

Wollondilly Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Wollondilly Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	77
On the Financial Statements (Sect 417 [3])	80

Overview

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

62-64 Menangle Street
Picton NSW 2571

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.wollondilly.nsw.gov.au

Wollondilly Shire 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.

Wollondilly Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

- present fairly the Council's operating result and financial position for the year
- 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 24 May 2022.



Matthew Gould
Mayor
24 May 2022



Matthew Deeth
Councillor
24 May 2022



Ben Taylor
Chief Executive Officer
24 May 2022



Rob Seidel
Responsible Accounting Officer
24 May 2022

Wollondilly Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020 ¹
	Income from continuing operations			
48,734	Rates and annual charges	B2-1	49,837	47,498
5,021	User charges and fees	B2-2	7,149	5,029
820	Other revenue	B2-3	1,754	1,817
7,241	Grants and contributions provided for operating purposes	B2-4	12,245	11,938
19,447	Grants and contributions provided for capital purposes	B2-4	41,968	44,177
925	Interest and investment income	B2-5	692	1,760
82,188	Total income from continuing operations		113,645	112,219
	Expenses from continuing operations			
26,607	Employee benefits and on-costs	B3-1	28,044	28,031
14,760	Materials and services	B3-2	25,730	26,564
504	Borrowing costs	B3-3	276	1,704
14,342	Depreciation, amortisation and impairment for non-financial assets	B3-4	20,805	15,898
6,107	Other expenses	B3-5	2,225	2,093
–	Net losses from the disposal of assets	B4-1	7,472	163
62,320	Total expenses from continuing operations		84,552	74,453
19,868	Operating result from continuing operations		29,093	37,766
19,868	Net operating result for the year attributable to Council		29,093	37,766
421	Net operating result for the year before grants and contributions provided for capital purposes		(12,875)	(6,411)

(1) Actual 2019/20 Figures have been restated and reclassified refer N.4.3

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

Wollondilly Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
Net operating result for the year – from Income Statement		29,093	37,766
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	C1-6	8,347	21,848
Other Movements		4,334	–
Total items which will not be reclassified subsequently to the operating result		12,681	21,848
Total other comprehensive income for the year		12,681	21,848
Total comprehensive income for the year attributable to Council		41,774	59,614

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

Wollondilly Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	10,614	8,202	8,698
Investments	C1-2	51,681	43,250	45,500
Receivables	C1-4	11,518	7,763	7,555
Inventories	C1-5	2,090	2,095	2,063
Other	C1-7	602	248	199
Total current assets		76,505	61,558	64,015
Non-current assets				
Investments	C1-2	13,452	26,426	20,726
Infrastructure, property, plant and equipment	C1-6	609,937	572,946	512,344
Right of use assets	C2-1	2,480	2,402	—
Total non-current assets		625,869	601,774	533,070
Total assets		702,374	663,332	597,085
LIABILITIES				
Current liabilities				
Payables	C3-1	11,051	11,709	9,048
Income received in advance	C3-1	—	—	141
Contract liabilities	C3-2	584	857	—
Lease liabilities	C2-1	918	740	—
Borrowings	C3-3	1,503	1,554	1,734
Employee benefit provisions	C3-4	7,635	8,138	6,122
Provisions	C3-5	20	228	—
Total current liabilities		21,711	23,226	17,045
Non-current liabilities				
Lease liabilities	C2-1	1,665	1,704	—
Borrowings	C3-3	4,750	6,256	7,865
Employee benefit provisions	C3-4	387	—	—
Provisions	C3-5	21,247	21,306	20,210
Total non-current liabilities		28,049	29,266	28,075
Total liabilities		49,760	52,492	45,120
Net assets		652,614	610,840	551,965
EQUITY				
Accumulated surplus		431,163	402,070	365,043
IPPE revaluation reserve		221,451	208,770	186,922
Council equity interest		652,614	610,840	551,965
Total equity		652,614	610,840	551,965

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

Wollondilly Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	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
\$ '000					Restated	Restated	Restated
Opening balance at 1 July		398,061	230,480	628,541	363,414	208,632	572,046
Correction of prior period errors ¹	F3-1	4,009	(21,710)	(17,701)	1,629	(21,710)	(20,081)
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(739)	–	(739)
Restated opening balance		402,070	208,770	610,840	364,304	186,922	551,226
Net operating result for the year		29,093	–	29,093	35,386	–	35,386
Correction of prior period errors ²	F3-1	–	–	–	2,380	–	2,380
Restated net operating result for the period		29,093	–	29,093	37,766	–	37,766
Other comprehensive income							
– Gain / (loss) on revaluation of IPP&E	C1-6	–	8,347	8,347	–	21,848	21,848
Other reserves movements		–	4,334	4,334	–	–	–
Other comprehensive income		–	12,681	12,681	–	21,848	21,848
Total comprehensive income		29,093	12,681	41,774	37,766	21,848	59,614
Closing balance at 30 June		431,163	221,451	652,614	402,070	208,770	610,840

(1) Restatement of Infrastructure Asset carrying value and payables balance - refer note F3-1

(2) Restatement of materials and services expenses

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

Wollondilly Shire 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:				
48,734	Rates and annual charges		50,970	46,411
5,021	User charges and fees		8,254	5,143
925	Investment and interest revenue received		236	2,299
26,688	Grants and contributions		47,188	58,796
–	Bonds, deposits and retention amounts received		–	604
820	Other		8,842	4,127
Payments:				
(26,607)	Employee benefits and on-costs		(28,955)	(25,899)
(13,845)	Materials and services		(31,086)	(27,611)
(504)	Borrowing costs		(449)	(61)
–	Bonds, deposits and retention amounts refunded		(29)	–
(6,107)	Other		(2,937)	(4,292)
35,125	Net cash flows from operating activities	F1-1a	52,034	59,517
Cash flows from investing activities				
Receipts:				
28,750	Sale of investment securities		84,510	45,571
–	Sale of infrastructure, property, plant and equipment		331	53
Payments:				
(22,000)	Purchase of investment securities		(77,113)	(49,021)
–	Acquisition of term deposits		(2,936)	–
(33,682)	Purchase of infrastructure, property, plant and equipment		(52,030)	(54,056)
(26,932)	Net cash flows from investing activities		(47,238)	(57,453)
Cash flows from financing activities				
Payments:				
(1,557)	Repayment of borrowings		(1,557)	(1,724)
–	Principal component of lease payments		(827)	(836)
(1,557)	Net cash flows from financing activities		(2,384)	(2,560)
6,636	Net change in cash and cash equivalents		2,412	(496)
8,202	Cash and cash equivalents at beginning of year		8,202	8,698
14,838	Cash and cash equivalents at end of year	C1-1	10,614	8,202
62,926	plus: Investments on hand at end of year	C1-2	65,133	69,676
77,764	Total cash, cash equivalents and investments		75,747	77,878

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

Wollondilly Shire Council

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

A About Council and these financial statements	12
A1-1 Basis of preparation	12
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
B3 Costs of providing services	25
B3-1 Employee benefits and on-costs	25
B3-2 Materials and services	26
B3-3 Borrowing costs	27
B3-4 Depreciation, amortisation and impairment of non-financial assets	28
B3-5 Other expenses	29
B4 Gains or losses	30
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	30
B5 Performance against budget	31
B5-1 Material budget variations	31
C Financial position	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 Infrastructure, property, plant and equipment	38
C1-7 Other	41
C2 Leasing activities	42
C2-1 Council as a lessee	42
C3 Liabilities of Council	45
C3-1 Payables	45
C3-2 Contract Liabilities	46
C3-3 Borrowings	47
C3-4 Employee benefit provisions	49
C3-5 Provisions	50
D Risks and accounting uncertainties	52
D1-1 Risks relating to financial instruments held	52
D2-1 Fair value measurement	56

Wollondilly Shire Council

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

D3-1 Contingencies	59
E People and relationships	62
E1 Related party disclosures	62
E1-1 Key management personnel (KMP)	62
E1-2 Councillor and Mayoral fees and associated expenses	63
E2 Other relationships	64
E2-1 Audit fees	64
F Other matters	65
F1-1 Statement of Cash Flows information	65
F2-1 Commitments	66
F3 Changes from prior year statements	66
F3-1 Correction of errors	66
F4 Statement of developer contributions as at 30 June 2021	69
F4-1 Summary of developer contributions	69
F4-2 Developer contributions by plan	70
F4-3 S7.4 planning agreements	71
F5 Statement of performance measures	72
F5-1 Statement of performance measures – consolidated results	72
G Additional Council disclosures (unaudited)	73
G1-1 Statement of performance measures – consolidated results (graphs)	73
G1-2 Financial review	74
G1-3 Council information and contact details	76

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 24 May 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, 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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- B5-1 – Material budget variations

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 C1-6
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-5

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4

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 (NSW), 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.

A1-1 Basis of preparation (continued)

The Consolidated Fund has been included in the Council's Financial Statements.

Due to their immaterial value and nature, Council's Management Committees have been excluded from this consolidation.

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

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

Council receives the benefit of volunteer services across various parts of its service delivery, including the Community Nursery and library service. No adjustment has been included within the financial statements to reflect these services as they are not considered to be material in financial value and may not be reliably measured.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting periods.

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.

COVID-19 Impact on Council's 2020/21 Financial Statements

In 2020 Council reviewed its hardship policies and provided additional support to ratepayers who were financially affected by Covid-19. Apart from a general slowdown in business activities, several Council facilities, services and events were directly impacted as a result of mandatory lockdowns. This resulted in reduced revenues.

Council recognised the strain on ratepayers and suspended its debt collection activities. This resulted in higher than normal outstanding rates and annual charges as at 30 June 2021.

The continuing pandemic is expected to have a continued impact on Council operations during 2021/22.

A1-1 Basis of preparation (continued)

Subsequent Events

Council has been impacted by Storms and Flooding during March 2022. This event has caused varying degrees of damage to Council assets (primarily the road network), Councils Infrastructure team are completing an assessment of the damage and until this is complete an estimate of the financial effects cannot be made.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020 Restated	2021	2020 Restated	2021	2020	2021	2020 Restated
\$ '000										
Functions or activities										
Sustainable and Balanced Growth	13,326	12,157	11,312	9,773	2,014	2,384	–	–	1,310	1,242
Management & Provision of Infrastructure	41,706	43,721	47,073	42,814	(5,367)	907	7,279	7,534	589,135	556,265
Caring for the Environment	10,762	10,148	12,662	10,355	(1,900)	(207)	2,033	2,104	7,362	6,983
Looking after the Community	1,607	1,110	5,084	4,859	(3,477)	(3,749)	412	427	2,041	1,936
Efficient and Effective Council	1,594	1,193	6,310	6,652	(4,716)	(5,459)	–	–	102,526	96,906
General Purpose	44,650	43,890	2,111	–	42,539	43,890	44,489	46,050	–	–
Total functions and activities	113,645	112,219	84,552	74,453	29,093	37,766	54,213	56,115	702,374	663,332

B1-2 Components of functions or activities

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

Sustainable and Balanced Growth

Outcomes/Objectives:

1. A built environment that supports liveable communities, respects the character, setting and heritage of our towns and villages and retains the vision of Rural Living.
2. A unique environment and rural landscape balanced with managed growth that is consistent with Council's position on Growth and vision of Rural Living.
3. A strong local economy providing employment and other opportunities.
4. Expansion of employment and other opportunities based on the Shire's natural assets, strong agricultural base and tourism potential.
5. A strong and viable agricultural sector supported by the protection and preservation of agricultural assets and resources.

Management & Provision of Infrastructure

Outcomes/Objectives:

1. Infrastructure that is safe, accessible and fit for purpose.
2. Infrastructure that is sustainably maintained.
3. Infrastructure that delivers upon the expectations and needs of our growing community.

Caring for the Environment

Outcomes/Objectives:

1. An environment that is valued, preserved and protected, with new planning and development proposals supporting these values.
2. A community that is engaged with and cares about their environment.

Looking after the Community

Outcomes/Objectives:

1. Access to a range of activities, services and facilities.
2. Communities that are engaged, cohesive, included, and have a sense of belonging.
3. Communities that are healthy, happy and feel safe.

Efficient and Effective Council

Outcomes/Objectives:

1. Government, community and business talking and working together.
2. A Council that demonstrates good business management and ethical conduct.
3. A Council that is viewed by the community as transparent, accountable and responsive to their concerns.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	36,452	34,689
Farmland	1,053	1,020
Mining	1,717	1,676
Business	1,865	1,771
Less: pensioner rebates (mandatory)	(336)	(330)
Less: pensioner rebates (Council policy)	(384)	(378)
Rates levied to ratepayers	40,367	38,448
Pensioner rate subsidies received	261	256
Total ordinary rates	40,628	38,704
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	9,269	8,851
Stormwater management services	306	299
Waste management services (non-domestic)	192	182
Section 611 charges	15	16
Less: pensioner rebates (Council policy)	(649)	(629)
Annual charges levied	9,133	8,719
Pensioner subsidies received:		
– Domestic waste management	76	75
Total annual charges	9,209	8,794
Total rates and annual charges	49,837	47,498

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	Timing	2021	2020
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	3,399	1,643
Section 10.7 certificates (EP&A Act)	2	238	168
Section 603 certificates	2	143	86
Other	2	230	196
Animal registration fees	2	99	138
Rezoning fees	2	141	—
Septic tank fees	2	217	504
Total fees and charges – statutory/regulatory		4,467	2,735
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	109	109
Leaseback fees – Council vehicles	2	389	355
Leisure centre	2	31	—
Restoration charges	2	127	69
Waste disposal tipping fees	2	321	729
Children services	2	370	392
Development management	2	264	137
Plan checking fees	2	825	286
Royalties	2	70	63
Other	2	176	154
Total fees and charges – other		2,682	2,294
Total user charges and fees		7,149	5,029
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		—	—
User charges and fees recognised at a point in time (2)		7,149	5,029
Total user charges and fees		7,149	5,029

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Rental income – other council properties (2019 only)	2	699	657
Fines	2	438	432
Legal fees recovery – rates and charges (extra charges)	2	1	35
Legal fees recovery – other	2	185	100
Commissions and agency fees	2	36	34
Diesel rebate	2	30	28
Insurance claims recoveries	2	–	7
Sales – general	2	30	95
Insurance premium rebate	2	110	147
Reimbursements	2	174	267
Other	2	51	15
Total other revenue		1,754	1,817

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,754	1,817
Total other revenue	1,754	1,817

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	1,843	1,889	—	—
Payment in advance - future year allocation					
Financial assistance	2	1,974	2,002	—	—
Amount recognised as income during current year		3,817	3,891	—	—
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Bushfire and emergency services	1	2,786	1,620	—	—
Child care	2	46	56	—	—
Library	2	192	200	—	—
LIRS subsidy	2	108	138	—	—
Recreation and culture	2	550	102	7,135	3,045
Community services	2	563	171	351	—
Environmental management	2	348	214	—	—
Street lighting	2	87	87	—	—
Transport (roads to recovery)	2	—	—	423	3,576
Transport (other roads and bridges funding)	2	432	585	6,111	—
Previously contributions:					
Bushfire services	2	570	1,352	29	—
Community services	2	30	284	—	—
Recreation and culture	2	—	5	30	—
Roads and bridges	2	—	—	—	25
Transport for NSW contributions (regional roads, block grant)	2	2,299	2,018	1,867	81
Other contributions	2	417	1,250	25	—
Environmental management	2	—	(35)	—	—
Total special purpose grants and non-developer contributions – cash		8,428	8,047	15,971	6,727
Total special purpose grants and non-developer contributions (tied)		8,428	8,047	15,971	6,727
Total grants and non-developer contributions		12,245	11,938	15,971	6,727
Comprising:					
– Commonwealth funding		4,767	4,048	6,446	3,825
– State funding		7,286	2,961	8,914	2,796
– Other funding		192	4,929	611	106
		12,245	11,938	15,971	6,727

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	2,358	4,598
S 7.11 – contributions towards amenities/services		2	–	–	5,505	2,433
S 7.12 – fixed development consent levies		2	–	–	19	558
Total developer contributions – cash			–	–	7,882	7,589
Non-cash contributions						
Other developer contributions		2	–	–	18,115	29,861
Total developer contributions non-cash			–	–	18,115	29,861
Total developer contributions			–	–	25,997	37,450
Total contributions			–	–	25,997	37,450
Total grants and contributions			12,245	11,938	41,968	44,177
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			12,245	11,938	41,968	44,177
Total grants and contributions			12,245	11,938	41,968	44,177

B2-4 Grants and contributions (continued)

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	6,282	3,447	1,124	270
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,883	–	2,055	–
Add: Funds received and not recognised as revenue in the current year	–	5,122	–	980
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(3,170)	–	(1,099)	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(2,287)	–	(126)
Unspent funds at 30 June	4,995	6,282	2,080	1,124
Contributions				
Unspent funds at 1 July	40,828	35,753	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	8,312	5,864	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(2,744)	(789)	–	–
Unspent contributions at 30 June	46,396	40,828	–	–

Accounting policy

Grant and contributions - enforceable agreement with sufficiently specific performance obligations

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

The performance obligations are varied based on the agreement but include events, construction of council owned assets, crown land management plans and planning reviews. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

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

Capital grants

B2-4 Grants and contributions (continued)

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

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

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*.

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

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

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 standards.

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.

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)	150	257
– Cash and investments	624	1,503
Fair value adjustments		
– Movements in investments (other)	(82)	–
Finance income on the net investment in the lease	–	–
Total interest and investment income (losses)	692	1,760
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	150	257
General Council cash and investments	40	828
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	179	417
Domestic waste management operations	38	193
Restricted investments/funds – internal:		
Internally restricted assets	285	65
Total interest and investment income	692	1,760

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	25,769	24,070
Employee leave entitlements (ELE)	153	2,218
Superannuation	2,578	2,310
Workers' compensation insurance	393	366
Fringe benefit tax (FBT)	81	67
Training costs (other than salaries and wages)	185	235
Employment advertising	95	107
Other	29	24
Total employee costs	29,283	29,397
Less: capitalised costs	(1,239)	(1,366)
Total employee costs expensed	28,044	28,031
Number of 'full-time equivalent' employees (FTE) at year end	278	270

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 Restated
Raw materials and consumables ¹		15,001	13,325
– Environmental services		1,821	2,019
– General maintenance		7,274	2,348
– Leisure centre management		514	206
– Planning and development consultants		2,505	1,103
– Planning and development contractors/labour hire		189	272
– Road maintenance and construction		10,150	4,428
– Street and gutter cleaning contract		158	253
– Waste contractors		7,848	6,973
– Building construction services		3,842	10,906
– Technological services		429	648
– Investment and financial advisory services		104	98
– Other		31	26
Audit Fees	E2-1	155	139
Previously other expenses: ²			
Councillor and Mayoral fees and associated expenses	E1-2	227	255
Advertising		71	80
Bank charges		68	66
Computer software charges		941	639
Electricity and heating		549	258
Insurance		631	599
Postage		136	128
Street lighting		586	537
Telephone and communications		334	237
Valuation fees		128	122
Agency charges		88	65
Photocopier charges		77	74
Vehicle registration / insurance		72	71
Water charges		109	106
Short Term Lease Payments		216	–
Other expenses		337	496
Legal expenses:			
– Legal expenses: planning and development		986	345
– Legal expenses: other		345	420
Other		–	1
Total materials and services		55,922	47,243
Less: capitalised costs		(30,192)	(20,679)
Total materials and services		25,730	26,564

Accounting policy

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

(1) Raw materials and consumables 2019/20 have been restated Refer N.4.3

(2) Some Other Expenses have been re-classified as Materials and services

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		492	547
Total interest bearing liability costs		492	547
Total interest bearing liability costs expensed		492	547
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	C3-5	(216)	1,157
Total other borrowing costs		(216)	1,157
Total borrowing costs expensed		276	1,704

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		519	356
Office equipment		32	22
Furniture and fittings		88	52
Land improvements (depreciable)		–	53
Infrastructure:	C1-6		
– Buildings – non-specialised		651	781
– Buildings – specialised		1,683	1,307
– Roads		8,012	7,890
– Bridges		764	796
– Footpaths		491	356
– Other road assets		1,933	1,914
– Stormwater drainage		486	477
– Swimming pools		59	78
– Other open space/recreational assets		2,080	676
Right of use assets	C2-1	888	813
Other assets		20	20
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	2,822	298
Total gross depreciation and amortisation costs		20,528	15,889
Total depreciation and amortisation costs		20,528	15,889
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Roads		259	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	18	9
Total gross IPPE impairment / revaluation decrement costs		277	9
Total IPPE impairment / revaluation decrement costs charged to Income Statement		277	9
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&E		20,805	15,898

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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 no longer required to be tested for impairment under AASB 136. This is because 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.

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

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020 ¹
Impairment of receivables			
Other		(7)	1
Total impairment of receivables	C1-4	(7)	1
Other			
Contributions/levies to other levels of government			
– Department of planning levy		55	54
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,072	771
– Section 88 waste and environment levy		756	1,094
Donations, contributions and assistance to other organisations (Section 356)		349	173
Total other		2,232	2,092
Total other expenses		2,225	2,093

Accounting policy

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

Impairment expenses are recognised when identified.

(1) Some Other Expenses have been re-classified as Materials and services

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		(1)	–
Gain (or loss) on disposal		(1)	–
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		332	53
Less: carrying amount of plant and equipment assets sold/written off		(17)	(22)
Gain (or loss) on disposal		315	31
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(7,786)	(194)
Gain (or loss) on disposal		(7,786)	(194)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		84,510	45,571
Less: carrying amount of investments sold/redeemed/matured		(84,510)	(45,571)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(7,472)	(163)

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 16/06/2020 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				
Other revenues	820	1,754	934	114% F
Operating grants and contributions	7,241	12,245	5,004	69% F
Capital grants and contributions	19,447	41,968	22,521	116% F
EXPENSES				
Borrowing costs	504	276	228	45% F
Net losses from disposal of assets	–	7,472	(7,472)	∞ U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	35,125	52,034	16,909	48% F

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	10,614	8,202
Total cash and cash equivalents	10,614	8,202

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,614	8,202
Balance as per the Statement of Cash Flows	10,614	8,202

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

	2021 Current	2021 Non-current	2020 Current	2020 Non-current
\$ '000				
Debt securities at amortised cost				
Long term deposits	49,177	4,009	43,250	7,000
NCD's, FRN's (with maturities > 3 months)	2,504	6,554	–	16,150
Mortgage backed securities	–	1,009	–	1,526
Listed equity securities	–	1,880	–	1,750
Total	51,681	13,452	43,250	26,426
Total financial investments	51,681	13,452	43,250	26,426
Total cash assets, cash equivalents and investments	62,295	13,452	51,452	26,426

C1-2 Financial investments (continued)

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 or loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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 derecognition are recognised in profit or loss.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNS and NCDS in the Statement of Financial Position.

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	62,295	13,452	51,452	26,426
attributable to:				
External restrictions	49,620	13,452	30,728	26,426
Internal restrictions	11,475	–	17,687	–
Unrestricted	1,200	–	3,037	–
	62,295	13,452	51,452	26,426

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	–	738
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External restrictions – included in liabilities	–	738
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External restrictions – other

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

Developer contributions – general	46,398	40,828
Specific purpose unexpended grants (recognised as revenue) – general fund	7,075	6,668
Stormwater management	931	925
Domestic waste management	8,668	7,995

External restrictions – other	63,072	56,416
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Total external restrictions	63,072	57,154
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Internal restrictions

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

Employees leave entitlement	3,328	3,977
Animal management	–	1
Effluent disposal	352	415
Election	427	352
Growth management strategy	249	602
Information technology	49	198
Infrastructure and asset maintenance	2,826	4,716
Organisational development	81	344
Plant and vehicle replacement	1,069	1,519
Property	581	2,901
Recreation	328	328
Legal & Risk management	813	826
Roads	328	326
Sportsgrounds	322	281
Swimming pool	458	489
Tourism and economic development	184	183
Strategic Planning	80	–
Work in progress	–	229

Total internal restrictions	11,475	17,687
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Total restrictions	74,547	74,841
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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	2,802	–	3,935	–
Interest and extra charges	520	–	(449)	–
User charges and fees	289	–	1,262	–
Accrued revenues				
– Interest on investments	–	–	431	–
Bank Accruals	–	–	–	–
– Other income accruals	6	–	1,718	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	7,181	–	48	–
Net GST receivable	746	–	929	–
Other debtors	–	–	(64)	–
Total	11,544	–	7,810	–
Less: provision of impairment				
User charges and fees	(26)	–	(47)	–
Total provision for impairment – receivables	(26)	–	(47)	–
Total net receivables	11,518	–	7,763	–
Externally restricted receivables				
Domestic waste management	928	–	842	–
Stormwater management	35	–	34	–
Total external restrictions	963	–	876	–
Unrestricted receivables	10,555	–	6,887	–
Total net receivables	11,518	–	7,763	–

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	47	48
– amounts already provided for and written off this year	(26)	(1)
Balance at the end of the year	21	47

C1-4 Receivables (continued)

Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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.

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

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

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

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				
Stores and materials	2,049	–	2,054	–
Trading stock	3	–	3	–
Total inventories at cost	2,052	–	2,057	–
(ii) Inventories at net realisable value (NRV)				
Trading stock	38	–	38	–
Total inventories at net realisable value (NRV)	38	–	38	–
Total inventories	2,090	–	2,095	–

Externally restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current Restated	2020 Non-current
Other				
RFS stores and materials	1,842	–	1,842	–
Total other	1,842	–	1,842	–
Total externally restricted assets	1,842	–	1,842	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	248	–	253	–
Total inventories	2,090	–	2,095	–

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.

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period											At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements (transfer between asset classes)	Transfers to right of use assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																	
Capital work in progress ²	531	–	531	7,347	–	–	–	–	(530)	–	–	–	–	–	7,348	–	7,348
Plant and equipment	14,198	(11,649)	2,549	14	1,000	(17)	(519)	–	–	–	–	–	–	–	12,993	(9,966)	3,027
Office equipment	4,007	(3,844)	163	7	–	–	(32)	–	–	–	–	–	–	–	4,014	(3,876)	138
Furniture and fittings	1,183	(775)	408	1	–	–	(88)	–	–	–	–	–	–	–	1,184	(863)	321
Land:																	
– Operational land	24,496	–	24,496	–	2,090	–	–	–	–	–	(1,300)	–	–	1,462	26,748	–	26,748
– Community land ²	38,032	–	38,032	–	270	–	–	–	–	–	1,300	–	–	4,109	43,711	–	43,711
Land improvements – depreciable	2,510	(535)	1,975	–	–	–	–	–	–	–	(2,510)	–	535	–	–	–	–
Infrastructure:																	
– Buildings – non-specialised	33,644	(18,197)	15,447	331	951	–	(651)	–	–	–	–	–	–	–	34,933	(18,855)	16,078
– Buildings – specialised	62,622	(34,069)	28,553	1,019	837	(485)	(1,683)	–	–	–	(378)	–	149	–	62,687	(34,675)	28,012
– Roads	353,472	(128,091)	225,381	17,706	4,148	(6,981)	(8,012)	(259)	53	4,334	–	–	–	–	367,482	(131,112)	236,370
– Bridges	65,613	(33,759)	31,854	1,473	1,504	(143)	(764)	–	477	–	–	–	–	–	68,700	(34,299)	34,401
– Footpaths	27,864	(9,823)	18,041	620	1,148	(101)	(491)	–	–	–	–	–	–	–	29,516	(10,299)	19,217
– Other road assets (including bulk earthworks)	84,646	(37,813)	46,833	1,463	1,626	(74)	(1,933)	–	–	–	–	–	–	–	87,575	(39,660)	47,915
– Bulk earthworks (non-depreciable)	59,446	–	59,446	843	253	–	–	–	–	–	–	–	–	–	60,542	–	60,542
– Stormwater drainage	54,218	(12,730)	41,488	–	7,275	(2)	(486)	–	–	–	–	–	–	566	62,055	(13,214)	48,841
– Swimming pools	3,023	(1,504)	1,519	–	–	–	(59)	–	–	–	–	–	184	59	2,838	(1,135)	1,703
– Other open space/recreational assets	36,413	(6,304)	30,109	–	104	–	(2,080)	–	–	–	2,888	–	(149)	3,098	48,994	(15,024)	33,970
Other assets:																	
– Library books	1,025	(1,025)	–	–	–	–	–	–	–	–	–	–	–	–	1,025	(1,025)	–
– Other	763	(370)	393	–	–	–	(20)	–	–	–	–	–	–	–	763	(390)	373
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																	
– Tip assets	22,476	(16,748)	5,728	–	–	–	(2,822)	(18)	–	–	–	–	(1,666)	–	20,792	(19,570)	1,222
Total infrastructure, property, plant and equipment	890,182	(317,236)	572,946	30,824	21,206	(7,803)	(19,640)	(277)	–	4,334	–	–	(947)	9,294	943,900	(333,963)	609,937

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

(2) The actual values for 2019/20 have been restated - refer to Note F3-1

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period										At 30 June 2020		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Transfers to right of use assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated
\$ '000																
Capital work in progress ²	359	—	359	4,237	961	—	—	—	(5,026)	—	—	—	—	531	—	531
Plant and equipment	12,419	(11,513)	906	—	597	(69)	(356)	—	—	1,522	(51)	—	—	14,198	(11,649)	2,549
Office equipment	3,996	(3,822)	174	—	11	—	(22)	—	—	—	—	—	—	4,007	(3,844)	163
Furniture and fittings	1,153	(723)	430	—	30	—	(52)	—	—	—	—	—	—	1,183	(775)	408
Land:																
— Operational land	23,144	—	23,144	—	1,352	—	—	—	—	—	—	—	—	24,496	—	24,496
— Community land ²	38,032	—	38,032	—	—	—	—	—	—	—	—	—	—	38,032	—	38,032
Land improvements – depreciable	2,510	(482)	2,028	—	—	—	(53)	—	—	—	—	—	—	2,510	(535)	1,975
Infrastructure:																
— Buildings – non-specialised	33,638	(17,416)	16,222	6	—	—	(781)	—	—	—	—	—	—	33,644	(18,197)	15,447
— Buildings – specialised	60,925	(32,762)	28,163	1,599	98	—	(1,307)	—	—	—	—	—	—	62,622	(34,069)	28,553
— Roads	306,046	(120,201)	185,845	10,412	20,942	—	(7,890)	—	2,586	(4,334)	—	—	17,820	353,472	(128,091)	225,381
— Bridges	64,607	(32,963)	31,644	761	—	—	(796)	—	245	—	—	—	—	65,613	(33,759)	31,854
— Footpaths	17,306	(9,467)	7,839	343	3,841	(193)	(356)	—	297	—	—	—	6,276	27,864	(9,823)	18,041
— Other road assets (including bulk earthworks)	73,959	(35,899)	38,060	848	3,535	—	(1,914)	—	543	—	—	—	5,761	84,646	(37,813)	46,833
— Bulk earthworks (non-depreciable)	69,179	—	69,179	—	1,729	—	—	—	—	—	—	(11,462)	—	59,446	—	59,446
— Stormwater drainage	47,462	(12,253)	35,209	163	4,019	—	(477)	—	36	—	—	—	2,538	54,218	(12,730)	41,488
— Swimming pools	3,022	(1,425)	1,597	—	—	—	(78)	—	—	—	—	—	—	3,023	(1,504)	1,519
— Other open space/recreational assets	33,607	(5,627)	27,980	1,486	—	—	(676)	—	1,319	—	—	—	—	36,413	(6,304)	30,109
Other assets:																
— Library books	1,025	(1,025)	—	—	—	—	—	—	—	—	—	—	—	1,025	(1,025)	—
— Other	763	(350)	413	—	—	—	(20)	—	—	—	—	—	—	763	(370)	393
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
— Tip assets	21,570	(16,450)	5,120	—	—	—	(298)	(9)	—	—	—	—	915	22,476	(16,748)	5,728
Total infrastructure, property, plant and equipment	814,722	(302,378)	512,344	19,855	37,115	(262)	(15,076)	(9)	—	(2,812)	(51)	(11,462)	33,310	890,182	(317,236)	572,946

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

(2) The actual values for 2018/19 have been restated - refer to Note G4-2

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

Accounting policy

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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		Infrastructure (cont...)	
- Vehicles	5 to 8 years	- Swimming pools	50 years
- Heavy plant/road making equip.	5 to 8 years	- Other open space/recreational assets	
- Other plant and equipment	5 to 15 years	Playground equipment	5-15 years
Office equipment		Tennis courts	
- Computer equipment	5 years	- Concrete	50 years
- Other office equipment	5 to 10 years	- Synthetic	10 years
Furniture and fittings	10 to 20 years	Outdoor furniture	10 years
		Shelters	20 years
Buildings		Sporting equip (goal posts, etc)	20-30 years
- Buildings: masonry	50 to 100 years	Floodlighting	10 years
- Buildings: other	20 to 40 years	BBQ's	20 years
Infrastructure		- Traffic facilities	
- Sealed surfacings		LATM devices, traffic islands	70 years
Asphalt	25 years	Steel guard rails	20 years
Flush Seal	15 years	Roadside fencing	20 years
- Sealed pavement structure	80 years	- Line marking	5 years
- Kerb and gutter	70 years	- Signs	10 years
- Paved footpaths		- Roadside furniture	10-20 years
Concrete	50 years	Stormwater drainage	
Asphalt seal	20 years	- Culverts	
Gravel	10 years	Major	100 years
- Unsealed pavement structure	10 years	Steel	50 years
- Bulk earthworks	Infinite	- Pipes	150 years
- Concrete bridges	100 years	- Pits	70 years
- Timber bridges	80 years	- Structures including headwalls	70 years
Structure and girders	60 years	- Detention basins	100 years
Deck	30 years	- Gross pollutant traps	60 years

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

Land under roads

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

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

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.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are not recognised as assets of the Council in these financial statements.

C1-7 Other

Other assets

	2021 Current	2021 Non-current	2020 Current Restated	2020 Non-current
\$ '000				
Prepayments	244	–	248	–
Other	358	–	–	–
Total other assets	602	–	248	–

Current other assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2021 Current	2021 Non-current	2020 Current Restated	2020 Non-current
\$ '000				
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	602	–	248	–
Total other assets	602	–	248	–

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Motor Vehicles Leases have term of between 3 and 5 years

Land & Building Leases typically have a term of 3 years

IT equipment Leases have a term of 4 to 5 years

Buildings

Council leases land and buildings for the Rural Fire Service; the lease is generally between 3 and 4 years and includes a renewal option to allow Council to renew every 3 years.

The building leases contains an annual pricing mechanism based on a fixed increases every year at each anniversary date of the lease inception.

Vehicles

Council leases vehicles and equipment with lease terms varying from 3 to 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 4 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

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

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

(a) Right of use assets

\$ '000	Plant & Equipment	Total
2021		
Opening balance at 1 July	2,402	2,402
Additions to right-of-use assets	775	775
Adjustments to right-of-use assets due to re-measurement of lease liability	191	191
Depreciation charge	(888)	(888)
Balance at 30 June	2,480	2,480
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	2,597	2,597
Adoption of AASB 16 at 1 July 2019 – transfer of IPP&E from Note 10	51	51
Additions to right-of-use assets	460	460
Adjustments to right-of-use assets due to re-measurement of lease liability	75	75
Depreciation charge	(813)	(813)
Balance at 30 June	2,402	2,402

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	918	1,665	740	1,704
Total lease liabilities	918	1,665	740	1,704

(c) (i) The maturity analysis

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	918	1,665	–	2,583	2,583
2020					
Cash flows	802	1,433	209	2,444	2,444

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	73	2
Depreciation of right of use assets	888	813
Expenses relating to short-term leases	–	24
	961	839

(e) Statement of Cash Flows

Total cash outflow for leases	897	836
	897	836

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

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.

C2-1 Council as a lessee (continued)

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.

C3 Liabilities of Council

C3-1 Payables

	2021 Current	2021 Non-current	2020 Current Restated	2020 Non-current
\$ '000				
Payables				
Goods and services	4,981	—	6,148	—
Accrued expenses:				
– Borrowings	31	—	39	—
– Other expenditure accruals	2,752	—	2,860	—
Security bonds, deposits and retentions	2,189	—	2,218	—
Other	1,098	—	444	—
Total payables	11,051	—	11,709	—
Total payables	11,051	—	11,709	—

Payables relating to restricted assets

	2021 Current	2021 Non-current	2020 Current Restated	2020 Non-current
\$ '000				
Total payables relating to unrestricted assets	11,051	—	11,709	—
Total payables	11,051	—	11,709	—

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

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

C3-1 Payables (continued)

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 operating grants (received prior to performance obligation being satisfied)	(ii)	468	–	738	–
User fees and charges received in advance:					
Fees received in advance of services provided	(iii)	116	–	119	–
Total payments received in advance		584	–	857	–
Total contract liabilities		584	–	857	–

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) User fees and charges invoiced or paid in advance for services to be provided in a future accounting period, where the funds are refundable should the service not be provided.

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)	–	–	738	–
Contract liabilities relating to externally restricted assets	–	–	738	–
Total contract liabilities relating to restricted assets	–	–	738	–
Total contract liabilities relating to unrestricted assets	584	–	119	–
Total contract liabilities	584	–	857	–

C3-2 Contract Liabilities (continued)

Significant changes in contract liabilities

There have been no significant changes in contract liabilities

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.

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	1,503	4,750	1,554	6,256
Total borrowings	1,503	4,750	1,554	6,256

(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 19.

Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total borrowings relating to unrestricted assets	1,503	4,750	1,554	6,256
Total borrowings	1,503	4,750	1,554	6,256

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.

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	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
\$ '000							
Loans – secured	7,810	(1,557)	–	–	–	–	6,253
Lease liability (Note C2-1b)	2,444	139	–	–	–	–	2,583
Total liabilities from financing activities	10,254	(1,418)	–	–	–	–	8,836

	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
\$ '000							
Loans – secured	9,534	(1,724)	–	–	–	–	7,810
Lease liability (Note C2-1b)	65	2,379	–	–	–	–	2,444
Total liabilities from financing activities	9,599	655	–	–	–	–	10,254

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	100	100
Bank Guarantee	1,000	–
Total financing arrangements	1,400	400
Drawn facilities		
– Credit cards/purchase cards	31	100
Bank Guarantee	107	–
Total drawn financing arrangements	138	100
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	69	–
Bank Guarantee	893	–
Total undrawn financing arrangements	1,262	300

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	2,483	–	2,518	–
Sick leave	134	–	201	–
Long service leave	4,952	387	5,367	–
Time in lieu	66	–	52	–
Total employee benefit provisions	7,635	387	8,138	–

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	4,965	6,320
	4,965	6,320

Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Other	Other employee benefits	
2021						
At beginning of year	2,518	201	5,367	66	(14)	8,138
Amounts used (payments)	(1,391)	(631)	(878)	–	–	(2,900)
Other	1,356	564	850	–	14	2,784
Total ELE provisions at end of year	2,483	134	5,339	66	–	8,022
2020						
At beginning of year	1,861	194	3,801	66	(14)	5,908
Amounts used (payments)	(1,209)	(607)	(338)	–	–	(2,154)
Other	1,866	614	1,904	–	–	4,384
Total ELE provisions at end of year	2,518	201	5,367	66	(14)	8,138

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

C3-4 Employee benefit provisions (continued)

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

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

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	20	21,247	228	21,306
Sub-total – asset remediation/restoration	20	21,247	228	21,306
Total provisions	20	21,247	228	21,306
Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	20	21,247	228	21,306
Total provisions	20	21,247	228	21,306

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	21,534	21,534
Unwinding of discount	(165)	(165)
Amounts used (payments)	(51)	(51)
Other	(51)	(51)
Total other provisions at end of year	21,267	21,267
2020		
At beginning of year	20,424	20,424
Unwinding of discount	1,705	1,705
Amounts used (payments)	(46)	(46)
Other	(549)	(549)
Total other provisions at end of year	21,534	21,534

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

C3-5 Provisions (continued)

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

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 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.

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

D Risks and accounting uncertainties

D1-1 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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value 2021	Carrying value 2020 Restated	Fair value 2021	Fair value 2020 Restated
\$ '000				
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,614	8,202	10,614	8,202
Receivables	11,518	7,763	11,518	7,763
Investments				
– Debt securities at amortised cost	65,133	69,676	65,133	69,676
Total financial assets	87,265	85,641	87,265	85,641
Financial liabilities				
Payables	11,051	11,709	11,051	11,661
Loans/advances	6,253	7,810	6,253	7,810
Total financial liabilities	17,304	19,519	17,304	19,471

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **at fair value through profit and loss** or (ii) **at fair value through other comprehensive income** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 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.

D1-1 Risks relating to financial instruments held (continued)

- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(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	754	762
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

D1-1 Risks relating to financial instruments held (continued)

(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 procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to 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	(49)	2,508	343	–	–	2,802
2020						
Gross carrying amount	(2)	2,693	619	625	–	3,935

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	1,024	7,220	171	10	317	8,742
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	2,783	806	35	66	185	3,875
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. Council manages this risk through diversification of borrowing types, maturities and interest rate 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 for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year LY Restated	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	2,189	8,862	–	–	11,051	11,051
Loans and advances	0.00%	–	1,945	4,651	863	7,459	6,253
Lease liabilities	0.00%	986	1,735	–	–	2,721	–
Total financial liabilities		3,175	12,542	4,651	863	21,231	17,304
2020							
Trade/other payables	0.00%	2,218	9,491	–	–	11,709	11,709
Loans and advances	6.85%	–	2,056	6,039	1,429	9,524	7,810
Lease liabilities	0.00%	–	802	1,433	209	2,444	2,444
Total financial liabilities		2,218	12,349	7,472	1,638	23,677	21,963

D2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
					Restated		Restated		Restated
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-6								
Plant and equipment		30/06/21	30/06/20	—	—	3,027	2,549	3,027	2,549
Office equipment		30/06/21	30/06/16	—	—	138	163	138	163
Furniture and fittings		30/06/21	30/06/16	—	—	322	408	322	408
Operational land		30/06/18	30/06/18	—	—	26,748	24,496	26,748	24,496
Community land		30/06/21	30/06/16	—	—	43,711	38,032	43,711	38,032
Land improvements – depreciable		30/06/21	30/06/20	—	—	—	1,975	—	1,975
Buildings		30/06/18	30/06/18	—	—	44,090	44,000	44,090	44,000
Swimming pools and other recreational assets		30/06/21	30/06/16	—	—	35,674	31,628	35,674	31,628
Road infrastructure		30/06/20	30/06/20	—	—	398,442	381,555	398,442	381,555
Stormwater drainage		30/06/20	30/06/20	—	—	48,842	41,488	48,842	41,488
Other assets		30/06/20	30/06/20	—	—	1,595	6,121	1,595	6,121
Total infrastructure, property, plant and equipment				—	—	602,589	572,415	602,589	572,415

Non-recurring fair value measurements

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)

Work in Progress

Work in Progress is disclosed at cost in the notes. Separate valuation of these assets is not deemed necessary due to the small period of time that has elapsed between the incurring of the expenditure and the reported valuation in the financial statements. There has been no change to the valuation techniques during the reporting period.

Plant & Equipment, Office Equipment and Furniture & Fittings

D2-1 Fair value measurement (continued)

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amounts are assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross replacement cost of similar assets and by taking account of the pattern of consumption, the remaining useful life and residual value are able to be estimated. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The valuation of Council's operational land was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144. Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price. Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Land Improvements - depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves.

Council carries fair value of land improvements using Level 3 valuation inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Buildings – Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2018.

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

Swimming Pools & Other Open Space/Recreational Assets

Council's Swimming Pools & Other Open Space/Recreational Assets were valued using the cost approach. Council carries fair value of these assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the structure.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Road Infrastructure

This asset class includes roads, bridges, car parks, kerb and gutter, traffic facilities, footpaths and bulk earthworks undertaken in the course of construction. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates determined in collaboration with sixteen neighbouring Councils. Other inputs (such as estimated pattern of consumption,

D2-1 Fair value measurement (continued)

residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Other Assets

Council's Other Assets were valued using the cost approach. Council carries fair value of Other Assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset. The unobservable Level 3 inputs used include estimated patterns of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Tip Assets

Council is obligated to restore/rehabilitate closed former landfill sites at Warragamba, Picton, Appin and Wilton and the closed Bargo Effluent Ponds. Council will also eventually be required to remediate the existing active landfill site at Bargo. It has been recognised that there will be significant costs associated with the closure and remediation or post closure management of these sites. Remediation of the sites to meet the requirements of the stringent standards and guidelines will involve a wide range of activities including preparation of a Landfill Closure and Management Plans, as well as environmental assessments with appropriate remediation works. In some instances this remediation may involve extensive re-profiling or shaping works, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

D3-1 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 standard employer contribution rates are:

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

*For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5%) to these member's 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 additional contributions of \$40 million from 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 additional 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 Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$367,817.35. The last valuation of the Scheme was performed by fund actuary, Mr Richard Boyfield, FIAA as at 30 June 2020.

D3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is around 0.39% of the total additional lump sum contributions for all Pooled employers (of \$40m each year from 1 July 2019 to 30 June 2021). Council's expected contribution to the plan for the next annual reporting period is \$351,756.24.

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.50	
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.

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 *	3.50% per annum
Increase in CPI	2.50% 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 Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

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 30/6 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 Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

D3-1 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 does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(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.

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,137	1,529
Total	1,137	1,529

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					
Purchase of grocery items on account at local store owned by a Councillor	–	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	6	–	30-day terms on invoices	–	–
2020					
Purchase of grocery items on account at local store owned by a Councillor	–	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	12	–	30-day terms on invoices	–	–

E1-2 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	44	44
Councillors' fees	162	182
Other Councillors' expenses (including Mayor)	21	29
Total	227	255

E2 Other relationships

E2-1 Audit fees

\$ '000	2021	2020
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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

	86	89
--	----	----

Remuneration for audit and other assurance services

	86	89
--	----	----

Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Internal audit services | external provider

	69	50
--	----	----

Remuneration for audit and other assurance services

	69	50
--	----	----

Total remuneration of non NSW Auditor-General audit firms

	155	139
--	-----	-----

Total audit fees

F Other matters

F1-1 Statement of Cash Flows information

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

	2021	2020 Restated
\$ '000		
Net operating result from Income Statement	29,093	37,766
Adjust for non-cash items:		
Depreciation and amortisation	20,528	15,889
Net losses/(gains) on disposal of assets	7,472	163
Adoption of AASB 15/1058	–	(738)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	82	–
– Revaluation decrements / impairments of IPP&E direct to P&L	277	9
Unwinding of discount rates on reinstatement provisions	(165)	1,705
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(3,734)	(207)
Increase/(decrease) in provision for impairment of receivables	(21)	(1)
Decrease/(increase) in inventories	5	(32)
Decrease/(increase) in other current assets	(354)	(49)
Increase/(decrease) in payables	(1,167)	(350)
Increase/(decrease) in accrued interest payable	(8)	(62)
Increase/(decrease) in other accrued expenses payable	(108)	2,445
Increase/(decrease) in other liabilities	625	487
Increase/(decrease) in contract liabilities	(273)	857
Increase/(decrease) in provision for employee benefits	(116)	2,230
Increase/(decrease) in other provisions	(102)	(595)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	52,034	59,517

Council does not use Non-cash investing and financing activities.

F2-1 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		
Buildings	964	269
Plant and equipment	22	464
Recreation	701	2,609
Major road and bridge works	1,757	1,762
Tip remediation	5	19
Other	–	81
Total commitments	3,449	5,204
These expenditures are payable as follows:		
Within the next year	3,449	5,204
Total payable	3,449	5,204
Sources for funding of capital commitments:		
Unrestricted general funds	690	21
Section 7.11 and 64 funds/reserves	–	63
Unexpended grants	2,377	4,628
Internally restricted reserves	382	492
Total sources of funding	3,449	5,204

F3 Changes from prior year statements

F3-1 Correction of errors

Nature of prior-period error

In accordance with applicable accounting standards, Council carried out a comprehensive revaluation of Community Land during the year. The process identified a material difference in the following areas from the 2016 valuation:

- a net understatement of \$5.0 million in community land which were mainly due to the omission of 89 community lands parcels and inclusion of 10 duplicate community land parcels in its fixed asset register since 2016.
- incorrect application of Valuer General's valuation numbers when revaluing the community land in 2016 and this resulted in an overstatement of \$17.3 million in the community land.

The overall impact was that the 2016 Community Land revaluation amount was overstated due to the above factors, resulting in a correction of the value of Community Land of \$12.310 million.

Council has identified an overstatement of \$9.4 million in work in progress (WIP) assets since 30 June 2019. During the revaluation, the WIP assets were transferred into the fixed asset register and the assets recorded in the general ledger with their revalued amounts. However, Council only recorded the new revalued asset balances in the general ledger without removing the costs sitting in the WIP accounts, hence overstating both the WIP accounts and asset revaluation reserve.

Retrospective correction of the errors reduced the prior year comparatives for work in progress assets (within infrastructure, property, plant and equipment) and asset revaluation reserve by \$9.4 million.

Council has identified an overstatement of \$4.0 million in payables. This is due to the Council incorrectly accumulating Goods Receipts Not Invoiced (GRNI) balances in the Authority system even though the invoices relating to the receipted goods and services had been paid by the Council.

Retrospective correction of the errors reduced the prior year comparatives for accounts payable and accumulated surplus by \$4.0 million

F3-1 Correction of errors (continued)

The errors identified above has been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to the revaluation reserve and accumulated surplus at that date.

Comparatives have been changed to reflect the correction of the error. The impact on each line item is showing in the tables below:

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, Property, Plant and Equipment	534,054	(21,710)	512,344
Total assets	618,795	(21,710)	597,085
Payables	10,677	(1,629)	9,048
Total liabilities	46,749	(1,629)	45,120
Net Assets	572,046	(20,081)	551,965
Accumulated Surplus	363,414	1,629	365,043
Revaluation Reserves	208,632	(21,710)	186,922
Total equity	572,046	(20,081)	551,965

F3-1 Correction of errors (continued)

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
Infrastructure, property, plant and equipment	594,656	(21,710)	572,946
Total assets	685,042	(21,710)	663,332
Payables	15,718	(4,009)	11,709
Total liabilities	56,501	(4,009)	52,492
Net Assets	628,541	(17,701)	610,840
Accumulated Surplus	398,061	4,009	402,070
Revaluation Reserves	230,480	(21,710)	208,770
Total equity	628,541	(17,701)	610,840

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Materials and Services	28,944	(2,380)	26,564
Total expenses from continuing operations	76,833	(2,380)	74,453
Net operating result for the year	35,386	2,380	37,766

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net operating result for the year	35,386	2,380	37,766
Total comprehensive income for the year	57,234	2,380	59,614

F4 Statement of developer contributions as at 30 June 2021

F4-1 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					
Roads	8,481	1,420	15,439	38	(496)	–	9,443	–
Parking	–	2	–	–	–	–	2	–
Open space	14,200	3,231	–	57	(1,968)	–	15,520	–
Community facilities	6,317	852	–	29	(247)	–	6,951	–
Administration	21	253	–	–	–	–	274	–
S7.11 contributions – under a plan	29,019	5,758	15,439	124	(2,711)	–	32,190	–
S7.12 levies – under a plan	1,564	19	–	7	–	–	1,590	–
Total S7.11 and S7.12 revenue under plans	30,583	5,777	15,439	131	(2,711)	–	33,780	–
S7.4 planning agreements	10,245	2,358	–	48	(33)	–	12,618	–
Total contributions	40,828	8,135	15,439	179	(2,744)	–	46,398	–

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

F4-2 Developer contributions by plan

\$ '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					
2020 Consolidated Plan - Area A & B								
Roads	8,481	1,420	15,439	38	(496)	—	9,443	—
Parking	—	2	—	—	—	—	2	—
Open space	14,200	3,231	—	57	(1,968)	—	15,520	—
Community facilities	6,317	852	—	29	(247)	—	6,951	—
Administration	21	253	—	—	—	—	274	—
Total	29,019	5,758	15,439	124	(2,711)	—	32,190	—

S7.12 Levies – under a plan

CONTRIBUTION PLAN – 2005

Other	1,564	19	–	7	–	–	1,590	–
Total	1,564	19	–	7	–	–	1,590	–

F4-3 S7.4 planning agreements

\$ '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					
S7.4 PLANNING AGREEMENTS - Area A & B								
Roads	4,383	744	—	21	—	—	5,148	—
Parking	—	—	—	—	—	—	—	—
Open space	3,872	425	—	18	(33)	—	4,282	—
Community facilities	1,922	951	—	9	—	—	2,882	—
Administration	66	239	—	—	—	—	306	—
Total	10,243	2,359	—	48	(33)	—	12,618	—

F5 Statement of performance measures

F5-1 Statement of performance measures – consolidated results

	Amounts 2021	Indicator 2021	Indicators 2020 2019 Restated		Benchmark
\$ '000					
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,051)	(7.04)%	(9.17)%	4.98%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	71,759				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	59,514	52.33%	50.00%	66.35%	> 60.00%
Total continuing operating revenue ¹	113,727				
3. Unrestricted current ratio					
Current assets less all external restrictions	24,080	1.44x	1.74x	2.25x	> 1.50x
Current liabilities less specific purpose liabilities	16,746				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,753	5.92x	2.66x	5.67x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,660				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,322	6.21%	6.91%	5.50%	< 5.00%
Rates and annual charges collectable	53,474				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	63,800	11.63	11.61	12.50	> 3.00
Monthly payments from cash flow of operating and financing activities	5,487	mths	mths	mths	mths

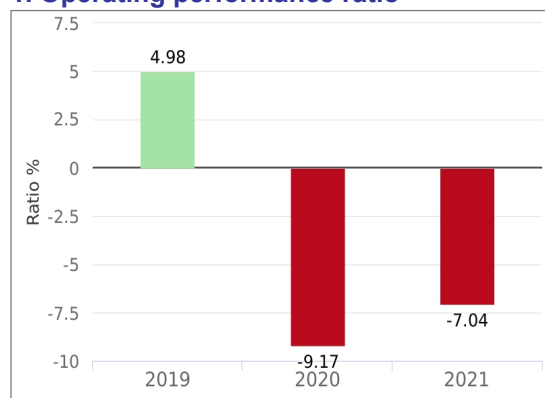
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(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

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2020/21 result

2020/21 ratio (7.04)%

The operating performance ratio has seen an improvement since 2020. Council was impacted by floods in March 2021, the financial effects of which are reflected in this ratio.

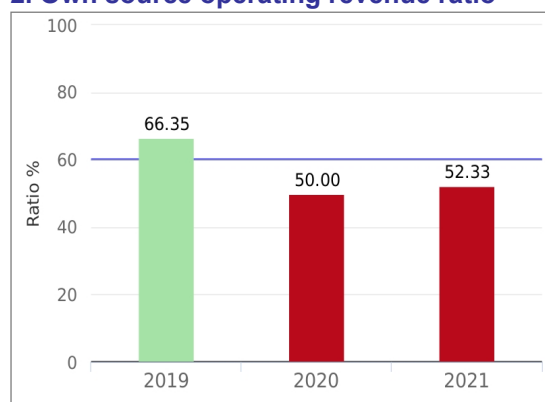
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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 52.33%

Council's own source revenue ratio has improved since 2020. This ratio is influenced by Council's success in obtaining both Operating and Capital grants, along with contributions made by developers (Cash and Non Cash).

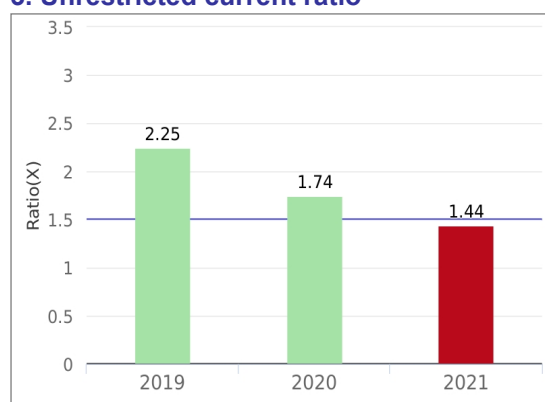
Benchmark: — > 60.00%

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 1.44x

The significant increase in expenditure relating to externally funded projects has impacted this ratio with much of the obligations outstanding at 30 June 2021 relating to those projects, the funds for which are excluded from the calculation of this ratio.

Benchmark: — > 1.50x

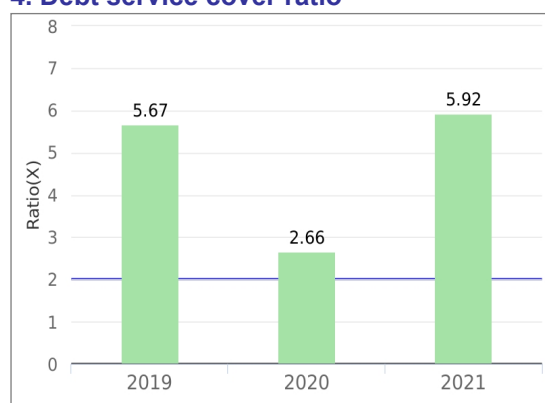
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 Statement of performance measures – consolidated results (graphs) (continued)

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 5.92x

Council's borrowing levels remain low due to the availability of other funding sources.

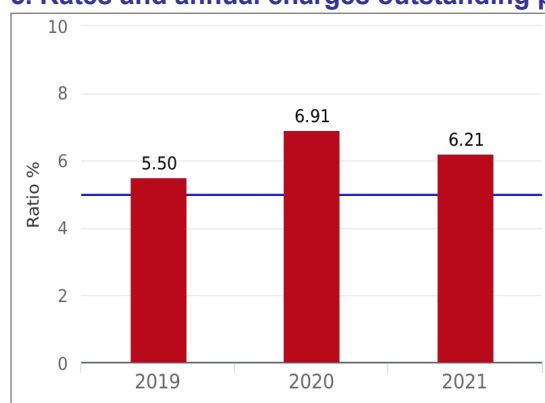
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2020/21 result

2020/21 ratio 6.21%

As a result of the impact of floods and Covid on the community, Council has provided additional support to ratepayers who were in financial difficulty and has not recommended any formal collection activities. There has been a reduction in the amount of rates and annual charges outstanding as at 30 June 2021

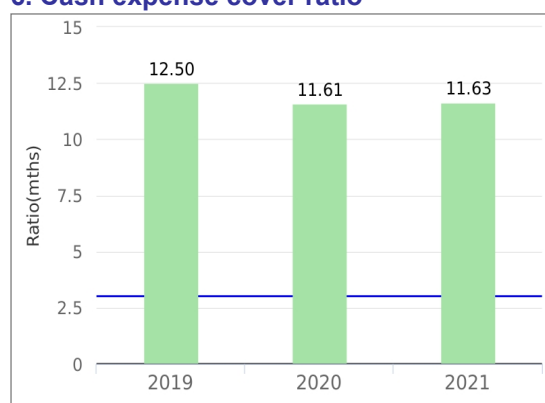
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2020/21 result

2020/21 ratio 11.63 mths

Council's cash and equivalents assets have increased in line with capital projects being funded from external sources without the need to increase borrowings.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Financial review

G1-2 Financial review (continued)

Key financial figures of Council over the past 5 years

\$ '000	2021	2020 Restated	2019	2018	2017
Inflows:					
Rates and annual charges revenue	49,837	47,498	45,502	40,768	32,724
User charges revenue	7,149	5,029	5,790	5,840	5,069
Interest and investment revenue (losses)	692	1,760	2,130	1,788	1,730
Grants income – operating and capital	28,216	18,665	7,563	8,189	7,640
Total income from continuing operations	113,645	112,219	83,783	71,965	68,188
Sale proceeds from IPPE	331	53	588	278	107
Outflows:					
Employee benefits and on-cost expenses	28,044	28,031	23,772	20,796	20,609
Borrowing costs	276	1,704	1,906	6,762	1,789
Materials and contracts expenses	25,730	26,564	15,929	19,603	14,841
Total expenses from continuing operations	84,552	74,453	61,567	72,578	54,304
Total cash purchases of IPPE	52,030	54,056	25,118	17,122	11,165
Total loan repayments (incl. finance leases)	2,445	2,560	1,597	1,559	2,024
Operating surplus/(deficit) (excl. capital income)	(12,875)	(6,411)	3,775	(14,970)	(5,559)
Financial position figures					
Current assets	76,505	61,558	64,015	53,854	41,057
Current liabilities	21,711	23,226	18,674	15,173	13,165
Net current assets	54,794	38,332	45,341	38,681	27,892
Available working capital (Unrestricted net current assets)	950	(1,631)	3,583	2,368	–
Cash and investments – unrestricted	1,200	3,037	7,341	2,019	2,205
Cash and investments – internal restrictions	11,475	17,687	17,832	18,864	21,190
Cash and investments – total	75,747	77,878	74,924	60,026	49,211
Total borrowings outstanding (loans, advances and finance leases)	6,253	7,810	9,599	11,196	14,570
Total value of IPPE (excl. land and earthworks)	812,899	768,208	693,767	625,245	568,915
Total accumulated depreciation	333,963	317,236	302,378	277,715	238,835
Indicative remaining useful life (as a % of GBV)	59%	59%	56%	56%	58%

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

G1-3 Council information and contact details

Principal place of business:

62-64 Menangle Street
Picton NSW 2571

Contact details**Mailing Address:**

PO Box 21
Picton NSW 2571

Telephone: (02) 4677 1100

Facsimile: (02) 4677 2339

Internet: www.wollondilly.nsw.gov.au

Email: councill@wollondilly.nsw.gov.au

Officers**Chief Executive Officer**

Ben Taylor

Responsible Accounting Officer

Rob Seidel

Public Officer

Charles Weber

Auditors

Auditor General
Audit Office of NSW
Level 19, 201 Sussex Street
SYDNEY NSW 2000

Elected members**Mayor**

Cr M Gould

Councillors

Cr M Deeth (Deputy Mayor)
Cr H Gibbs
Cr B Briggs
Cr J Hannan
Cr B Spearpoint
Cr P Rogers
Cr S Brandstater
Cr M Banasik

Other information

ABN: 93 723 245 808



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wollondilly Shire Council

To the Councillors of the Wollondilly Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Min Lee
Delegate of the Auditor-General for New South Wales

26 May 2022
SYDNEY



Mr Matt Gould
Mayor
Wollondilly Shire Council
62 - 64 Menangle Street
PICTON NSW 2571

Contact: Min Lee
Phone no: 02 9275 7151
Our ref: D2107696/1810

26 May 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Wollondilly Shire Council**

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Rural fire-fighting equipment not recognised in the financial statements

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the Rural Fires Act 1997 and service agreements between councils and the RFS.

The Department of Planning and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service.

Quality and timeliness of financial reporting

The quality and timeliness of Council's financial reporting process was significantly impacted by the absence of several key staff due to the COVID-19 pandemic, flooding events and resignation of staff involved in the process.

These has led to significant delays in the finalisation of comprehensive revaluation of community land and open space and other recreational asset, the quantification of the prior period errors relating to community land, work in progress and accounts payable and the preparation of the financial statements. Audit work identified a number of monetary misstatements and disclosure changes that were required to be made to the financial statements.

INCOME STATEMENT

Operating result

	2021 \$m	2020* \$m	Variance %
Rates and annual charges revenue	49.8	47.5	4.8
Grants and contributions revenue	54.2	56.1	3.4
Operating result from continuing operations	29.1	37.8	23.0
Net operating result before capital grants and contributions	(12.9)	(6.4)	101.5

* The 2020 comparatives have been restated to correct prior period errors. Note F3-2 'Correction of Errors' of the financial statements provides details of the prior period errors.

The Council's operating result from continuing operations was a surplus of \$29.1 million, which was \$8.7 million lower than the 2019–20 result. This was mainly due to the increase in net losses from the disposal of assets (\$7.3 million).

The net operating result before capital grants and contributions was a deficit of \$12.9 million, which was \$6.5 million lower than the 2019–20 result. This was mainly due to the increase in net losses from the disposal of assets (\$7.3 million).

Rates and annual charges revenue (\$49.8 million) increased by \$2.3 million (4.8. per cent) in 2020–21 due to:

- the annual rate peg 2.6% increase applied to the ordinary rates
- increase of 616 (3.2%) in the total rateable properties during the year.

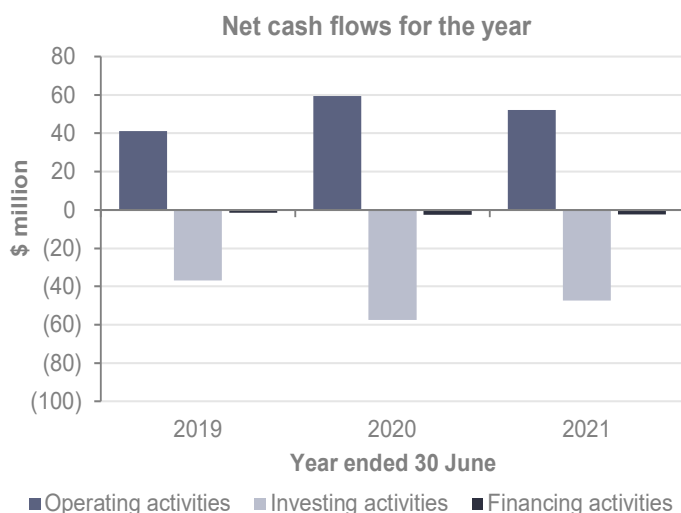
Grants and contributions revenue (\$54.2 million) decreased by \$1.9 million (3.4 per cent) in 2020–21 due to:

- an increase of \$9.2 million of specific purpose capital grants relating to transport (other roads and bridges funding) and recreation and culture.
- a decrease of \$11.5 million of developer contributions received during the year

STATEMENT OF CASH FLOWS

Council's cash and cash equivalents balance (\$10.6 million) increased by \$2.4 million (29.2 per cent) in 2020-21 due to

- net cash inflows from operating activities decreased by \$7.5 million due to \$3.1 million increase in employee benefits and on-costs and \$3.4 million increase in materials and services expenses
- net cash outflows from investing activities decreased by \$10.2 million mainly due to net increase in the cash inflows of \$10.8 million from the trading of investment securities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	75.7	77.9	Total cash, cash equivalents and investments decreased by \$2.2 million
Restricted cash and investments:			
• External restrictions	63.1	57.2	<ul style="list-style-type: none"> • <i>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in Council's externally restricted cash and investments were mainly due to increase in the developer contributions and domestic waste management cash holdings.</i> • <i>Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capital projects. The decrease in internally restricted cash and investments is mainly due to the reduction in the infrastructure and asset maintenance and plant and vehicle replacement funds.</i>
• Internal restrictions	11.5	17.7	

Debt

The Council has \$6.3 million of borrowings at 30 June 2021 (2020: \$7.8 million)

The Council has a combined bank overdraft and credit card facility limit of \$0.4 million as at 30 June 2021 (2020: \$0.4 million). As at 30 June 2021, \$0.37 million of the total facility remains unutilised.

PERFORMANCE

Performance measures

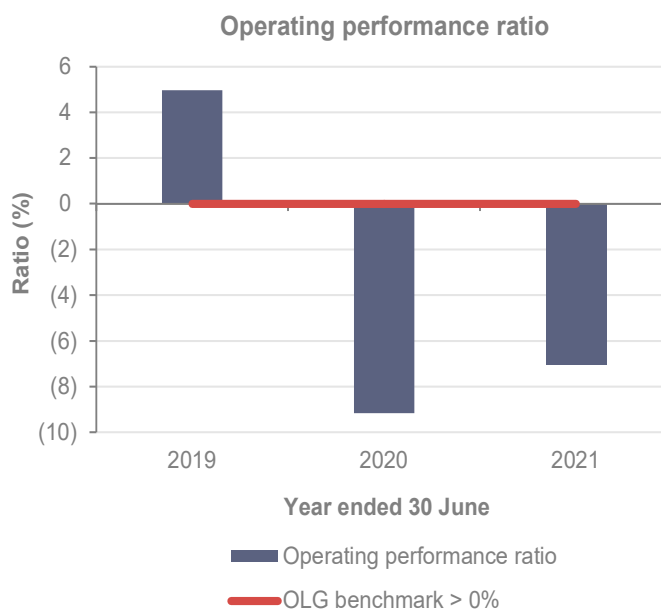
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

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

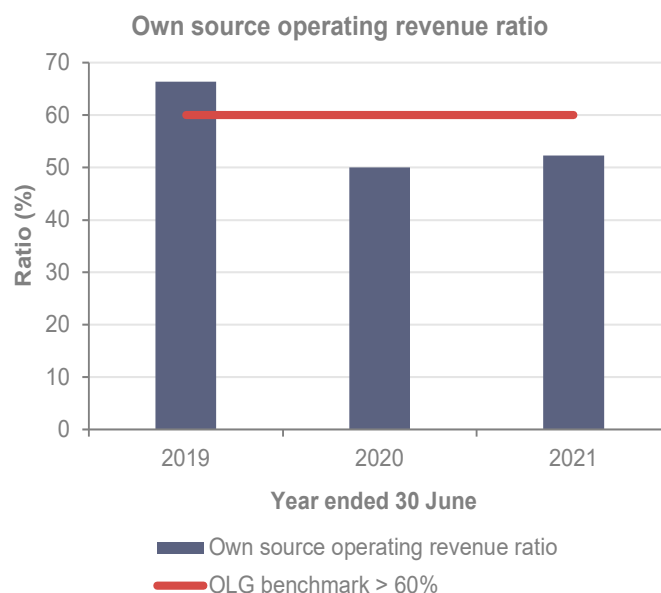
The 2019 and 2020 ratios were restated to correct a prior period error.



Own source operating revenue ratio

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

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

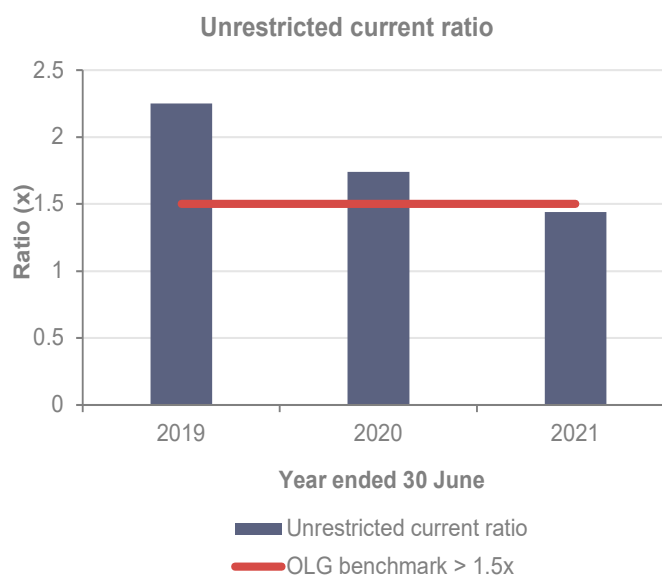


Unrestricted current ratio

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

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

The 2019 and 2020 ratios were restated to correct a prior period error.

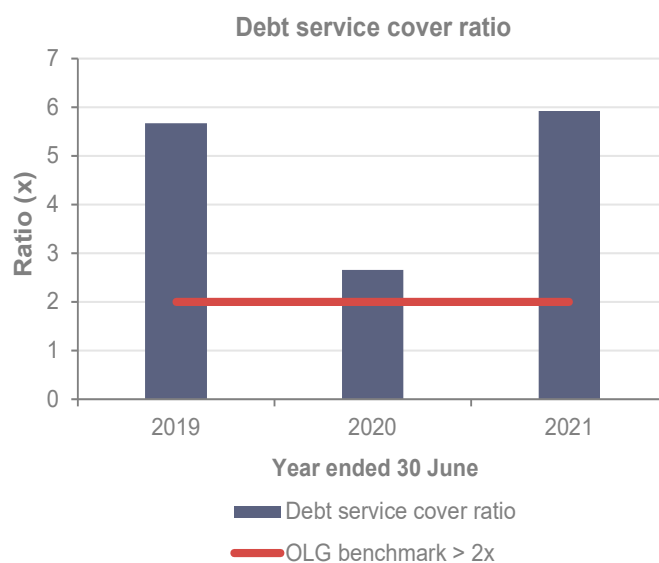


Debt service cover ratio

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

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

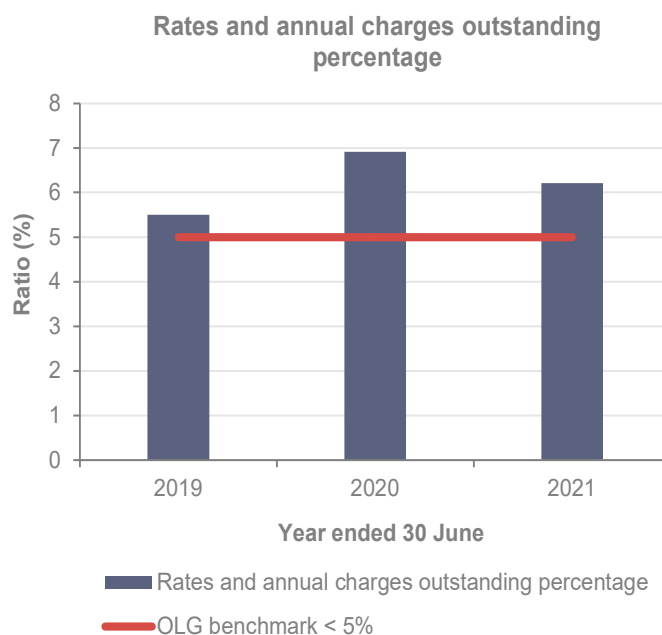
The 2019 and 2020 ratios were restated to correct a prior period error.



Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.

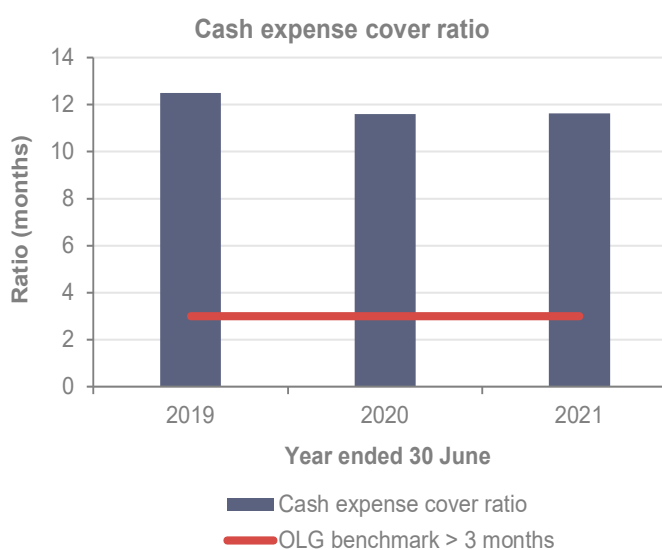
The Council did not meet the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$30.8 million (\$19.9 million in 2019-20). Significant renewals included:

- roads, bridges and footpaths of \$19.8 million (\$11.5 million in 2019-20)
- buildings of \$1.4 million (\$1.6 million in 2019-20)

OTHER MATTERS

Legislative compliance

My audit procedures identified an instance of non-compliance with legislative requirement that will be reported in the Management Letter to the Minister for Local Government.

The Council was granted an extension to 27 April 2022 to lodge its audited financial statements with the Office of Local Government (OLG). There was no further extension granted by the OLG. The Council did not meet the revised deadline to lodge the audited financial statements with OLG. This is a breach of the *Local Government Act 1993*.

The Council's:

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



Min Lee
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ben Taylor, Chief Executive Officer
Stephen Horne, Chair of Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning and Environment

Wollondilly Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Wollondilly Shire Council

Special Schedules

for the year ended 30 June 2021

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2021

6



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Wollondilly Shire Council

To the Councillors of Wollondilly Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Min Lee', with a stylized, cursive script.

Min Lee

Delegate of the Auditor-General for New South Wales

26 May 2022
SYDNEY

Wollondilly Shire 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	4,021	4,021	2,025	1,449	44,090	97,621	7.0%	6.0%	27.0%	59.0%	1.0%
	Sub-total	4,021	4,021	2,025	1,449	44,090	97,621	7.0%	6.0%	27.0%	59.0%	1.0%
Roads	Roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	30,390	30,390	7,654	5,518	235,420	365,512	16.0%	32.0%	37.0%	11.0%	4.0%
	Unsealed roads	525	525	158	290	950	2,375	2.0%	15.0%	66.0%	16.0%	1.0%
	Bridges	3,590	3,590	830	120	34,401	68,699	11.0%	31.0%	53.0%	1.0%	4.0%
	Footpaths	328	328	376	273	19,217	29,516	43.0%	32.0%	23.0%	2.0%	0.0%
	Other road assets	2,386	2,386	1,944	2,249	47,915	87,575	26.0%	25.0%	45.0%	4.0%	0.0%
	Bulk earthworks	—	—	—	—	60,542	60,542	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	37,219	37,219	10,962	8,450	398,445	614,219	16.5%	27.7%	35.7%	7.4%	12.7%
Stormwater drainage	Stormwater drainage	386	386	550	371	48,841	61,490	75.0%	20.0%	4.0%	1.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	386	386	550	371	48,841	61,490	75.0%	20.0%	4.0%	1.0%	0.0%
Open space / recreational assets	Swimming pools	—	—	34	316	1,703	2,837	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	309	309	1,690	3,479	33,970	48,995	24.0%	66.0%	9.0%	0.0%	1.0%
	Sub-total	309	309	1,724	3,795	35,673	51,832	22.7%	67.9%	8.5%	0.0%	0.9%
Total – all assets		41,935	41,935	15,261	14,065	527,049	825,162	20.1%	27.1%	30.6%	12.6%	9.6%

(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

Wollondilly Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
\$ '000			Restated		
Buildings and infrastructure renewals ratio					
Asset renewals ¹	23,477	143.00%	109.41%	110.21%	>= 100.00%
Depreciation, amortisation and impairment	16,418				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	41,935	7.85%	7.45%	9.34%	< 2.00%
Net carrying amount of infrastructure assets	534,397				
Asset maintenance ratio					
Actual asset maintenance	14,065	92.16%	101.15%	170.87%	> 100.00%
Required asset maintenance	15,261				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	41,935	5.08%	4.74%	6.42%	
Gross replacement cost	825,162				

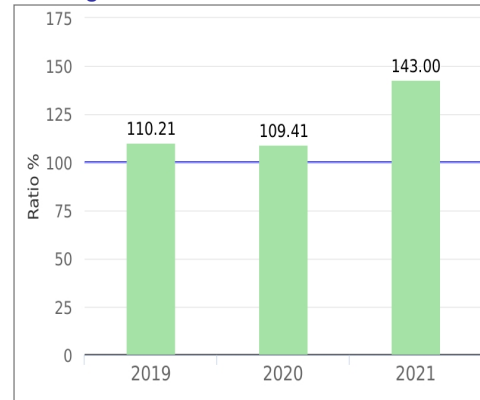
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Wollondilly Shire 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 143.00%

Historically, infrastructure renewals were insufficiently funded, resulting in a large infrastructure backlog. Council addressed this issue by seeking a special rate variation for the purpose of renewing infrastructure assets. The annual renewal of infrastructure assets has been exceeding the benchmark over the past 4 reporting years.

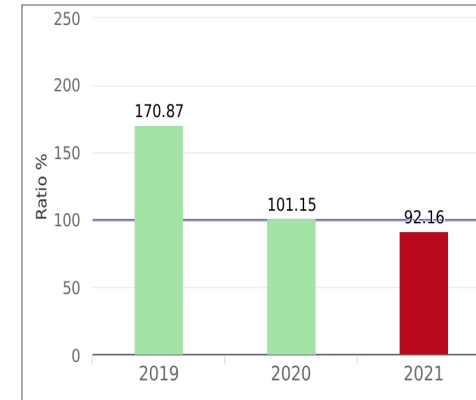
Benchmark: — $\geq 100.00\%$

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 92.16%

The 92.16% ratio reflects two significant contributions to change over 2021/22:
 * 2021 storm events resulting in the need to fund storm recovery works, not classed as maintenance under the accounting standards, instead of direct maintenance
 * Additional assets, plus the annual re-valuation and condition assessment process, resulting in an increase in the estimated cost of required maintenance.

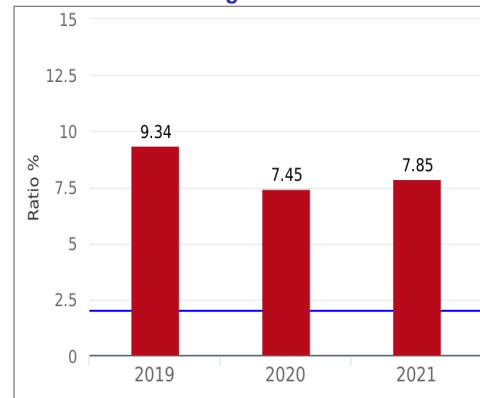
Benchmark: — $> 100.00\%$

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 7.85%

Investment in infrastructure renewal remains high. The 0.4% softening reflects two main contributors:
 * the 2020 and 2021 storms significantly impacted Council's assets, particularly the roads, meaning an increase in the estimated cost to return assets to satisfactory standard
 * Net Carrying Amount for infrastructure assets had a significant increase due to contributed assets and delivery of new assets and increased asset values.

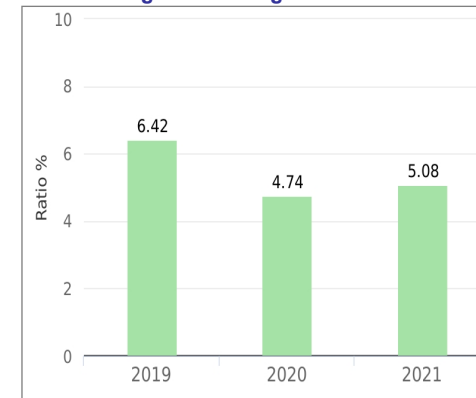
Benchmark: — $< 2.00\%$

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 5.08%

Wollondilly Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Benchmark
	2021	2020	
Buildings and infrastructure renewals ratio			
Asset renewals ¹			
Depreciation, amortisation and impairment	143.00%	109.41%	>= 100.00%
Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	7.85%	7.45%	< 2.00%
Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	92.16%	101.15%	> 100.00%
Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council			
Gross replacement cost	5.08%	4.74%	

(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.