings		6,195	6,066
– Other structures		1,938	1,821
– Roads		23,456	20,830
– Bridges		649	639
– Footpaths		2,222	1,518
– Other road assets		6,829	7,646
– Stormwater drainage		10,817	6,927
– Swimming pools		364	374
– Other open space/recreational assets		1,951	1,966
– Other infrastructure		767	1,091
Right of use assets	C2-1	265	234
Other assets			
– Library books		439	341
– Remediation assets	C3-5, C1-6	1,054	1,054
– Intangible assets	C1-8	1,041	958
Total depreciation and amortisation costs		68,077	60,666
Impairment / revaluation decrement of IPPE			
Land improvements (depreciable)		958	–
– Swimming pools		605	–
Total depreciation, amortisation and impairment of non-financial assets		69,640	60,666

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPPE

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets and Note C1-8 for Intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held principally for cash generating purposes and would be replaced if Council was deprived of it, depreciated replacement cost is used as value in use. Otherwise, value in use is estimated by using a discounted cash flow model.

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

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

B3-5 Other expenses *

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Other		8	25
Total impairment of receivables	C1-4	8	25
Fair value decrement on investment properties			
Fair value decrement on investment properties		–	1,688
Total fair value decrement on investment properties	C1-7	–	1,688
Net share of interests in joint ventures and associates using the equity method			
Arrow Collaborative Services Limited		182	75
Total net share of interests in joint ventures and associates using the equity method	D2-1	182	75
Other			
Contributions/levies to other levels of government			
– Contributions to state government – EPA		8,501	9,037
– Emergency services levy (includes FRNSW, SES, and RFS levies)		396	316
– NSW rural fire service levy		1,421	1,140
– Contributions to state government – BFB and State Fire brigades		3,152	2,823
Donations, contributions and assistance to other organisations (Section 356)		1,149	998
Total other expenses		14,809	16,102

Accounting policy

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

Impairment expenses are recognised when identified.

(*) Items have been reclassified in accordance with The Local Government Code of Accounting Practice and Financial Reporting 2020/21.

B4 Gains or losses

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

	Notes	2021 \$ '000	2020 \$ '000
Infrastructure & other assets	C1-6		
Less: carrying amount of Infrastructure and other assets sold/written off		(3,242)	(3,136)
Gain (or loss) on disposal		(3,242)	(3,136)
Real Estate Assets	C1-5		
Proceeds from disposal – real estate assets		1,817	4,775
Less: carrying amount of real estate assets sold/written off		(1,085)	(601)
Gain (or loss) on disposal		732	4,174
Other Land & Land improvements			
Proceeds from disposal – Land & Land improvements		8	712
Less: carrying amount of Land & Land improvements assets sold/written off		(172)	(796)
Gain (or loss) on disposal		(164)	(84)
Other Buildings			
Proceeds from disposal – Buildings		–	–
Less: carrying amount of Buildings assets sold/written off		(3,450)	(4,647)
Gain (or loss) on disposal		(3,450)	(4,647)
Plant & Equipment			
Proceeds from disposal – Plant & Equipment		2,267	1,315
Less: carrying amount of Plant & Equipment assets sold/written off		(1,653)	(1,280)
Gain (or loss) on disposal		614	35
Net gain (or loss) from disposal of assets		(5,510)	(3,658)

The loss on disposal of \$5.7 million includes amounts totalling \$2.9 million relating to the disposal and demolition required as part of the refurbishment of the Administrative Centre. The loss also includes \$2.1 million relating to roads which have been disposed of before the end of their useful lives.

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 22/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
User charges and fees	19,272	22,668	3,396	18% F
User charges and fees came in above the original budget as many activities have recovered well from COVID19 impacts felt in the 2020 financial year. Tourist park fees have recovered strongly, earning \$860 thousand or 11% above their budget, as they were able to open earlier than anticipated. Travel restrictions both interstate and internationally have boosted the demand for caravan and camping sites as well as cabins. Development application fees also came in much higher than budgeted, \$938 thousand (59%). The budget was conservative as assumed some detrimental COVID19 impacts however applications are above the pre-COVID 2018/19 financial year. The Swim Centres over achieved on their revenue by \$518 thousand (38%) as they were able to open earlier than anticipated and developed some new programs. Awaba Waste Management Facility had strong tipping revenue above budget (\$518 thousand, 20%) as the facility received higher tonnages than expected, particularly in the area of self-haul.				
Other revenues	8,309	5,774	(2,535)	(31)% U
This variance is mainly attributable to a \$2.2 million decrease in entrepreneurial income, driven by the continuing decrease in external works being requested by Transport for NSW and was offset by a reduction in costs.				
Capital grants and contributions	48,473	56,545	8,072	17% F
A higher level of capital grant revenue was received, in particular a \$9 million increase relating to roads. Additional grants of \$3.4 million were received for recreation and planning works such as playgrounds, jetties and sport amenities buildings.				
Interest and investment revenue	5,114	7,388	2,274	44% F
Interest and investment income was higher than budget by \$2 million (44%) due to better than anticipated returns on Tcorp Medium and Long Term Growth Managed Funds. As at 30 June 2021, the carrying value of cash and investments held was \$331 million.				
Other income	5,013	12,105	7,092	141% F
Other income was above budget mainly due to an unbudgeted fair value gain on investment properties of \$7.3 million attributable to improved market conditions.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Borrowing costs	8,287	4,329	3,958	48% F
Borrowing costs are \$3.9 million under budget due to a \$4.1 million reduction in the remediation costs for contaminated landfill sites. This is due to a revision to Council's liability, combined with favourable market conditions impacting the valuation of the liability.				
Depreciation, amortisation and impairment of non-financial assets	61,867	69,640	(7,773)	(13)% U
Depreciation, amortisation and impairment of non-financial assets are \$7.7 million over budget predominantly due to the \$485 million revaluation increment of roads and drainage assets in the previous financial year. Additionally, in the current financial year there was a \$1.6 million decrement of land improvements non-depreciable and swimming pools which was not budgeted for.				
Net losses from disposal of assets	—	5,510	(5,510)	∞ U
No budget is placed on the disposal of assets. Of the net loss on disposal, \$2.9 million relates to the disposal and demolition related to the Administrative Centre refurbishment. An additional \$2.1 million loss on disposal related to roads that have been replaced or rehabilitated.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	8,503	12,843
Cash-equivalent assets		
– Deposits at call	9,006	–
– Managed funds	–	7,004
Total cash and cash equivalents	17,509	19,847

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	17,509	19,847
Balance as per the Statement of Cash Flows	17,509	19,847

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Council has a bank overdraft facility but this was not utilised during this financial year.

C1-2 Financial investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Financial assets at fair value through the profit and loss				
Managed funds	76,722	–	59,840	–
Total	76,722	–	59,840	–
Debt securities at amortised cost				
Long term deposits	151,000	30,000	117,000	36,000
Floating Rate Notes	4,000	36,205	20,000	47,207
Mortgage backed securities	–	2,519	–	2,528
Other long term financial assets	11,000	2,249	–	2,249
Total	166,000	70,973	137,000	87,984
Total financial investments	242,722	70,973	196,840	87,984

Investment policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and S212 of the LG (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an Investment Policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds. Council amended its Policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments Council holds are no longer prescribed, however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council currently has no investments classified as fair value through other comprehensive income.

C1-2 Financial investments (continued)

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise managed funds in the statement of financial position.

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	260,231	70,973	216,687	87,984
attributable to:				
External restrictions	111,721	70,973	77,139	87,984
Internal restrictions	129,668	–	126,910	–
Unrestricted	18,842	–	12,638	–
	260,231	70,973	216,687	87,984

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

	2021 \$ '000	2020 \$ '000
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund	5,393	631
External restrictions – included in liabilities	5,393	631
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Caravan parks reserve	3,248	2,393
Crown reserve	320	120
DWM land infrastructure ^C	5,336	4,711
DWM site rehabilitation ^C	10,639	9,647
Waste and sustainability improvement	28	2
Developer contributions – general ^A	132,617	124,107
Domestic waste management ^C	11,252	13,124
Specific purpose unexpended grants (recognised as revenue) – general fund ^B	5,496	1,712
Sundry Contributions	2,422	2,691
Trust - Restricted Asset	4,416	4,494
Contractor Retentions	130	161
RID Squad	865	799
Section 90	532	531
Total external restrictions	182,694	165,123
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Sustainability environmental levy	3	3
Wangi Point Lakeside Holiday park	1,128	993
Elections	2,132	1,898
Roads and drainage	24	17
Community facilities	1,309	1,221
Replacement of assets	38,981	34,917
Open space acquisition	3,688	4,024
Strategic property reserve	19,969	20,831
Unexpended loan funds	14,668	11,798
Quarry and contamination reserve	–	529
Matching funds Sec 7.11	7,902	8,026
Grant matching funds	5,003	4,264
Cemeteries improvement	1,363	1,171
General fund carried forward works	12,516	13,386
Community land	13,340	15,304
IT replacement	1,554	2,260
Charlestown open space endowment fund	2,957	2,871
Cardiff town park endowment fund	2,197	2,141
Insurance proceeds	616	893
Water and energy reduction strategies	318	363
Total internal restrictions	129,668	126,910
Total restrictions	312,362	292,033

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

(A) Development contributions which are not yet expended for the provisions of services and amenities in accordance with contributions plans (also includes those not under contribution plans).

(B) Grants which are not yet expended for the purposes for which they were obtained (see Note B2-4).

(C) Domestic Waste Management (DWM) funds, which are externally restricted assets, must be applied for the purposes for which they were raised.

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	5,641	1,710	5,609	1,406
Interest and extra charges	111	199	154	181
User charges and fees	3,815	91	1,308	122
Contributions to works	278	–	152	–
Accrued revenues				
– Interest on investments	387	–	938	–
– Other income accruals	141	–	230	–
Fines	85	–	63	–
Government grants and subsidies	1,987	–	1,945	–
Net GST receivable	2,115	–	1,512	–
RMS	1,647	–	3,104	–
External works	70	–	420	–
Other debtors	370	–	397	–
Total	16,647	2,000	15,832	1,709
Less: provision of impairment				
Rates and annual charges	–	(64)	–	(137)
Other debtors	–	(43)	–	(49)
Total net receivables	16,647	1,893	15,832	1,523
Externally restricted receivables				
Domestic waste management	1,487	–	1,389	–
Total external restrictions	1,487	–	1,389	–
Unrestricted receivables	15,160	1,893	14,443	1,523
Total net receivables	16,647	1,893	15,832	1,523

Accounting policy

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

C1-4 Receivables (continued)

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) At cost				
Real estate for resale	–	4,103	404	2,016
Stores and materials	1,015	–	1,020	–
Trading stock – pools	9	–	10	–
(ii) Inventories at net realisable value (NRV)				
Real estate for resale	–	985	199	1,400
Total inventories at net realisable value (NRV)	–	985	199	1,400
Total inventories	1,024	5,088	1,633	3,416

Externally restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Domestic waste management				
Stores and materials	105	–	114	–
Total externally restricted assets	105	–	114	–
Total externally restricted assets	105	–	114	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	919	5,088	1,519	3,416
Total inventories	1,024	5,088	1,633	3,416

C1-5 Inventories (continued)

(i) Other disclosures

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(a) Details for real estate development				
Residential	–	2,756	603	3,416
Industrial/commercial	–	1,872	–	–
Other properties	–	460	–	–
Total real estate for resale	–	5,088	603	3,416
Acquisition costs	–	3,648	624	2,418
Development costs	–	1,440	8	1,287
Total costs	–	5,088	632	3,705
Total real estate for resale	–	5,088	603	3,416

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	52,510	–	52,510	4,569	7,362	–	–	–	–	–	64,441	–	64,441
Plant and equipment	68,502	(35,506)	32,996	4,785	1,687	(1,653)	(5,834)	–	7	–	68,580	(36,592)	31,988
Office equipment	8,445	(6,771)	1,674	1,318	2,830	(8)	(1,174)	–	(305)	–	10,982	(6,647)	4,335
Furniture and fittings	6,587	(4,853)	1,734	2,759	248	(585)	(446)	–	160	–	7,592	(3,722)	3,870
Land:													
– Crown land	46,684	–	46,684	–	–	–	–	–	(23)	3,412	50,073	–	50,073
– Operational land	179,029	–	179,029	31	2,535	(9)	–	–	7,445	300	189,331	–	189,331
– Community land	128,666	–	128,666	31	936	(9)	–	–	(5,683)	11,221	135,162	–	135,162
– Land under roads (post 30/6/08)	24,418	–	24,418	–	1,367	–	–	–	13	–	25,798	–	25,798
Land improvements – non-depreciable	13,383	(2,666)	10,717	382	425	(8)	–	(958)	(2,807)	(1,198)	7,595	(1,042)	6,553
Land improvements – depreciable	134,589	(45,320)	89,269	697	2,015	(153)	(2,636)	–	(1,133)	19,685	162,810	(55,066)	107,744
Infrastructure:													
– Buildings	309,205	(102,318)	206,887	17,979	4,832	(3,450)	(6,195)	–	785	692	329,793	(108,263)	221,530
– Other structures	49,493	(24,783)	24,710	755	1,042	(173)	(1,938)	–	(437)	(277)	56,754	(33,072)	23,682
– Roads	1,341,051	(510,048)	831,003	13,858	8,262	(1,194)	(23,456)	–	3,020	390	1,364,532	(532,649)	831,883
– Bridges	71,531	(25,085)	46,446	–	495	(8)	(649)	–	–	–	71,994	(25,710)	46,284
– Footpaths	140,947	(47,776)	93,171	2,093	8,506	(223)	(2,222)	–	398	44	151,678	(49,911)	101,767
– Other road assets (including bulk earthworks)	618,976	(217,557)	401,419	2,403	6,515	(562)	(6,829)	–	417	–	627,457	(224,094)	403,363
– Bulk earthworks (non-depreciable)	253,202	–	253,202	–	–	–	–	–	–	–	253,202	–	253,202
– Stormwater drainage	976,480	(366,893)	609,587	1,975	10,502	(239)	(10,817)	–	461	–	989,003	(377,534)	611,469
– Swimming pools	11,867	(3,306)	8,561	479	11	(11)	(364)	(605)	(4)	(2,219)	11,089	(5,241)	5,848
– Other open space/recreational assets	55,878	(23,222)	32,656	2,641	1,037	(78)	(1,951)	–	(1,080)	2,035	63,459	(28,199)	35,260
– Other infrastructure	33,410	(14,516)	18,894	2,119	1,148	(15)	(767)	–	218	9,552	43,270	(12,121)	31,149
Other assets:													
– Library books	7,326	(5,775)	1,551	112	423	(139)	(439)	–	–	538	8,671	(6,625)	2,046
– Artworks	2,324	–	2,324	–	343	–	–	–	–	495	3,162	–	3,162
– Other remediation assets	25,162	(12,519)	12,643	–	–	–	(1,054)	–	–	–	25,161	(13,572)	11,589
Totals ²	4,559,665	(1,448,914)	3,110,751	58,986	62,521	(8,517)	(66,771)	(1,563)	1,452	44,670	4,721,589	(1,520,060)	3,201,529

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

(2) Total renewal and new assets include capital WIP acquisitions for the year less transfer from WIP through capitalisation process.

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	81,093	—	81,093	87	(28,670)	—	—	—	—	52,510	—	52,510
Plant and equipment	64,813	(33,256)	31,557	5,221	3,311	(1,280)	(5,827)	14	—	68,502	(35,506)	32,996
Office equipment	7,113	(6,256)	857	275	1,118	—	(576)	—	—	8,445	(6,771)	1,674
Furniture and fittings	6,198	(4,475)	1,723	369	68	(1)	(425)	—	—	6,587	(4,853)	1,734
Land:												
– Operational land	169,351	—	169,351	22	6,472	(383)	—	3,567	—	179,029	—	179,029
– Community land	130,780	—	130,780	430	913	(322)	—	(3,135)	—	128,666	—	128,666
– Crown land	46,233	—	46,233	20	—	—	—	431	—	46,684	—	46,684
– Land under roads (post 30/6/08)	18,645	—	18,645	—	5,431	—	—	342	—	24,418	—	24,418
Land improvements – non-depreciable	12,673	(2,666)	10,007	17	693	—	—	—	—	13,383	(2,666)	10,717
Land improvements – depreciable	114,970	(43,028)	71,942	538	19,253	(91)	(2,373)	—	—	134,589	(45,320)	89,269
Infrastructure:												
– Buildings	298,349	(98,947)	199,402	7,956	10,242	(4,647)	(6,066)	—	—	309,205	(102,318)	206,887
– Other structures	46,516	(23,543)	22,973	1,862	1,723	(277)	(1,821)	250	—	49,493	(24,783)	24,710
– Roads	1,099,382	(389,689)	709,693	21,897	13,959	(1,110)	(20,830)	61,263	46,131	1,341,051	(510,048)	831,003
– Bridges	68,938	(22,949)	45,989	24	38	—	(639)	—	1,034	71,531	(25,085)	46,446
– Footpaths	76,602	(22,869)	53,733	224	5,293	(51)	(1,518)	—	35,490	140,947	(47,776)	93,171
– Other road assets (including bulk earthworks)	607,581	(229,764)	377,817	565	9,865	(193)	(7,646)	(61,513)	82,524	618,976	(217,557)	401,419
– Bulk earthworks (non-depreciable)	213,494	—	213,494	—	1,412	—	—	—	38,296	253,202	—	253,202
– Stormwater drainage	505,474	(185,667)	319,807	911	14,867	(140)	(6,927)	(14)	281,083	976,480	(366,893)	609,587
– Swimming pools	10,050	(3,037)	7,013	2,288	40	(406)	(374)	—	—	11,867	(3,306)	8,561
– Other open space/recreational assets	50,925	(21,544)	29,381	794	4,619	(172)	(1,966)	—	—	55,878	(23,222)	32,656
– Other infrastructure	29,958	(13,854)	16,104	1,812	2,729	(660)	(1,091)	—	—	33,410	(14,516)	18,894
Other assets:												
– Library books	7,028	(5,607)	1,421	598	—	(127)	(341)	—	—	7,326	(5,775)	1,551
– Artworks	2,225	—	2,225	—	99	—	—	—	—	2,324	—	2,324
– Other remediation assets	25,162	(11,465)	13,697	—	—	—	(1,054)	—	—	25,162	(12,519)	12,643
Totals	3,693,553	(1,118,616)	2,574,937	45,910	73,475	(9,860)	(59,474)	1,205	484,558	4,559,665	(1,448,914)	3,110,751

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

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

Asset Class	Useful Lives
Plant and Equipment	2 - 100 years
Office Equipment	3 - 5 years
Furniture and Fittings	5 - 20 years
Operational Land	Infinite Life
Community Land	Infinite Life
Crown Land	Infinite Life
Land Under Roads	Infinite Life
Land Improvements - Non-Depreciable	Infinite Life
Land Improvements - Depreciable	20 - 100 years
Buildings	7 - 100 years
Other Structures	3 - 50 years
Roads	14 - 145 years
Bridges	40 - 120 years
Footpaths	30 - 92 years
Other Road Assets	30 - 80 years
Bulk Earthworks (Non-Depreciable)	Infinite Life
Stormwater Drainage	29 - 792 years
Swimming Pools	10 - 50 years
Other Open Space/Recreational Assets	10 - 100 years
Other Infrastructure	15 - 149 years
Library Books	8 years
Remediation Asset	14 years
Artworks	Infinite Life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act 1993 (NSW).

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Land under roads has been recognised for land acquired before 1 July 2008 where a roadway has been constructed on the land after 1 July 2008.

C1-6 Infrastructure, property, plant and equipment (continued)

Council values land under roads acquired after 1 July 2008 based on the valuation of road segments at the average unit value of properties adjoining the relevant road segment, with the average unit values being derived from Valuer General valuations. A discount factor is applied to these amounts to reflect the restrictions placed on land under roads.

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed". Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise Rural Fire Service assets including land, buildings, plant and vehicles.

Nature and Purpose of Reserve

Revaluation Reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

C1-7 Investment properties

	2021 \$ '000	2020 \$ '000
Owned investment property	45,621	40,960
Total owned investment property	45,621	40,960

Owned investment property

Reconciliation of annual movement

Opening balance at 1 July	40,960	40,882
Acquisitions	–	1,804
Capitalised subsequent expenditure	492	(38)
Classified as held for sale	–	–
Disposals during year	–	–
Net gain/(loss) from fair value adjustments	7,318	(1,688)
– Transfers from/(to) inventories and owner-occupied property	(3,200)	–
Other movements	51	–
Closing balance at 30 June	45,621	40,960

Accounting policy

Investment property, principally comprising commercial centres, retail buildings and land, is held for long-term rental yields and/or capital appreciation and is not occupied by Council. Changes in fair values are recorded in the Income Statement as part of other income.

Investment property includes properties that are under construction for future use as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C1-8 Intangible assets

Intangible assets are as follows:

	2021 \$ '000	2020 \$ '000
Software & Digital Library Collection		
Opening values at 1 July		
Gross book value	10,246	9,175
Accumulated amortisation	(2,380)	(1,422)
Net book value – opening balance	7,866	7,753
Movements for the year		
Purchases	619	707
Development costs	1,141	364
Amortisation charges	(1,041)	(958)
Other capitalised costs	(265)	–
Closing values at 30 June		
Gross book value	11,741	10,246
Accumulated amortisation	(3,421)	(2,380)
Total Software & Digital Library Collection – net book value	8,320	7,866
Total intangible assets – net book value	8,320	7,866

Accounting policy

IT development and software

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

C1-9 Other

Other assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Prepayments	371	–	1,884	199
Total other assets	371	–	1,884	199
	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total unrestricted assets	371	–	1,884	199
Total other assets	371	–	1,884	199

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings which include Cardiff Library, Wangi Point Holiday Park, Finnan Oval & Waterboard Oval and other buildings. The leases are generally between 5 and 25 years and some of them include a renewal option to allow Council to renew the non-cancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$753,475 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

	Office and IT Equipment \$ '000	Land and Buildings \$ '000	Total \$ '000
2021			
Opening balance at 1 July	146	146	292
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	–
Additions to right-of-use assets	320	298	618
Depreciation charge	(140)	(125)	(265)
Other movement	–	(1)	(1)
Balance at 30 June	326	318	644
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	148	337	485
Additions to right-of-use assets	87	–	87
Depreciation charge	(89)	(145)	(234)
Other movement	–	(46)	(46)
Balance at 30 June	146	146	292

C2-1 Council as a lessee (continued)

(b) Lease liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	166	486	189	108
Total lease liabilities	166	486	189	108

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2021					
Cash flows	166	406	80	652	652
2020					
Cash flows	189	108	–	297	297

(d) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

	2021 \$ '000	2020 \$ '000
Interest on lease liabilities	13	9
Depreciation of right of use assets	265	234
Expenses relating to short-term leases	–	43
Expenses relating to low-value leases	50	46
Expenses relating to Peppercorn leases	15	13
	343	345

(e) Statement of Cash Flows

Total cash outflow for leases	340	341
	340	341

(f) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for buildings and other structures which are used for:

- fire brigade
- boat ramp
- and other infrastructure.

The leases are a month by month rolling term and require payments of a maximum amount of \$550 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases. Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

C2-1 Council as a lessee (continued)

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to businesses and community groups; these leases have been classified as operating leases for financial reporting purposes. Assets relating to commercial property are included as investment property (refer note C1-7) in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below.

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

(i) Assets held as investment property

Investment property operating leases relate to where the asset is held predominantly for rental or capital growth purposes (refer note C1-7).

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

Lease income (excluding variable lease payments not dependent on an index or rate)	3,044	2,751
Lease income relating to variable lease payments not dependent on an index or a rate	116	113
Total income relating to operating leases for investment property assets	3,160	2,864

Operating lease expenses

Direct operating expenses that generated rental income	880	977
Total expenses relating to operating leases	880	977

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of meeting Councils service delivery objective, the table below relates to operating leases on assets disclosed in C1-6.

Lease income (excluding variable lease payments not dependent on an index or rate)	1,099	1,081
Lease income relating to variable lease payments not dependent on an index or a rate	528	446
Total income relating to operating leases for Council assets	1,627	1,527

Other leased assets expenses

Direct operating expenses that generated rental income	910	843
Total expenses relating to other leases assets	910	843

Amount of IPPE leased out by Council under operating leases

Furniture and Fittings	37	64
Operational Land	21,234	21,677
Community Land	7,047	5,469
Crown Land	798	728
Land Improvements - Non-Depreciable	279	79
Land Improvements - Depreciable	1,335	1,884
Buildings	36,505	36,730
Other Structures	117	217
Footpaths	103	102
Other Open Space/Recreational Assets	53	6
Other Infrastructure	10	132
Total amount of IPPE leased out by Council under operating leases	67,518	67,088

C2-2 Council as a lessor (continued)

	2021 \$ '000	2020 \$ '000
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	1,680	2,520
1–2 years	854	1,374
2–3 years	476	710
3–4 years	393	410
4–5 years	223	318
> 5 years	1,515	3,306
Total undiscounted lease payments to be received	5,141	8,638

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Prepaid rates	3,383	—	2,915	—
Goods and services	16,770	—	13,169	—
Borrowings	118	—	108	—
Accrued expenses	407	—	2,664	—
Deposit and retentions	4,546	—	4,655	—
Other	619	—	491	—
Total payables	25,843	—	24,002	—
Total payables	25,843	—	24,002	—

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Domestic waste management	1,273	—	2,792	—
Payables relating to externally restricted assets	1,273	—	2,792	—
Total payables relating to restricted assets	1,273	—	2,792	—
Total payables relating to unrestricted assets	24,570	—	21,210	—
Total payables	25,843	—	24,002	—

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

	2021 \$ '000	2020 \$ '000
Total payables	2,492	2,635
	2,492	2,635

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

		2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	5,393	—	587	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	—	—	44	—
Total grants received in advance		5,393	—	631	—
User fees and charges received in advance:					
Other		—	—	124	—
Total user fees and charges received in advance		—	—	124	—
Total contract liabilities		5,393	—	755	—

Notes

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Upfront user charges and fees received are recorded as a contract liability on receipt and recognised as revenue over the expected life of the contract.

C3-2 Contract Liabilities (continued)

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities	5,393	—	631	—
Contract liabilities relating to externally restricted assets	5,393	—	631	—
Total contract liabilities relating to restricted assets	5,393	—	631	—
Total contract liabilities relating to unrestricted assets	—	—	124	—
Total contract liabilities	5,393	—	755	—

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

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	482	625
Total revenue recognised that was included in the contract liability balance at the beginning of the period	482	625

Significant changes in contract liabilities

The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. The significant change to contract liabilities compared to the prior year is largely due to economic stimulus grants being provided in response to the COVID-19 global pandemic.

Accounting policy

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	8,680	195,013	7,433	178,620
Total borrowings	8,680	195,013	7,433	178,620

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

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

Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Domestic waste management *	2,314	50,411	1,778	51,618
Borrowings relating to externally restricted assets	2,314	50,411	1,778	51,618
Total borrowings relating to restricted assets	2,314	50,411	1,778	51,618
Total borrowings relating to unrestricted assets	6,366	144,602	5,655	127,002
Total borrowings	8,680	195,013	7,433	178,620

(*) A portion of non-current borrowings relating to restricted assets in 2019/20 have been reclassified from externally restricted to unrestricted in the 2020/21 financial year.

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	186,053	17,640	–	–	–	–	203,693
Loan – unsecured	–	–	–	–	–	–	–
Lease liability (Note C2-1b)	297	355	–	–	–	–	652
Other	–	–	–	–	–	–	–
Total liabilities from financing activities	186,350	17,995	–	–	–	–	204,345

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	126,922	59,131	–	–	–	–	186,053
Lease liability (Note C2-1b)	–	297	–	–	–	–	297
Total liabilities from financing activities	126,922	59,428	–	–	–	–	186,350

C3-3 Borrowings (continued)

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
The amount of total financing facilities available to council at the report date is:		
Bank overdraft facilities ¹	700	700
Corporate credit cards	1,500	1,500
Total financing arrangements	2,200	2,200
Drawn facilities		
– Bank overdraft facilities	–	–
– Corporate credit cards	99	82
Total drawn financing arrangements	99	82
Undrawn facilities		
– Bank overdraft facilities	700	700
– Credit cards/purchase cards	1,401	1,418
Total undrawn financing arrangements	2,101	2,118

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 ¹ Non-current \$ '000
Annual leave	11,338	–	11,120	–
Sick leave	7,612	–	8,251	–
Long service leave	20,823	1,385	21,506	1,671
Time in lieu	1,304	–	1,539	–
Total employee benefit provisions	41,077	1,385	42,416	1,671

Employee benefit provisions relating to restricted assets

Total employee benefit provisions relating to restricted assets	2,631	55	2,281	78
Total employee benefit provisions relating to unrestricted assets	38,446	1,330	40,135	1,593
Total employee benefit provisions	41,077	1,385	42,416	1,671

Current employee benefit provisions not anticipated to be settled within the next twelve months

	2021 \$ '000	2020 \$ '000
	27,180	29,513
	27,180	29,513

C3-4 Employee benefit provisions (continued)

Description of and movements in non-employee benefit provisions

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

All employees of Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

C3-5 Provisions

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Other provisions				
Self insurance – workers compensation	1,371	4,510	1,334	3,893
Asset remediation/restoration (future works)	44,505	18,362	46,060	20,525
Total provisions	45,876	22,872	47,394	24,418

Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	45,876	22,872	47,394	24,418
Total provisions	45,876	22,872	47,394	24,418

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Other	45,876	47,394
	45,876	47,394

Description of and movements in provisions

	Other provisions		
	Self insurance \$ '000	Asset remediation (Restated) \$ '000	Net carrying amount ¹ \$ '000
2021			
At beginning of year	5,227	66,585	71,812
Changes to provision:			
– Revised discount rate	–	(2,448)	(2,448)
– Revised costs	654	(409)	245
Amounts used (payments)	–	(861)	(861)
Total other provisions at end of year	5,881	62,867	68,748
2020			
At beginning of year	4,048	66,341	70,389
– Revised costs	1,179	14	1,193
Unwinding of discount	–	1,176	1,176
Amounts used (payments)	–	(946)	(946)
Total other provisions at end of year	5,227	66,585	71,812

Nature and purpose of provisions

Self-insurance

The provision for self-insurance represents future estimated payments required to settle outstanding workers compensation claims as a result of Council's practice to self-insure for workers compensation. It includes amounts for claims incurred but not reported, future developments on reported claims and re-opening of closed claims.

C3-5 Provisions (continued)

The calculation of the provision involves estimates and assumptions including the following:

- The calculation assumes that the adopted actuarial model is the correct predictor of claims experience
- It is assumed that the nature and extent of past claims are reasonable predictors of future claims behaviour. Past data, apparent trends and claims experience in general can change however and place uncertainty over the provision.
- It is assumed that the employment structure of Council remains stable in future years.
- Monetary amounts in past workers compensation claims were indexed to bring them to "standardised" values as at 30 June 2021, i.e. effects of past inflation are stripped away from actual money values.
- Workers compensation claims payments projected into the future by the adopted actuarial model will be in "standardised" values as at 30 June 2021.
- The future accrual of claims liabilities is based on an assumed risk premium rate applied to future wages exposure.
- General economic factors may be subject to change such as expected bond yields.

Asset remediation

The provision for asset remediation represents the present value of the future estimated costs Council will incur in the close down and restoration of sites requiring remediation as a result of past and/or current activity.

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain,

C3-5 Provisions (continued)

Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

D Council structure

D1 Results by fund

Council utilises only a general fund for its operations.

D2 Interests in other entities

	Council's share of net assets	
	2021 \$ '000	2020 \$ '000
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Interests in joint arrangements		
Arrow Collaborative Services Limited	720	902
Total net share of interests in joint ventures and associates using the equity method – assets	720	902
Total Council's share of net assets	720	902

D2-1 Interests in joint arrangements

Arrow Collaborative Services Limited (Hunter Councils)

Council has an interest in Arrow Collaborative Services Limited (formerly Strategic Services Australia Limited), along with other Member Councils of Hunter Councils. The activities of this organisation are not controlled by any one Council.

Arrow Collaborative Services Limited has been established to improve the quality and efficiency of local government service throughout the Hunter Region.

This Organisation was established in January 2003 as Hunter Councils Limited after receiving Minister's consent, pursuant to Section 358(1) (a) of the Local Government Act 1993.

Arrow Collaborative Services Limited has the same year end date as Council.

Aggregate information for joint ventures that are not individually material

The Group has interests in a number of joint ventures none of which is considered individually material. The table below summarises, in aggregate, the financial information of individually immaterial joint ventures.

Council's share

	Percentage Owned (%)
Arrow Collaborative Services Limited	19.592
	Type of joint arrangement
Arrow Collaborative Services Limited	Joint Venture

D2-1 Interests in joint arrangements (continued)

Summarised financial information for individually immaterial joint ventures

	2021 \$ '000	2020 \$ '000
Arrow Collaborative Services Limited		
Carrying Amount of Investment in joint ventures that are not individually material	720	902
Council's Share of those joint ventures:		
Profit/(loss) from continuing operations	(182)	(75)
Post-tax profit profit/(loss) from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income – individually immaterial joint ventures	(182)	(75)

Unrecognised share of losses

The unrecognised share of losses of joint ventures due to the Council's interest, reduce to zero under the equity methods are \$0 for the reporting period and \$0 on a cumulative basis.

Risk associated with the interests in joint ventures

Each of the partners in Arrow Collaborative Services Limited are jointly and severally liable for the debts of the organisation.

There are no significant restrictions on the ability of joint ventures to transfer funds to the group in the form of cash dividends, or to repay loans or advances made by the Council.

	2021 \$ '000	2020 \$ '000
Commitments relating to joint ventures held	–	–
Contingent liabilities incurred jointly with other investments over joint ventures held	–	–

Accounting policy

Joint Arrangements

AASB 11 Joint Arrangements defines a joint arrangement as an arrangement of which two or more parties have joint control and classifies these arrangements as either joint ventures or joint operations.

Joint ventures

Joint ventures are those joint arrangements, which provide Council with rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method in accordance with AASB 128 Associates and Joint Ventures. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

Council's share in the joint ventures gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint ventures accounting policies where they are different from those of Council for the purpose of the consolidated financial statements.

D3 Discontinued operations

D3-1 Discontinued operations

Council did not have any discontinued operations during the year ended 30 June 2021.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by the Financial Services Department under policies approved by Council.

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Financial Services Department manages the cash and investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the *Local Government Act 1993 (NSW)* and Ministerial Investment Order 625. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

The risks associated with investments held are:

- Price risk - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.
- Interest rate risk - the risk that movements in interest rates could affect returns.
- Credit risk - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

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

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement

3,312 3,047

Possible impact of a 1% movement in price of investments

– –

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

(b) Credit risk

Council's major receivables comprise, rates, annual charges and user charges and fees. Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	–	5,465	816	666	404	7,351
2020						
Gross carrying amount	–	5,466	620	592	337	7,015

Receivables - non-rates and annual charges and contract assets

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

The loss allowance provision is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	9,771	145	180	742	458	11,296
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	8,269	898	310	287	762	10,526
ECL provision	–	–	–	–	–	–

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

(c) Liquidity risk

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	–	25,842	2,492	–	28,334	22,460
Loans and advances	3.74%	–	16,325	65,142	205,372	286,839	203,693
Total financial liabilities		–	42,167	67,634	205,372	315,173	226,153
2020							
Trade/other payables	0.00%	–	24,002	2,635	–	26,637	21,087
Loans and advances	3.89%	–	14,722	58,724	193,190	266,636	186,053
Total financial liabilities		–	38,724	61,359	193,190	293,273	207,140

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Council therefore measures non-current assets classified as held for sale at fair value on a nonrecurring basis where their carrying amount exceeds their fair value.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

Fair value measurement hierarchy							
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Investment property	C1-7						
Commercial land, office and retail		–	–	45,621	40,960	45,621	40,960
Total investment property		–	–	45,621	40,960	45,621	40,960
Infrastructure, property, plant and equipment	C1-6						
Plant and equipment		–	–	31,988	32,996	31,988	32,996
Office equipment		–	–	4,335	1,674	4,335	1,674
Furniture and fittings		–	–	3,870	1,734	3,870	1,734
Operational land		189,331	179,029	–	–	189,331	179,029
Community land (including Crown land)		–	–	185,235	175,350	185,235	175,350
Land under roads (post 01/07/08)		–	–	25,798	24,418	25,798	24,418
Non-depreciable land improvements		–	–	6,553	10,717	6,553	10,717
Depreciable land improvements		–	–	107,744	89,269	107,744	89,269
Buildings		–	–	221,532	206,887	221,532	206,887
Other structures		–	–	23,681	24,710	23,681	24,710
Roads		–	–	831,884	831,003	831,884	831,003
Bridges		–	–	46,284	46,446	46,284	46,446
Footpaths		–	–	101,766	93,171	101,766	93,171
Other road assets		–	–	403,363	401,419	403,363	401,419
Bulk earthworks (non-depreciable)		–	–	253,202	253,202	253,202	253,202
Stormwater drainage		–	–	611,470	609,587	611,470	609,587
Swimming pools		–	–	5,848	8,561	5,848	8,561
Other open space/recreational assets		–	–	35,258	32,656	35,258	32,656
Other infrastructure		–	–	31,149	18,894	31,149	18,894
Library books		–	–	2,045	1,551	2,045	1,551
Remediation asset		–	–	11,590	12,643	11,590	12,643
Artworks		–	–	3,162	2,324	3,162	2,324
Total infrastructure, property, plant and equipment		189,331	179,029	2,947,757	2,879,212	3,137,088	3,058,241

continued on next page ...

E2-1 Fair value measurement (continued)

Valuation techniques

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

Investment property

Council obtains valuations of its investment properties on an annual basis. Council's valuer who is a member of the Australian Property Institute determines the valuations.

The best evidence of fair value is the current price in an active market for similar properties in the same location and condition and subject to similar occupancy terms. Adjustments are then made having regard to the property's inherent and external characteristics based on the available market evidence.

For properties deriving income, the key valuation technique is the capitalisation approach, for which the key unobservable input is the capitalisation rate, which is based on investment yields drawn on comparable properties.

Should it be deemed that the investment property value is largely made up of land components, valuations are drawn by direct comparison with comparable properties and / or the summation approach, the key unobservable input for which is the price per square metre.

There have been no changes in the valuation technique during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Plant & equipment, office equipment and furniture and fittings are valued at historical cost but disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows;

Plant and Equipment	Motor vehicles, trucks, trailers, gardening equipment
Office Equipment	Audio visual equipment, televisions, cameras
Furniture and fittings	Chairs, desks, shelving units

The key unobservable inputs to the valuation are the useful life, pattern of consumption, asset condition and residual value.

There have been no changes in the valuation technique during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational under the Local Government Act 1993 (NSW). Council operational land is valued using market valuations. The last valuation was undertaken as at 31 March 2018.

Valuations are based off market value of recent sales of land parcels with similar zoning in adjacent areas. They were obtained from a combination of an external valuation as well as in-house qualified experts. Sale prices of comparable land parcels with similar locations and zonings were adjusted for key attributes such as size and configuration.

There have been no changes in the valuation technique during the reporting period.

Community Land

Council's community land (including owned by the Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access, such as dedication under s7.11 of the Environment Planning and Assessment Act 1979 (amended).

Valuations of all Council's Community Land and Council controlled Crown land were based on the land values provided by the Valuer-General. As these rates are not considered to be observable market evidence they have been classified as Level 3. In line with data issued by the Crown, a small amount of Crown land parcels in this asset class were revalued at 30 June 2018 to reflect current Valuer-General valuations.

There have been no changes in the valuation technique during the reporting period.

Land under roads (post 01/07/2008)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council recognised this asset for the first time in financial year 2008/09 in accordance with AASB 1051 Land Under Roads.

Values were determined using Valuer-General valuations of adjacent land and applying discount factors. This asset class is classified as Level 3 as significant inputs used in this methodology are unobservable.

Land under roads was previously valued using the adjacent site method, however applying discounting factors allows to reflect the restrictions placed on land under roads and therefore is considered to be a more accurate approach.

E2-1 Fair value measurement (continued)

Land improvements - Depreciable and non-depreciable

The land improvements asset class consists of car-park upgrades, irrigation, landscaping and paving of public areas.

Land improvements were valued in-house by Council's Asset Management staff on a unit rate basis. Input such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Buildings

This asset class comprises of Specialised and Non Specialised buildings including Community Halls, Administration buildings, Caravan Parks and Residential premises

In determining the current cost of the specialised asset, reference is made to the cost of replacing the assets based in industry unit rates. This approach estimates the replacement cost by breaking the building down into significant components with different useful life and taking into account a range of factors such as the remaining useful life of the asset, condition, pattern of consumption and residual value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Footpaths

This asset class comprises of sealed or non-sealed footpaths and cycle ways.

Footpath assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Bridges

This asset class comprises of Council's bridges.

The assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Roads

This asset class comprises of road asset such as pavement, asphalt, kerb & gutter, street furniture, traffic facilities and retaining walls.

The cost approach was utilised to value roads by breaking down each asset into significant components, applying a unit rate and then rolling up these component values to provide an overall road valuation for each road segment within the Council's Asset Management System. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

E2-1 Fair value measurement (continued)

Bulk earthworks (non-depreciable)

This asset class was valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Stormwater drainage

This asset class comprises of pits, pipes, stormwater quality improvement devices and headwalls.

Stormwater drainage assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Swimming pools

This asset class comprises of Council's swimming pools, including caravan park pools.

Swimming pool assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Other open space/recreational assets

This asset class comprises of Council's various outdoor playing fields, sporting facilities, playgrounds and picnic ground facilities.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and by componentising its significant parts where applicable. Input estimates such as the replacement costs (based on unit rates), pattern of consumption, asset condition and useful life requiring significant professional judgement impacted on the final determination of the value.

The asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

Other infrastructure

The other infrastructure asset class consists of jetties, retaining walls, boat ramps and seawalls.

Other infrastructure assets were valued in-house using the cost approach by experienced Asset Management staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors and applying a unit rate. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

E2-1 Fair value measurement (continued)

Library books

This asset class comprises of assets such as library books, CD's, DVD's, publications etc. Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

There have been no changes to the valuation process during the reporting period.

Remediation asset

This asset class includes the landfill cells at Council's Waste Management site which is recognised and valued at cost. It is recognised that there will be significant costs associated with the closure and post closure management of the landfill site.

Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item. Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption and therefore categorised at Level 3.

There have been no changes in the valuation technique during the reporting period.

Artworks

Assets within this class are collections of the Art Gallery. Market value is used to determine the fair value of the Art Gallery collection, and is valued on a 5-year cycle.

The asset class is categorised as Level 3 as gross replacement cost, pattern of consumption and estimated remaining useful life require significant professional judgement and are therefore unobservable.

There have been no changes in the valuation technique during the reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Investment properties		
Commercial land, office and retail	Market value	Investment yields Improved rate per square metre Site rate per square metre
IPPE		
Plant and equipment	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Office equipment	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Furniture and fittings	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Community land	Valuer-General valuations	Market value
Land under roads (post 01/07/08)	Discounted Valuer-General valuations	Market value, discount rate
Non-depreciable land improvements	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Depreciable land improvements	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Buildings	Industry cost indexes	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other structures	Industry cost indexes	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Roads	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bridges	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Footpaths	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Other road assets	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bulk earthworks (nondepreciable)	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Stormwater drainage	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Swimming pools	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other open space/recreational assets	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other infrastructure	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Library books	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Remediation asset	Cost approach	Discount rate Remaining useful life
Artworks	Market value	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost

E2-1 Fair value measurement (continued)

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

	IPPE		Investment property		Total	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	2,879,212	2,322,455	40,960	40,882	2,920,172	2,363,337
Total gains or losses for the period						
Other movements						
Purchases (GBV)	107,014	141,476	543	1,766	107,557	143,242
Disposals (WDV)	(8,508)	(9,476)	–	–	(8,508)	(9,476)
Depreciation and impairment	(66,772)	(59,474)	–	–	(66,772)	(59,474)
Recognised in other comprehensive income -						
Revaluation surplus	44,369	484,558	7,318	–	51,687	484,558
Other movements	(7,558)	(327)	(3,200)	–	(10,758)	(327)
Recognised in profit or loss -						
Unrealised - refer Note B3-5	–	–	–	(1,688)	–	(1,688)
Closing balance	2,947,757	2,879,212	45,621	40,960	2,993,378	2,920,172

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There were no transfers between the levels of the fair value hierarchy during the reporting period.

Highest and best use

Certain investment properties are not being used for highest and best use, which for most is redevelopment, and may contain structures which are leased until redevelopment proposal commences.

All other assets valued at fair value in this note are being used for their highest and best use.

E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

LIABILITIES NOT RECOGNISED

LMCC is involved in Supreme Court proceedings in relation to damage to private properties allegedly associated with a product used previously for road construction. The outcome of those proceedings as ordered by the Court will determine any potential liability

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for the purposes of AASB 119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119 because the assets to the Scheme are pooled together for all councils.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$1,612,257. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA, on 30 June 2020.

The Scheme had previously advised member councils that, as result of the global financial crisis, it has a significant deficiency of assets over liabilities resulting in additional annual contributions. The requirement for additional contributions (currently \$40M per annum) is assessed annually by the Actuary and is designed to not only restore the Funds to a satisfactory financial position but to allow the Trustee, on behalf of the employers, to commence de-risking the asset allocation and consequently reduce the market exposure risk to growth assets.

To enable this de-risking of the asset allocation to commence, additional contributions are estimated to remain in place. It is estimated that there are \$1,191,600 additional contributions remaining. The Trustee will be reviewing the financial position of the fund on an annual basis.

The share of any surplus or deficit that is broadly attributable to Council is estimated to be in the order of 2.98% as at 30 June 2021. However, the Trustee determined in March 2019 that going forward should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100% the Fund will look to suspend the request for past service contributions.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Council's expected contribution to the plan for the next annual reporting period is \$1,839,324.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	2,413	2,408
Post-employment benefits	171	175
Termination benefits	46	201
Total	2,630	2,784

Other Transactions with KMP and their related parties

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

There were no other material transactions between KMP and their related parties and Council during the financial year.

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	\$ '000	\$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	121	120
Councillors' fees	375	387
Other Councillors' expenses (including Mayor)	61	113
Total	557	620

F1-3 Other related parties

	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	The expense recognised during the period relating to bad or doubtful debts due from related parties \$ '000
2021					
Payments for recycling bin services ¹	5,618	–	Standard procurement terms and conditions	–	–
Payments for annual subscriptions	–	–	Payments shared between the parties in the Joint Venture	–	–
Payments for legal services	12	–	Provided under the Joint Venture arrangement	–	–
Payments for record management services	–	–	Provided under the Joint Venture arrangement	–	–
Payments of grant funding ²	1,050	–	Grants provided as part of funding agreement	–	–
2020					
Payments for recycling bin services ¹	5,693	–	Standard procurement terms and conditions	–	–
Payments for annual subscriptions	–	–	Payments shared between the parties in the Joint Venture	–	–
Payments for legal services	30	–	Provided under the Joint Venture arrangement	–	–
Payments for record management services	–	–	Provided under the Joint Venture arrangement	–	–
Payments of grant funding ²	1,020	–	Grants provided as part of funding agreement	–	–

(1) Relates to Hunter Resource Recovery which has not been consolidated in Council's financial statements due to amounts being immaterial to Council operations.

(2) Relates to Dantia Prosperity in Abundance which has not been consolidated in Council's financial statements due to amounts being immaterial to Council operations.

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	92	110
Total Auditor-General remuneration	92	110

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services

	11	10
Total remuneration of non NSW Auditor-General audit firms	11	10

Total audit fees	103	120
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G Other matters

G1-1 Statement of Cash Flows information

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

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	58,677	44,018
Adjust for non-cash items:		
Depreciation and amortisation	68,077	60,666
Net losses/(gains) on disposal of assets	5,510	3,658
Non-cash capital grants and contributions and dedications	(18,695)	(26,957)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	420	–
– Investment property	(7,318)	1,688
– Revaluation decrements / impairments of IPP&E direct to P&L	1,563	–
Unwinding of discount rates on reinstatement provisions	(2,448)	1,176
Share of net (profits)/losses of associates/joint ventures using the equity method	182	75
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(1,106)	140
Increase/(decrease) in provision for impairment of receivables	(79)	140
Decrease/(increase) in inventories	6	(226)
Decrease/(increase) in other current assets	1,712	(1,065)
Increase/(decrease) in payables	3,601	4,643
Increase/(decrease) in accrued interest payable	10	24
Increase/(decrease) in other liabilities	(1,770)	507
Increase/(decrease) in contract liabilities	4,638	755
Increase/(decrease) in provision for employee benefits	(1,625)	2,579
Increase/(decrease) in other provisions	(616)	(242)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	110,739	91,579

(b) Non-cash investing and financing activities

Bushfire grants	558	333
Dedications	18,137	25,411
Total non-cash investing and financing activities	18,695	25,744

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Infrastructure	4,384	2,697
Sporting and recreational facilities	6,362	684
Acquisition – plant	8,634	1,263
Buildings	2,527	2,372
Community facilities	1,441	483
Information technology	59	284
Land Acquisition	439	19
Total commitments	23,846	7,802

Details of capital commitments

- Infrastructure commitments include the rehabilitation of Ruttleys Road Wyee and the Cooranbong bridge upgrade.
- Sporting and Recreational Facilities commitments include the Thomas H Halton Park upgrade and Skate Lake Mac construction.
- Acquisition - Plant commitments include trucks, mowers, trailers and light commercial vehicles under the plant replacement program.
- Buildings commitments include the Awaba House rebuild and construction of the Landcare and Sustainability Resource Centre.
- Community Facilities commitments include improvements at libraries, holiday parks, neighbourhood centres and art galleries, including the Speers Point Multi Arts Pavilion.
- Information Technology commitments include work on unified communications and purchases of equipment such as laptops.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Changes in accounting policies due to adoption of new accounting standards

No newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures for the year ended 30 June 2021.

G4-2 Correction of errors

Correction of prior period errors

There was no correction of prior period errors for the year ended 30 June 2021.

G4-3 Changes in accounting estimates

Changes in accounting estimates

There were no changes in accounting estimates for the year ended 30 June 2021.

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000
		Cash \$ '000	Non-cash \$ '000				
Drainage	1,711	–	–	33	(101)	–	1,643
Traffic facilities	16,110	906	–	312	(2,448)	–	14,880
Parking	4,759	–	–	81	–	–	4,840
Open space	75,184	12,589	27	1,527	(8,000)	–	81,300
Community facilities	19,982	2,555	58	396	(2,483)	–	20,450
Other	116	483	–	2	(485)	–	116
S7.11 contributions – under a plan	117,862	16,533	85	2,351	(13,517)	–	123,229
S7.12 levies – under a plan	885	1,183	–	29	–	–	2,097
Total S7.11 and S7.12 revenue under plans	118,747	17,716	85	2,380	(13,517)	–	125,326
S7.11 not under plans	2,061	–	–	37	–	–	2,098
S7.4 planning agreements	3,299	1,840	351	83	(29)	–	5,193
Total contributions	124,107	19,556	436	2,500	(13,546)	–	132,617

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

G5-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000
		Cash \$ '000	Non-cash \$ '000				
CONTRIBUTION PLAN CITY WIDE PLAN 2004							
Drainage	1,095	–	–	22	–	–	1,117
Other	–	9	–	–	(11)	–	(2)
Total	1,095	9	–	22	(11)	–	1,115
CONTRIBUTION PLAN NO. 2 NORTHLAKES URBAN RELEASE AREA							
Drainage	614	–	–	11	(101)	–	524
Traffic facilities	7,287	300	–	146	(75)	–	7,658
Open space	3,039	1,187	–	72	–	–	4,298
Community facilities	2,960	169	58	57	(342)	–	2,844
Other	116	18	–	2	(18)	–	118
Total	14,016	1,674	58	288	(536)	–	15,442
CONTRIBUTION PLAN NO. 3 GARDEN SUBURBS							
Drainage	2	–	–	–	–	–	2
Total	2	–	–	–	–	–	2

G5-2 Developer contributions by plan (continued)

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000
		Cash \$ '000	Non-cash \$ '000				
CONTRIBUTION PLAN NO. 4 COMMERCIAL AREAS CARPARKING							
Traffic facilities	9	–	–	2	–	–	11
Parking	206	–	–	1	–	–	207
Total	215	–	–	3	–	–	218
CONTRIBUTION PLAN NO. 5 NORTH WALLARAH PENINSULAR							
Traffic facilities	347	–	–	7	–	–	354
Open space	2,785	–	–	55	–	–	2,840
Community facilities	216	–	–	2	(218)	–	–
Total	3,348	–	–	64	(218)	–	3,194
CONTRIBUTION PLAN NO. 6 HILLSBOROUGH ROAD							
Traffic facilities	24	–	–	1	–	–	25
Total	24	–	–	1	–	–	25
CONTRIBUTION PLAN NO. 7 MORISSET CONTRIBUTIONS CATCHMENT							
Traffic facilities	3,907	140	–	82	(377)	–	3,752
Parking	444	–	–	2	–	–	446
Open space	16,976	1,520	–	328	(2,148)	–	16,676
Community facilities	4,846	480	–	100	–	–	5,426
Other	–	55	–	–	(55)	–	–
Total	26,173	2,195	–	512	(2,580)	–	26,300
CONTRIBUTION PLAN NO. 8 GLENDALE CATCHMENT							
Traffic facilities	2,263	302	–	31	(1,637)	–	959
Parking	558	–	–	10	–	–	568
Open space	17,084	2,577	–	345	(1,716)	–	18,290
Community facilities	5,886	630	–	108	(1,422)	–	5,202
Other	–	114	–	–	(114)	–	–
Total	25,791	3,623	–	494	(4,889)	–	25,019

G5-2 Developer contributions by plan (continued)

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000
		Cash \$ '000	Non-cash \$ '000				
CONTRIBUTION PLAN NO. 9 CHARLESTOWN CATCHMENT							
Traffic facilities	2,201	160	–	42	(317)	–	2,086
Parking	3,551	–	–	68	–	–	3,619
Open space	8,916	2,898	–	173	(3,152)	–	8,835
Community facilities	3,302	573	–	69	(370)	–	3,574
Other	–	114	–	–	(114)	–	–
Total	17,970	3,745	–	352	(3,953)	–	18,114
CONTRIBUTION PLAN NO. 10 TORONTO CATCHMENT							
Traffic facilities	70	2	–	1	(42)	–	31
Open space	12,801	1,954	27	267	(508)	–	14,514
Community facilities	93	240	–	4	(10)	–	327
Other	–	110	–	–	(110)	–	–
Total	12,964	2,306	27	272	(670)	–	14,872
CONTRIBUTIONS PLAN NO. 11 BELMONT CATCHMENT							
Traffic facilities	2	2	–	–	–	–	4
Open space	13,583	2,453	–	287	(476)	–	15,847
Community facilities	2,679	463	–	56	(121)	–	3,077
Other	–	63	–	–	(63)	–	–
Total	16,264	2,981	–	343	(660)	–	18,928
Section 7.12 Levies							
Other	885	1,183	–	29	–	–	2,097
Total	885	1,183	–	29	–	–	2,097

G5-3 Contributions not under plans

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000
		Cash \$ '000	Non-cash \$ '000				
S7.11 CONTRIBUTIONS – NOT UNDER A PLAN							
Drainage	167	–	–	3	–	–	170
Roads	1,160	–	–	23	–	–	1,183
Parking	533	–	–	11	–	–	544
Open space	9	–	–	–	–	–	9
Community facilities	5	–	–	–	–	–	5
Other	187	–	–	–	–	–	187
Total	2,061	–	–	37	–	–	2,098

G5-4 S7.4 planning agreements

S7.4 planning agreements

Roads	743	1,413	341	29	–	–	2,185
Parking	653	–	–	13	–	–	666
Open space	1,212	243	10	26	–	–	1,481
Community facilities	678	155	–	15	–	–	848
Other	13	28	–	–	(28)	–	13
Total	3,299	1,839	351	83	(28)	–	5,193

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,497	0.99%	(2.49)%	(0.26)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	253,168				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	224,789	72.58%	71.41%	76.69%	> 60.00%
Total continuing operating revenue ¹	309,713				
3. Unrestricted current ratio					
Current assets less all external restrictions ³	164,960	4.14x	4.48x	6.14x	> 1.50x
Current liabilities less specific purpose liabilities	39,876				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	74,903	6.23x	5.09x	6.51x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	12,026				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	7,597	3.97%	3.92%	3.65%	< 10.00%
Rates and annual charges collectable	191,199				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	198,509	11.50	10.15	8.19	> 3.00
Monthly payments from cash flow of operating and financing activities	17,261	mths	mths	mths	mths

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

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

(3) 2019 indicator has been restated in line with corrections for prior period errors



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lake Macquarie City Council

To the Councillors of the Lake Macquarie City Council

Opinion

I have audited the accompanying financial statements of Lake Macquarie City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

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



Furqan Yousuf
Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY



Cr Kay Fraser
Mayor
Lake Macquarie City Council
PO Box 1906
HUNTER REGIONAL MAIL CENTRE NSW 2310

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D2121566/1751

29 October 2021

Dear Cr Fraser

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Lake Macquarie City Council**

I have audited the general purpose financial statements (GPFS) of the Lake Macquarie City Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	183.8	177.0	3.8
Grants and contributions revenue	84.9	85.6	0.8
Operating result from continuing operations	58.7	44.0	33.4
Net operating result before capital grants and contributions	2.1	(11.5)	118.2

The Council's operating result from continuing operations (surplus of \$58.7 million including depreciation and amortisation expense of \$69.6 million) was \$14.7 million higher than the 2019–20 result. This was mainly due to:

- \$6.7 million higher rates and annual charges revenue
- \$5.2 million higher user charges and fees revenue
- \$7.3 million increase in fair value of investment properties
- partially offset by higher depreciation, amortisation and impairment expense of \$9.0 million.

The net operating result before capital grants and contributions (surplus of \$2.1 million) was \$13.6 million higher than the 2019-20 result. The increase is mainly due to the movements noted above.

Rates and annual charges revenue (\$183.8 million) increased by \$6.7 million (3.8 per cent) in 2020–21 due to

- annual rate peg increase applied to ordinary rates (2.6 percent)
- increase of \$1.5 million for domestic waste management services.

Grants and contributions revenue (\$84.9 million) decreased by \$0.6 million (0.8 per cent) in 2020-21.

STATEMENT OF CASH FLOWS

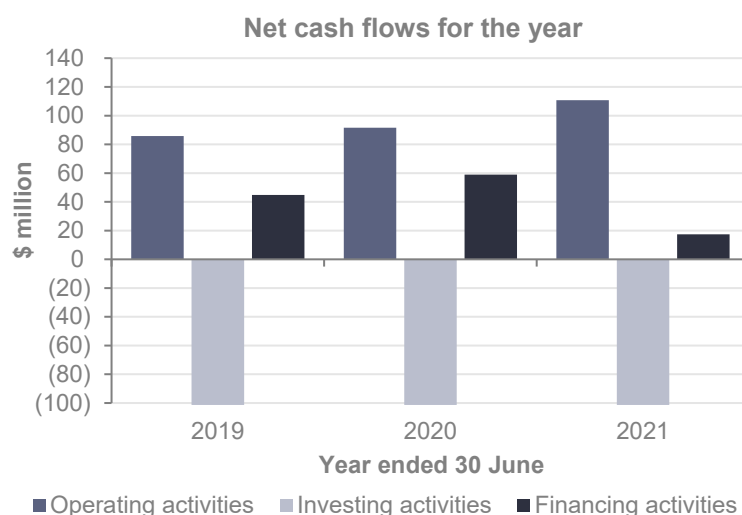
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The increase in cash provided from operating activities is mainly due to increased grants and contributions received during the year.

The decrease in cash used in investing activities is mainly due to reduction in purchase of investment securities and term deposits.

The decrease in cash provided from financing activities is mainly due to lower proceeds from borrowings.

The Council's cash and cash equivalent balances at 30 June 2021 was \$17.5 million (2020: \$19.8 million). The net cash flow for the year was a decrease of \$2.3 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	331.2	304.6	<ul style="list-style-type: none"> Cash and investments increased by \$26.6 million. Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$17.6 million primarily due to an increase in available cash balance relating to the developer contributions.
Restricted cash and investments:			
• External restrictions	182.7	165.1	
• Internal restrictions	129.7	126.9	<ul style="list-style-type: none"> Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capital projects. The increase is mainly due to increase in available cash balances relating to replacement of assets and unexpended loan funds.

Debt

The Council has \$203.7 million of borrowings as at 30 June 2021 (2020: \$186.1 million)

The Council has an accumulated drawdown facility limit of \$2.2 million as at 30 June 2021 (2020: \$2.2 million). As at 30 June 2021, \$2.1 million of the total facility remains unutilised.

PERFORMANCE

Performance measures

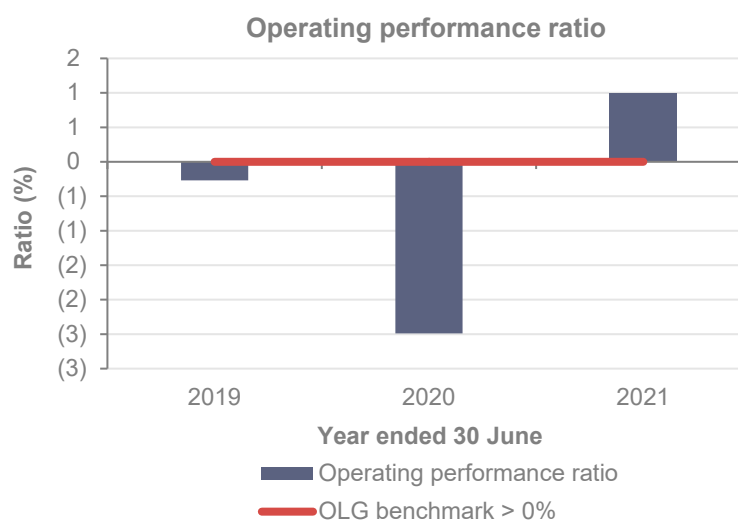
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council met the OLG benchmark for the current reporting period.

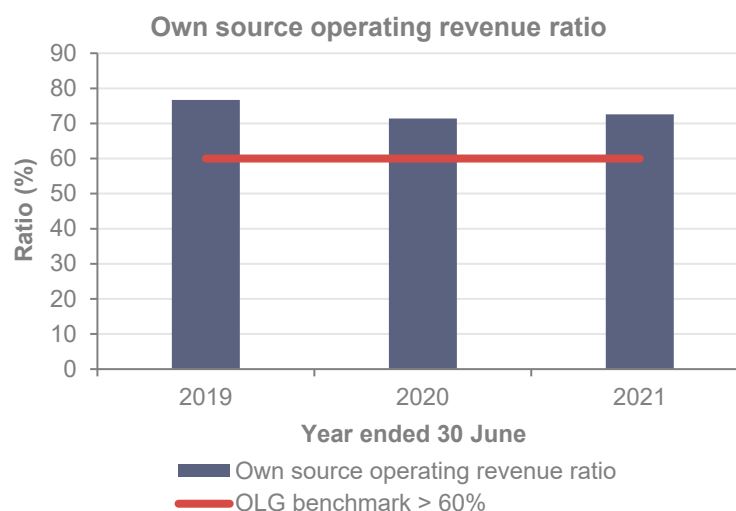
The 2019-20 ratio was restated as a result of the reclassifications in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020-21.



Own source operating revenue ratio

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

The Council met the OLG benchmark for the current reporting period.

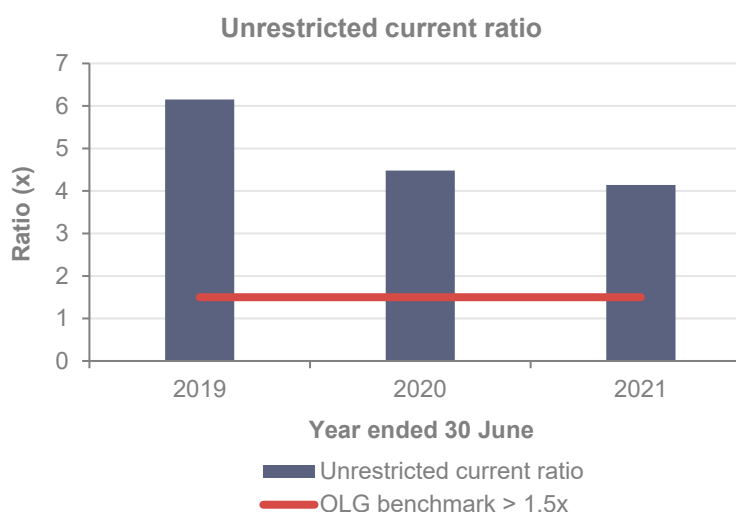


Unrestricted current ratio

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

The Council met the OLG benchmark for the current reporting period.

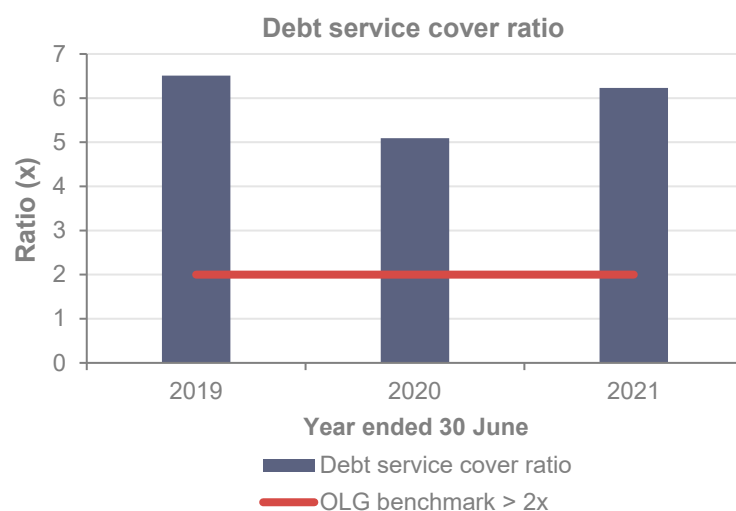
The 2019-20 ratio was restated as a result of the reclassifications in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020-21.



Debt service cover ratio

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

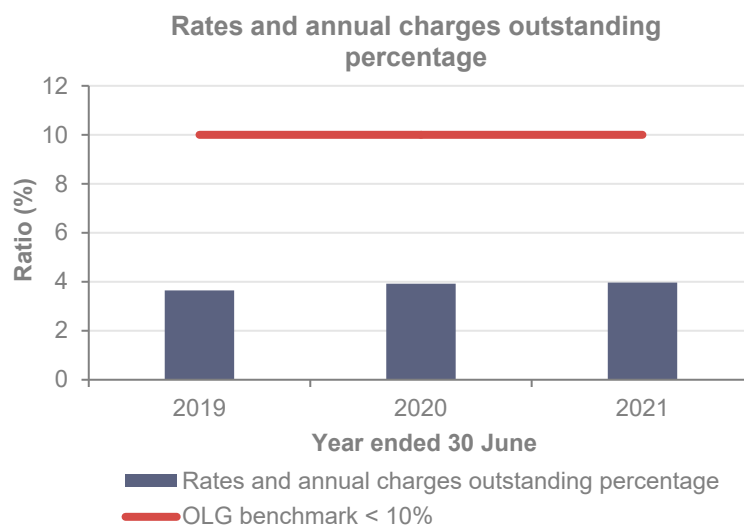
The Council met the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

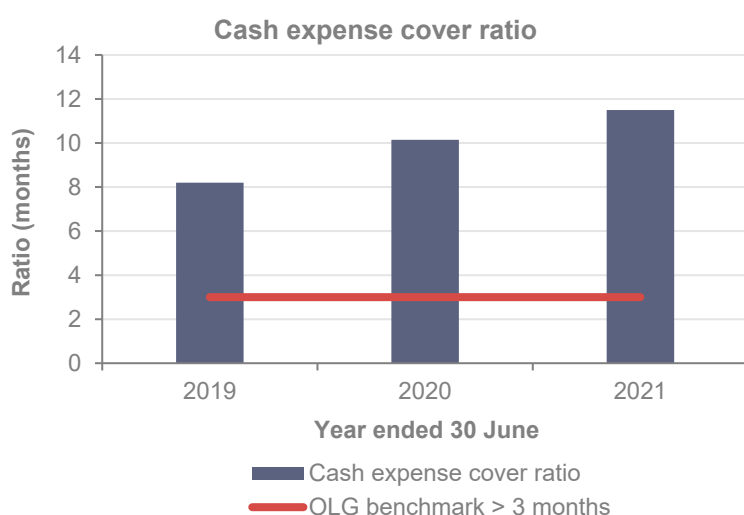
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

The Council met the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$54.4 million in 2020-21 (\$45.8 million in 2019-20). Significant renewals included:

- building renewals of \$18.0 million (\$8.0 million in 2019-20)
- road renewals of \$13.9 million (\$21.9 million in 2019-20).

OTHER MATTERS

Legislative compliance

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.



Furqan Yousuf
Delegate of the Auditor-General for New South Wales

cc: Ms Morven Cameron, Chief Executive Officer
Ms Dianne Allen, Chair of the Audit, Risk and Improvement Committee

Lake Macquarie City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Lake Macquarie City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of CiviLake	4
Income Statement of Property Management	5
Income Statement of Non-domestic waste	6
Income Statement of Printing	7
Statement of Financial Position of CiviLake	8
Statement of Financial Position of Property Management	9
Statement of Financial Position of Non-domestic waste	10
Statement of Financial Position of Printing	11
Note – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

Lake Macquarie City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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


Signed in accordance with a resolution of Council made on 25 October 2021.



Kay Fraser

Mayor

25 October 2021



Christine Buckley

Deputy Mayor

25 October 2021



Morven Cameron

General Manager

25 October 2021



Dwight Graham

Responsible Accounting Officer

25 October 2021

Lake Macquarie City Council

Income Statement of CiviLake

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
User charges and fees	2,602	3,850
Total income from continuing operations	2,602	3,850
Expenses from continuing operations		
Employee benefits and on-costs	487	769
Materials and services	1,668	2,657
Other expenses	3	13
Total expenses from continuing operations	2,158	3,439
Surplus (deficit) from continuing operations before capital amounts	444	411
Surplus (deficit) from continuing operations after capital amounts	444	411
Surplus (deficit) from all operations before tax	444	411
Less: corporate taxation equivalent [based on result before capital]	(116)	(113)
Surplus (deficit) after tax	328	298
Plus accumulated surplus	20,766	20,355
Plus adjustments for amounts unpaid:		
Corporate taxation equivalent	116	113
Dividend Paid	—	—
Closing accumulated surplus	21,210	20,766

Lake Macquarie City Council

Income Statement of Property Management

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
User charges and fees	12,825	9,492
Interest	583	334
Profit from the sale of assets	418	4,410
Other income	8,368	1,734
Total income from continuing operations	22,194	15,970
Expenses from continuing operations		
Employee benefits and on-costs	1,745	2,179
Borrowing costs	4	5
Materials and services	5,815	3,923
Depreciation, amortisation and impairment	1,826	1,587
Calculated taxation equivalents	665	529
Other expenses	2,323	3,541
Total expenses from continuing operations	12,378	11,764
Surplus (deficit) from continuing operations before capital amounts	9,816	4,206
Surplus (deficit) from continuing operations after capital amounts	9,816	4,206
Surplus (deficit) from all operations before tax	9,816	4,206
Less: corporate taxation equivalent [based on result before capital]	(2,552)	(1,157)
Surplus (deficit) after tax	7,264	3,049
Plus accumulated surplus	128,621	123,886
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	665	529
– Corporate taxation equivalent	2,552	1,157
Closing accumulated surplus	139,102	128,621
Return on capital %	16.0%	6.3%

Lake Macquarie City Council

Income Statement of Non-domestic waste

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
Rates and annual charges	2,435	2,273
User charges and fees	4,532	3,979
Grants and contributions provided for non-capital purposes	–	231
Total income from continuing operations	6,967	6,483
Expenses from continuing operations		
Employee benefits and on-costs	1,471	1,513
Borrowing costs	441	366
Materials and services	1,529	1,457
Depreciation and impairment	234	222
Loss on sale of assets	–	116
Calculated taxation equivalents	16	39
Other expenses	2,837	2,160
Total expenses from continuing operations	6,528	5,873
Surplus (deficit) from continuing operations before capital amounts	439	610
Surplus (deficit) from continuing operations after capital amounts	439	610
Surplus (deficit) from all operations before tax	439	610
Less: corporate taxation equivalent [based on result before capital]	(114)	(168)
Surplus (deficit) after tax	325	442
Plus accumulated surplus	17,923	17,274
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	16	39
– Corporate taxation equivalent	114	168
Closing accumulated surplus	18,378	17,923
Return on capital %	6.5%	6.2%

Lake Macquarie City Council

Income Statement of Printing

for the year ended 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
Income from continuing operations		
User charges and fees	891	1,004
Total income from continuing operations	891	1,004
Expenses from continuing operations		
Employee benefits and on-costs	533	509
Borrowing costs	7	2
Materials and services	217	334
Depreciation and impairment	109	64
Other expenses	3	3
Total expenses from continuing operations	869	912
Surplus (deficit) from continuing operations before capital amounts	22	92
Surplus (deficit) from continuing operations after capital amounts	22	92
Surplus (deficit) from all operations before tax	22	92
Less: corporate taxation equivalent [based on result before capital]	(6)	(25)
Surplus (deficit) after tax	16	67
Plus accumulated surplus	1,549	1,457
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	6	25
Closing accumulated surplus	1,571	1,549
Return on capital %	1,450.0%	4,700.0%

Lake Macquarie City Council

Statement of Financial Position of CiviLake

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Investments	22,029	19,821
Receivables	1,223	3,525
Total current assets	23,252	23,346
Total assets	23,252	23,346
LIABILITIES		
Current liabilities		
Payables	159	553
Employee benefit provisions	1,863	2,003
Total current liabilities	2,022	2,556
Non-current liabilities		
Employee benefit provisions	20	24
Total non-current liabilities	20	24
Total liabilities	2,042	2,580
Net assets	21,210	20,766
EQUITY		
Accumulated surplus	21,210	20,766
Total equity	21,210	20,766

Lake Macquarie City Council

Statement of Financial Position of Property Management

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	2	10
Investments	32,828	39,301
Receivables	192	149
Inventories	–	603
Total current assets	33,022	40,063
Non-current assets		
Right of use assets	318	146
Inventories	5,088	3,416
Infrastructure, property, plant and equipment	77,228	66,844
Investment property	45,560	40,950
Total non-current assets	128,194	111,356
Total assets	161,216	151,419
LIABILITIES		
Current liabilities		
Lease liabilities	83	105
Payables	380	542
Employee benefit provisions	471	807
Total current liabilities	934	1,454
Non-current liabilities		
Lease liabilities	239	42
Employee benefit provisions	33	9
Total non-current liabilities	272	51
Total liabilities	1,206	1,505
Net assets	160,010	149,914
EQUITY		
Accumulated surplus	139,102	128,622
Revaluation reserves	20,908	21,292
Total equity	160,010	149,914

Lake Macquarie City Council

Statement of Financial Position of Non-domestic waste

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Investments	5,411	3,788
Receivables	211	143
Total current assets	5,622	3,931
Non-current assets		
Infrastructure, property, plant and equipment	13,627	15,685
Total non-current assets	13,627	15,685
Total assets	19,249	19,616
LIABILITIES		
Current liabilities		
Payables	250	336
Employee benefit provisions	511	1,243
Total current liabilities	761	1,579
Non-current liabilities		
Employee benefit provisions	6	10
Total non-current liabilities	6	10
Total liabilities	767	1,589
Net assets	18,482	18,027
EQUITY		
Accumulated surplus	18,378	17,923
Revaluation reserves	104	104
Total equity	18,482	18,027

Lake Macquarie City Council

Statement of Financial Position of Printing

as at 30 June 2021

	2021 Category 2 \$ '000	2020 Category 2 \$ '000
ASSETS		
Current assets		
Investments	1,752	1,904
Receivables	52	16
Total current assets	1,804	1,920
Non-current assets		
Right of use assets	259	60
Infrastructure, property, plant and equipment	2	2
Total non-current assets	261	62
Total assets	2,065	1,982
LIABILITIES		
Current liabilities		
Lease liabilities	63	54
Payables	13	12
Employee benefit provisions	218	358
Total current liabilities	294	424
Non-current liabilities		
Lease liabilities	199	8
Employee benefit provisions	1	1
Total non-current liabilities	200	9
Total liabilities	494	433
Net assets	1,571	1,549
EQUITY		
Accumulated surplus	1,571	1,549
Total equity	1,571	1,549

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

CiviLake Management Group

Responsible for the management of all Council's non contestable maintenance, construction works and survey works including RMS works. CiviLake also manages Council's quarry operations which is managed on a cost basis plus an overhead charge.

Responsible for the tendering for external works for profit. The management unit hires where available all resources including labour, plant, equipment and human resources from the parent entity.

Council's expected return on capital is not applicable to this business unit. This is due to CiviLake hiring Council's equipment as opposed to purchasing new capital.

ABC costs are charged to the management group.

Property Management

Responsible for the management of all Council's strategic investment properties, holiday parks, land development and land acquisitions and sales. The capital employed by Property Management during the year was \$77,228k. Council's expected return on strategic investment holdings is currently 6%–8%.

Non-Domestic Waste

Responsible for the collection and disposal of waste other than domestic waste within the city. The capital employed by Non-Domestic Waste during the year was \$13,627k. Council's expected return on capital was 1.2% in accordance with the 10-year Commonwealth Government Bond rate.

Note – Significant Accounting Policies (continued)

Category 2

Printing

Responsible for all internal printing work as well as external printing on a competitive basis. The capital employed by Printing during the year was \$2k. Council's expected return on capital was 1.2% in accordance with the 10-year Commonwealth Government Bond rate.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (Special Purpose Financial Statements) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFS.

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

	Notional Rate Applied %
Corporate Tax Rate	26%
	Value \$nil to \$755,000 = Nil
Land Tax	Value \$755,000 to \$4,616,000 = 1.6% of excess + \$100
	Value > \$4,616,000 = 2% + \$61,876
Payroll Tax	4.85% with a \$1,200,000 threshold for the year 01/07/20 to 30/06/21
Other Taxes or Charges	Direct Costs Apply

Income tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/ (loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income Tax is only applied where a positive gain/ (loss) from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 27.5% is the equivalent company tax rate prevalent as at reporting date. No adjustments have been made for variations which have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. Consequently, any form of dividend payment is purely notional and has been set at 5%. Dividend payments to Council are also restricted to those activities which do not levy special rates or charges (water, sewer, domestic waste management). Council operates Domestic Waste Management (DWM) as a restricted activity. The *Local Government Act 1993 (NSW)* requires that all operating surpluses or deficits of these funds are credited/debited to the equity of those funds



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Lake Macquarie City Council

To the Councillors of the Lake Macquarie City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Lake Macquarie City Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- CiviLake
- Property Management
- Non-domestic waste
- Printing.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

I have fulfilled my other ethical responsibilities in accordance with 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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- 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.

A handwritten signature in black ink, appearing to read 'Furqan', with a stylized flourish at the end.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Lake Macquarie City Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Lake Macquarie City Council

Special Schedules

for the year ended 30 June 2021

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2021	4

Lake Macquarie City Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	138,672	143,501
Plus or minus adjustments ²	b	1,214	1,799
Notional general income	c = a + b	139,886	145,300
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	3,637	2,906
Sub-total	k = (c + g + h + i + j)	143,523	148,206
Plus (or minus) last year's carry forward total	l	(1)	23
Less valuation objections claimed in the previous year	m	(6)	(8)
Sub-total	n = (l + m)	(7)	15
Total permissible income	o = k + n	143,516	148,221
Less notional general income yield	p	143,501	148,338
Catch-up or (excess) result	q = o - p	15	(117)
Plus income lost due to valuation objections claimed ⁴	r	8	117
Carry forward to next year ⁶	t = q + r + s	23	-

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Lake Macquarie City Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	3,686	2,916	10,945	11,959	221,532	329,793	26.0%	45.0%	19.0%	9.0%	1.0%
	Sub-total	3,686	2,916	10,945	11,959	221,530	329,793	26.0%	45.0%	19.0%	9.0%	1.0%
Other structures	Other structures	330	252	274	359	23,682	56,753	15.0%	73.0%	7.0%	4.0%	1.0%
	Sub-total	330	252	274	359	23,682	56,753	15.0%	73.0%	7.0%	4.0%	1.0%
Roads	Roads	49,928	30,330	9,904	9,513	831,884	1,364,532	1.0%	0.0%	60.0%	34.0%	5.0%
	Bridges	–	1,479	402	197	46,284	71,994	14.0%	73.0%	12.0%	1.0%	0.0%
	Footpaths	–	150	1,073	919	101,766	151,678	22.0%	58.0%	18.0%	1.0%	1.0%
	Other road assets (including bulk earthworks)	1,292	–	5,026	3,876	656,564	880,659	15.0%	35.0%	49.0%	1.0%	0.0%
	Sub-total	51,220	31,959	16,405	14,505	1,636,499	2,468,863	7.7%	18.2%	52.1%	19.2%	2.8%
Stormwater drainage	Stormwater drainage	–	940	6,250	3,056	611,470	989,003	78.0%	17.0%	3.0%	1.0%	1.0%
	Sub-total	–	940	6,250	3,056	611,469	989,003	78.0%	17.0%	3.0%	1.0%	1.0%
Open space / recreational assets	Swimming pools	1,074	125	1,197	913	5,850	11,089	20.0%	32.0%	48.0%	0.0%	0.0%
	Other open space / recreational assets	–	747	13,146	11,134	35,258	63,459	43.0%	32.0%	20.0%	4.0%	1.0%
	Sub-total	1,074	872	14,343	12,047	41,108	74,548	39.6%	32.0%	24.2%	3.4%	0.9%
Other infrastructure assets	Other	2,669	1,206	328	333	31,149	43,270	27.0%	36.0%	29.0%	6.0%	2.0%
	Sub-total	2,669	1,206	328	333	31,149	43,270	27.0%	36.0%	29.0%	6.0%	2.0%
Total – all assets		58,979	38,145	48,545	42,259	2,565,437	3,962,230	27.7%	21.4%	35.7%	13.2%	2.1%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required

Lake Macquarie City Council

Report on infrastructure assets as at 30 June 2021 (continued)

4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Lake Macquarie City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	44,302	80.27%	78.43%	78.92%	>= 100.00%
Depreciation, amortisation and impairment	55,188				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	58,979	2.30%	2.17%	2.43%	< 2.00%
Net carrying amount of infrastructure assets	2,565,437				
Asset maintenance ratio					
Actual asset maintenance	42,259	87.05%	96.02%	93.22%	> 100.00%
Required asset maintenance	48,545				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	38,145	0.96%	1.24%	1.59%	
Gross replacement cost	3,962,230				

(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Lake Macquarie City Council

To the Councillors of Lake Macquarie City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Lake Macquarie City Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Furqan' followed by a stylized flourish.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

For more information



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