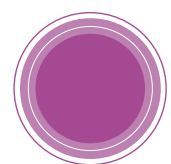




Annual Financial Statements

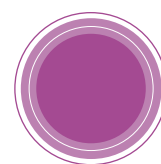
FOR THE YEAR ENDING
30 JUNE 2021





General Purpose Financial Statements

FOR THE YEAR ENDING
30 JUNE 2021



DRAFT

Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Understanding Council's Financial Statements	4
Statement by Councillors and Management	5
Primary Financial Statements:	
Income Statement	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	82
On the Financial Statements (Sect 417 [3])	83

Overview

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

62 - 78 Vincent Street
Cessnock NSW 2325

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website:
www.cessnock.nsw.gov.au.

Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Cessnock 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
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 22 September 2021.

Councillor Bob Pynsent
Mayor
22 September 2021

Councillor Jay Suvaal
Councillor
22 September 2021

Ms Lotta Jackson
General Manager
22 September 2021

Mr Robert Maginnity
Responsible Accounting Officer
22 September 2021

Cessnock City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Income from continuing operations				
55,500	Rates and annual charges	B2-1	55,899	53,355
8,035	User charges and fees	B2-2	13,282	7,973
1,777	Other revenue	B2-3	1,141	2,268
11,522	Grants and contributions provided for operating purposes	B2-4	12,946	13,074
15,236	Grants and contributions provided for capital purposes	B2-4	45,768	23,597
457	Interest and investment income	B2-5	445	836
—	Other income	B2-6	917	615
92,527	Total income from continuing operations		130,398	101,718
Expenses from continuing operations				
36,322	Employee benefits and on-costs	B3-1	35,449	35,330
13,976	Materials and services	B3-2	31,408	21,951
406	Borrowing costs	B3-3	263	318
12,160	Depreciation, amortisation and impairment for non-financial assets	B3-4	14,676	12,855
11,426	Other expenses	B3-5	6,086	5,768
3,000	Net losses from the disposal of assets	B4-1	6,315	2,102
77,290	Total expenses from continuing operations		94,197	78,324
15,237	Operating result from continuing operations		36,201	23,394
15,237	Net operating result for the year attributable to Council		36,201	23,394
—	Net operating result for the year before grants and contributions provided for capital purposes		(9,567)	(203)

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

Cessnock City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		36,201	23,394
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	61,430	82,591
Found assets - infrastructure, property, plant and equipment	C1-8	2,907	–
Other comprehensive income – joint ventures and associates	D1-1	484	–
Total items which will not be reclassified subsequently to the operating result		64,821	82,591
Total other comprehensive income for the year		64,821	82,591
Total comprehensive income for the year attributable to Council		101,022	105,985

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

Cessnock City Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	7,766	4,907
Investments	C1-2	47,000	42,600
Receivables	C1-4	12,557	6,427
Inventories	C1-5	1,691	1,634
Current assets classified as 'held for sale'	C1-7	1,409	206
Other		848	323
Total current assets		71,271	56,097
Non-current assets			
Infrastructure, property, plant and equipment	C1-8	1,044,166	955,756
Right of use assets	C2-1	29	85
Investments accounted for using the equity method	D1-1	383	—
Total non-current assets		1,044,578	955,841
Total assets		1,115,849	1,011,938
LIABILITIES			
Current liabilities			
Payables	C3-1	7,827	7,124
Contract liabilities	C3-2	7,138	3,408
Lease liabilities	C2-1	18	60
Borrowings	C3-3	1,558	1,469
Employee benefit provisions	C3-4	10,282	9,982
Total current liabilities		26,823	22,043
Non-current liabilities			
Payables	C3-1	3,039	5,491
Lease liabilities	C2-1	6	23
Borrowings	C3-3	5,131	3,880
Employee benefit provisions	C3-4	265	233
Provisions	C3-5	14,344	15,049
Total non-current liabilities		22,785	24,676
Total liabilities		49,608	46,719
Net assets		1,066,241	965,219
EQUITY			
Accumulated surplus	C4-1	544,962	508,277
IPPE revaluation reserve	C4-1	521,279	456,942
Council equity interest		1,066,241	965,219
Total equity		1,066,241	965,219

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

Cessnock City Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		508,277	456,942	965,219	484,883	374,351	859,234
Correction of prior period errors	G4-2	–	–	–	827	–	827
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(827)	–	(827)
Opening balance		508,277	456,942	965,219	484,883	374,351	859,234
Net operating result for the year		36,201	–	36,201	23,394	–	23,394
Net operating result for the period		36,201	–	36,201	23,394	–	23,394
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	61,430	61,430	–	82,591	82,591
Found assets - infrastructure, property, plant and equipment	C1-8	–	2,907	2,907	–	–	–
Joint ventures and associates	D1-1	484	–	484	–	–	–
Other comprehensive income		484	64,337	64,821	–	82,591	82,591
Total comprehensive income		36,685	64,337	101,022	23,394	82,591	105,985
Closing balance at 30 June		544,962	521,279	1,066,241	508,277	456,942	965,219

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

Cessnock City Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
56,300	Rates and annual charges		55,404	53,162
7,100	User charges and fees		13,265	7,541
600	Investment and interest revenue received		858	942
23,800	Grants and contributions		30,048	27,808
600	Bonds, deposits and retention amounts received		859	1,295
1,300	Other		1,795	1,505
Payments:				
(36,000)	Employee benefits and on-costs		(34,716)	(34,776)
(17,200)	Materials and services		(30,718)	(18,199)
(400)	Borrowing costs		(263)	(318)
–	Bonds, deposits and retention amounts refunded		(3,334)	–
(5,500)	Other		(7,807)	(6,582)
30,600	Net cash flows from operating activities	G1-1a	25,391	32,378
Cash flows from investing activities				
Receipts:				
22,000	Sale of investment securities		800	21,600
–	Redemption of term deposits		28,600	–
–	Sale of real estate assets		–	396
600	Sale of infrastructure, property, plant and equipment		3,367	916
Payments:				
(22,000)	Purchase of investment securities		–	(29,300)
–	Acquisition of term deposits		(33,800)	–
(33,676)	Purchase of infrastructure, property, plant and equipment		(22,780)	(24,935)
(33,076)	Net cash flows from investing activities		(23,813)	(31,323)
Cash flows from financing activities				
Receipts:				
1,437	Proceeds from borrowings		2,948	–
Payments:				
(1,728)	Repayment of borrowings		(1,608)	(1,511)
–	Principal component of lease payments		(59)	(58)
(291)	Net cash flows from financing activities		1,281	(1,569)
(2,767)	Net change in cash and cash equivalents		2,859	(514)
4,907	Cash and cash equivalents at beginning of year		4,907	5,421
2,140	Cash and cash equivalents at end of year	C1-1	7,766	4,907
43,000	plus: Investments on hand at end of year	C1-2	47,000	42,600
45,140	Total cash, cash equivalents and investments		54,766	47,507

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

Cessnock City Council

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

A About Council and these financial statements	13
A1-1 Basis of preparation	13
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
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	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
B4 Gains or losses	29
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	29
B5 Performance against budget	30
B5-1 Material budget variations	30
C Financial position	32
C1 Assets we manage	32
C1-1 Cash and cash equivalents	32
C1-2 Financial investments	32
C1-3 Restricted cash, cash equivalents and investments	34
C1-4 Receivables	35
C1-5 Inventories	37
C1-6 Contract assets and Contract cost assets	38
C1-7 Non-current assets classified as held for sale	38
C1-8 Infrastructure, property, plant and equipment	39
C2 Leasing activities	43
C2-1 Council as a lessee	43
C2-2 Council as a lessor	44
C3 Liabilities of Council	46
C3-1 Payables	46
C3-2 Contract Liabilities	47
C3-3 Borrowings	49
C3-4 Employee benefit provisions	51
C3-5 Provisions	53

Cessnock City Council

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

C4 Reserves	54
C4-1 Nature and purpose of reserves	54
D Council structure	55
D1 Interests in other entities	55
D1-1 Interests in joint arrangements	55
E Risks and accounting uncertainties	56
E1-1 Risks relating to financial instruments held	56
E2-1 Fair value measurement	59
E3-1 Contingencies	64
F People and relationships	67
F1 Related party disclosures	67
F1-1 Key management personnel (KMP)	67
F1-2 Councillor and Mayoral fees and associated expenses	69
F2 Other relationships	69
F2-1 Audit fees	69
G Other matters	70
G1-1 Statement of Cash Flows information	70
G2-1 Commitments	71
G3-1 Events occurring after the reporting date	72
G4 Changes from prior year statements	72
G4-1 Changes in accounting policy	72
G4-2 Correction of errors	72
G4-3 Changes in accounting estimates	72
G5 Statement of developer contributions as at 30 June 2021	73
G5-1 Summary of developer contributions	73
G5-2 S7.11 Contributions – under a plan	73
G5-3 S7.4 planning agreements	75
G6 Statement of performance measures	76
G6-1 Statement of performance measures – consolidated results	76
H Additional Council disclosures (unaudited)	77
H1-1 Statement of performance measures – consolidated results (graphs)	77
H1-2 Financial review	80
H1-3 Council information and contact details	81

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 20 October 2021.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated 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.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within 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.
- iii. 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 the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Section 355 Committees

The Trust Fund

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

A1-1 Basis of preparation (continued)

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

A separate statement of monies held in the Trust Fund 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

Volunteer services are used throughout a variety of Council functions. These include Section 355 Committees for community halls and tidy towns projects, library services and performing arts centre services. The value to Council of these services has not been recognised in the income statement as they cannot be readily measured.

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.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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 which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1 Changes in accounting policy.

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.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Governance	–	–	950	1,145	(950)	(1,145)	–	–	–	50
Administration	7,752	1,668	44,670	14,905	(36,918)	(13,237)	6,928	3,827	116,191	97,996
Public order and safety	952	2,478	2,226	2,542	(1,274)	(64)	353	1,528	4,855	4,793
Health	782	653	812	818	(30)	(165)	67	–	266	272
Environment	21,794	22,322	16,612	16,928	5,182	5,394	4,017	673	106,793	95,708
Community services and education	81	82	274	892	(193)	(810)	81	330	13,182	6,756
Housing and community amenities	1,929	1,468	6,177	6,585	(4,248)	(5,117)	(45)	111	7,517	1,331
Recreation and culture	2,494	5,860	5,435	12,508	(2,941)	(6,648)	2,044	4,404	88,479	75,120
Mining, manufacturing and construction	1,225	887	1,275	1,424	(50)	(537)	–	–	291	185
Transport and communication	41,960	17,215	14,115	19,112	27,845	(1,897)	34,998	18,012	771,311	726,574
Economic affairs	3,047	1,404	1,651	1,465	1,396	(61)	3,012	271	6,964	3,153
General Purpose Income	48,382	47,681	–	–	48,382	47,681	7,259	7,515	–	–
Total functions and activities	130,398	101,718	94,197	78,324	36,201	23,394	58,714	36,671	1,115,849	1,011,938

B1-2 Components of functions or activities

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public Order and Safety

Includes Council's fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control, other environmental protection, solid waste management, including domestic waste, other waste management, other sanitation, and garbage, street cleaning, drainage and stormwater management.

Community Services and Education

Includes administration and education, social protection (welfare), Aboriginal and other community services and administration, youth services, aged and disabled persons services, and other family and children services.

Housing and Community Amenities

Includes public cemeteries, public conveniences, street lighting, town planning, other community amenities.

Recreation and Culture

Includes public libraries, museums, art galleries, community centres and halls, including public halls and performing arts venues, sporting grounds and venues, swimming pools, parks, gardens, and other sporting, recreational and cultural services.

Mining, Manufacturing and Construction

Includes building control, quarries.

Transport and Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic Affairs

Includes tourism and area promotion, industrial development promotion, real estate development, and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	31,395	30,061
Farmland	2,760	2,720
Mining	1,411	1,256
Business	5,438	5,021
Less: pensioner rebates (mandatory)	(797)	(794)
Less: pensioner rebates (Council policy)	(93)	(91)
Rates levied to ratepayers	40,114	38,173
Pensioner rate subsidies received	433	435
Total ordinary rates	40,547	38,608
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	14,132	13,520
Stormwater management services	537	524
Waste management services (non-domestic)	893	899
Section 611 charges	28	29
Less: pensioner rebates (mandatory)	(393)	(385)
Less: pensioner rebates (Council policy)	(44)	(43)
Annual charges levied	15,153	14,544
Pensioner subsidies received:		
– Domestic waste management	199	203
Total annual charges	15,352	14,747
Total rates and annual charges	55,899	53,355

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

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2021	2020
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	272	240
Private works – section 67	19	7
Regulatory/ statutory fees	135	166
Section 10.7 certificates (EP&A Act)	282	210
Section 603 certificates	216	142
Town planning	1,944	1,187
Building permits and fees	715	609
Total fees and charges – statutory/regulatory	3,583	2,561
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	122	251
Cemeteries	155	188
RMS charges (state roads not controlled by Council)	6,349	2,638
Waste disposal tipping fees	2,079	1,326
Cessnock performing arts centre	191	188
Onsite sewerage management fees	484	469
Swimming pool fees	118	180
Other	201	172
Total fees and charges – other	9,699	5,412
Total user charges and fees	13,282	7,973
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	2,317	–
User charges and fees recognised at a point in time (2)	10,965	7,973
Total user charges and fees	13,282	7,973

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment for town planning fees are required to be paid on application.

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.

B2-3 Other revenue

\$ '000	2021	2020
Fines	444	492
Legal fees recovery – rates and charges (extra charges)	3	355
Legal fees recovery – other	17	4
Commissions and agency fees	9	33
Diesel rebate	47	36
Insurance claims recoveries	29	317
Sales – general	100	215
Section 355 committees	126	118
Investment recovery claim	–	630
Other	42	68
Metal Sales	324	–
Total other revenue	1,141	2,268

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,141	2,268
Total other revenue	1,141	2,268

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Legal fees recovery - rates and extra charges for 2020/21 and the variance to prior year income represents the considered and collaborative approach Council has taken in debt recovery efforts with ratepayers in response to the Covid-19 pandemic.

B2-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,659	2,772	–	–
Financial assistance – local roads component	846	877	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,845	2,938	–	–
Financial assistance – local roads component	908	928	–	–
Amount recognised as income during current year	7,258	7,515	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Pensioners' rates subsidies:				
Bushfire and emergency services	–	1,524	–	–
Community centres	–	–	141	535
Economic development	591	256	–	–
Environmental programs	23	96	–	–
Heritage and cultural	–	–	100	52
Library – per capita	153	145	–	–
Library – special projects	64	10	(290)	354
LIRS subsidy	25	32	–	–
Noxious weeds	69	104	–	–
Recreation and culture	6	75	3,284	3,233
Drainage	63	122	–	–
Transport (resources for regions)	–	–	7,573	4,116
Transport (road safety)	76	61	–	–
Waste levy programs	93	93	(11)	11
Welfare services	68	63	–	–
Street lighting	111	111	–	–
Transport (roads to recovery)	1,598	533	–	–
Transport (flood works, other roads and bridges funding)	–	–	1,714	5
Other specific grants	26	34	35	70
Previously contributions:				
Bushfire services	–	–	–	120
Recreation and culture	–	–	27	–
Transport for NSW contributions (regional roads, block grant)	1,418	1,418	270	250
Tourism	185	253	71	–
Other contributions	158	61	218	41
Bushfire protection	353	137	–	–
General admin services	219	313	–	–
Hunter water corporation contribution	–	–	142	–
Motor vehicle leaseback	354	–	–	–
Road reinstatements	34	116	–	–
Transport	1	2	498	–
Total special purpose grants and non-developer contributions – cash	5,688	5,559	13,772	8,787
Non-cash contributions				
Dedications – subdivisions (other than by s7.11)	–	–	25,702	11,398
Total other contributions – non-cash	–	–	25,702	11,398
Total special purpose grants and non-developer contributions (tied)	5,688	5,559	39,474	20,185

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Total grants and non-developer contributions	12,946	13,074	39,474	20,185
Comprising:				
– Commonwealth funding	9,150	8,075	3,562	2,749
– State funding	2,600	2,699	9,979	5,627
– Other funding	1,196	2,300	25,933	11,809
	12,946	13,074	39,474	20,185

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5				
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	2,614	589
S 7.11 – contributions towards amenities/services		–	–	3,093	2,667
S 7.12 – fixed development consent levies		–	–	587	156
Total developer contributions – cash		–	–	6,294	3,412
Total developer contributions		–	–	6,294	3,412
Total contributions		–	–	6,294	3,412
Total grants and contributions		12,946	13,074	45,768	23,597
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		7,258	–	13,223	–
Grants and contributions recognised at a point in time (2)		5,688	13,074	32,545	23,597
Total grants and contributions		12,946	13,074	45,768	23,597

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	2,007	452	4,112	834
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	621	–	–	–
Add: Funds received and not recognised as revenue in the current year	–	1,764	6,518	597
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,150)	–	(727)	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(49)	(258)	(3,170)	(671)
Unspent funds at 30 June	1,429	1,958	6,733	760

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Contributions				
Unspent funds at 1 July	17,529	14,463	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,409	–	–	–
Add: contributions received and not recognised as revenue in the current year	–	3,504	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(2,942)	(442)	–	–
Unspent contributions at 30 June	20,996	17,525	–	–

Accounting policy**Grants and contributions – enforceable agreement with sufficiently specific performance obligations**

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

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

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

Capital grants

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

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

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

Non-cash contributions

Dedications in the form of tangible assets found or received by Council, mostly from developers, are recognised as capital income measured by the fair value at the time of dedication, less any accumulated depreciation. The level of dedications correlates strongly with development activities and includes such assets as bridges, roads, stormwater pits and pipes, and kerb and gutter.

Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

B2-4 Grants and contributions (continued)

Other grants and contributions

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

DRAFT

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	90	160
– Cash and investments	355	676
Total interest and investment income (losses)	445	836

Interest and investment income is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	90	160
General Council cash and investments	7	135

Restricted investments/funds – external:

Development contributions		
– Section 7.11	131	92
Domestic waste management operations	3	7
Other externally restricted assets	25	70

Restricted investments/funds – internal:

Internally restricted assets	189	372
Total interest and investment income	445	836

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Reversal of revaluation decrements on IPPE previously expensed			
Infrastructure assets		481	–
Total gross reversal of revaluation decrements on IPPE previously expensed		481	–
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-8	481	–
Rental income			
Other lease income			
Community Facilities	C2-2	436	252
Leaseback fees - council vehicles		–	300
Other		–	63
Total Other lease income		436	615
Total rental income	C2-2	436	615
Total other income		917	615

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	27,814	26,590
Travel expenses	441	488
Employee leave entitlements (ELE)	5,939	5,783
Superannuation	3,753	3,596
Workers' compensation insurance	990	784
Fringe benefit tax (FBT)	244	261
Training costs (other than salaries and wages)	236	298
Other	18	47
Total employee costs	39,435	37,847
Less: capitalised costs	(3,986)	(2,517)
Total employee costs expensed	35,449	35,330

Accounting policy

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

Retirement benefit obligations

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

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 and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		21,508	11,358
Contractor and consultancy costs		4,098	4,958
Audit Fees	F2-1	52	56
Infringement notice contract costs (SEINS)		35	51
Expenses from leases of low value assets (2020 only)		–	112
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	348	361
Advertising		85	146
Bank charges		59	70
Electricity and heating		467	473
Insurance		1,384	1,176
Street lighting		779	958
Street lighting LED upgrade		605	138
Telephone and communications		312	306
Valuation fees		207	215
Other expenses		120	115
Rate collection agency expenses		67	92
RSPCA contribution		297	297
Section 355 committees		117	135
Subsidies		40	43
Legal expenses:			
– Legal expenses: planning and development		619	263
– Legal expenses: debt recovery		–	357
– Legal expenses: other		156	271
Expenses from leases of low value assets		53	–
Total materials and services		31,408	21,951
Total materials and services		31,408	21,951

Accounting policy

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

Legal expenses: debt recovery for 2020/21 and the variance to prior year represents the considered and collaborative approach Council has taken in debt recovery efforts with ratepayers in response to the Covid-19 pandemic.

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on leases		1	3
Interest on loans		249	315
Total interest bearing liability costs		250	318
Total interest bearing liability costs expensed		250	318
(ii) Other borrowing costs			
Remediation liabilities	C3-5	13	–
Total borrowing costs expensed		263	318

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		2,163	2,489
Office equipment		231	205
Furniture and fittings		22	18
Infrastructure:	C1-8		
– Buildings		2,182	2,034
– Roads		6,544	5,577
– Bridges		579	431
– Footpaths		231	252
– Stormwater drainage		943	853
– Swimming pools		56	54
– Other open space/recreational assets		806	639
– Other infrastructure		27	26
Library books		211	221
Right of use assets	C2-1	56	56
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-8	625	–
Total gross depreciation and amortisation costs		14,676	12,855
Total depreciation and amortisation costs		14,676	12,855
Total depreciation, amortisation and impairment for non-financial assets		14,676	12,855

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C2-1a for right of use assets.

Impairment of non-financial assets

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

Intangible assets 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 non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		88	56
Total impairment of receivables	C1-4	88	56
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		101	—
Total net share of interests in joint ventures and associates using the equity method	D1-1	101	—
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		114	89
– NSW fire brigade levy		401	359
– NSW rural fire service levy		824	592
– Waste levy		4,477	4,589
Donations, contributions and assistance to other organisations (Section 356)		81	83
Total other		5,897	5,712
Total other expenses		6,086	5,768

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		2,464	457
Less: carrying amount of property assets sold/written off		(2,077)	(498)
Gain (or loss) on disposal		387	(41)
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		903	459
Less: carrying amount of plant and equipment assets sold/written off		(828)	(502)
Gain (or loss) on disposal		75	(43)
Gain (or loss) on disposal of infrastructure			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(6,777)	(2,018)
Gain (or loss) on disposal		(6,777)	(2,018)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	21,600
Less: carrying amount of investments sold/redeemed/matured		–	(21,600)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		28,600	–
Less: carrying amount of term deposits sold/redeemed/matured		(28,600)	–
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(6,315)	(2,102)

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 24/06/2020 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				
Rates and annual charges	55,500	55,899	399	1% F
User charges and fees	8,035	13,282	5,247	65% F
Additional income from Service NSW (formerly RMS) due to contracted work on state roads being higher than expected. Related costs are recognised in the Materials and services expenditure category.				
Other revenues	1,777	1,141	(636)	(36)% U
Variance relates to a combination of income being originally budgeted in this category however reported in Other income, and reduced income related to the recovery of legal fees due to COVID, directly offset by reduced expenditure for debt recovery.				
Operating grants and contributions	11,522	12,946	1,424	12% F
Favourable variance relates to success in achieving additional grants specific to the Roads To Recovery Program and Bushfire Economic Recovery.				
Capital grants and contributions	15,236	45,768	30,532	200% F
Favourable variance is attributed to developer contributions and dedications being received as a result of the current increase in housing demand that is much higher than anticipated. Also, there was an unexpected dedication of a bridge that was a material variance to budget.				
Interest and investment revenue	457	445	(12)	(3)% U
Other income	–	917	917	∞ F
EXPENSES				
Employee benefits and on-costs	36,322	35,449	873	2% F
Materials and services	13,976	31,408	(17,432)	(125)% U
Unfavourable variance predominantly relates to additional Service NSW (formerly RMS) expenditure directly offset by additional income; and the review and recognition of operational costs that were originally budgeted in the capital works program.				
Borrowing costs	406	263	143	35% F
Favourable variance is directly attributed to a new loan of \$2.95M deferred from 2019/20, that was drawn down on 28 October 2020, resulting in 4 months savings in borrowing costs this financial year.				
Depreciation, amortisation and impairment of non-financial assets	12,160	14,676	(2,516)	(21)% U
Unfavourable variance as a result of the effects of the 2020 roads revaluation and changes in estimates related to the tip rehabilitation provision, that both occurred following adoption of the 2021 original budget.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
Other expenses	11,426	6,086	5,340	47% F
Net losses from disposal of assets	3,000	6,315	(3,315)	(111)% U

Unfavourable variance relates to higher than expected disposal costs associated with pre-existing assets following completion of multi-year road and bridge projects; transfer of Gillies Bridge to the State Government; as well as disposals of a pedestrian bridge and sale of the Art Gallery.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	30,600	25,391	(5,209)	(17)% U
Cash flows from investing activities	(33,076)	(23,712)	9,364	(28)% F
Cash flows from financing activities	(291)	1,281	1,572	(540)% F

DRAFT

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	7,225	4,366
Cash-equivalent assets		
– Deposits at call	541	541
Total cash and cash equivalents	7,766	4,907

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7,766	4,907
Balance as per the Statement of Cash Flows	7,766	4,907

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.

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Term deposits	47,000	–	41,800	–
NCD's, FRN's (with maturities > 3 months)	–	–	800	–
Total	47,000	–	42,600	–
Total financial investments	47,000	–	42,600	–
Total cash assets, cash equivalents and investments	54,766	–	47,507	–

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.

C1-2 Financial investments (continued)

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.

DRAFT

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	54,766	–	47,507	–
attributable to:				
External restrictions	23,150	–	21,528	–
Internal restrictions	28,968	–	25,365	–
Unrestricted	2,648	–	614	–
	54,766	–	47,507	–

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	1,489	2,718
---	-------	-------

External restrictions – included in liabilities

	1,489	2,718
--	-------	-------

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	19,541	15,435
Transport for NSW contributions	1,454	2,090
Stormwater management	236	855
Other	–	60
Domestic waste management	430	370

External restrictions – other

	21,661	18,810
--	--------	--------

Total external restrictions

	23,150	21,528
--	--------	--------

Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Plant and vehicle replacement	2,525	1,680
Employees leave entitlement	2,974	2,891
Carry over works	1,573	1,714
Deposits, retentions and bonds	3,560	–
Bridge replacement	672	1,067
Computer services	–	268
Energy efficiency	–	91
Financial assistance grant in advance	3,753	3,866
Insurance provisions	1,242	1,303
Miscellaneous and property	386	2,444
Operations and programs	452	429
Property investment fund	389	628
Rezoning fees	–	85
Civil Works	1,825	1,828
Waste depot and rehabilitation	6,833	5,218
Unexpended Loan Funds	1,235	140
Committed Projects (SRV)	1,549	1,713

Total internal restrictions

	28,968	25,365
--	--------	--------

Total restrictions

	52,118	46,893
--	--------	--------

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	3,649	–	2,892	–
Interest and extra charges	–	–	342	–
User charges and fees	19	–	15	–
Accrued revenues				
– Interest on investments	83	–	154	–
Competitive building fees	355	–	13	–
Community facilities	17	–	266	–
Garbage tipping fees	18	–	28	–
Government grants and subsidies	6,697	–	605	–
Kerb and gutter	7	–	11	–
Net GST receivable	541	–	532	–
Premises inspections	73	–	55	–
Rental charges	58	–	36	–
Restoration charges	10	–	8	–
RMS debtors – state roads	1,112	–	1,616	–
Roadworks	–	–	56	–
Other debtors	426	–	218	–
Total	13,065	–	6,847	–
Less: provision of impairment				
Rates and annual charges	(332)	–	(328)	–
Other debtors	(176)	–	(92)	–
Total provision for impairment – receivables	(508)	–	(420)	–
Total net receivables	12,557	–	6,427	–
Externally restricted receivables				
Domestic waste management	771	–	606	–
Stormwater management	30	–	23	–
Other				
Other restricted receivables	6,697	–	580	–
Total external restrictions	7,498	–	1,209	–
Unrestricted receivables	5,059	–	5,218	–
Total net receivables	12,557	–	6,427	–
Movement in provision for impairment of receivables				
Balance at the beginning of the year (calculated in accordance with AASB 139)			420	361
+ new provisions recognised during the year			88	59
Balance at the end of the year			508	420

C1-4 Receivables (continued)

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.

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

Council may write 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, or when the receivables are over 120 days past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	1,270	–	1,270	–
Stores and materials	421	–	364	–
Total inventories at cost	1,691	–	1,634	–
Total inventories	1,691	–	1,634	–

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	1,270	–
Total unrestricted assets	1,691	–	364	–
Total inventories	1,691	–	1,634	–

(i) Other disclosures

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development				
Residential	1,270	–	1,270	–
Total real estate for resale	1,270	–	1,270	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	1,270	–	–	–
Development costs	–	–	1,270	–
Total costs	1,270	–	1,270	–
Total real estate for resale	1,270	–	1,270	–

Movements:

Real estate assets at beginning of the year	1,270	–	1,666	–
– Other (Sales)	–	–	(396)	–
Total real estate for resale	1,270	–	1,270	–

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. 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 Contract assets and Contract cost assets

Accounting policy

Contract assets

Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Council does not have any contract assets or contract cost assets at 30 June 2021.

C1-7 Non-current assets classified as held for sale

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Land and Buildings	1,409	—	206	—
Total non-current assets held for sale	1,409	—	206	—
Total non-current assets classified as held for sale	1,409	—	206	—

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

C1-8 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	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment reversal / prior period revaluation decrements reversal (via P&L)	WIP transfers	Adjustments and transfers	Found assets (Other Comprehensive Income)	Tfrs from/to 'held for sale' category	Revaluation increments/ (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																	
Capital work in progress	16,802	—	16,802	8,851	3,459	(1,689)	—	—	—	(13,008)	—	—	—	—	14,414	—	14,414
Plant and equipment	24,946	(16,128)	8,818	—	2,156	(828)	(2,163)	—	—	—	—	—	—	—	25,741	(17,757)	7,984
Office equipment	4,342	(3,768)	574	—	459	—	(231)	—	—	—	—	—	—	—	4,802	(3,999)	803
Furniture and fittings	1,466	(1,333)	133	—	17	—	(22)	—	—	8	—	—	—	—	1,490	(1,354)	136
Land:																	
– Operational land	33,553	—	33,553	—	—	—	—	—	—	—	675	—	(3,077)	—	31,151	—	31,151
– Community land	23,895	—	23,895	—	—	—	—	—	—	—	(675)	—	—	8,457	31,677	—	31,677
– Land under roads (post 30/6/08)	684	—	684	—	58	—	—	—	—	—	—	—	—	—	742	—	742
Infrastructure:																	
– Buildings	128,424	(68,600)	59,824	376	824	(374)	(2,182)	(481)	481	1,194	—	—	(186)	4,716	136,413	(71,741)	64,672
– Roads	770,758	(134,985)	635,773	134	9,427	(3,784)	(6,544)	—	—	7,814	—	412	—	28,208	807,313	(135,870)	671,443
– Bridges	50,497	(11,090)	39,407	489	15,129	(1,968)	(579)	—	—	437	—	173	—	6,245	65,627	(6,293)	59,334
– Footpaths	19,629	(3,992)	15,637	206	1,095	(169)	(231)	—	—	709	—	23	—	1,364	22,026	(3,392)	18,634
– Stormwater drainage	114,144	(21,801)	92,343	227	5,120	(52)	(943)	—	—	—	—	327	—	6,719	123,346	(19,605)	103,741
– Swimming pools	5,019	(2,132)	2,887	—	—	(11)	(56)	—	—	20	—	—	—	175	5,679	(2,665)	3,014
– Other open space/recreational assets	24,391	(9,110)	15,281	30	3,271	(420)	(806)	—	—	2,826	—	1,972	(13)	5,325	40,660	(13,194)	27,466
– Other infrastructure	6,221	(921)	5,300	—	—	—	(27)	—	—	—	—	—	—	221	6,485	(993)	5,492
Other assets:																	
– Library books	6,165	(5,128)	1,037	—	136	—	(211)	—	—	—	—	—	—	—	6,301	(5,338)	963
Reinstatement, rehabilitation and restoration assets (refer Note 11):																	
– Tip assets	12,208	(8,400)	3,808	—	—	—	(625)	—	—	—	(683)	—	—	—	11,525	(9,025)	2,500
Total infrastructure, property, plant and equipment	1,243,144	(287,388)	955,756	10,313	41,151	(9,295)	(14,620)	(481)	481	—	(683)	2,907	(3,276)	61,430	1,335,392	(291,226)	1,044,166

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

C1-8 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	WIP transfers	Tf's from/(to) 'held for sale' category	Revaluation increments/ (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	10,056	—	10,056	6,519	7,118	(548)	—	(6,343)	—	—	16,802	—	16,802
Plant and equipment	23,306	(13,924)	9,382	—	2,284	(497)	(2,489)	138	—	—	24,946	(16,128)	8,818
Office equipment	3,976	(3,587)	389	—	384	(5)	(205)	11	—	—	4,342	(3,768)	574
Furniture and fittings	1,423	(1,315)	108	—	43	—	(18)	—	—	—	1,466	(1,333)	133
Plant and equipment (under finance lease)	281	(281)	—	—	—	—	—	—	—	—	—	—	—
Land:													
– Operational land	33,223	—	33,223	—	330	—	—	—	—	—	33,553	—	33,553
– Community land	24,169	—	24,169	—	—	—	—	—	(274)	—	23,895	—	23,895
– Land under roads (post 30/6/08)	626	—	626	—	58	—	—	—	—	—	684	—	684
Infrastructure:													
– Buildings	125,387	(65,600)	59,787	281	141	(349)	(2,034)	542	(34)	1,490	128,424	(68,600)	59,824
– Roads	685,730	(122,199)	563,531	1,404	7,089	(927)	(5,577)	1,884	—	68,369	770,758	(134,985)	635,773
– Bridges	47,010	(13,169)	33,841	1,284	—	(475)	(431)	374	—	4,814	50,497	(11,090)	39,407
– Footpaths	20,483	(4,549)	15,934	6	1,014	(25)	(252)	636	—	(1,676)	19,629	(3,992)	15,637
– Stormwater drainage	101,000	(21,042)	79,958	—	3,624	—	(853)	663	—	8,951	114,144	(21,801)	92,343
– Swimming pools	4,864	(2,013)	2,851	—	—	—	(54)	—	—	90	5,019	(2,132)	2,887
– Other open space/recreational assets	21,301	(8,579)	12,722	339	618	(243)	(639)	2,095	—	389	24,391	(9,110)	15,281
– Other infrastructure	6,028	(866)	5,162	—	—	—	(26)	—	—	164	6,221	(921)	5,300
Other assets:													
– Library books	6,023	(4,907)	1,116	—	142	—	(221)	—	—	—	6,165	(5,128)	1,037
Reinstatement, rehabilitation and restoration assets (refer Note 11):													
– Tip assets	8,400	(8,400)	—	—	3,808	—	—	—	—	—	12,208	(8,400)	3,808
Total infrastructure, property, plant and equipment	1,123,286	(270,431)	852,855	9,833	26,653	(3,069)	(12,799)	—	(308)	82,591	1,243,144	(287,388)	955,756

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

C1-8 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 recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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:

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 10	Playground equipment	23
Office furniture	4 to 10	Benches, seats etc.	10 to 20
Computer equipment	4 to 5		
Vehicles	4 to 8	Buildings	
Heavy plant/road making equipment	4 to 8	Sub-structure	30 to 110
Other plant and equipment	4 to 15	Superstructure	35 to 110
		Roof Frame	150
Stormwater Drainage assets		Roof	20 to 110
Culverts	120	Electrical	45
Stormwater Pipes	120	Hydraulic	20 to 40
Stormwater Pits	120	Mechanical	22
		Fit-Out Fittings	35
Transportation assets		Fit-outs Floor Coverings	25
Sealed roads: surface	24 to 34		
Sealed roads: structure	80 to 1000	Other infrastructure assets	
Unsealed roads: surface and base	25 to 80	Swimming pools	91
Bridge: concrete: structure	120	Other open space/recreational assets	11 to 120
Bridge: concrete: other	50 to 60	Playgrounds	23
Bridge: timber - structure	120	Runways and Taxiways: surface	20
Bridge: timber - other	50 to 60	Runways and Taxiways: structure	80 to 1000
Kerb, gutter and footpaths	120		

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 under roads

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

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

Crown reserves

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

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.

C1-8 Infrastructure, property, plant and equipment (continued)

Rural Fire Service assets

Based on a review of relevant accounting standards, legislation, service agreements, current finance management agreements and the manner the RFS plant and equipment is purchased, managed and utilised, Council does not have control over RFS plant and equipment and consequently does not recognise these assets as Council assets.

Externally restricted infrastructure, property, plant and equipment

Domestic waste management

Land

Infrastructure, property, plant and equipment – current year impairments

Council did not have any impairments for the year ended 30 June 2021

DRAFT

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Nil

Vehicles

Nil

Office, Gym and IT equipment

Leases for Office, Gym and IT equipment are generally for low value assets.

Extension options

Nil

(a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
2021			
Opening balance at 1 July	85	–	85
Depreciation charge	(56)	–	(56)
Balance at 30 June	29	–	29
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	141	–	141
Depreciation charge	(56)	–	(56)
Balance at 30 June	85	–	85

(b) Lease liabilities

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	18	5	–	23	24
2020					
Cash flows	61	23	–	84	83

(ii) Lease liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total lease liabilities relating to unrestricted assets	18	6	60	23
Total lease liabilities	18	6	60	23

continued on next page ...

C2-1 Council as a lessee (continued)

(c) Income Statement

\$ '000	2021	2020
The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:		
Interest on lease liabilities	1	3
Depreciation of right of use assets	56	56
Expenses relating to low-value leases	53	–
	110	59

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

(a) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

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

(ii) Assets held as property, plant and equipment

C2-2 Council as a lessor (continued)

\$ '000	2021	2020
Council provides operating leases on Council buildings for the purpose of supporting the commercial community, the table below relates to operating leases on assets disclosed in C1-8.		
Lease income (excluding variable lease payments not dependent on an index or rate)	436	615
Total income relating to operating leases for Council assets	436	615
Other leased assets expenses		
Other	68	—
Total expenses relating to other leases assets	68	—

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	223	—
1–2 years	265	—
2–3 years	87	—
3–4 years	56	—
4–5 years	56	—
> 5 years	194	—

(b) Finance leases

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease to the Crown.

Maturity analysis of undiscounted lease payments to be received after reporting date for finance leases:

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	4,303	–	3,556	–
Accrued expenses:				
Prepaid rates	1,982	–	1,724	–
– Salaries and wages	824	–	423	–
– Other expenditure accruals	16	–	739	–
Security bonds, deposits and retentions	521	3,039	544	5,491
Trust fund	181	–	138	–
Total payables	7,827	3,039	7,124	5,491
Total payables	7,827	3,039	7,124	5,491

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Domestic waste management	55	–	75	–
Payables relating to externally restricted assets	55	–	75	–
Total payables relating to restricted assets	55	–	75	–
Total payables relating to unrestricted assets	7,772	3,039	7,049	5,491
Total payables	7,827	3,039	7,124	5,491

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	521	544
Other Liabilities: Trust Fund Deposits	48	48
Total payables and borrowings	569	592

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

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,700	—	2,525	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	—	—	49	—
Unexpended capital contributions (to construct Council controlled assets)	(i)	—	—	383	—
Total grants received in advance		6,700	—	2,957	—
User fees and charges received in advance:					
Upfront fees facilities		66	—	—	—
Development Application fees	(iii)	372	—	451	—
Total user fees and charges received in advance		438	—	451	—
Total contract liabilities		7,138	—	3,408	—

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) Development application fees are recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided. The undetermined DA fees do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability at end of the year.

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	6,700	—	2,718	—
Contract liabilities relating to externally restricted assets	6,700	—	2,718	—
Total contract liabilities relating to restricted assets	6,700	—	2,718	—
Total contract liabilities relating to unrestricted assets	438	—	690	—
Total contract liabilities	7,138	—	3,408	—

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,170	652

C3-2 Contract Liabilities (continued)

\$ '000	2021	2020
Operating grants (received prior to performance obligation being satisfied)	49	–
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,219	652

Significant changes in contract liabilities

Increase in contract liabilities is due to significant grant funding received in advance in June 2021.

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

DRAFT

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	1,558	5,131	1,469	3,880
Total borrowings	1,558	5,131	1,469	3,880

(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 E1 and E2.

Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total borrowings relating to unrestricted assets	1,558	5,131	1,469	3,880
Total borrowings	1,558	5,131	1,469	3,880

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

The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,349	1,340	–	–	–	–	6,689
Lease liability (Note C2-1b)	83	(59)	–	–	–	–	24
Total liabilities from financing activities	5,432	1,281	–	–	–	–	6,713

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,860	(1,511)	–	–	–	–	5,349
Lease liability (Note C2-1b)	–	83	–	–	–	–	83
Total liabilities from financing activities	6,860	(1,428)	–	–	–	–	5,432

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	230	230
Total financing arrangements	1,230	1,230
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	230	230
Total undrawn financing arrangements	1,230	1,230

C3-3 Borrowings (continued)

(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.

DRAFT

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	3,429	–	3,241	–
Sick leave	455	–	473	–
Long service leave	6,398	265	6,268	233
Total employee benefit provisions	10,282	265	9,982	233

Employee benefit provisions relating to restricted assets

Internally restricted assets

Employees leave entitlement	2,974	–	–	–
Employee benefit provisions relating to internally restricted assets	2,974	–	–	–

Total employee benefit provisions relating to restricted assets

2,974	–	–	–
-------	---	---	---

Total employee benefit provisions relating to unrestricted assets

7,308	265	9,982	233
-------	-----	-------	-----

Total employee benefit provisions

10,282	265	9,982	233
--------	-----	-------	-----

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	6,276	6,178
	6,276	6,178

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
2021				
At beginning of year	3,241	473	6,501	10,215
Additional provisions	2,419	1,340	1,081	4,840
Amounts used (payments)	(2,231)	(1,358)	(919)	(4,508)
Total ELE provisions at end of year	3,429	455	6,663	10,547
2020				
At beginning of year	2,880	443	6,354	9,677
Additional provisions	2,221	1,415	1,110	4,746
Amounts used (payments)	(1,860)	(1,385)	(963)	(4,208)
Total ELE provisions at end of year	3,241	473	6,501	10,215

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.

C3-4 Employee benefit provisions (continued)

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.

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.

DRAFT

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	14,344	–	15,049
Sub-total – asset remediation/restoration	–	14,344	–	15,049
Total provisions	–	14,344	–	15,049

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	430	–	615	–
Provisions relating to externally restricted assets	430	–	615	–
Total provisions relating to restricted assets	430	–	615	–
Total provisions relating to unrestricted assets	(430)	14,344	(615)	15,049
Total provisions	–	14,344	–	15,049

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

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	15,049	15,049
Other	(705)	(705)
Total other provisions at end of year	14,344	14,344
2020		
At beginning of year	11,241	11,241
Additional provisions	3,808	3,808
Total other provisions at end of year	15,049	15,049

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 a borrowing cost.

Asset remediation – tips and quarries

Restoration

C3-5 Provisions (continued)

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarries. 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, 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 revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

D Council structure

D1 Interests in other entities

D1-1 Interests in joint arrangements

Joint operations

Principal activity	Place of business	Interest in ownership		Interest in voting	
		2021	2020	2021	2020

(a) Council is involved in the following joint operations (JO's)

Name of joint operation:

Arrow Collaborative Services Ltd	Local Government Services	Thornton	10%	10%	8%	8%
----------------------------------	---------------------------	----------	-----	-----	----	----

Council has an interest in Arrow Collaborative Services Ltd, along with other member Councils. The activities of this organisation are not controlled by any one Council. Arrow Collaborative Services Ltd has been established to improve the quality and efficiency of local government service throughout the Hunter Region.

Council assets employed in the joint operations

\$ '000	2021	2020
Council's share of assets jointly owned with other partners		
Current assets	633	675
Current liabilities	(323)	(232)
Property, plant and equipment	75	32
Non-current liabilities	(2)	(2)
Total net assets employed – Council and jointly owned	383	473

Accounting policy

The council has determined that it has joint operations only.

Joint operations:

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

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 **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** 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 Council's finance section under policies approved by the Council.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments 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 are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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	473	407
Impact of a 10% movement in price of investments		
– Equity / Income Statement	4,728	4,072

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery policies. Council also encourages ratepayers to pay rates by the due date through incentives.

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

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of the business.

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

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

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.

A profile of Council's receivables credit risk at balance date follows:

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	3,649	–	–	–	3,649
2020						
Gross carrying amount	–	2,892	–	–	–	2,892

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.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	6,942	639	37	43	1,755	9,416
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	759	2,868	115	14	199	3,955
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables, lease liabilities and borrowings are 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.

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	3,560	5,288	–	–	8,848	8,884
Loans and advances	3.20%	–	1,558	3,255	1,876	6,689	6,689
Total financial liabilities		3,560	6,846	3,255	1,876	15,537	15,573
2020							
Trade/other payables	0.00%	6,035	5,544	–	–	11,579	10,891
Loans and advances	5.00%	–	182	2,863	2,304	5,349	5,349
Total financial liabilities		6,035	5,726	2,863	2,304	16,928	16,240

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

Fair value hierarchy

All assets and liabilities measured at fair value are 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).

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

		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							
Infrastructure, property, plant and equipment	C1-8						
Plant and Equipment		—	—	7,984	8,818	7,984	8,818
Office Equipment		—	—	803	574	803	574
Furniture and Fittings		—	—	136	133	136	133
Operational Land		—	—	31,151	33,553	31,151	33,553
Community Land		—	—	31,677	23,895	31,677	23,895
Land Under Roads (post 30/6/08)		—	—	742	684	742	684
Buildings		—	—	64,191	59,824	64,191	59,824
Roads		—	—	671,443	635,773	671,443	635,773
Bridges		—	—	59,334	39,407	59,334	39,407
Footpaths		—	—	18,634	15,637	18,634	15,637
Stormwater Drainage		—	—	103,742	92,343	103,742	92,343
Swimming Pools		—	—	3,014	2,887	3,014	2,887
Other Open Space / Recreational Assets		—	—	27,465	15,281	27,465	15,281
Other Infrastructure		—	—	5,492	5,300	5,492	5,300
Library Books		—	—	963	1,037	963	1,037
Tip Assets		—	—	2,500	3,808	2,500	3,808
Total infrastructure, property, plant and equipment		—	—	1,029,271	938,954	1,029,271	938,954

Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

E2-1 Fair value measurement (continued)

Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Infrastructure, property, plant and equipment (IPPE)

Refer below sections.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Plant, equipment, office equipment, furniture, fittings and library books

These assets are reported at depreciated historical cost. In light of the nature and value of council plant and equipment, the Office of Local Government has stated that the fair value of these assets is unlikely to be materially different from depreciated historical cost. There has been no change to the valuation process during the reporting period.

Operational Land

Operational land was last valued in 2018 by independent qualified valuer Opteon Solutions. Opteon Solutions used market evidence to value operational land and applied adjustments for zoning, location, land size, comparability, utility, etc. Council reviewed the valuation report and discussed significant movements with Opteon Solutions. There has been no change to the valuation process during the reporting period.

Community Land

Community land was valued during the financial year 2020-21. Council staff carried out the valuation. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuation. Community land is subject to restrictions which the Valuer General has taken into account when applying discounts to the market price based on sales of similar assets. There has been no change to the valuation process during the reporting period.

Land Under Roads

Land under roads that came into Council's control post 01/07/2008 was last valued in 2019. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuation at 30 June 2019. A 90% discount was applied to the average unit value to reflect restrictions placed on land under roads. There has been no change to the valuation process during the reporting period.

Buildings - Non Specialised

The last comprehensive valuation on Non Specialised Buildings was undertaken externally in 2018 by independent qualified valuers APV Valuers. The Market Approach has been used to value this asset class. APV Valuers have valued non-specialised buildings by obtaining market evidence through the direct comparison approach. Council reviewed the valuation report and discussed significant movements with APV Valuers. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook. There has been no change to the valuation techniques during the reporting period.

Buildings - Specialised

The last comprehensive valuation on Specialised Buildings was undertaken in 2018 by Council's asset management staff. Under the Cost Approach, current replacement cost was calculated using Rawlinsons Construction Handbook to determine unit rates applicable to the various components of each asset. Unit rates were tested against recently completed projects to ensure accuracy. Council's asset management staff reviewed and adjusted condition, useful life and the valuation matrix where appropriate. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook. There has been no change to the valuation techniques during the reporting period.

Infrastructure Assets

Fair value has been determined by calculating the current replacement cost under the Cost Approach and the net carrying amount based on the unobservable inputs noted in the table below.

Comprehensive revaluations are carried out every five years or sooner if there is any indication that the current carrying amount of assets is materially different from their fair value. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook.

There has been no change to the valuation techniques during the reporting period.

E2-1 Fair value measurement (continued)

The following table shows when the last comprehensive revaluation was done and the consultant that was involved:

Asset Class	Unit Rates		Condition	
	Comprehensive Revaluation	Consultant	Comprehensive Revaluation	Consultant
Roads (includes kerb & gutter and street furniture)	2020	G7 Asset Management	2020	Pavement Management Services (PMS)
Bridges	2020	G7 Asset Management	2021	Bridge Knowledge Pty Ltd and Council's asset management staff
Footpaths	2020	G7 Asset Management	2021	Pavement Management Services (PMS)
Stormwater Drainage	2020	G7 Asset Management	2021	Total Drainage Cleaning (TDC)
Swimming Pools	2021	Council's asset management staff	2021	Council's asset management staff
Other Open Space / Recreational Assets	2021	Council's asset management staff	2021	Council's asset management staff
Other Infrastructure (Runways and Taxiways)	2016	Jeff Roorda & Associates Pty Ltd	2016	Pavement Management Services (PMS)

Roads, Bridges, Footpaths, Stormwater Drainage

The 2020 comprehensive valuation was undertaken by an external, independent, qualified valuer G7 Asset Management. G7 Asset Management worked with Council on the review and update of Council's methodologies and their application in determining appropriate unit rates, the useful lives (and remaining useful lives) of Council assets and the impact this has on Council asset values and depreciation. Unit rates have primarily been calculated on a first principles basis using Rawlinsons Construction Handbook Sydney Index at 30/06/20. A provision for preliminaries of 8% and the Singleton regional index of 8% has been applied. Council's asset management and finance staff have tested the unit rates against recently completed projects to ensure completeness, reliability and accuracy.

Asset condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual.

Condition Assessments:

Roads - The condition of the entire network of Sealed and Unsealed Roads was evaluated utilising both technology (laser with software evaluation) and video with expert evaluation. This data was utilised to provide condition assessment for both the road surface and pavement base.

Kerb & Gutter and Street Furniture - Evaluated utilising video capture and expert assessment.

Bridges - Bridges were inspected in accordance with the RMS Bridge Procedure Inspection Manual 2007. Timber bridges – condition assessment carried out by Council's asset management staff. Concrete bridges, Major Culverts and Footbridges – condition assessment carried out by external consultant.

Footpaths - Evaluated utilising video capture and expert assessment.

Stormwater drainage - Council's Stormwater Assets were evaluated based on a statistically significant sample of assets. The sample was selected as representative with a higher weighting provided for current assets that had poorer condition ratings.

Council's Asset Management and Finance staff have comprehensively reviewed and discussed both condition and valuation results arising from the 2020 and 2021 revaluation with the independent experts noted above. This has been to recognise that Council is ultimately responsible for the outcome of the revaluation process. This review has been undertaken to ensure the completeness, reliability and accuracy of the data. Council staff have also undertaken their own independent analysis to assess outcomes and conclusions reached.

E2-1 Fair value measurement (continued)

Swimming Pools and Other Open Space / Recreational Assets

The 2021 comprehensive revaluation was carried out by Council's asset management and finance staff. Unit rates have been sourced primarily from actual cost on recent projects. Where internal rates are lacking, unit rates have been calculated on a first principles basis using Rawlinsons Construction Handbook Sydney Index at 30/06/21. A provision for preliminaries of 8% and the Singleton regional index of 8% has been applied. Council's asset management and finance staff have assessed the unit rates to ensure completeness, reliability and accuracy.

Asset condition assessments were carried out by Council's asset management staff via visual assessment. Condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual. Council's asset management and finance staff have analysed the condition assessments to ensure completeness, reliability and accuracy.

Other Infrastructure (Runways and Taxiways)

Comprehensive revaluation was due for the 2021 financial year but has been postponed to 2022 due to major renewal and upgrades in progress at 30 June 2021.

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
Plant, equipment, office equipment, furniture, fittings and library books	Depreciated historical cost	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value.
Operational land	Market approach with adjustment for limited use	Land value, adjustment applied for limited use, comparison to similar recent sales, current market conditions.
Community land	Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Land under roads	Land values obtained from the NSW Valuer-General discounted 90%	Land value, extent and impact of use, discount percentage.
Buildings - non specialised	Market approach	Comparison to similar recent sales, current market conditions, useful life, condition.
Buildings - specialised and Infrastructure assets	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value.

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:

\$ '000	Plant and equipment		Land		Buildings		Infrastructure	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	10,562	10,995	58,132	58,018	59,824	59,787	806,628	713,999
Total gains or losses for the period								
Recognised in profit or loss – realised (refer to Note B4-1)	–	–	–	–	481	–	–	–
Recognised in other comprehensive income – revaluation surplus	–	–	8,457	–	4,235	1,490	48,257	81,101
Other movements								
Purchases (GBV)	2,770	2,852	58	388	1,199	422	38,037	15,378
Disposals (WDV)	(828)	(502)	–	–	(374)	(348)	(6,403)	(1,669)
Depreciation and impairment	(2,627)	(2,932)	–	–	(2,182)	(2,034)	(9,187)	(7,832)
Transfer from WIP	8	149	–	–	1,194	541	11,806	5,651
Adjustments and transfers	–	–	(3,077)	(274)	(186)	(34)	(13)	–
Closing balance	9,885	10,562	63,570	58,132	64,191	59,824	889,125	806,628

\$ '000	Rehabilitation assets		Total	
	2021	2020	2021	2020
Opening balance	3,808	–	938,954	842,799
Recognised in profit or loss – realised (refer to Note B4-1)	–	–	481	–
Recognised in other comprehensive income – revaluation surplus	–	–	60,949	82,591
Purchases (GBV)	–	–	42,064	19,040
Disposals (WDV)	–	–	(7,605)	(2,519)
Depreciation and impairment	(625)	–	(14,621)	(12,798)
Transfer from WIP	–	–	13,008	6,341
Adjustments and transfers	(683)	3,808	(3,959)	3,500
Closing balance	2,500	3,808	1,029,271	938,954

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

There were no transfers in to or out of the Level 3 valuation hierarchy.

Highest and best use

All 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 their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(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 purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

Description of the funding arrangements

Pooled employers are required to pay future service employer contributions and past service employer contributions to the fund.

The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current future service employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

*For 180 Point Members, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each pooled employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2021 was \$740,021. The last valuation of the Scheme was performed by the Fund Actuary Mr Richard Boyfield, FIAA as at 30 June 2020.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$389,600. Council's expected contribution to the plan for the next annual reporting period is \$712,715.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

* excluding member accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$413,000 as at 30 June 2021.

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.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) Statewide Mutual Limited

Council is a member of Statewide Mutual Limited, Australia's largest member owned Local Government self-insurance pool, working with Councils to reduce their exposure to risk.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June 2021 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Mutual Limited

Council is a member of the StateCover Mutual Limited which provides workplace compensation insurance.

StateCover Mutual Limited provides support and advice to Council on developing return to work programs, incident and claims management and assistance with meeting legislative compliance.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and at 30 June 2021 Council had the following pending legal matters:

- The Council is defending a demand for a compensation; and
- Various actions in appeal against Council planning decisions.

Whilst the potential cost of the claim is unlikely to be significant, it is not practical to assess the impact of the claim at the date of this report.

(ii) Rehabilitation Works

Council owns properties that may be subject to rehabilitation works due to possible contamination. This may result in future liabilities, but until an investigation of these sites is completed, Council is unable to determine the value of this liability.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

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:

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,003	1,532
Post-employment benefits	86	89
Total	1,089	1,621

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2021					
Payments for recycling bin services ¹	1,552	–	14 day terms on invoices	–	–
Payments received for other services provided ²	18	–	Nil	–	–
Payments made for services received ³	186	–	14 day terms on invoices	–	–
2020					
Payments for recycling bin services ¹	1,408	131	14 day terms on invoices	–	–
Payments received for other services provided ²	24	–	Nil	–	–
Payments made for services received ³	150	–	14 day terms on invoices	–	–

(1) Relates to payments to Hunter Resources Recovery, a company in which Council has an interest, to provide recycling services. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the term of the contract. Hunter Resource Recovery details have not been consolidated into Council's financial statements as the amounts are not material to Council operations.

(2) Council receives a rebate from Arrow Collaborative Services Limited, a company in which Council has an ownership interest, for its share of Local Government Procurement Contracts and or various services provided.

continued on next page ...

F1-1 Key management personnel (KMP) (continued)

- ⁽³⁾ Council uses Arrow Collaborative Services Limited, a company in which COuncil has an ownership interest, for a variety of services including legal services, training and environment management. Further details of Council's interest in Arrow Collaborative Services Limited are outlined in Note D1.

DRAFT

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	45	44
Councillors' fees	265	264
Other Councillors' expenses (including Mayor)	38	53
Total	348	361

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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	52	56
Remuneration for audit and other assurance services	52	56
Total Auditor-General remuneration	52	56
Total audit fees	52	56

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	36,201	23,394
Adjust for non-cash items:		
Depreciation and amortisation	14,676	12,855
Net losses/(gains) on disposal of assets	6,315	2,102
Non-cash capital grants and contributions	(26,317)	(11,398)
Adoption of AASB 15/1058	–	(827)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	(481)	–
Share of net (profits)/losses of associates/joint ventures using the equity method	101	–
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(6,218)	(2,148)
Increase/(decrease) in provision for impairment of receivables	88	59
Decrease/(increase) in inventories	(57)	(1)
Decrease/(increase) in other current assets	(525)	(245)
Increase/(decrease) in payables	747	(772)
Increase/(decrease) in other accrued expenses payable	(322)	165
Increase/(decrease) in other liabilities	(2,174)	613
Increase/(decrease) in contract liabilities	3,730	4,235
Increase/(decrease) in provision for employee benefits	332	538
Increase/(decrease) in other provisions	(705)	3,808
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	25,391	32,378

(b) Non-cash investing and financing activities

Other dedications	26,317	11,398
Total non-cash investing and financing activities	26,317	11,398

G2-1 Commitments

Capital commitments (exclusive of GST)

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Fosters Bridge Roads Component	2,292	—
John Renshaw Drive	1,519	—
Airport Runway Upgrade	347	—
Mansfield Street, Greta	153	—
Mount View Detention Basin	117	—
Sandy Creek Road, Quorrobolong	115	—
FRMSP BundWall Design	115	—
Oakey Creek Road, Cessnock	83	—
Cessnock Waste Facility New Landfill	82	—
Old Maitland Road, Sawyers Gully	70	—
Miller Park Community Hub	59	—
Coronation Street, Kurri Kurri	54	—
Portland Street, Millfield	53	—
Anvil Creek Bridge	1,177	1,265
Cessnock Pool Splash Pad	677	55
Paynes Crossing Bridge	—	1,844
Cessnock Library Lift	—	114
Vincent Street Laneways	—	68
Bluey Frame Playground	—	41
Branxton Pool Renewal Program	—	42
Bridges Hill Toilet Block	—	32
Total commitments	6,913	3,461

These expenditures are payable as follows:

Within the next year	6,913	3,461
Total payable	6,913	3,461

Sources for funding of capital commitments:

Unrestricted general funds	3,245	132
Future grants and contributions	1,263	2,473
Section 7.11 and 64 funds/reserves	773	574
Internally restricted reserves	1,632	254
New loans (to be raised)	—	28
Total sources of funding	6,913	3,461

Details of capital commitments

The council has committed to:

- Completion of the road component of the Fosters bridge replacement
- RMS works - Road Widening and upgrade to John Renshaw Drive
- Completion of the Anvil Creek bridge replacement
- Completion of the splash pad at Cessnock Pool
- Design of the airport runway
- Upgrade and safety improvements to Mansfield Street
- Completion of the NSW Dams Safety Audit to the Mount View Detention Basin
- Completion of the road works upgrades of Sandy Creek Road
- Investigation in to Bundwall Design Cessnock
- Design and Construct Road shoulders, flexible barriers, rumble strips, and reflective signage of Oakey Creek Road
- Final design for Stage 1 of Cell 1A proposed landfill extension
- Completion of Design of Upgrade works to Old Maitland Road
- Installation of Community facilities at Miller Park

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed however notes that Government imposed Public Health Orders from August 2021 due to the Covid-19 pandemic may have unknown consequences.

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Voluntary changes in accounting policies

Nature of changes in accounting policies

During the year ended 30 June 2021, Council reviewed its accounting policies in accordance with Australian Accounting Standards and the Local Government Code of Accounting Practice and Financial Reporting and has made minor reclassifications between account categories for enhanced understanding of the financial statements.

Changes in accounting policies due to adoption of new accounting standards

When preparing the financial statements for the 2020-21 financial year, Council identified a prior period error related to the adoption of AASB 15 *Revenue from Contracts with Customers* and subsequently processed a correction against Contract Liabilities Note C3-2 and the Statement of Changes in Equity.

Adjustments to the current year figures for the year ended 30 June 2021

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Correction to Contract Liabilities	827	—	827

G4-2 Correction of errors

Nature of prior-period error

During the year Council identified a prior period error related to contract liabilities and has processed a correction to both the Contract liabilities disclosure on Note C3-2 and Statement of Changes in Equity.

Adjustments to the comparative figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Correction to contract liabilities	—	(827)	(827)
Accumulated surplus	507,450	827	508,277

G4-3 Changes in accounting estimates

Council made no changes in accounting estimates during the year.

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	242	–	–	2	–	–	244	–
Roads	2,597	(301)	–	18	(1,069)	–	1,245	–
Parking	251	–	–	2	(80)	–	173	–
Open space	1,337	579	–	11	(658)	–	1,268	–
Community facilities	2,182	457	–	17	(122)	–	2,534	–
Other	588	68	–	5	(10)	–	653	–
Tourist facilities	736	18	–	5	(203)	–	555	–
Transport	1,004	903	–	10	–	–	1,918	–
S7.11 contributions – under a plan	8,937	1,724	–	70	(2,142)	–	8,590	–
S7.12 levies – under a plan	346	587	–	3	(54)	–	881	–
Total S7.11 and S7.12 revenue under plans	9,283	2,311	–	73	(2,196)	–	9,471	–
S7.4 planning agreements	6,152	3,983	–	58	(124)	–	10,070	–
Total contributions	15,435	6,294	–	131	(2,320)	–	19,541	–

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 S7.11 Contributions - under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 2 - TOURIST DEVELOPMENT								
Tourist facilities	187	—	—	1	—	—	188	—
Total	187	—	—	1	—	—	188	—
CONTRIBUTION PLAN NUMBER 4 - NULKABA FLOOD MITIGATION								
Drainage	41	—	—	—	—	—	41	—
Total	41	—	—	—	—	—	41	—
CONTRIBUTION PLAN NUMBER 5 - CARPARKING CESSNOCK CBD								
Parking	251	—	—	2	(80)	—	173	—

G5-2 S7.11 Contributions - under a plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	251	–	–	2	(80)	–	173	–
CONTRIBUTION PLAN NUMBER 6 - RESIDENTIAL CONTRIBUTIONS PLAN								
Drainage	201	–	–	2	–	–	203	–
Roads	1,537	91	–	10	(994)	–	644	–
Open space	643	146	–	3	(658)	–	133	–
Community facilities	1,546	99	–	11	(122)	–	1,534	–
Other	372	33	–	3	(9)	–	401	–
Total	4,299	369	–	29	(1,783)	–	2,915	–
CONTRIBUTION PLAN NUMBER 7 - TOURISM CONTRIBUTIONS PLAN								
Roads	714	(453)	–	5	(75)	–	191	–
Tourist facilities	549	18	–	4	(203)	–	367	–
Other	121	9	–	1	–	–	130	–
Total	1,384	(426)	–	10	(278)	–	688	–
CONTRIBUTION PLAN NUMBER 8 - BLACKHILL QUARRY CONTRIBUTION PLAN								
Roads	346	61	–	3	–	–	410	–
Total	346	61	–	3	–	–	410	–
SITE SPECIFIC CONTRIBUTIONS PLAN- BELLBIRD NORTH								
Open space	364	246	–	4	–	–	614	–
Community facilities	385	208	–	3	–	–	595	–
Transport	451	556	–	5	–	–	1,012	–
Other	90	18	–	1	–	–	109	–
Total	1,290	1,028	–	13	–	–	2,330	–
Site Specific Contributions Plan - Nulkaba								
Open space	39	36	–	1	–	–	76	–
Community facilities	49	45	–	1	–	–	96	–
Other	1	2	–	–	–	–	4	–
Transport	109	171	–	1	–	–	282	–
Total	198	254	–	3	–	–	458	–
Site Specific Contributions Plan - Mount View Road Millfield								
Open space	2	–	–	–	–	–	2	–
Community facilities	2	–	–	–	–	–	2	–
Transport	2	–	–	–	–	–	2	–
Total	6	–	–	–	–	–	6	–

continued on next page ...

G5-2 S7.11 Contributions - under a plan (continued)

	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
Site Specific Contributions Plan - Averys Village Heddon Greta								
Open space	289	151	—	3	—	—	443	—
Community facilities	200	105	—	2	—	—	307	—
Other	4	6	—	—	(1)	—	9	—
Transport	442	176	—	4	—	—	622	—
Total	935	438	—	9	(1)	—	1,381	—

S7.12 Levies – under a plan

Section 7.12 Contributions

Commercial Precincts	346	587	—	3	(54)	—	881	—
Total	346	587	—	3	(54)	—	881	—

G5-3 S7.4 planning agreements

S7.4 planning agreements

Drainage	3	—	—	—	—	—	3	—
Roads	632	881	—	14	—	—	2,301	—
Open space	77	1,154	—	14	(105)	—	2,586	—
Community facilities	4,809	1,571	—	28	(4)	—	4,590	—
Other	630	377	—	2	(15)	—	590	—
Total	6,151	3,983	—	58	(124)	—	10,070	—

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Prior periods		Benchmark
			2020	2019	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(3,544)	(4.21)%	2.50%	(0.78)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	84,149				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	71,203	54.81%	63.95%	68.12%	>60.00%
Total continuing operating revenue	129,917				
3. Unrestricted current ratio					
Current assets less all external restrictions	48,121	3.76x	2.81x	2.76x	>1.50x
Current liabilities less specific purpose liabilities	12,793				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation	11,395	5.90x	8.02x	6.06x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,930				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,317	5.63%	5.15%	4.95%	<10.00%
Rates and annual charges collectable	58,898				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	54,766	8.37	9.12	7.01	>3.00
Monthly payments from cash flow of operating and financing activities	6,542	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

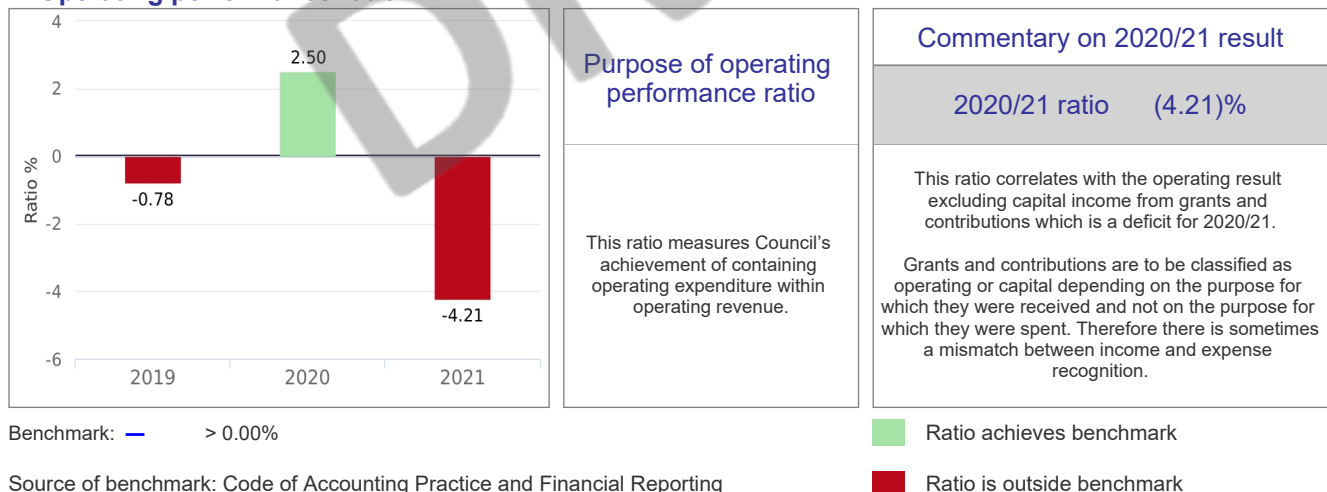
H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

Although Council's Net Operating Result (before capital grants and contributions income) for the year ended 30 June 2021 is a deficit of \$9.5M, the following factors should be considered when reviewing the key performance measures, particularly the Operating Performance ratio and the Own Source Operating Revenue ratio:

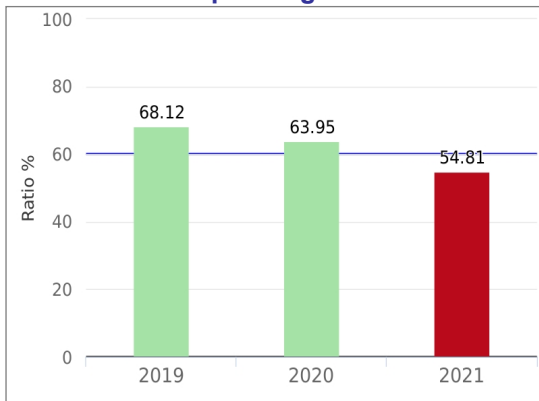
- Council was successful in receiving many grants and contributions during the year for both operating and capital purposes. In accordance with Australian Accounting Standards, this income is to be classified as operating or capital depending on the purpose for which it was received, and not on the purpose for which it is spent. This leads to a mismatch between income and expenditure in the net operating result, particularly related to capital income, where not all capital project costs can be capitalised and some need to be expensed as operating costs eg. landscaping, restorations, etc. During 2020/21 due to the completion of large capital projects there was a higher incidence of project costs being expensed to the bottom line.
- Further to the above, due to the large amounts of grants available for specific projects or necessary upgrades, some assets were disposed and renewed before reaching the end of their useful lives. This contributed to a higher loss on disposal of assets ultimately materially affecting the Operating Performance ratio.
- Financial Assistance Grant income is annually recurrent and untied, meaning it is general purpose income to be applied to Council's delivery of essential services to the community. Although this income is ongoing and not subject to specific requirements, it is excluded from the Own Source Operating Revenue ratio. If included it would improve Council's fiscal flexibility.
- The Unrestricted Current ratio is well above benchmark and demonstrates Council's strong liquidity with stable levels of cash and investments.
- The Rates and Annual Charges Outstanding Percentage is excellent and despite a lack of formal debt recovery efforts and increased hardship measures due to the Covid-19 pandemic, Council has proactively worked in a considered approach with ratepayers to increase affordable payment arrangements and improve education regarding payment of overdue balances.

1. Operating performance ratio



H1-1 Statement of performance measures – consolidated results (graphs) (continued)

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2020/21 result

2020/21 ratio 54.81%

Council was highly successful in obtaining grant funds during the year with many being paid in advance prior to delivery of works, which if excluded, would show that Council's own source of operating revenues from ongoing activities would be above the benchmark.

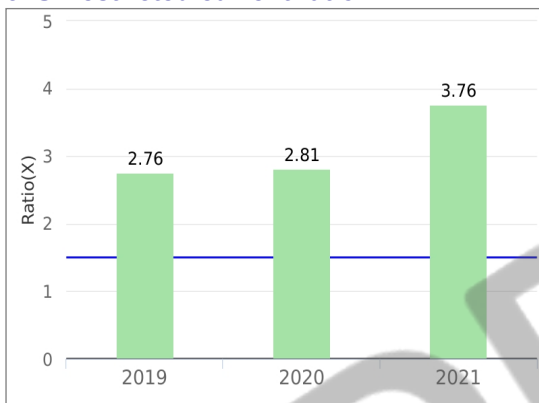
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2020/21 result

2020/21 ratio 3.76x

This ratio has improved and shows that Council has a satisfactory level of working capital and has the ability to satisfy its obligations.

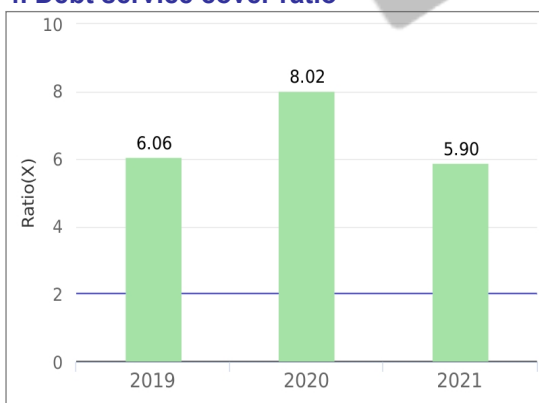
Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

4. Debt service cover ratio



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2020/21 result

2020/21 ratio 5.90x

This ratio has declined from prior year as a result of the operating deficit however still demonstrates that Council is able to satisfy its debt repayments.

Benchmark: — > 2.00x

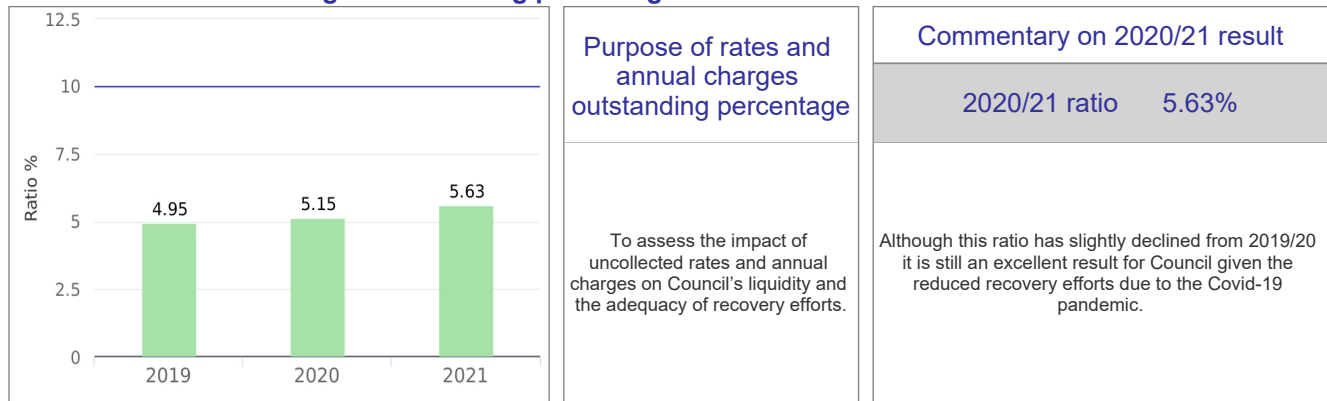
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

5. Rates and annual charges outstanding percentage



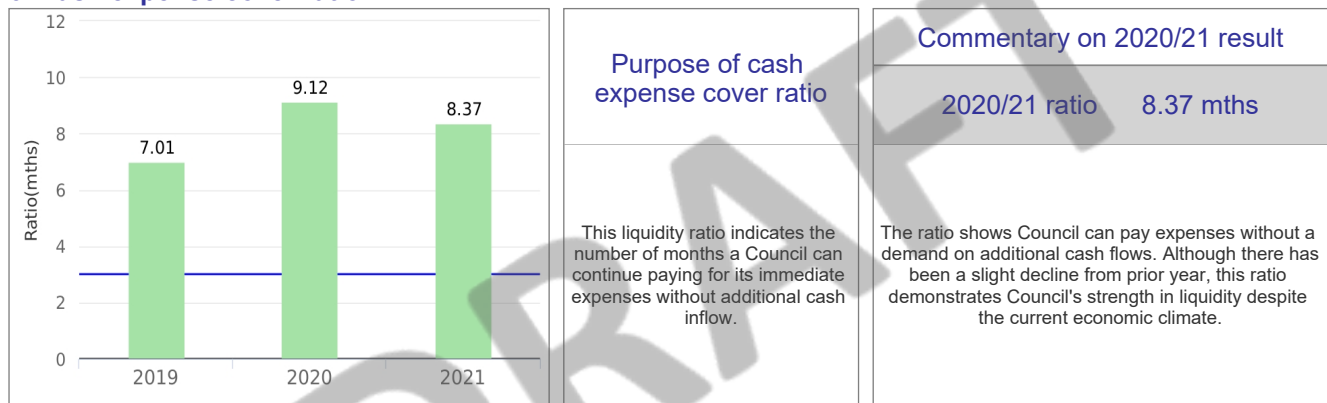
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Financial review

Key financial figures of Council over the past 5 years

\$ '000	2021	2020	2019	2018	2017
Inflows:					
Rates and annual charges revenue	55,899	53,355	50,122	47,869	44,020
User charges revenue	13,282	7,973	10,493	13,340	8,057
Interest and investment revenue (losses)	445	836	1,165	978	1,515
Grants income – operating and capital	52,420	33,259	12,423	12,695	14,411
Total income from continuing operations	130,398	101,718	93,340	121,386	86,317
Sale proceeds from IPPE	3,367	1,312	1,034	1,498	1,259
New loan borrowings and advances	2,948	–	–	2,960	–
Outflows:					
Employee benefits and on-cost expenses	35,449	35,330	33,931	31,586	29,186
Borrowing costs	263	318	402	453	552
Materials and contracts expenses	31,408	21,951	19,489	23,157	19,841
Total expenses from continuing operations	94,197	78,324	78,320	82,023	74,690
Total cash purchases of IPPE	22,780	24,935	16,901	16,155	15,526
Total loan repayments (incl. finance leases)	1,661	1,569	1,392	1,306	1,143
Operating surplus/(deficit) (excl. capital income)	(9,567)	(203)	(3,047)	(5,374)	(5,268)
Financial position figures					
Current assets	71,300	56,182	45,966	43,147	40,349
Current liabilities	26,823	22,043	18,796	17,701	16,569
Net current assets	44,477	34,139	27,170	25,446	23,780
Available working capital (Unrestricted net current assets)	4,396	145	(2,430)	222	(3,511)
Cash and investments – unrestricted	2,648	614	710	1,451	33
Cash and investments – internal restrictions	28,968	25,365	23,205	22,095	24,485
Cash and investments – total	54,766	47,507	40,321	39,160	38,010
Total borrowings outstanding (loans, advances and finance leases)	6,689	5,349	6,860	8,252	7,750
Total value of IPPE (excl. land and earthworks)	1,271,822	1,185,012	1,065,268	954,806	847,281
Total accumulated depreciation	291,226	287,388	270,431	242,664	188,771
Indicative remaining useful life (as a % of GBV)	77%	76%	75%	75%	78%

Source: published audited financial statements of Council (current year and prior years)

H1-3 Council information and contact details

Principal place of business:

62 - 78 Vincent Street
Cessnock NSW 2325

Contact details**Mailing Address:**

PO Box 152
Cessnock NSW 2325

Telephone: 02 49934100

Facsimile: 02 49932500

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.cessnock.nsw.gov.au

Email: council@cessnock.nsw.gov.au

Officers**GENERAL MANAGER**

Ms Lotta Jackson

RESPONSIBLE ACCOUNTING OFFICER

Mr Robert Maginnity

PUBLIC OFFICER

Mr Robert Maginnity

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street
Sydney NSW 2000

GPO Box 12 Sydney NSW 2001

Elected members**MAYOR**

Councillor Bob Pynsent

COUNCILLORS

Councillor Anthony Burke
Councillor Melanie Dagg (resigned March 2021)
Councillor Rodney Doherty
Councillor Paul Dunn
Councillor John Fagg
Councillor Dianne Fitzgibbon
Councillor Darrin Gray
Councillor Mark Lyons
Councillor Ian Olsen
Councillor Anne Sander
Councillor Allan Stapleford
Councillor Jay Suvaal

Other information

ABN: 60 919 148 928

Cessnock City Council

General Purpose Financial Statements for the year ended 30 June 2021

DRAFT

Cessnock City Council

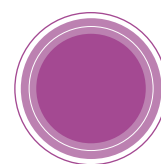
General Purpose Financial Statements for the year ended 30 June 2021

DRAFT



Special Purpose Financial Statements

FOR THE YEAR ENDING
30 JUNE 2021



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 Arrow Collaborative Services Limited	4
Statement of Financial Position of Arrow Collaborative Services Limited	5
Note – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Cessnock 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*.

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.

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 22 September 2021.

Councillor Bob Pynsent

Mayor

22 September 2021

Councillor Jay Suvaal

Councillor

22 September 2021

Ms Lotta Jackson

General Manager

22 September 2021

Mr Robert Maginness

Responsible Accounting Officer

22 September 2021

Cessnock City Council

Income Statement of Arrow Collaborative Services Limited

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	651	575
Other income	6	9
Total income from continuing operations	657	584
Expenses from continuing operations		
Employee benefits and on-costs	440	368
Borrowing costs	1	1
Materials and services	175	156
Depreciation, amortisation and impairment	14	12
Other expenses	128	88
Total expenses from continuing operations	758	625
Surplus (deficit) from continuing operations before capital amounts	(101)	(41)
Surplus (deficit) from continuing operations after capital amounts	(101)	(41)
Surplus (deficit) from all operations before tax	(101)	(41)
Surplus (deficit) after tax	(101)	(41)
Plus accumulated surplus	484	514
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	383	473
Return on capital %	(133.3)%	(125.0)%
Subsidy from Council	101	41

Cessnock City Council

Statement of Financial Position of Arrow Collaborative Services Limited

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	450	527
Receivables	66	57
Other	1	1
Financial Assets at Amortised Cost	116	90
Total current assets	633	675
Non-current assets		
Infrastructure, property, plant and equipment	75	32
Total non-current assets	75	32
Total assets	708	707
LIABILITIES		
Current liabilities		
Other Current Liabilities	157	93
Payables	75	59
Employee benefit provisions	91	80
Total current liabilities	323	232
Non-current liabilities		
Employee benefit provisions	2	2
Total non-current liabilities	2	2
Total liabilities	325	234
Net assets	383	473
EQUITY		
Accumulated surplus	383	473
Total equity	383	473

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

(where gross operating turnover is over \$2 million)

Nil

Category 2

(where gross operating turnover is less than \$2 million)

a. Arrow Collaborative Services Ltd

Activities include Environment Division, Screen Hunter, Regional Procurement, Local Government Training Institute, Administration Services and Hunter Councils Legal Services.

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 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 Special Purpose Financial Statements.

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 (%)

Note – Significant Accounting Policies (continued)

Corporate income tax rate – **26.0%** (2019/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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 26.0%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 26.0% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that 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.

(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'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective 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

Note – Significant Accounting Policies (continued)

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.

DRAFT

Cessnock City Council

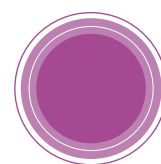
Special Purpose Financial Statements for the year ended 30 June 2021

DRAFT



Special Schedules

FOR THE YEAR ENDING
30 JUNE 2021



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

DRAFT

Cessnock City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	39,242	41,197
Plus or minus adjustments ²	b	829	1,142
Notional general income	c = a + b	40,071	42,339
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	1,042	847
Sub-total	k = (c + g + h + i + j)	41,113	43,186
Plus (or minus) last year's carry forward total	l	55	(29)
Sub-total	n = (l + m)	55	(29)
Total permissible income	o = k + n	41,168	43,157
Less notional general income yield	p	41,197	43,139
Catch-up or (excess) result	q = o - p	(29)	17
Carry forward to next year ³	t = q + r + s	(29)	17

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.
- (3) 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.

Cessnock 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	14,729	89,684	2,234	2,312	64,191	136,030	9.1%	15.9%	39.5%	26.2%	9.4%
	Sub-total	14,729	89,684	2,234	2,312	64,672	136,030	9.1%	15.9%	39.5%	26.2%	9.4%
Roads	Roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	14,451	83,329	3,621	3,747	499,971	608,345	69.8%	9.8%	13.5%	5.0%	1.9%
	Unsealed roads	1,244	13,917	2,056	2,128	93,274	109,840	80.1%	4.1%	13.9%	0.7%	1.2%
	Bridges	31	377	297	307	59,334	65,718	70.7%	26.7%	2.4%	0.3%	0.0%
	Footpaths	45	1,415	82	85	18,634	22,026	49.5%	42.9%	7.2%	0.4%	0.0%
	Other road assets	354	5,398	485	502	78,198	89,283	61.5%	32.4%	5.0%	0.9%	0.2%
	Other road assets (incl. bulk earth works)	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	16,125	104,436	6,541	6,769	749,411	895,212	69.8%	13.4%	11.7%	3.6%	1.5%
Stormwater drainage	Stormwater drainage	192	817	389	402	103,741	123,348	49.5%	41.0%	8.9%	0.4%	0.1%
	Sub-total	192	817	389	402	103,741	123,348	49.5%	41.0%	8.9%	0.4%	0.1%
Open space / recreational assets	Swimming pools	18	4,091	—	—	3,014	5,683	0.0%	0.0%	97.5%	2.5%	0.0%
	Open Space	1,752	14,015	3,578	3,703	27,466	40,810	30.3%	23.6%	30.7%	11.6%	3.9%
	Sub-total	1,770	18,106	3,578	3,703	30,480	46,493	26.6%	20.7%	38.9%	10.4%	3.4%
Other infrastructure assets	Other	150	361	—	—	5,492	6,485	66.0%	21.3%	8.2%	0.0%	4.6%
	Sub-total	150	361	—	—	5,492	6,485	66.0%	21.3%	8.2%	0.0%	4.6%
Total – all assets		32,966	213,404	12,742	13,186	953,796	1,207,568	59.2%	16.8%	15.6%	6.1%	2.3%

(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
4	Poor	Renewal required

5 **Very poor**

Urgent renewal/upgrading required

DRAFT

Cessnock City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Prior periods 20202019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ^{1,2}	13,300	117.00%	64.54%	69.50%	>=100.00%
Depreciation, amortisation and impairment	11,368				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	32,966	3.40%	3.59%	4.62%	<2.00%
Net carrying amount of infrastructure assets ³	968,210				
Asset maintenance ratio					
Actual asset maintenance	13,186	103.48%	101.34%	108.85%	>100.00%
Required asset maintenance	12,742				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	213,404	17.67%	11.64%	11.60%	
Gross replacement cost	1,207,568				

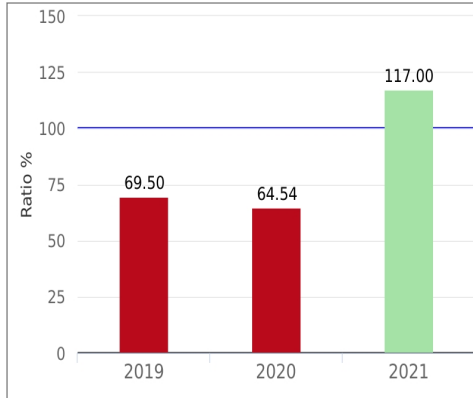
(*) All asset performance indicators are calculated using classes identified in the previous table.

- (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.
- (2) As per the 2021 Code, WIP is now included in the applicable ratios. Prior year's ratios have not been updated to reflect the inclusion of WIP.
- (3) As per the 2021 Code, WIP is now included in the applicable ratios. Prior year's ratios have not been updated to reflect the inclusion of WIP.

Cessnock City Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

20/21 ratio 117.00%

This ratio has improved significantly in 2021 due to Work in Progress (WIP) now being included per the 2021 Code. Prior year ratios have not been updated to show the inclusion of WIP.

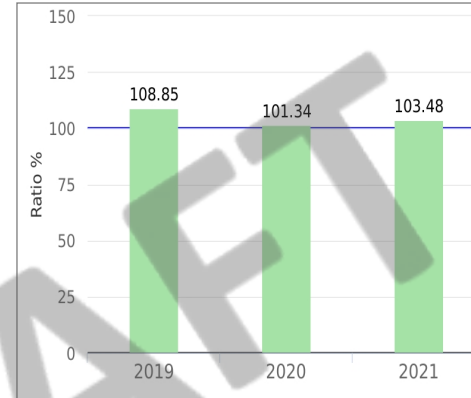
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

20/21 ratio 103.48%

Council has carried out sufficient maintenance on assets as identified in the Asset Management Plans.

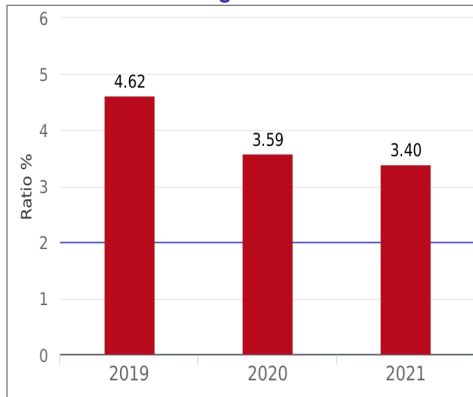
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

20/21 ratio 3.40%

Council continues to improve on this ratio every year. This ratio reflects the cost to bring assets up to a service potential index (SPI) of 3. In reality, when renewing or replacing assets, they are brought up to an SPI better than 3 and this costs a lot more.

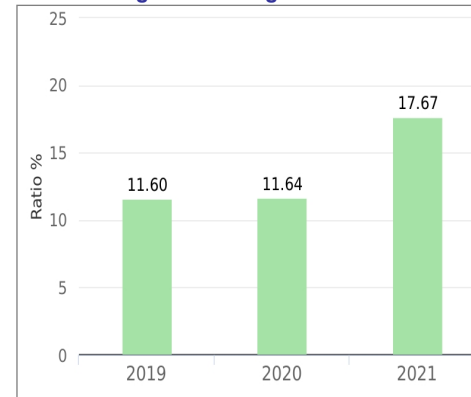
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

20/21 ratio 17.67%

This ratio reflects the cost to fully replace assets where their service potential index (SPI) is worse than 3. In reality, Council may not need to fully replace the asset to bring it to the agreed level of service. For example, when rehabilitating a road, the formation and sub-base components may not need to be fully replaced.