



General Purpose Financial Statements

For the year ended 30 June 2021

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Wingecarribee
SHIRE COUNCIL

Wingecarribee Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

68 Elizabeth Street
Moss Vale NSW 2577

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

- 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.wsc.nsw.gov.au.

Wingecarribee Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

The attached general purpose financial statements have been prepared in accordance with:

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

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

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

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

Signed in accordance with a resolution of Council made on 13 October 2021.



Viv May PSM
Interim Administrator
27 October 2021



Lisa Miscamble
General Manager
27 October 2021



Damien Jenkins
Responsible Accounting Officer
27 October 2021

Wingecarribee Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
82,153	Rates and annual charges	B2-1	83,429	80,382
22,380	User charges and fees	B2-2	22,607	24,243
2,101	Other revenue	B2-3	1,950	2,573
8,318	Grants and contributions provided for operating purposes	B2-4	10,828	10,700
15,389	Grants and contributions provided for capital purposes	B2-4	34,347	29,852
2,400	Interest and investment revenue	B2-5	1,882	3,644
669	Other income	B2-6	726	766
133,410	Total income from continuing operations		155,769	152,160
	Expenses from continuing operations			
40,784	Employee benefits and on-costs	B3-1	39,900	37,889
41,364	Materials and services	B3-2	42,465	42,327
833	Borrowing costs	B3-3	758	902
29,276	Depreciation, amortisation and impairment for non-financial assets	B3-4	31,048	29,722
2,821	Other expenses	B3-5	3,656	2,867
–	Net losses from the disposal of assets	B4-1	4,302	3,560
115,078	Total expenses from continuing operations		122,129	117,267
18,332	Operating result from continuing operations		33,640	34,893
18,332	Net operating result for the year attributable to Council		33,640	34,893
2,943	Net operating result for the year before grants and contributions provided for capital purposes		(707)	5,041

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

Wingecarribee Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		33,640	34,893
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain / (loss) on revaluation of Infrastructure, property, plant and equipment	C1-8	<u>14,429</u>	<u>193,246</u>
Total other comprehensive income for the year		14,429	193,246
Total comprehensive income for the year attributable to Council		48,069	228,139

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

Wingecarribee Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	15,456	8,111
Investments	C1-2	177,000	175,500
Receivables	C1-4	19,870	17,573
Inventories	C1-5	1,166	1,403
Contract assets and contract cost assets	C1-6	4,547	4,197
Non-current assets classified as held for sale	C1-7	421	1,689
Other	C1-10	562	524
Total current assets		219,022	208,997
Non-current assets			
Receivables	C1-4	618	266
Infrastructure, property, plant and equipment	C1-8	1,737,752	1,697,153
Intangible assets	C1-9	422	—
Right of use assets	C2-1	723	525
Total non-current assets		1,739,515	1,697,944
Total assets		1,958,537	1,906,941
LIABILITIES			
Current liabilities			
Payables	C3-1	12,554	15,009
Contract liabilities	C3-2	4,448	965
Lease liabilities	C2-1	264	213
Borrowings	C3-3	3,269	3,608
Employee benefit provisions	C3-4	8,551	9,015
Total current liabilities		29,086	28,810
Non-current liabilities			
Contract liabilities	C3-2	—	5
Lease liabilities	C2-1	469	319
Borrowings	C3-3	20,417	17,377
Employee benefit provisions	C3-4	541	563
Provisions	C3-5	3,588	3,500
Total non-current liabilities		25,015	21,764
Total liabilities		54,101	50,574
Net assets		1,904,436	1,856,367
EQUITY			
Accumulated surplus		787,969	754,329
IPPE revaluation reserve	C4-1	1,116,467	1,102,038
Total equity		1,904,436	1,856,367

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

Wingecarribee Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance at 1 July		754,329	1,102,038	–	1,856,367	720,945	908,792	56	1,629,793
Changes due to AASB 15 and AASB 1058 adoption		–	–	–	–	(1,565)	–	–	(1,565)
Restated opening balance		754,329	1,102,038	–	1,856,367	719,380	908,792	56	1,628,228
Net operating result for the year		33,640	–	–	33,640	34,893	–	–	34,893
Other comprehensive income									
– Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	14,429	–	14,429	–	193,246	–	193,246
Total comprehensive income		33,640	14,429	–	48,069	34,893	193,246	–	228,139
Transfers between equity items		–	–	–	–	56	–	(56)	–
Closing balance at 30 June		787,969	1,116,467	–	1,904,436	754,329	1,102,038	–	1,856,367

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

Wingecarribee 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:				
82,089	Rates and annual charges		82,397	79,815
21,163	User charges and fees		23,596	21,761
2,443	interest received		2,147	4,708
23,528	Grants and contributions		29,149	23,880
–	Bonds, deposits and retentions received		213	321
3,742	Other		10,978	11,247
Payments:				
(40,755)	Payments to employees		(40,405)	(37,263)
(26,079)	Payments for materials and services		(54,811)	(28,083)
(739)	Borrowing costs		(728)	(899)
(18,465)	Other		(3,240)	(20,501)
46,927	Net cash flows from operating activities	G1-1a	49,296	54,986
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		205,500	260,500
12,344	Sale of investment securities		–	786
4,317	Sale of infrastructure, property, plant and equipment	B4-1	1,366	846
–	Sale of non current assets classified as held for sale	B4-1	2,095	3,105
–	Sale of real estate assets	B4-1	865	216
–	Deferred debtors receipts		25	18
Payments:				
–	Acquisition of term deposits		(207,000)	(267,500)
(68,090)	Purchase of infrastructure, property, plant and equipment		(46,509)	(43,300)
–	Purchase of intangible assets	C1-9	(273)	–
–	Purchase of real estate assets	C1-5	(20)	(5)
–	Deferred debtors advances made		(446)	(3)
(51,429)	Net cash flows from investing activities		(44,397)	(45,337)
Cash flows from financing activities				
Receipts:				
8,260	Proceeds from borrowings		6,310	–
Payments:				
(3,758)	Repayment of borrowings		(3,608)	(4,319)
–	Principal component of lease payments		(256)	(229)
4,502	Net cash flows from financing activities		2,446	(4,548)
–	Net change in cash and cash equivalents		7,345	5,101
6,000	Cash and cash equivalents at beginning of year		8,111	3,010
6,000	Cash and cash equivalents at end of year	C1-1	15,456	8,111
144,206	plus: Financial investments at end of year	C1-2	177,000	175,500
150,206	Total cash, cash equivalents and investments		192,456	183,611

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

Wingecarribee Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government (OLG) directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting 2020/21.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and/or AASB 1058 *Income of Not-for-Profit Entities* – refer Notes B2-2 to B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in Council's Trust Fund.

The Consolidated Fund has been included in the financial statements of Council. Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water supply service
- Sewerage service
- Section 355 Committees of Council.

A1-1 Basis of preparation (continued)

The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

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 volunteer services for a number of purposes, such as membership of advisory committees, s.355 Committees operation, bushcare activities, library book covering and interaction with animals at the Animal Shelter. The services provided by the volunteers unquestionably provide value to Council. However, the value of volunteer services has not been recognised within Council's financial statements. This is because the value of the services provided often cannot be reliably measured in order to meet the recognition requirements within Australian Accounting Standards. Where the volunteer services could be reliably measured, Council has assessed those services in accordance with the relevant Australian Accounting Standards and has determined that the services would not be purchased if they were not donated. As such, recognition in Council's financial statements is not required.

New accounting standards and interpretations issued not yet effective

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

Council has elected not to apply any of the pronouncements in these financial statements before their operative dates in the annual reporting period beginning 1 July 2020.

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 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. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Leadership	60,850	60,604	39,949	40,051	20,901	20,553	6,026	6,666	291,584	279,774
People	4,507	4,202	10,253	8,869	(5,746)	(4,667)	1,988	2,021	38,175	40,109
Places	55,054	55,945	57,120	51,955	(2,066)	3,990	16,320	15,696	1,498,585	1,460,434
Environment	34,355	29,453	12,943	14,233	21,412	15,220	20,711	15,919	117,706	113,981
Economy	1,003	1,956	1,864	2,159	(861)	(203)	130	250	12,487	12,643
Total functions and activities	155,769	152,160	122,129	117,267	33,640	34,893	45,175	40,552	1,958,537	1,906,941

B1-2 Components of functions or activities

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

Leadership

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

People

Includes fire protection, emergency services, enforcement of regulations and animal control; social protection (welfare); aboriginal and other community services and administration; youth services; aged and disabled persons services; swimming pools; children's services, including family day care; child care; and other family and children's services.

Places

Includes urban local and urban regional sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes; public cemeteries; public conveniences; street lighting; town planning; public libraries; community centres and halls; sporting grounds and venues; parks; gardens and other sporting and recreational services; water supplies; sewerage services; drainage; stormwater management; quarries and pits.

Environment

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

Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; and Southern Regional Livestock Exchange (SRLX).

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Notes	2021	2020
Ordinary rates			
Residential		39,981	38,096
Farmland		4,771	5,202
Business		6,089	6,177
Mining		353	82
Less: pensioner rebates (mandatory)		(800)	(802)
Rates levied to ratepayers		50,394	48,755
Pensioner rate subsidies received		440	441
Total ordinary rates		50,834	49,196
Special rates			
Special environmental levy		1,394	1,290
Total special rates		1,394	1,290
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		9,024	8,513
Water supply services		3,953	3,829
Sewerage services		18,068	17,404
Stormwater management services		534	523
Less: pensioner rebates (mandatory)		(838)	(829)
Annual charges levied		30,741	29,440
Pensioner subsidies received:			
– Domestic waste management services		114	115
– Water supply services		182	180
– Sewerage services		164	161
Total annual charges		31,201	29,896
Total rates and annual charges		83,429	80,382

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. Refer Note C3-1.

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	Notes	2021	2020
Specific user charges (per s.502 specific user charges)			
Water supply services		8,197	9,955
Sewerage services		1,191	1,222
Waste management services (non-domestic)		3,703	3,630
Total specific user charges		13,091	14,807
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – Section 67		710	530
Building services – other		1,914	1,572
Planning and building regulation		1,738	1,836
Inspection services		51	46
Section 10.7 certificates (EP&A Act)		246	178
Section 603 certificates		271	161
Total fees and charges – statutory/regulatory		4,930	4,323
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		245	252
Child care		338	265
Halls and parks rental		82	54
Permits and licences		304	320
Pound fees and animal income		141	93
Quarry revenues		206	72
Sewer		233	179
Swimming centres		1,942	1,601
Saleyards		723	1,169
Tourism		102	306
Tulip time		–	444
Water connections		167	225
Other		103	133
Total fees and charges – other		4,586	5,113
Total user charges and fees		22,607	24,243
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time		–	–
User charges and fees recognised at a point in time		22,607	24,243
Total user charges and fees		22,607	24,243

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 the customer is required to pay in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged, the fee is recognised on a straight-line basis over the period to which the payment relates.

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	Notes	2021	2020
Parking fines		141	187
Other fines		55	112
Commissions and agency fees		47	118
Diesel rebate		96	102
Insurance claims recoveries		489	826
Legal fees recovery – rates and charges (extra charges)		176	223
Other Rebates and reimbursements		22	158
Recovery of Lehman Brothers CDOs		2	3
Recycling and sundry sales		426	389
Vehicle leaseback fees		433	440
Other		63	15
Total other revenue		1,950	2,573

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	1,950	2,573
Total other revenue	1,950	2,573

Accounting policy

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	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
Financial assistance grant (untied)					
- Relating to current year		2,517	2,563	—	—
- Prepayment received in advance for subsequent year		2,696	2,717	—	—
Amount recognised as income during the year		5,213	5,280	—	—
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies		48	—	—	—
Sewerage services		—	—	168	—
Federal Government bushfire relief		—	1,225	—	—
Community care		264	288	—	—
Environmental programs		174	185	—	—
Heritage and cultural		8	21	—	—
LIRS subsidy		90	128	—	—
Noxious weeds		53	67	—	—
NSW rural fire services		687	490	35	95
Recreation and culture		244	219	608	1,890
Administration		1	—	—	—
Aged and disabled		6	17	—	—
Childrens services		540	645	—	—
Housing and community		274	123	—	—
Street lighting		112	112	—	—
Tourism		130	—	—	—
Transport and communication		2,639	1,366	7,457	7,198
Youth services		3	50	—	—
Previously contributions:					
Bushfire services		132	190	—	—
Community services		—	—	—	238
Drainage		—	—	11	62
Recreation and culture		7	—	445	300
Roads and bridges		88	—	—	—
Other contributions		15	49	7	60
Child care services		1	2	—	—
Management committees		79	234	—	—
Apprenticeships		20	9	—	—
Total special purpose grants and non-developer contributions – cash		5,615	5,420	8,731	9,843
Non-cash contributions					
Bushfire services		—	—	500	380
Dedications—subdivisions (other than by Section 7.11)		—	—	17,101	13,102
Total other contributions – non-cash	G1-1	—	—	17,601	13,482
Total special purpose grants and non-developer contributions (tied)		5,615	5,420	26,332	23,325
Total grants and non-developer contributions		10,828	10,700	26,332	23,325
Comprising:					
– Commonwealth funding		5,869	6,775	2,401	2,877
– State funding		4,798	3,640	5,867	6,306
– Other funding		161	285	18,064	14,142
		10,828	10,700	26,332	23,325

B2-4 Grants and contributions (continued)

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	2,444	1,596
S 7.12 – fixed development consent levies		–	–	44	227
S 64 – water supply contributions		–	–	2,399	2,212
S 64 – sewerage service contributions		–	–	2,420	2,045
S 64 – stormwater contributions		–	–	708	447
Total developer contributions	G3-1	–	–	8,015	6,527
Total grants and contributions		10,828	10,700	34,347	29,852
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		1,962	567	6,914	7,839
Grants and contributions recognised at a point in time		8,866	10,133	27,433	22,013
Total grants and contributions		10,828	10,700	34,347	29,852

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	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Operating and Capital grants					
Unspent funds at 1 July		4,061	3,288	146	780
Add: Grants recognised as revenue in the reporting year but not yet spent in accordance with the conditions		3,174	3,808	20	52
Add: Grants received and not recognised as revenue in the current year		20	42	3,221	—
Less: Grants recognised as revenue in previous years that have been spent during the reporting year		(3,294)	(3,048)	(73)	(37)
Less: Grants received in prior year but revenue recognised and funds spent in current year	C3-2	(42)	(29)	(73)	(649)
Unspent funds at 30 June		3,919	4,061	3,241	146
Contributions					
Unspent funds at 1 July		10	29	54,656	54,204
Add: Contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions		60	10	8,468	7,585
Add: Contributions received and not recognised as revenue in the current year		4	—	—	—
Less: Contributions recognised as revenue in previous years that have been spent during the reporting year		—	(29)	(7,976)	(7,133)
Less: Contributions received in prior year but revenue recognised and funds spent in current year		—	—	—	—
Unspent contributions at 30 June		74	10	55,148	54,656

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by 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* (EP&A Act).

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

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

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

B2-5 Interest and investment revenue

\$ '000	Notes	2021	2020
Interest on financial assets measured at amortised cost			
– Overdue rates and annual charges (incl. special purpose rates)		106	146
– Cash and investments		1,759	3,485
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided	G1-1	17	13
Total interest and investment income		1,882	3,644
Interest and investment income is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		70	99
General Council cash and investments		489	966
Restricted investments/funds – external:			
Development contributions	G3-1		
- Section 7.11 contributions - under plan		164	309
- Section 64 contributions – water supply		182	363
- Section 64 contributions – Sewer service		172	371
- Section 64 contributions – Stormwater		22	56
Water fund operations		432	854
Sewerage fund operations		350	622
Unspent grants		1	4
Total interest and investment income		1,882	3,644

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Other lease income			
Lease income	C2-2	726	766
Total other income		726	766

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	Notes	2021	2020
Salaries and wages		33,271	31,453
Employee leave entitlements (ELE)		3,255	3,746
Superannuation		3,363	3,257
Workers' compensation insurance		1,914	1,422
Fringe benefit tax (FBT)		51	75
Payroll tax		302	294
Other		127	156
Total employee costs		42,283	40,403
Less: capitalised costs		(2,383)	(2,514)
Total employee costs expensed		39,900	37,889

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available 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 Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		15,170	14,371
Contractor costs		50,437	47,563
Consultancy costs		3,606	2,930
Audit Fees	F2-1	157	158
Previously other expenses:			
Advertising		166	300
Bank charges		333	311
Chemicals		741	743
Clothing and personal safety equipment		109	109
Computer hardware maintenance		257	98
Computer software charges		1,411	1,247
Councillor and Mayoral fees and associated expenses	F1-2	180	226
Electricity and heating		2,268	2,128
Insurance		1,516	1,743
Licence and registration		117	73
Postage and courier delivery		245	242
Printing and stationery		275	352
Promotions		21	42
Property rental and equipment hires		124	62
Repairs and maintenance		975	1,284
Street lighting		678	699
Subscriptions and publications		346	315
Telephone and communications		430	428
Training, conference and education		518	379
Valuation fees		189	186
Waste management services costs		4,239	4,551
Water determination		63	59
Water purchases		1,274	1,429
Other expenses		96	131
Legal expenses:			
– Legal expenses: planning and development		685	599
– Legal expenses: other		289	356
Total materials and services		86,915	83,114
Less: capitalised costs		(44,450)	(40,787)
Total materials and services		42,465	42,327

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		691	853
Interest on leases	C2-1	20	23
Total interest bearing liability costs expensed		711	876
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) advances made by Council	G1-1	47	7
Interest applicable on interest free (and favourable) loans to Council	G1-1	–	19
Total other borrowing costs		47	26
Total borrowing costs expensed		758	902

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 the fair value adjustments on the recognition of the interest free advance to the sports entities made by Council, discount to present value using the effective interest rate method.

No borrowing costs were capitalised for the year ended 30 June 2021.

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment	C1-8	2,339	2,291
Office equipment	C1-8	118	112
Furniture and fittings	C1-8	36	36
Infrastructure:			
– Buildings	C1-8	2,105	1,965
– Other structures		168	156
– Roads		11,389	10,989
– Bridges		406	184
– Footpaths		899	756
– Stormwater drainage		1,370	1,310
– Water supply network		5,209	5,113
– Sewerage network		5,608	5,486
– Swimming pools		270	273
– Other open space/recreational assets		718	670
Other assets:			
– Library books	C1-8	153	144
– Other		1	1
Right of use assets	C2-1	259	236
Total depreciation and amortisation costs	G1-1	31,048	29,722
Total depreciation, amortisation and impairment for non-financial assets		31,048	29,722

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost/fair value, 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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Bad and doubtful debts		–	121
Total impairment of receivables	C1-4	–	121
Other			
Donations, contributions and assistance to other organisations (Section 356)		1,205	799
Contributions/levies to other levels of government			
– Waste levy		1,050	965
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,190	871
Landfill remediation and restoration	C3-5,G1-1	88	–
Other		123	111
Total other		3,656	2,746
Total other expenses		3,656	2,867

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of Infrastructure, plant and equipment			
Proceeds from disposal		1,366	846
Less: carrying value of infrastructure, plant and equipment assets sold/written off	C1-8	(6,610)	(5,282)
Gain (or loss) on disposal		(5,244)	(4,436)
Gain (or loss) on disposal of non-current assets classified as held for sale			
Proceeds from disposal		2,095	3,105
Less: carrying value of non current assets held for sale	C1-7	(1,689)	(3,093)
Gain (or loss) on disposal		406	12
Gain (or loss) on disposal of real estate assets			
Proceeds from disposal		865	216
Less: carrying value of real estate assets	C1-5	(329)	(82)
Gain (or loss) on disposal		536	134
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemption/maturities		205,500	261,286
Less: carrying value of investments	C1-2	(205,500)	(260,556)
Gain (or loss) on disposal		–	730
Net gain (or loss) on disposal of assets		(4,302)	(3,560)

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 08/07/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges No material budget variations.	82,153	83,429	1,276	2% F
User charges and fees No material budget variations.	22,380	22,607	227	1% F
Other revenues No material budget variations	2,101	1,950	(151)	(7)% U
Operating grants and contributions Operating Grants and Contributions have exceeded budget due to the following not being in the original budget; Five Storm Flood events \$1,326K, Emergency Services Levy Grant \$347K, Bushfire Community Recovery and Resilience Funding Stream 1 \$250K, Waste Grants \$154K, Bushfire Recovery Support Staff Contribution \$131K, Regional Tourism Bushfire Recovery Grant \$105K, Wingecarribee River Flood Study Grant \$70K, Maintenance contribution to Hill Top Shooting Range Rd \$59K, New Planning Portal Grant \$50K, and Southern Highlands Produce Hub Feasibility Study Grant \$23K.	8,318	10,828	2,510	30% F
Capital grants and contributions Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non cash), higher than expected developer contributions, and additional grants. Council recognised dedicated assets valued at \$17.101M, and rural fire assets valued at \$500K. Revenue from developer contributions was \$2.759M above budget predictions. Road and Transport Capital grants were \$2.408M less than the original budget. Also, Recreation and Culture Capital grants were \$608K above budget, as were Other contributions \$196K, and Sewer Capital grants \$167K	15,389	34,347	18,958	123% F
Interest and investment revenue Investment revenue is less than budget expectations due to the declining interest rate environment	2,400	1,882	(518)	(22)% U
Other income No material budget variations	669	726	57	9% F
EXPENSES				
Employee benefits and on-costs No material budget variations.	40,784	39,900	884	2% F
Materials and services	41,364	42,465	(1,101)	(3)% U
Borrowing costs No material budget variations.	833	758	75	9% F

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
Depreciation, amortisation and impairment of non-financial assets	29,276	31,048	(1,772)	(6)% U
No material budget variations.				
Other expenses	2,821	3,656	(835)	(30)% U
Other expenses exceeded the original budget due to increases in the Emergency Levy \$321K, Other donations, contributions and subsidies \$277K, Other expenses \$135K, and the State Waste Levy \$101K				
Net losses from disposal of assets	–	4,302	(4,302)	∞ U
Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	46,927	49,296	2,369	5% F
No material budget variations.				
Cash flows from investing activities	(51,429)	(44,397)	7,032	(14)% F
Net cash from investing activities has varied from the original budget due to an increase in Council's total investment portfolio, and less than anticipated expenditure on capital works				
Cash flows from financing activities	4,502	2,446	(2,056)	(46)% U
Net cash used in financing activities has varied from the original budget due to less new loans being taken up in the financial year				

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	4,267	1,092
Cash-equivalent assets		
– Deposits at call	11,189	7,019
Total cash and cash equivalents	15,456	8,111

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	15,456	8,111
Balance as per Statement of Cash Flows	15,456	8,111

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 Financial Investments

\$ '000	2021 Current	2020 Current
Debt securities at amortised cost		
Term deposits	177,000	175,500
Total financial investments	177,000	175,500
Total cash assets, cash equivalents and investments	192,456	183,611

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Council does not have any investments in financial assets classified as FVOCI or FVTPL as at 30 June 2021.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2020
Total cash, cash equivalents and investments	192,456	183,611
attributable to:		
External restrictions	152,826	142,961
Internal restrictions	39,541	40,569
Unrestricted	89	81
	192,456	183,611

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	C3-2	3,246	315
External restrictions – included in liabilities		3,246	315

External restrictions – other

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

Developer contributions – general	G3-1	18,149	16,209
Developer contributions – water fund	G3-1	18,677	18,245
Developer contributions – sewer fund	G3-1	16,161	18,117
Developer contributions – stormwater	G3-1	2,161	2,051
Specific purpose unexpended grants (recognised as revenue)		1,222	1,375
Water fund		46,898	44,895
Sewer fund		38,032	34,392
Domestic waste management		5,876	5,405
Stormwater management		284	189
Environment levy		810	637
Quarry royalties		1,310	1,131
External restrictions – other		149,580	142,646
Total external restrictions		152,826	142,961

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

\$ '000	Notes	2021	2020
Internal restrictions			
Council has internally restricted cash, cash equivalents and investments as follows:			
Alexandra square		–	4
Animal Shelter		–	1
Animal Shelter Building		3,780	3,102
Bonds and deposits		3,221	3,008
Bong Bong Common		50	50
Bowral memorial hall		53	348
Bridges		133	192
Budget Equalisation		428	380
Business transformation		720	1,302
Capital projects		968	1,677
Carry-over works		2,638	2,177
Cemeteries		160	242
Civic Centre refurbishment		1,244	3,576
Contribution to Works		69	44
Election expenses		375	281
Emergency assistance		5	–
Employee leave entitlements		1,570	1,842
Family day care		524	450
Financial assistance grant		2,696	2,717
Investing in our future		5,951	5,245
Land rental charge		3,439	3,883
Management committees		327	330
Mayoral relief fund		43	30
Mittagong Pool		49	50
MVWMAC		78	172
Plant replacement		2,481	2,120
Property operations (PDR)		3,362	2,781
Regional Art Gallery		100	200
Renwick asset management		172	135
Revolving energy fund		337	299
Risk management		284	460
Roadside spoil management		–	112
Saleyards (capital improvement fund)		416	327
Saleyards (SRLX)		159	201
Southern Phone share sale and dividend		811	854
Tourism		94	252
Waste Facilities General Fund		2,804	1,539
Welby hockey field		–	186
Total internal restrictions		39,541	40,569
Total restrictions		192,367	183,530

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
Rates and annual charges	4,906	–	3,638	–
Interest and extra charges	279	–	305	–
User charges and fees	10,375	–	9,853	–
Accrued revenues				
– Other income accruals	236	–	264	–
– Interest on investments	645	–	884	–
Government grants and subsidies	1,931	–	665	–
Advance to organisations and entities	58	618	19	266
Security deposits paid by Council	84	–	40	–
Net GST receivable	1,233	–	1,536	–
Other debtors	233	–	513	–
Total	19,980	618	17,717	266
Less: provision of impairment				
User charges and fees	(110)	–	(144)	–
Total	(110)	–	(144)	–
Total net receivables	19,870	618	17,573	266

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Opening impairment allowance calculated under AASB 9	144	32
Movement through provision	(32)	121
Less: amounts already provided for and written off this year	(2)	(9)
Balance at the end of the year	110	144

Accounting policy

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

Impairment

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

When estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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 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.

C1-5 Inventories

\$ '000	2021 Current	2020 Current
Stores and materials	453	415
Trading stock	36	42
Accountable items	677	637
Real estate assets for resale	–	309
Total inventories	1,166	1,403

\$ '000	Notes	2021 Current	2020 Current
Details for real estate development			
Residential		–	309
Total real estate assets for resale		–	309

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

Movements:

Real estate assets at beginning of the year		309	386
– Purchases and other costs		20	5
– Carrying value of assets sold	B4-1	(329)	(82)
Total real estate assets for resale		–	309

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.

Real estate assets for resale

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

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

C1-6 Contract assets and Contract cost assets

Contract assets

\$ '000	2021 Current	2020 Current
Work relating to infrastructure grants	4,547	4,197
Total contract assets	4,547	4,197

Significant changes in contract assets

Contract assets are the capital project works relating to Council controlled assets constructed or under construction.

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

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

\$ '000	2021 Current	2020 Current
Land	421	1,689
Total non-current assets classified as held for sale	421	1,689

Reconciliation of non-current assets held for sale

\$ '000	Notes	2021	2020
Opening balance		1,689	4,900
Less: carrying value of assets sold	B4-1	(1,689)	(3,093)
Balance still unsold after 12 months:		–	1,807
Less: assets no longer classified as held for sale		–	(120)
Add: new transfer in assets held for sale	C1-8	421	–
Add: additional costs capitalised		–	2
Closing balance of held for sale non-current assets and operations		421	1,689

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	20,318	—	20,318	18,281	5,469	(1,805)	—	(6,583)	(149)	—	—	35,531	—	35,531
Plant and equipment	31,127	(14,944)	16,183	—	3,350	(1,540)	(2,339)	29	—	—	—	31,075	(15,392)	15,683
Office equipment	8,165	(7,786)	379	—	167	(1)	(118)	—	—	—	—	8,201	(7,774)	427
Furniture and fittings	1,596	(1,348)	248	—	110	(19)	(36)	—	—	—	—	1,629	(1,326)	303
Land:														
– Crown land	18,706	—	18,706	—	—	—	—	—	—	—	—	18,706	—	18,706
– Operational land	134,741	—	134,741	—	1,434	—	—	650	—	(421)	—	136,404	—	136,404
– Community land	60,215	—	60,215	—	1,351	—	—	—	—	—	—	61,566	—	61,566
Infrastructure:														
– Buildings	124,506	(39,592)	84,914	352	3,980	(11)	(2,105)	252	9,169	—	—	140,015	(43,464)	96,551
– Other structures	5,850	(2,253)	3,597	—	1,231	(10)	(168)	—	(280)	—	2,239	9,172	(2,563)	6,609
– Roads	626,612	(177,994)	448,618	6,699	3,990	(444)	(11,389)	3,150	—	—	—	639,665	(189,041)	450,624
– Bridges	39,832	(7,006)	32,826	—	—	—	(406)	—	—	—	—	39,833	(7,413)	32,420
– Footpaths	42,575	(12,286)	30,289	228	1,885	(68)	(899)	—	—	—	—	44,579	(13,144)	31,435
– Bulk earthworks	243,363	—	243,363	20	904	(70)	—	—	—	—	—	244,217	—	244,217
– Stormwater drainage	148,057	(37,187)	110,870	1,183	2,938	(209)	(1,370)	—	—	—	—	151,862	(38,450)	113,412
– Water supply network	379,364	(169,467)	209,897	2,144	2,170	(987)	(5,209)	1,610	—	—	1,371	384,760	(173,764)	210,996
– Sewerage network	375,677	(119,922)	255,755	2,375	2,026	(956)	(5,608)	892	—	—	3,317	382,416	(124,615)	257,801
– Swimming pools	18,116	(3,428)	14,688	—	52	(4)	(270)	—	(14,466)	—	—	—	—	—
– Open space/recreational assets	21,097	(10,022)	11,075	8	1,641	(486)	(718)	—	3,591	—	7,502	38,614	(16,001)	22,613
– Artworks and monuments	—	—	—	—	—	—	—	—	1,986	—	—	2,449	(463)	1,986
Other assets:														
– Library books	5,424	(4,955)	469	—	151	—	(153)	—	—	—	—	5,575	(5,108)	467
– Other	12	(10)	2	—	—	—	(1)	—	—	—	—	10	(9)	1
Total infrastructure, property, plant and equipment	2,305,353	(608,200)	1,697,153	31,290	32,849	(6,610)	(30,789)	—	(149)	(421)	14,429	2,376,279	(638,527)	1,737,752

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	10,653	–	10,653	9,086	3,831	(217)	–	(3,035)	–	–	–	20,318	–	20,318
Plant and equipment	29,474	(14,115)	15,359	–	4,039	(924)	(2,291)	–	–	–	–	31,127	(14,944)	16,183
Office equipment	8,168	(7,802)	366	–	146	(31)	(112)	10	–	–	–	8,165	(7,786)	379
Furniture and fittings	1,495	(1,312)	183	–	101	–	(36)	–	–	–	–	1,596	(1,348)	248
Land:														
– Operational land	136,083	–	136,083	–	–	–	–	–	(1,462)	120	–	134,741	–	134,741
– Community land	61,856	–	61,856	–	–	–	–	–	(10,666)	–	9,025	60,215	–	60,215
– Crown land	–	–	–	–	–	–	–	–	12,128	–	6,578	18,706	–	18,706
Infrastructure:														
– Buildings	122,350	(38,100)	84,250	1,455	1,884	(1,262)	(1,965)	580	(28)	–	–	124,506	(39,592)	84,914
– Other structures	5,533	(2,088)	3,445	108	151	(13)	(156)	34	28	–	–	5,850	(2,253)	3,597
– Roads	566,777	(240,358)	326,419	6,897	4,202	(574)	(10,989)	1,066	–	–	121,597	626,612	(177,994)	448,618
– Bridges	20,832	(9,792)	11,040	2,392	–	(660)	(184)	177	–	–	20,061	39,832	(7,006)	32,826
– Footpaths	38,499	(17,197)	21,302	155	867	(4)	(756)	5	–	–	8,720	42,575	(12,286)	30,289
– Bulk earthworks	219,655	–	219,655	119	847	(23)	–	17	–	–	22,748	243,363	–	243,363
– Stormwater drainage	141,075	(35,957)	105,118	1,708	4,737	(121)	(1,310)	738	–	–	–	148,057	(37,187)	110,870
– Water supply network	371,421	(163,554)	207,867	2,140	3,480	(659)	(5,113)	206	–	–	1,976	379,364	(169,467)	209,897
– Sewerage network	368,607	(114,812)	253,795	1,527	4,044	(685)	(5,486)	19	–	–	2,541	375,677	(119,922)	255,755
– Swimming pools	18,047	(3,154)	14,893	58	7	–	(273)	3	–	–	–	18,116	(3,428)	14,688
– Open space/recreational assets	18,613	(9,569)	9,044	941	1,689	(109)	(670)	180	–	–	–	21,097	(10,022)	11,075
Other assets:														
– Library books	5,255	(4,811)	444	–	169	–	(144)	–	–	–	–	5,424	(4,955)	469
– Other	11	(8)	3	–	–	–	(1)	–	–	–	–	12	(10)	2
Total infrastructure, property, plant and equipment	2,144,404	(662,629)	1,481,775	26,586	30,194	(5,282)	(29,486)	–	–	120	193,246	2,305,353	(608,200)	1,697,153

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

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

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	20
Office furniture	10	Outdoor furniture	20 to 25
Computer equipment	5	Sports surfaces	10 to 80
Vehicles	10	Fences/gates	25 to 60
Heavy plant/road making equipment	10 to 15		
Other plant and equipment	5 to 15	Buildings	
		Structure	40 to 150
		Roof	40 to 80
		Internal finishes	10 to 40
		Building services	25 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains (lined)	100
Reservoir roof and structure	40 to 100	Pipes	80 to 100
Reticulation pipes	30 to 100	Flood control structure	80 to 120
Reticulation valves and hydrants	40 to 60		
Pumps	20		
Water meters	25		
Sewer manholes	70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 25	Bulk earthworks	infinite
Sealed roads: structure	60 to 100	Swimming pools	80
Unsealed roads	14	Other open space/recreational assets	10 to 150
Bridge: concrete	100	Other infrastructure	20 to 50
Bridge: timber	50		
Road pavements (concrete)	50	Other assets	
Culverts	100	Library books	5

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 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 Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Land under roads

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

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

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

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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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 recognised as assets of the Council in these financial statements.

C1-9 Intangible assets

\$ '000	Notes	Non-current 2021	Non-current 2020
Software			
Opening values at 1 July			
Gross book value		—	—
Accumulated amortisation		—	—
Net book value – opening balance		—	—
Movements for the year			
Development costs		273	—
Other movements	C1-8	149	—
Amortisation charges	B3-4	—	—
Closing values at 30 June			
Gross book value		422	—
Accumulated amortisation		—	—
Total software – net book value		422	—
Total intangible assets – net book value		422	—

Accounting policy

IT development and software

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

C1-10 Other Assets

\$ '000	Notes	2021 Current	2020 Current
Prepayments		562	524
Total other assets		562	524

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Land and Buildings

Council leases land and buildings for use for various operational purposes such as providing parks and open spaces and as a community hall. The lease agreements are generally between 20 and 100 years. All of the agreements have significantly below-market terms and conditions principally to enable Council to further its objectives.

Office and IT equipment

Leases for office and IT equipment are generally for computer equipment and photocopiers. The leases are for between three and five years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage. Council also leases some office and IT equipment for low value assets.

Extension options

At commencement date and each subsequent reporting date, Council assesses whether it is reasonably certain that extension options under any of its leases will be exercised.

(a) Right of use assets

\$ '000	Notes	Office and IT equipment	Non-current Total
2021			
Opening balance at 1 July		525	525
Additions to right-of-use assets		457	457
Depreciation charge	B3-4	(259)	(259)
Balance at 30 June		723	723
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition		352	352
Additions to right-of-use assets		409	409
Depreciation charge	B3-4	(236)	(236)
Balance at 30 June		525	525

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	264	469	213	319
Total lease liabilities	264	469	213	319

C2-1 Council as a lessee (continued)

(c) 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	283	453	–	736	733
2020					
Cash flows	229	331	–	560	532

(d) Income Statement

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

\$ '000	Notes	2021	2020
Interest expense on lease liabilities	B3-3	20	23
Depreciation of right of use assets	B3-4	259	236
Expenses relating to short-term leases		34	21
Expenses relating to low-value leases		21	10
Expenses relating to Peppercorn leases		1	1
		335	291

(e) Statement of Cash Flows

Total cash outflow for leases	339	279
	339	279

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

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

- community land
- community halls
- land on which Council has sited buildings

The leases are generally between 2 and 99 years and require payments of a maximum amount of \$1,000 per year.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

C2-1 Council as a lessee (continued)

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	Notes	2021	2020
(i) Assets held as infrastructure, property, plant and equipment (IPPE)			
Council provides operating leases on Council buildings for the purpose of supporting community, business and economic activities. The table below relates to operating leases on assets disclosed in C1-8.			
Lease income (excluding variable lease payments not dependent on an index or rate)		689	734
Lease income relating to variable lease payments not dependent on an index or a rate		37	32
Total income relating to operating leases for Council assets	B2-6	726	766

C2-2 Council as a lessor (continued)

\$ '000	2021	2020
(ii) Maturity analysis of contractual lease income		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	609	556
1–2 years	509	443
2–3 years	521	410
3–4 years	430	417
4–5 years	359	396
> 5 years	3,380	3,721
Total undiscounted lease payments to be received	5,808	5,943

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Goods and services	6,412	–	9,586	–
Accrued expenses:				
– Salaries and wages	1,430	–	1,251	–
– Borrowings	136	–	106	–
Government departments and agencies	60	–	–	–
Prepaid rates	1,264	–	1,028	–
Security bonds, deposits and retentions	3,221	–	3,008	–
Other	31	–	30	–
Total payables	12,554	–	15,009	–

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
- Security bonds, deposits and retentions	2,577	2,406
- Other liabilities	43	30
Total payables	2,620	2,436

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,221	–	73	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	25	–	42	–
Total grants received in advance	C1-3	3,246	–	115	–
User fees and charges received in advance:					
Statutory and Regulatory	(iii)	892	–	562	–
Prepaid lease	(iv)	297	–	288	–
Other		13	–	–	5
Total user fees and charges received in advance		1,202	–	850	5
Total contract liabilities		4,448	–	965	5

Notes

(i) Council has received funding to construct assets including open space and recreation assets 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) Statutory and Regulatory fees are recognised as a contract liability on receipt and recognised as revenue when Council's performance obligation is satisfied.

(iv) Council invoices lessees for the current lease term in full. Payment of the invoice is recorded as a contract liability on receipt and recognised as revenue over the lease term.

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

\$ '000	Notes	2021	2020
Grants and contributions received in advance:			
Capital grants (to construct Council controlled assets)	B2-4	73	649
Operating grants (received prior to performance obligation being satisfied)	B2-4	42	29
User fees and charges received in advance:			
Upfront fees & charges - Statutory & Regulatory		416	631
Other income		288	37
Total revenue recognised that was included in the contract liability balance at the beginning of the period		819	1,346

Significant changes in contract liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058 from the reporting year ended 30 June 2020. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to user charges & fees - statutory & regulatory where the fee has been paid in advance of Council fulfilling its performance obligation and grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

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	3,269	20,417	3,608	17,377
Total borrowings	3,269	20,417	3,608	17,377

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

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements			2021
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	20,985	2,701	–	–	–	23,686
Lease liability (Note C2-1b)	532	(256)	–	–	457	733
Total liabilities from financing activities	21,517	2,445	–	–	457	24,419

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	25,285	(4,319)	–	–	–	19	20,985
Lease liability (Note C2-1b)	–	(229)	–	–	352	409	532
Total liabilities from financing activities	25,285	(4,548)	–	–	352	428	21,517

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	250	250
Total financing arrangements	550	550
Drawn facilities		
– Credit cards/purchase cards	32	29
Total drawn financing arrangements	32	29
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	218	221
Total undrawn financing arrangements	518	521

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

C3-3 Borrowings (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.

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	3,206	–	3,310	–
Long service leave	4,776	534	4,824	540
RDO and TIL	409	–	539	–
ELE on-costs	160	7	342	23
Total employee benefit provisions	8,551	541	9,015	563

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	5,130	5,204
	5,130	5,204

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

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:				
Landfill remediation/restoration (future works)	–	3,588	–	3,500
Sub-total – asset remediation/restoration	–	3,588	–	3,500
Total provisions	–	3,588	–	3,500

Description of and movements in provisions

\$ '000	Landfill remediation	Net carrying amount
2021		
At beginning of year	3,500	3,500
Additional provisions	88	88
Total other provisions at end of year	3,588	3,588
2020		
At beginning of year	3,500	3,500
Total other provisions at end of year	3,500	3,500

Nature and purpose of provisions

Asset remediation - Landfill

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the former landfill site as a result of past operations.

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 – landfill

Subsequent to commissioning a report to provide detailed estimates of the costs of remediation of the former landfill site at Welby, Council recognised a provision for landfill remediation/restoration (future works) during the year ended 30 June 2019. The estimates have been reviewed and updated as at 30 June 2021.

Restoration

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

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

C3-5 Provisions (continued)

Rehabilitation

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

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

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

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	61,692	3,803	17,934
User charges and fees	11,437	9,400	1,770
Interest and investment revenue	746	614	522
Other revenues	999	424	527
Grants and contributions provided for operating purposes	10,776	48	4
Grants and contributions provided for capital purposes	25,690	4,148	4,509
Net gains from disposal of assets	—	—	—
Other income	530	196	—
Total income from continuing operations	111,870	18,633	25,266
Expenses from continuing operations			
Employee benefits and on-costs	32,986	3,054	3,860
Materials and services	34,616	4,266	3,583
Borrowing costs	474	—	284
Depreciation, amortisation and impairment of non-financial assets	19,869	5,401	5,778
Other expenses	158	1,304	2,194
Net losses from the disposal of assets	2,381	962	959
Total expenses from continuing operations	90,484	14,987	16,658
Operating result from continuing operations	21,386	3,646	8,608
Net operating result for the year	21,386	3,646	8,608
Net operating result attributable to each council fund	21,386	3,646	8,608
Net operating result for the year before grants and contributions provided for capital purposes	(4,304)	(502)	4,099

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	5,875	5,246	4,335
Investments	66,813	60,329	49,858
Receivables	9,438	4,144	6,288
Inventories	603	505	58
Contract assets and contract cost assets	4,547	—	—
Other	562	—	—
Non-current assets classified as held for sale	421	—	—
Total current assets	88,259	70,224	60,539
Non-current assets			
Receivables	618	—	—
Infrastructure, property, plant and equipment	1,227,693	229,509	280,550
Intangible assets	422	—	—
Right of use assets	723	—	—
Total non-current assets	1,229,456	229,509	280,550
TOTAL ASSETS	1,317,715	299,733	341,089
LIABILITIES			
Current liabilities			
Payables	10,145	1,242	1,167
Contract liabilities	4,175	182	91
Lease liabilities	264	—	—
Borrowings	1,635	—	1,634
Employee benefit provision	7,011	511	1,029
Total current liabilities	23,230	1,935	3,921
Non-current liabilities			
Lease liabilities	469	—	—
Borrowings	13,910	—	6,507
Employee benefit provision	435	33	73
Provisions	3,588	—	—
Total non-current liabilities	18,402	33	6,580
TOTAL LIABILITIES	41,632	1,968	10,501
Net assets	1,276,083	297,765	330,588
EQUITY			
Accumulated surplus	505,665	102,573	179,731
Revaluation reserves	770,418	195,192	150,857
Council equity interest	1,276,083	297,765	330,588
Total equity	1,276,083	297,765	330,588

D2 Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

Council has an interest in the Canberra Region Joint Organisation, along with other member Councils, which is not considered material. The activities of this organisation are not controlled by any one Council.

The Canberra Region Joint Organisation provides a forum for Councils, State agencies and other stakeholders to work together at a regional level to identify shared priorities.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio. Council has an investment policy which complies with the Section 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,925	1,836
Impact of a 10% movement in price of investments		
– Equity / Income Statement	19,246	18,359

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

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

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 due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	3,704	908	112	182	4,906
2020						
Gross carrying amount	–	2,966	389	98	185	3,638

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 (ECL), 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 due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	12,569	12	24	1,341	1,746	15,692
Expected loss rate (%)	0.04%	24.57%	6.07%	1.29%	4.79%	0.70%
ECL provision	5	3	1	17	84	110
2020						
Gross carrying amount	11,423	64	8	1,288	1,562	14,345
Expected loss rate (%)	0.38%	2.19%	1.63%	1.63%	4.99%	1.00%
ECL provision	44	1	–	21	78	144

E1-1 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 of the maturity analysis and interest rate exposure 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	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Payables	0.00%	3,264	8,026	–	–	11,290	11,290
Borrowings	3.23%	–	3,980	11,075	13,173	28,228	23,686
Total financial liabilities		3,264	12,006	11,075	13,173	39,518	34,976
2020							
Payables	0.00%	3,038	10,943	–	–	13,981	13,981
Borrowings	3.37%	–	4,253	12,029	7,959	24,241	20,985
Total financial liabilities		3,038	15,196	12,029	7,959	38,222	34,966

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment (Note C1-8)
- Financial assets, measured at FVTPL, at FVOCI, or at amortised cost (Note C1-2).

During the reporting period, Council has also measured the following assets on a non-recurring basis, to ensure the carrying amount of the assets at fair value:

- Non-current assets classified as ‘held for sale’.

Fair value hierarchy

All assets and liabilities measured at fair value are assigned to a level in the fair value hierarchy as follows:

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

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

Level 3: Unobservable inputs for the asset or liability

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

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At amortised cost		177,000	175,500	–	–	177,000	175,500
Total financial assets		177,000	175,500	–	–	177,000	175,500
Infrastructure, property, plant and equipment							
	C1-8						
WIP		–	–	35,531	20,318	35,531	20,318
Plant & Equipment		–	–	15,683	16,183	15,683	16,183
Office Equipment		–	–	427	379	427	379
Furniture & Fittings		–	–	303	248	303	248
Crown Land		–	–	18,706	18,706	18,706	18,706
Operational Land		–	–	136,404	134,741	136,404	134,741
Community Land		–	–	61,566	60,215	61,566	60,215
Buildings		–	–	96,551	84,914	96,551	84,914
Other Structures		–	–	6,609	3,597	6,609	3,597
Roads		–	–	450,624	448,618	450,624	448,618
Bridges		–	–	32,420	32,826	32,420	32,826
Footpaths		–	–	31,435	30,289	31,435	30,289
Bulk Earthworks		–	–	244,217	243,363	244,217	243,363
Stormwater Drainage		–	–	113,412	110,870	113,412	110,870
Water Supply Network		–	–	210,996	209,897	210,996	209,897
Sewerage Network		–	–	257,801	255,755	257,801	255,755
Swimming Pools		–	–	–	14,688	–	14,688
Open Space/Recreational Assets		–	–	22,613	11,075	22,613	11,075
Artworks and monuments		–	–	1,986	–	1,986	–
Library Books		–	–	467	469	467	469
Other		–	–	1	2	1	2
Total infrastructure, property, plant and equipment		–	–	1,737,752	1,697,153	1,737,752	1,697,153

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Non-current assets classified as held for sale	C1-7						
Land		–	–	421	1,689	421	1,689
Total NCA's classified as held for sale		–	–	421	1,689	421	1,689

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:

Financial assets

Council obtains its fair values for fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) from an independent valuation.

Council has not invested in FVTPL and FVOCI assets for the year ended 30 June 2021.

Council obtains its fair values for held to maturity investments measured at amortised cost from audit confirmations provided by Approved Deposit Taking Institutions (ADIs).

Infrastructure, property, plant and equipment (IPPE)

Property, Plant and Equipment, Furniture and Fittings

Council's Plant & Equipment, Furniture & Fittings incorporates:

- Major plant Truck, tractors, street sweepers
- Fleet vehicles Cars, vans, utes etc.
- Minor plant Chainsaws, brush cutters, mowers, concrete mixers
- Furniture & fittings Desks, chairs, display systems
- Office equipment Computers, monitors, PABX, projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018) using Level 3 inputs.

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.

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

E2-1 Fair value measurement (continued)

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

Community and Crown Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it

In relation to community land the Office of Local Government has reviewed its position on the use of the NSW Valuer General's valuations of community land and in association with the Local Government Accounting Advisory Group; the Office has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under Clause 31 of AASB 116

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the NSW Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the NSW Valuer General did not provide a UCV.

The 'Market Approach' is used to value community land. There has been no change to the valuation process during the reporting period.

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

- Libraries
- Public amenities
- Sporting club houses
- Kiosks and amenities
- Depot buildings and workshops
- Community centres
- Rural Fire Service buildings

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit rates, although based on square metres could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates the following classes of assets:

- Significant single assets such as playgrounds, floodlighting system irrigation systems, tennis courts, tennis shelters, artificial turf playing surfaces etc. and;
- Aggregated lower value assets such as recreational/park infrastructures (picnic tables, seats, bollards, fences, BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of consumption

E2-1 Fair value measurement (continued)

- Residual value
- Asset condition
- Residual value

The 'Cost Approach' is used to value other structures. There has been no change to the valuation process during the reporting period.

Roads, Bridges & Footpaths

This asset class comprises:

- Road carriageways
- Bus shelters
- Car parks
- Guardrails
- Kerb and guttering
- Bridges
- Footpaths
- Traffic facilities
- Road drainage

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's Asset Management System (Conquest) contains detailed dimensions and specifications for all Council road assets.

Council applies fair values to road infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life of carriageway
- Gross replacement cost

The 'Cost Approach' is used to value road assets. There were no changes in valuation technique from prior year.

Stormwater Drainage

Council's drainage assets comprise:

- Pits
- Pipes
- Culverts
- Open channels
- Headwalls
- Various types of water quality device used to collect, store and remove stormwater

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council drainage assets. Council applies fair values to drainage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value drainage by componentising the assets into significant parts and then rolling up these component values to provide an overall drainage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Water Supply Network

Council's water supply network comprises:

- Treatment Works
- Dams
- Reservoirs

E2-1 Fair value measurement (continued)

- Pumping stations
- Water reticulation (pipes, valves, hydrants, meters, service lines)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council water assets. Council applies fair values to water infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value water assets by componentising the assets into significant parts and then rolling up these component values to provide an overall water valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Sewerage Supply Network

Assets within this class comprise:

- Treatment works
- Pumping stations
- Sewerage reticulation (pipes, manholes, valves, vents)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council sewerage assets. Council applies fair values to sewerage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value sewer assets by componentising the assets into significant parts and then rolling up these component values to provide an overall sewerage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Other Assets

Council's other assets comprise:

- Library books
- Reference materials
- CD's & DVD's
- Art collections

Council fair values other assets using Level 3 inputs.

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Fair value measurements using significant unobservable inputs (level 3)

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

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

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Office Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Operational Land	Level 3	Price per square metre
Community and Crown Land	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Water Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Other Open Space/Recreational Assets	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Library Books	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

Highest and best use

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

E3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

CONTINGENT LIABILITIES

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 Scheme.

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ended 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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 Scheme'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 Council.

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

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

The total amount of Council contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ended 30 June 2021 was \$290,445.74 (2020: \$302,252.70). The last valuation

continued on next page ...

E3-1 Contingencies (continued)

of the Scheme was performed by the Scheme Actuary, Richard Boyfield FIAA as at 30 June 2020, and covers the period ended 30 June 2021.

According to the Scheme Trustee, Council has attributed 0.44% to the \$40 million accrued liabilities for the year ended 30 June 2021. The amount of additional contributions included in the total employer contribution advised above is \$176,900 (2020: \$176,900). Council's expected contribution to the Scheme for the next annual reporting period is \$288,140.88 (2020: \$307,440).

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

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

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

Council's share of that employer reserves 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 (if any) 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 (if any).

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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021.

(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 the year ended 30 June 2021 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 the APRA.

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

(iv) Other guarantees

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

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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.

CONTINGENT ASSETS

(i) 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 as at 30 June 2021.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	2,754	2,590
Short-term benefits - contractual basis	4	—
Post-employment benefits	296	267
Termination benefits	1,656	—
Other long-term benefits	—	10
Total	4,710	2,867

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

Other transactions with KMP and their related parties

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

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2021						
Payment of rates and water charges to Council	1	178	28		—	—
Payment by Council for the provision of services	2	86	—		—	—
Development application fees and/or developer contributions paid to Council	3	25	—		—	—
Employment of a related party	4	—	—		—	—
Licence permitting use	5	—	—		—	—
2020						
Payment of rates and water charges to Council	1	157	19		—	—
Payment by Council for the provision of services	2	88	—		—	—
Employment of a related party	4	—	—		—	—
Licence permitting use	5	—	—		—	—

- 1 As per Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed relates to rates and water account payments by seven (six in 2020) of Council's key management personnel (including their related parties). Outstanding balances are secured against property.
- 2 During the year various departments of Council engaged the services of a not-for-profit organisation of which one of Council's KMP is a committee member. Amounts were billed, and were due and payable, in accordance with the organisation's standard terms.
- 3 A related party of one of Council's KMP made payments to Council during the year ended 30 June 2021 in relation to a secondary dwelling.
- 4 During the year ended 30 June 2020 a related party of one of Council's KMP was employed by Council. Their employment is ongoing and they are paid a salary in accordance with the relevant grade of the Local Government (State) Award 2020. They are not a member of the KMP of Council.
- 5 In accordance with a resolution of Council of 8 May 2019, a licence is in place between Council and a not-for-profit organisation of which one of Council's KMP is a committee member. The licence permits use of land for the purpose of a community garden.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	Notes	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		42	44
Councillors' fees		138	182
Total		180	226

F2 Other relationships

F2-1 Audit fees

\$ '000	Notes	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms			
Auditors of the Council - NSW Auditor-General:			
(i) Audit and other assurance services			
Audit and review of financial statements		101	100
Total Auditor-General remuneration		101	100
Non NSW Auditor-General audit firms			
(i) Audit and other assurance services			
Due diligence services		56	58
Total remuneration of non NSW Auditor-General audit firms		56	58
Total audit fees		157	158

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	Notes	2021	2020
Net operating result from Income Statement		33,640	34,893
Adjust for non-cash items:			
Depreciation and amortisation	B3-4	31,048	29,722
Landfill remediation and restoration	B3-5	88	–
Net losses/(gains) on disposal of assets	B4-1	4,302	3,560
Non-cash capital grants and contributions	B2-4	(17,601)	(13,482)
Adoption of AASB 15/1058		–	(1,565)
Losses/(gains) recognised on fair value re-measurements through P&L:			
– Interest-free advances made by Council (deferred debtors)	B3-3	47	7
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council	B2-5	(17)	(13)
– Interest exp. on interest-free loans received by Council (previously fair valued)	B3-3	–	19
Movements in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,254)	(443)
Increase/(decrease) in provision for impairment of receivables		(34)	112
Decrease/(increase) in inventories		(72)	(44)
Decrease/(increase) in other current assets		(38)	53
Decrease/(increase) in contract assets		(350)	(4,197)
Increase/(decrease) in payables		(3,174)	3,951
Increase/(decrease) in accrued interest payable		30	(23)
Increase/(decrease) in other accrued expenses payable		179	51
Increase/(decrease) in other liabilities		510	540
Increase/(decrease) in contract liabilities		3,478	970
Increase/(decrease) in provision for employee benefits		(486)	875
Net cash flows from operating activities of Statement of Cash Flows		49,296	54,986

(b) Non-cash investing and financing activities

Bushfire grants		500	380
Other dedications		17,101	13,102
Total non-cash investing and financing activities	B2-4	17,601	13,482

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Infrastructure, property, plant and equipment

Buildings	10,696	4,357
Plant and equipment	948	629
Infrastructure	1,813	1,905
Water system assets	7,335	3,433
Sewer system assets	4,983	8,493
Open Space	188	530
Total commitments	25,963	19,347

These expenditures are payable as follows:

Within the next year	25,963	19,347
Total payable	25,963	19,347

Sources for funding of capital commitments:

Unrestricted general funds	13,645	7,421
Externally restricted reserves (water and sewer)	12,318	11,926
Total sources of funding	25,963	19,347

G3 Statement of developer contributions as at 30 June 2021

G3-1 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	5,051	1,194	–	54	(92)	–	6,207	–
Community facilities	452	64	–	5	–	–	521	–
Open Space & Community Facilities	6,498	782	–	66	(7)	–	7,339	–
Administration	648	159	–	7	–	–	814	–
Resource Recovery Centre	1	81	–	–	(82)	–	–	–
CF Library Loan	585	140	–	6	–	–	731	–
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	150	23	–	2	–	–	175	–
Land Acquisition (MVEC)	7	2	–	–	(12)	–	(3)	–
S7.11 contributions – under a plan	13,393	2,445	–	140	(193)	–	15,785	–
S7.12 levies – under a plan	579	43	–	5	–	–	627	–
Total S7.11 and S7.12 revenue under plans	13,972	2,488	–	145	(193)	–	16,412	–
S7.11 not under plans (VPA)	3,535	–	–	34	–	–	3,569	–
s7.11 not under plans Parking	805	–	–	5	(499)	–	311	–
S64 Contributions Water	17,392	2,399	–	174	(2,149)	–	17,816	–
S64 Contributions Sewer	16,867	2,420	–	160	(4,548)	–	14,899	–
S64 Stormwater	2,051	708	–	22	(640)	–	2,141	–
Total contributions	54,622	8,015	–	540	(8,029)	–	55,148	–

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.

G3-2 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					
CONTRIBUTION PLAN 1								
Roads	5,051	1,194	–	54	(92)	–	6,207	–
Community facilities	452	64	–	5	–	–	521	–
Open Space & Community Facilities	6,498	782	–	66	(7)	–	7,339	–
Administration	648	159	–	7	–	–	814	–
Resource Recovery Centre	1	81	–	–	(82)	–	–	–
CF Library Loan	585	140	–	6	–	–	731	–
Total	13,235	2,420	–	138	(181)	–	15,612	–
S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)								
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	150	23	–	2	–	–	175	–
Land Acquisition (MVEC)	7	2	–	–	(12)	–	(3)	–
Total	158	25	–	2	(12)	–	173	–
S7.12 Levies – under a plan								
S94A Plan								
S94A	579	43	–	5	–	–	627	–
Total	579	43	–	5	–	–	627	–

G3-3 Contributions not under plans

\$ '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					
S94 not under Plans (VPA)								
Drainage	20	—	—	—	—	—	20	—
Roads	500	—	—	5	—	—	505	—
Open space	1	—	—	—	—	—	1	—
Community facilities	313	—	—	4	—	—	317	—
Sewer	1,250	—	—	12	—	—	1,262	—
Water	853	—	—	8	—	—	861	—
RRC	89	—	—	1	—	—	90	—
ASH	11	—	—	—	—	—	11	—
Administration	458	—	—	4	—	—	462	—
Management Contribution	40	—	—	—	—	—	40	—
Total	3,535	—	—	34	—	—	3,569	—

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,595	2.96%	7.13%	6.07%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	121,422				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	110,594	71.00%	73.35%	67.81%	> 60.00%
Total continuing operating revenue ¹	155,769				
3. Unrestricted current ratio					
Current assets less all external restrictions	54,490	5.15x	5.72x	5.38x	> 1.50x
Current liabilities less specific purpose liabilities	10,587				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	35,401	7.66x	7.22x	4.78x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,622				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	5,185	5.92%	4.77%	2.40%	< 10.00%
Rates and annual charges collectable	87,654				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	192,456	22.41	24.13	22.84	> 3.00
Monthly payments from cash flow of operating and financing activities	8,587	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

G4-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(2.23)%	1.08%	3.18%	12.17%	24.37%	28.32%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	67.40%	70.61%	77.48%	81.01%	82.14%	78.42%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.67x	5.12x	32.67x	28.36x	13.86x	11.61x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8.69x	9.12x	∞	∞	4.42x	3.63x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.87%	6.40%	12.23%	10.14%	8.27%	5.33%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.88 mths	11.90 mths	82.10 mths	73.66 mths	48.84 mths	50.40 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 24a above.

(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wingecarribee Shire Council

To the Administrator of the Wingecarribee Shire Council

Opinion

I have audited the accompanying financial statements of Wingecarribee Shire Council (the Council), which comprise the Statement by the Administrator 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 Administrator is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial Statements

The Administrator is 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 Administrator determines 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 Administrator is 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/ar3.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.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY



Mr Viv May PSM
The Administrator
Wingecarribee Shire Council
P O Box 141
MOSS VALE NSW 2577

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: D2123000/1809

28 October 2021

Dear Administrator

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

I have audited the general purpose financial statements (GPFS) of the Wingecarribee 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.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	83.4	80.4	↑ 3.7
Grants and contributions revenue	45.2	40.6	↑ 11.3
Operating result from continuing operations	33.6	34.9	↓ 3.7
Net operating result before capital grants and contributions	(0.7)	5.0	↓ 114

The Council's operating result from continuing operations was \$33.6 million, which was \$1.3 million lower than the 2019-20 results.

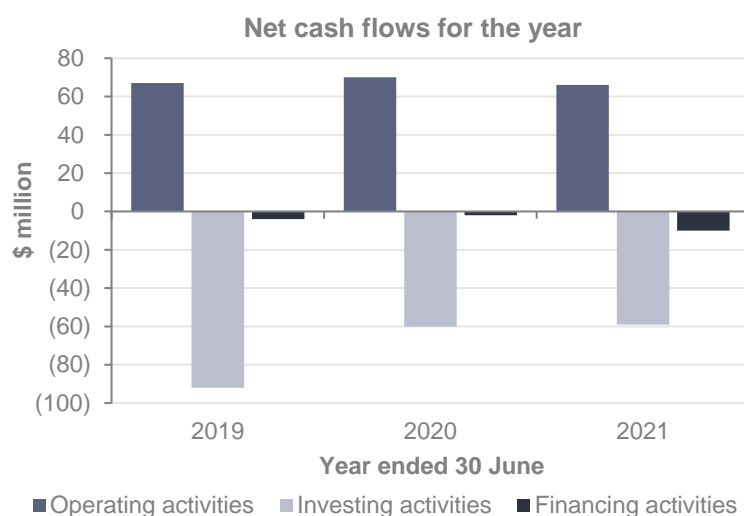
Rates and annual charges revenue increased by \$3.0 million (3.7 per cent), mainly due to the rate peg increase and increases in annual charges for domestic waste management, water access charges, and sewer access charges.

Grants and contributions revenue increased by \$4.6 million (11.3 per cent) in 2020–21. This was mainly due to increase in dedications of subdivisions (\$4.0 million) received during the year.

The Net operating result before capital grants and contributions decreased by \$5.7 million (114 per cent), mainly due to increase in operating expenses and decrease in interest and investment revenue.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$15.5 million (\$8.1 million for the year ended 30 June 2020). There was a net increase in cash and cash equivalents of \$7.4 million at 30 June 2021.
- Net cash from operating activities has decreased by \$5.7 million. This is mainly due to the increase in payments for materials and services of \$26.7 million and partially offset by the decrease in other payments of \$17.3 million.
- Net cash used in investing activities remained stable from the previous year.
- Net cash from financing activities increased by \$7.0 million. This is mainly due to proceeds from borrowing of \$6.3 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	192.4	183.6	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$9.9 million primarily due to: <ul style="list-style-type: none"> sewerage services (\$3.6 million) water supplies (\$2.0 million) Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The balance has remained steady from the previous year Unrestricted cash and investments was \$0.1 million, which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has remained steady.
Restricted cash and investments:			
• External restrictions	152.8	142.9	
• Internal restrictions	39.5	40.6	
• Unrestricted	0.1	0.1	

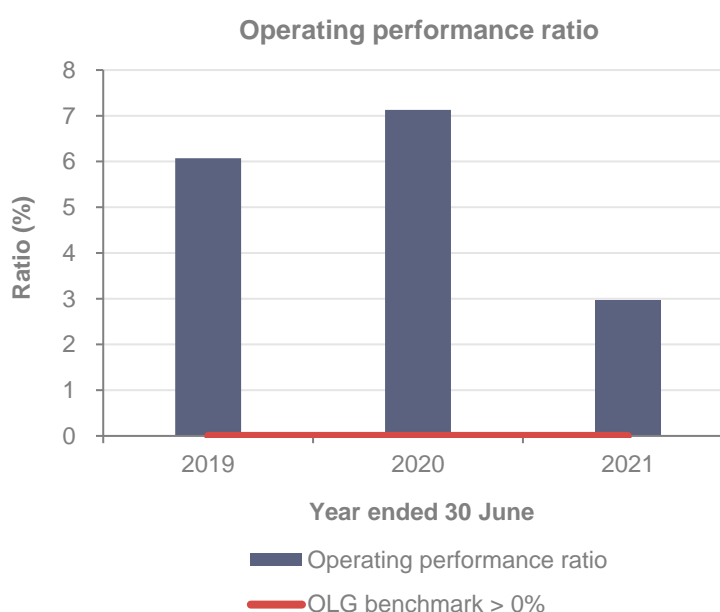
PERFORMANCE

Performance measures

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

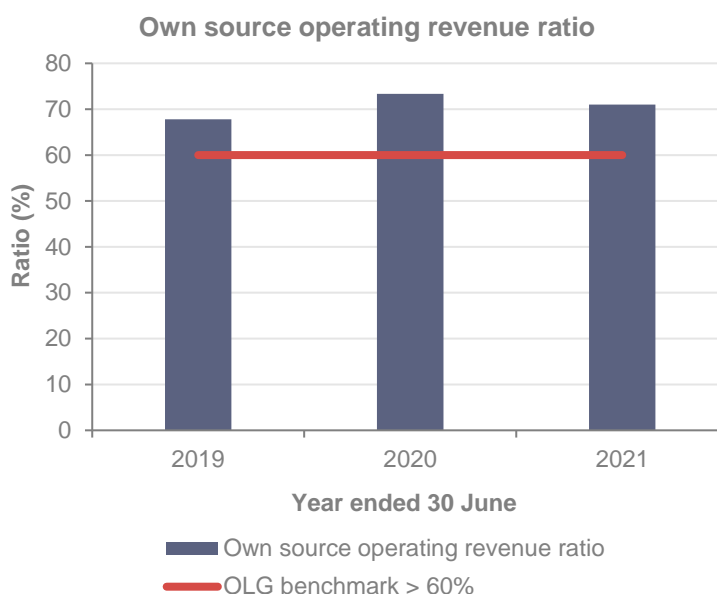
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- Council's operating performance ratio of 3.0 per cent was above the OLG benchmark.
- The operating performance ratio has reduced to 3.0 per cent (2020: 7.1 per cent) due to the increase in operating expenses.



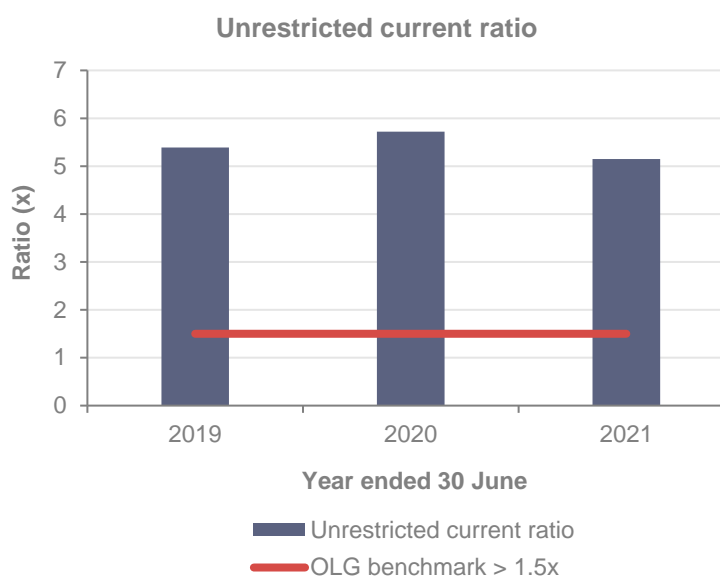
Own source operating revenue ratio

- 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.
- Council's own source operating revenue ratio of 71 per cent was above the industry benchmark.



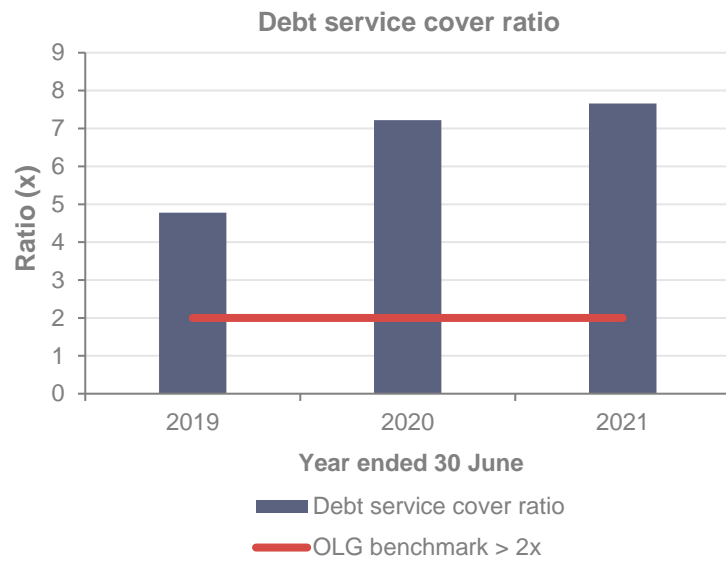
Unrestricted current ratio

- 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's unrestricted current ratio of 5.1 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained relatively steady in comparison to the prior year.



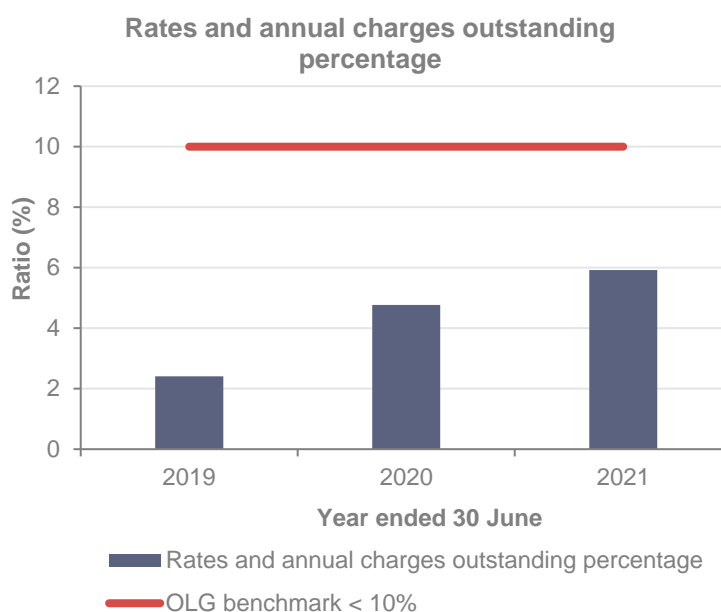
Debt service cover ratio

- 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 debt service cover ratio of 7.7 times exceeded the industry benchmark.
- The Council's 'debt service cover ratio' has remained relatively steady in comparison to the prior year



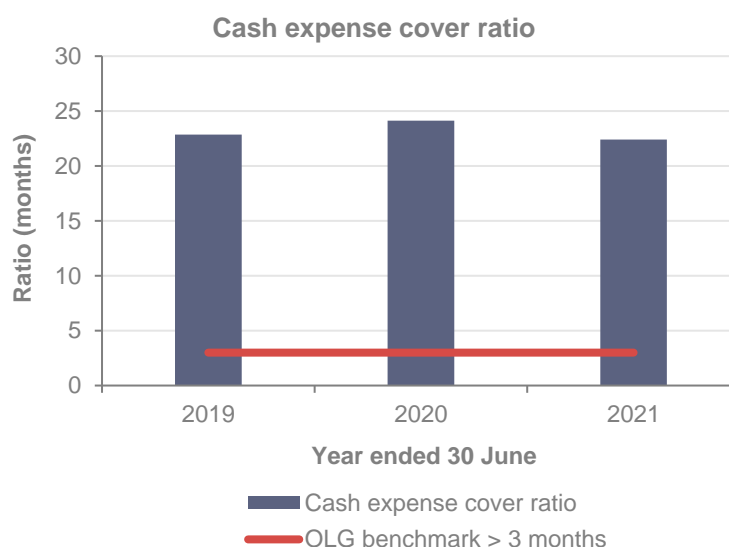
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- Council's outstanding rates and charges ratio of 5.9 per cent was within the industry benchmark
- The 'rates and annual charges outstanding percentage' has increased from the prior year as the debt recovery was suspended due to the current COVID-19 pandemic.



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's cash expense cover ratio was 22.4 months, which is above the industry benchmark of greater than three months. This indicates that Council had the capacity to cover 22.4 months of operating cash expenditure without additional cash inflows as at 30 June 2021.
- The Council's cash expense cover ratio has remained relatively steady in comparison to the prior year.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$31.3 million of assets in the 2020–21 financial year, compared to \$26.6 million of assets in the prior year. The increase is primarily due to renewals of capital works, roads, water supply and sewerage network.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council assessed that there is nil impact of AASB 1059 in 2020-21.

Legislative compliance

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

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



Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Lisa Miscamble, General Manager
Mr Stephen Horne, Chair of Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment



Bundanoon Reservoirs

Special Purpose Financial Statements

For the year ended 30 June 2021

Working with you

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Wingecarribee
SHIRE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Wingecarribee Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 13 October 2021.



Viv May PSM
Interim Administrator
27 October 2021



Lisa Miscamble
General Manager
27 October 2021



Damien Jenkins
Responsible Accounting Officer
27 October 2021

Wingecarribee Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	3,803	3,682
User charges	8,776	10,530
Fees	624	618
Interest	614	1,217
Grants and contributions provided for non-capital purposes	48	–
Other income	620	629
Total income from continuing operations	14,485	16,676
Expenses from continuing operations		
Employee benefits and on-costs	3,054	3,063
Materials and services	4,266	3,361
Depreciation, amortisation and impairment	5,401	5,300
Water purchase charges	1,274	1,429
Loss on sale of assets	962	940
Calculated taxation equivalents	213	214
Other expenses	30	1,493
Total expenses from continuing operations	15,200	15,800
Surplus (deficit) from continuing operations before capital amounts	(715)	876
Grants and contributions provided for capital purposes	4,148	3,910
Surplus (deficit) from continuing operations after capital amounts	3,433	4,786
Surplus (deficit) from all operations before tax	3,433	4,786
Less: corporate taxation equivalent (26%) [based on result before capital]	–	(241)
Surplus (deficit) after tax	3,433	4,545
Plus opening accumulated surplus	98,927	93,927
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	213	214
– Corporate taxation equivalent	–	241
Closing accumulated surplus	102,573	98,927
Return on capital %	(0.3)%	0.4%
Subsidy from Council	4,135	1,122
Calculation of dividend payable:		
Surplus (deficit) after tax	3,433	4,545
Surplus for dividend calculation purposes	3,433	4,545
Potential dividend calculated from surplus	1,717	2,273

Wingecarribee Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	17,934	17,272
User charges	1,193	1,226
Liquid trade waste charges	2	1
Fees	575	430
Interest	522	993
Grants and contributions provided for non-capital purposes	4	—
Other income	527	447
Total income from continuing operations	20,757	20,369
Expenses from continuing operations		
Employee benefits and on-costs	3,860	3,606
Borrowing costs	284	406
Materials and services	3,583	3,737
Depreciation, amortisation and impairment	5,778	5,665
Loss on sale of assets	959	810
Calculated taxation equivalents	209	209
Debt guarantee fee (if applicable)	121	91
Other expenses	2,194	1,186
Total expenses from continuing operations	16,988	15,710
Surplus (deficit) from continuing operations before capital amounts	3,769	4,659
Grants and contributions provided for capital purposes	4,509	5,604
Surplus (deficit) from continuing operations after capital amounts	8,278	10,263
Surplus (deficit) from all operations before tax	8,278	10,263
Less: corporate taxation equivalent (26%) [based on result before capital]	(980)	(1,281)
Surplus (deficit) after tax	7,298	8,982
Plus opening accumulated surplus	171,123	160,589
Plus/less: opening balance adjustment arising from adoption of new accounting standards	—	(29)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	209	209
– Debt guarantee fees	121	91
– Corporate taxation equivalent	980	1,281
Closing accumulated surplus	179,731	171,123
Return on capital %	1.4%	1.9%
Subsidy from Council	127	—
Calculation of dividend payable:		
Surplus (deficit) after tax	7,298	8,982
Less: capital grants and contributions (excluding developer contributions)	(168)	—
Surplus for dividend calculation purposes	7,130	8,982
Potential dividend calculated from surplus	3,565	4,491

Wingecarribee Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	5,246	2,777
Investments	60,329	60,363
Receivables	4,144	4,010
Inventories	505	491
Total current assets	70,224	67,641
Non-current assets		
Infrastructure, property, plant and equipment	229,509	227,084
Total non-current assets	229,509	227,084
Total assets	299,733	294,725
LIABILITIES		
Current liabilities		
Contract liabilities	182	147
Payables	1,242	1,501
Employee benefit provisions	511	473
Total current liabilities	1,935	2,121
Non-current liabilities		
Employee benefit provisions	33	31
Total non-current liabilities	33	31
Total liabilities	1,968	2,152
Net assets	297,765	292,573
EQUITY		
Accumulated surplus	102,573	98,927
Revaluation reserves	195,192	193,646
Total equity	297,765	292,573

Wingecarribee Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	4,335	2,310
Investments	49,858	50,199
Receivables	6,288	5,792
Inventories	58	54
Total current assets	60,539	58,355
Non-current assets		
Infrastructure, property, plant and equipment	280,550	272,575
Total non-current assets	280,550	272,575
Total assets	341,089	330,930
LIABILITIES		
Current liabilities		
Contract liabilities	91	52
Payables	1,167	1,071
Borrowings	1,634	2,155
Employee benefit provisions	1,029	936
Total current liabilities	3,921	4,214
Non-current liabilities		
Borrowings	6,507	8,142
Employee benefit provisions	73	67
Total non-current liabilities	6,580	8,209
Total liabilities	10,501	12,423
Net assets	330,588	318,507
EQUITY		
Accumulated surplus	179,731	171,123
Revaluation reserves	150,857	147,384
Total equity	330,588	318,507

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Wingecarribee Shire Council Water Fund

Comprising the whole of the operations and assets of the water supply systems servicing the major towns of Moss Vale, Bowral, Mittagong, Robertson and Bundanoon and surrounding villages.

b. Wingecarribee Shire Council Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the major towns of Moss Vale, Bowral and Bundanoon, Robertson, and Mittagong and surrounding villages, and the village of Berrima

Category 2

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

Nil

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – **26.0%** (2020: 27.5%)

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

In accordance with the Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26.0% (2020: 27.5%).

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 26.0% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Note – Significant Accounting Policies (continued)

Operating result before capital income + interest expense

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

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

(iii) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from their water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Planning, Industry & Environment – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Planning, Industry & Environment – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wingecarribee Shire Council

To the Administrator of the Wingecarribee Shire Council.

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial Statements

The Administrator is responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Administrator's responsibility also includes such internal control as the Administrator 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 Administrator is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

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

Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY



Glebe Street, Bowral

Special Schedules

For the year ended 30 June 2021

Working with you

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Wingecarribee
SHIRE COUNCIL

Wingecarribee Shire Council

Special Schedules

for the year ended 30 June 2021

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Wingecarribee Shire Council

Permissible income for general rates

\$ '000	Notes	2020/21	2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	50,857	52,621
Plus or minus adjustments ²	b	391	370
Notional general income	$c = a + b$	51,248	52,991
Permissible income calculation			
Or rate peg percentage	e	0.00%	2.00%
Or crown land adjustment (incl. rate peg percentage)	f	2.76%	0.00%
Or plus rate peg amount	$i = e \times (c + g)$	—	1,060
Or plus Crown land adjustment and rate peg amount	$j = f \times (c + g)$	1,414	—
Sub-total	$k = (c + g + h + i + j)$	52,662	54,051
Plus (or minus) last year's carry forward total	l	40	81
Sub-total	$n = (l + m)$	40	81
Total permissible income	$o = k + n$	52,702	54,132
Less notional general income yield	p	52,621	54,134
Catch-up or (excess) result	$q = o - p$	81	(2)
Plus income lost due to valuation objections claimed ⁴	r	—	6
Carry forward to next year ⁶	$t = q + r + s$	81	4

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Wingecarribee Shire Council

To the Administrator of Wingecarribee Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wingecarribee 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, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Schedule

The Administrator is responsible for the preparation of the Schedule in accordance with the LG Code. The Administrator's responsibility also includes such internal control as the Administrator determines 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 Administrator is 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 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Wingecarribee 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	Other	804	804	2,110	1,879	96,551	140,015	46.8%	26.7%	23.7%	2.8%	0.0%
	Sub-total	804	804	2,110	1,879	96,551	140,015	46.8%	26.7%	23.7%	2.8%	0.0%
Other structures	Other structures	78	78	43	109	6,609	9,172	34.4%	30.6%	31.6%	3.4%	0.0%
	Sub-total	78	78	43	109	6,609	9,172	34.4%	30.6%	31.6%	3.4%	0.0%
Roads	Sealed roads	6,388	6,388	3,090	7,344	305,360	461,789	14.0%	70.0%	14.0%	2.0%	0.0%
	Unsealed roads	67	67	1,562	1,978	74,766	80,787	62.0%	38.0%	0.0%	0.0%	0.0%
	Bridges	22	22	30	16	32,420	39,833	68.0%	27.0%	5.0%	0.0%	0.0%
	Footpaths	776	776	478	435	31,435	44,579	36.0%	35.0%	20.0%	9.0%	0.0%
	Other road assets	2,171	2,171	667	1,164	70,498	97,089	27.0%	59.0%	7.0%	7.0%	0.0%
	Bulk earthworks	—	—	—	—	244,217	244,217	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	9,424	9,424	5,827	10,937	758,696	968,294	19.0%	70.4%	8.5%	2.1%	0.0%
Water supply network	Other	2,692	2,692	2,147	1,353	210,996	384,760	67.8%	17.6%	12.6%	0.9%	1.1%
	Sub-total	2,692	2,692	2,147	1,353	210,996	384,760	67.8%	17.6%	12.6%	0.9%	1.1%
Sewerage network	Other	5,354	5,354	2,713	1,831	257,801	382,416	72.1%	20.6%	3.9%	1.0%	2.4%
	Sub-total	5,354	5,354	2,713	1,831	257,801	382,416	72.1%	20.6%	3.9%	1.0%	2.4%
Stormwater drainage	Other	5,640	5,640	255	606	113,412	151,862	36.0%	32.0%	28.0%	1.0%	3.0%
	Sub-total	5,640	5,640	255	606	113,412	151,862	36.0%	32.0%	28.0%	1.0%	3.0%
Open space / recreational assets	Other	1,167	1,167	2,890	2,378	22,613	38,614	14.1%	41.0%	30.7%	14.2%	0.0%
	Sub-total	1,167	1,167	2,890	2,378	22,613	38,614	14.1%	41.0%	30.7%	14.2%	0.0%
Other infrastructure assets	Public Art & Monuments	10	10	—	—	1,986	2,449	63.5%	30.1%	4.5%	1.9%	0.0%
	Sub-total	10	10	—	—	1,986	2,449	63.5%	30.1%	4.5%	1.9%	0.0%
Total – all assets		25,169	25,169	15,985	19,093	1,468,664	2,077,582	41.0%	44.9%	11.4%	1.9%	0.9%

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

Wingecarribee Shire Council

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

Infrastructure asset condition assessment 'key'

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

Wingecarribee Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	31,290	111.19%	65.05%	42.18%	>= 100.00%
Depreciation, amortisation and impairment	28,142				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	25,169	1.68%	1.72%	1.54%	< 2.00%
Net carrying amount of infrastructure assets	1,502,209				
Asset maintenance ratio					
Actual asset maintenance	19,093	119.44%	102.68%	98.00%	> 100.00%
Required asset maintenance	15,985				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	25,169	1.21%	1.24%	1.02%	
Gross replacement cost	2,077,582				

(*) 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.

Wingecarribee Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	104.78%	84.85%	85.66%	41.85%	154.67%	27.83%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	1.66%	1.67%	1.28%	1.38%	2.08%	2.18%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	143.00%	114.14%	63.02%	74.04%	67.49%	62.13%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.31%	1.32%	0.70%	0.76%	1.40%	1.48%	
Gross replacement cost							

(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.