



KEMPSEY
Shire Council



2020-2021
ANNUAL REPORT
AUDITED FINANCIAL STATEMENTS

Kempsey Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

22 Tozer Street
WEST KEMPSEY NSW 2440

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

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

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

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

Kempsey Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 September 2021.



Elizabeth Campbell
Mayor
02 November 2021



Sue McGinn
Councillor
02 November 2021



Craig Milburn
General Manager
02 November 2021



Stephen Mitchell
Responsible Accounting Officer
02 November 2021

Kempsey Shire Council

Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget 2021 \$ '000</i>		Notes	<i>Actual 2021 \$ '000</i>	<i>Restated Actual 2020 ¹ \$ '000</i>
	Income from continuing operations			
43,240	Rates and annual charges	B2-1	43,428	41,707
16,145	User charges and fees	B2-2	17,313	16,054
1,608	Other revenue	B2-3	2,193	1,574
12,120	Grants and contributions provided for operating purposes	B2-4	14,377	14,772
24,384	Grants and contributions provided for capital purposes	B2-4	21,767	14,671
891	Interest and investment income	B2-5	608	1,059
98,388	Total income from continuing operations		99,686	89,837
	Expenses from continuing operations			
25,846	Employee benefits and on-costs	B3-1	25,378	25,572
21,946	Materials and services	B3-2	22,838	23,104
2,086	Borrowing costs	B3-3	2,145	2,425
24,019	Depreciation and amortisation	B3-4	22,991	26,749
1,850	Other expenses	B3-5	2,470	2,356
–	Net losses from the disposal of assets	B4-1	2,755	3,085
75,747	Total expenses from continuing operations		78,577	83,291
22,641	Operating result from continuing operations		21,109	6,546
22,641	Net operating result for the year attributable to Council		21,109	6,546
(1,742)	Net operating result for the year before grants and contributions provided for capital purposes		(658)	(8,125)

(1) See note G4-1 for details regarding restatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	<i>Actual</i> 2021 \$ '000	<i>Actual</i> 2020 ¹ \$ '000
Notes		
Net operating result for the year – from Income Statement	21,109	6,546
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6 3,364	(13,160)
Total items which will be reclassified subsequently to the operating result when specific conditions are met	3,364	(13,160)
Total other comprehensive income for the year	3,364	(13,160)
Total comprehensive income for the year attributable to Council	24,473	(6,614)

(1) See note G4-1 for details regarding restatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Financial Position

as at 30 June 2021

	Notes	Actual 2021 \$ '000	Restated Actual 2020 ¹ \$ '000	Restated Actual 1 July 2019 \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	35,767	18,083	10,272
Investments	C1-2	52,220	36,985	42,987
Receivables	C1-4	21,217	9,713	9,876
Inventories		508	507	484
Contract assets and contract cost assets	C1-5	4,337	2,314	–
Other		412	130	56
Total current assets		114,461	67,732	63,675
Non-current assets				
Receivables	C1-4	54	106	369
Infrastructure, property, plant and equipment	C1-6	1,103,229	1,089,863	1,102,413
Right of use assets		41	81	–
Total non-current assets		1,103,324	1,090,050	1,102,782
Total assets		1,217,785	1,157,782	1,166,457
LIABILITIES				
Current liabilities				
Payables	C2-1	9,779	6,365	4,979
Contract liabilities	C2-2	12,989	3,149	950
Lease liabilities		31	39	–
Borrowings	C2-3	4,635	3,329	3,994
Employee benefit provisions	C2-4	6,692	7,158	6,681
Total current liabilities		34,126	20,040	16,604
Non-current liabilities				
Payables	C2-1	–	446	676
Lease liabilities		40	71	–
Borrowings	C2-3	56,160	34,571	37,901
Employee benefit provisions	C2-4	1,180	886	750
Provisions	C2-5	1,246	1,208	1,079
Total non-current liabilities		58,626	37,182	40,406
Total liabilities		92,752	57,222	57,010
Net assets		1,125,033	1,100,560	1,109,447
EQUITY				
Accumulated surplus		491,901	470,792	466,519
IPPE revaluation reserve	C1-6	633,132	629,768	642,928
Total equity		1,125,033	1,100,560	1,109,447

(1) See note G4-1 for details regarding restatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20 ¹		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July ¹		463,238	629,768	1,093,006	458,918	642,928	1,101,846
Correction of prior period errors	G4-1	7,554	–	7,554	7,601	–	7,601
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(2,273)	–	(2,273)
Restated opening balance		470,792	629,768	1,100,560	464,246	642,928	1,107,174
Net operating result for the year		21,109	–	21,109	6,593	–	6,593
Correction of prior period errors	G4-1	–	–	–	(47)	–	(47)
Restated net operating result for the period		21,109	–	21,109	6,546	–	6,546
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	3,364	3,364	–	(13,160)	(13,160)
Other comprehensive income		–	3,364	3,364	–	(13,160)	(13,160)
Total comprehensive income		21,109	3,364	24,473	6,546	(13,160)	(6,614)
Closing balance at 30 June		491,901	633,132	1,125,033	470,792	629,768	1,100,560

(1) See Note G4-1 for details regarding restatement as a result of prior period error.

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

Kempsey Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

<i>Original unaudited budget 2021 \$ '000</i>		Notes	<i>Actual 2021 \$ '000</i>	<i>Actual 2020 \$ '000</i>
Cash flows from operating activities				
<i>Receipts:</i>				
43,139	Rates and annual charges		44,654	41,834
16,019	User charges and fees		17,571	15,724
891	Investment and interest revenue received		648	1,125
36,330	Grants and contributions		40,601	26,322
–	Bonds, deposits and retention amounts received		894	132
1,547	Other		1,233	5,361
<i>Payments:</i>				
(25,846)	Employee benefits and on-costs		(25,909)	(25,077)
(16,763)	Materials and services		(32,169)	(23,834)
(1,896)	Borrowing costs		(2,002)	(2,361)
(6,499)	Other		(2,679)	(6,145)
46,922	Net cash flows from operating activities	G1-1a	42,842	33,081
Cash flows from investing activities				
<i>Receipts:</i>				
417	Sale of investment securities		15,433	5,039
1,085	Sale of infrastructure, property, plant and equipment		835	241
–	Deferred debtors receipts		–	197
<i>Payments:</i>				
–	Purchase of investment securities		(30,668)	963
(55,052)	Purchase of infrastructure, property, plant and equipment		(33,547)	(27,621)
–	Deferred debtors and advances made		(67)	(80)
(53,550)	Net cash flows from investing activities		(48,014)	(21,261)
Cash flows from financing activities				
<i>Receipts:</i>				
8,500	Proceeds from borrowings		26,500	–
<i>Payments:</i>				
(3,447)	Repayment of borrowings		(3,605)	(3,995)
–	Principal component of lease payments		(39)	(14)
5,053	Net cash flows from financing activities		22,856	(4,009)
(1,575)	Net change in cash and cash equivalents		17,684	7,811
10,422	Cash and cash equivalents at beginning of year		18,083	10,272
8,847	Cash and cash equivalents at end of year	C1-1	35,767	18,083

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

Kempsey 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 21 September 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated asset remediation provisions – refer Note C2-5
- (iii) employee benefit provisions – refer Note C2-4

Significant judgements in applying the Council's accounting policies

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

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

COVID-19 impact

A significant event of the 2020-21 financial year that affected Council's operations, as reflected in the financial statements has been the novel coronavirus (COVID-19) pandemic.

Impact of COVID-19 on User charges and fees

There was no material impact on overall levels of user charges and fees as presented in Note B2-2.

Impact of COVID-19 on Rates and annual charges receivables

There has been no material impact on the collection of outstanding Rates and Annual Charges Receivables as presented in Note C1-4.

A1-1 Basis of preparation (continued)

Going concern

Council has considered its updated Operational Plan 2021 – 2022 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty. Despite the impact of COVID-19 on the 2019/20 financial year, the continuation of some of the financial support concessions into the 2020/21 financial year, and the uncertain time required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

Monies and other assets received by Council

The Consolidated Fund

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

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has immaterial dependance on volunteer services recieved and therefore does not recognise these contributions in the income statement.

Areas where volunteer services are utilised include Library services, Visitor Information Centres and Community events.

New accounting standards and interpretations issued not yet effective

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

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

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

A1-1 Basis of preparation (continued)

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 for 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 ¹

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.

	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Functions or activities										
Governance	26,742	27,907	10,181	9,726	16,561	18,181	4,494	6,574	137,832	131,455
Healthy	50,463	43,260	40,716	41,247	9,747	2,013	14,438	3,175	404,694	404,223
Wealthy	17,025	12,727	19,729	24,875	(2,704)	(12,148)	11,873	13,879	593,236	556,196
Safe	3,870	3,410	2,829	2,793	1,041	617	3,799	3,338	–	–
Connected	1,586	2,533	5,122	4,650	(3,536)	(2,117)	1,540	2,477	82,023	65,908
Total functions and activities	99,686	89,837	78,577	83,291	21,109	6,546	36,144	29,443	1,217,785	1,157,782

(1) See note G4-1 for details regarding restatement as a result of prior period error.

B1-2 Components of functions or activities

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

Governance

Costs relating to the 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, area representation and public disclosure and compliance, as well as financial and administrative services, human resources, public relations and information technology.

Healthy

Water, sewerage, strategic planning, development control, environmental control and projects, domestic waste management and rubbish tips, noxious weeds, ranger services, community services and lifestyle management, public cemeteries, sporting fields and pools, animal control, drainage and building control.

Wealthy

Roads, bridges, footpaths and cycleways, kerb and guttering, road and traffic signs, traffic facilities, bus shelters, quarries, caravan parks, saleyards, airport, library, tourism and economic development.

Safe

Bushfire and emergency services, community safety and crime prevention, flood plain mitigation and management, beach patrols and street lighting.

Connected

Cultural, aboriginal and youth services, art galleries, civic maintenance, community centres and community buildings, car parking, parks and reserves, boat ramps, wharves and jetties and public privies.

B2 Sources of income

B2-1 Rates and annual charges

	2021	2020
	Actual	Actual
	\$ '000	\$ '000
Ordinary rates		
Residential	15,875	15,178
Farmland	3,117	3,120
Business	2,128	2,133
Less: pensioner rebates	(720)	(711)
Rates levied to ratepayers	20,400	19,720
Pensioner rate subsidies received	393	400
Total ordinary rates	20,793	20,120
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	4,804	4,718
Stormwater management services	202	201
Water supply services	5,018	4,748
Sewerage services	12,040	11,353
Waste management services (non-domestic)	415	435
On-site sewerage management charge	462	440
Less: pensioner rebates (mandatory)	(686)	(702)
Annual charges levied	22,255	21,193
Pensioner subsidies received:		
– Water	150	154
– Sewerage	112	114
– Domestic waste management	118	126
Total annual charges	22,635	21,587
Total rates and annual charges	43,428	41,707

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

Accounting policy

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

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

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

B2-2 User charges and fees

	Timing	2021 Actual \$ '000	2020 Actual \$ '000
User charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	6,721	7,470
Sewerage services	1	1,180	1,237
Waste management services (non-domestic)	1	2,304	1,975
User charges		10,205	10,682
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	11	8
Planning and building regulation	2	349	245
Private works – section 67	1	367	190
Regulatory/ statutory fees	2	283	262
Section 10.7 certificates (EP&A Act)	2	90	78
Section 603 certificates	2	77	61
Total fees and charges – statutory/regulatory		1,177	844
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	23	85
Cemeteries	2	305	252
Lease rentals	2	15	32
Leaseback fees – Council vehicles	2	224	272
Library and art gallery	2	7	7
Saleyards	2	446	405
Sundry sales	2	7	8
Water connection fees	2	130	123
Caravan parks and camping grounds	2	4,033	2,860
Sewerage services	2	396	182
Water supply	2	78	130
Other	2	267	172
Total fees and charges – other		5,931	4,528
Total user charges and fees		17,313	16,054
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		10,572	–
User charges and fees recognised at a point in time (2)		6,741	16,054
Total user charges and fees		17,313	16,054

Accounting policy

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

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

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

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

B2-3 Other revenue

	<i>Timing</i>	2021 <i>Actual</i> \$ '000	<i>2020</i> <i>Actual</i> \$ '000
Bushfire Recovery	2	461	77
Commissions and agency fees	2	28	23
Development Control	2	113	51
Diesel rebate	2	157	125
Fines – other	2	3	4
Fines – parking	2	226	104
Insurance claims recoveries	2	64	163
Legal fees recovery – rates and charges (extra charges)	2	5	22
Long service leave contributions	2	12	34
OH&S incentive rebate	2	85	120
Recycling income (non-domestic)	2	269	160
Rental income – other council properties	2	223	353
Sales – general	2	197	44
State waste rebate	2	150	150
Other	2	200	144
Total other revenue		2,193	1,574
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,193	1,574
Total other revenue		2,193	1,574

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

		Operating 2021 Actual \$ '000	Operating 2020 Actual \$ '000	Capital 2021 Actual \$ '000	Capital 2020 Actual \$ '000
	<i>Timing</i>				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	2,947	3,068	–	–
Payment in advance - future year allocation					
Financial assistance ¹	2	3,156	3,252	–	–
Amount recognised as income during current year		6,103	6,320	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Water supplies	2	–	95	97	158
Sewerage services	1	–	–	299	277
Bushfire and emergency services	2	366	1,300	157	1,096
Economic development	2	2	1,656	–	–
Employment and training programs	2	36	31	–	–
Environmental programs	2	131	77	–	4
Heritage and cultural	2	3	–	–	–
Library	2	37	26	48	–
Library – per capita	2	76	64	–	–
LIRS subsidy	2	75	92	–	–
Noxious weeds	2	576	548	–	–
Public halls	1	–	–	–	3
Recreation and culture	1	5	–	3,692	4,130
Aerodrome	1	–	–	60	–
Community services	1	1,288	318	4	105
Emergency services	2	515	–	90	–
Flood mitigation	2	200	108	94	–
Waste levy	2	71	71	–	–
Street lighting	2	81	81	–	–
Transport (roads to recovery)	2	1,528	745	–	–
Transport (other roads and bridges funding)	1	1,127	535	9,192	1,655
Other specific grants	2	–	82	281	–
Previously contributions:					
Kerb and gutter	2	–	–	–	3
Roads and bridges	2	147	1	–	–
Transport for NSW contributions (regional roads, block grant)	2	1,830	2,474	–	1,562
Water supplies (excl. section 64 contributions)	2	177	130	–	–
Other contributions	2	3	18	30	650
Total special purpose grants and non-developer contributions – cash		8,274	8,452	14,044	9,643
Non-cash contributions					
Dedications	2	–	–	486	–
Drainage	2	–	–	–	139
Kerb and gutter	2	–	–	–	283
Roads and bridges	2	–	–	2,103	1,255
Sewerage (excl. section 64 contributions)	2	–	–	–	282
Water supplies (excl. section 64 contributions)	2	–	–	–	852
Other	1	–	–	407	–

continued on next page ...

B2-4 Grants and contributions (continued)

		Operating 2021 Actual \$ '000	Operating 2020 Actual \$ '000	Capital 2021 Actual \$ '000	Capital 2020 Actual \$ '000
	<i>Timing</i>				
Footpath	2	–	–	–	210
Total other contributions – non-cash		–	–	2,996	3,021
Total special purpose grants and non-developer contributions (tied)		8,274	8,452	17,040	12,664
Total grants and non-developer contributions		14,377	14,772	17,040	12,664
Comprising:					
– Commonwealth funding		7,651	7,758	1,217	2,198
– State funding		6,399	4,391	12,796	5,230
– Other funding		327	2,623	3,027	5,236
		14,377	14,772	17,040	12,664

(1) \$3.156M of the 2021-2022 Financial Assistance Grant from State Government was received in June 2021 and therefore reported as 2020-2021 income although it relates to 2021-2022 financial year

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2021 Actual \$ '000	Operating 2020 Actual \$ '000	Capital 2021 Actual \$ '000	Capital 2020 Actual \$ '000
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	1,498	658
S 64 – water supply contributions		2	–	–	1,290	802
S 64 – sewerage service contributions		2	–	–	959	547
Total developer contributions – cash			–	–	3,747	2,007
Non-cash contributions						
S 64 – water supply contributions		2	–	–	980	–
Total developer contributions non-cash			–	–	980	–
Total developer contributions			–	–	4,727	2,007
Total contributions			–	–	4,727	2,007
Total grants and contributions			14,377	14,772	21,767	14,671
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			2,420	–	13,654	–
Grants and contributions recognised at a point in time (2)			11,957	14,772	8,113	14,671
Total grants and contributions			14,377	14,772	21,767	14,671

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:

	Operating 2021 Actual \$ '000	Operating 2020 Actual \$ '000	Capital 2021 Actual \$ '000	Capital 2020 Actual \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	2,075	1,580	3,325	1,541
Add: Funds received and not recognised as revenue in the current year	1,855	1,347	1,903	2,443
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,262)	(852)	(2,427)	(659)
Unspent funds at 30 June	2,668	2,075	2,801	3,325
Contributions				
Unspent funds at 1 July	–	–	11,722	9,719
	–	–	3,827	2,187

B2-4 Grants and contributions (continued)

	Operating 2021 Actual \$ '000	Operating 2020 Actual \$ '000	Capital 2021 Actual \$ '000	Capital 2020 Actual \$ '000
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	3,827	2,187
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	(184)
Unspent contributions at 30 June	–	–	15,549	11,722

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include Blaze Aid Camps 1-3 and Community Development Officer and the Dunghutti Dolls art project. 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.

Capital grants

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

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

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

B2-4 Grants and contributions (continued)

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 income

	2021	2020
	Actual	Actual
	\$ '000	\$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	119	287
– Cash and investments	489	772
Total interest and investment income (losses)	608	1,059

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021	2020
	Actual	Actual
	\$ '000	\$ '000
Salaries and wages	21,396	21,964
Travel expenses	10	39
Employee leave entitlements (ELE)	3,804	4,191
ELE on-costs	16	–
Superannuation	2,506	2,542
Workers' compensation insurance	676	685
Fringe benefit tax (FBT)	70	61
Payroll tax	172	193
Training costs (other than salaries and wages)	346	377
Protective clothing	113	85
Other	40	27
Total employee costs	29,149	30,164
Less: capitalised costs	(3,771)	(4,592)
Total employee costs expensed	25,378	25,572

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	2021 <i>Actual</i> \$ '000	2020 <i>Actual</i> \$ '000
Raw materials and consumables	5,769	5,933
Contractor and consultancy costs	12,080	12,353
Audit Fees	94	96
Councillor and Mayoral fees and associated expenses	230	232
Advertising	130	146
Bank charges	103	98
Computer software charges	738	650
Electricity and heating	1,281	1,341
Insurance	1,046	920
Postage	49	41
Printing and stationery	132	80
Street lighting	447	454
Subscriptions and publications	42	52
Telephone and communications	249	277
Valuation fees	97	94
Other expenses	86	80
Legal expenses: planning and development	39	125
Legal expenses: other	106	14
Expenses from short-term leases	24	77
Expenses from leases of low value assets	94	41
Other	2	–
Total materials and services	22,838	23,104
Total materials and services	22,838	23,104

Accounting policy

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

B3-3 Borrowing costs

	2021 <i>Actual</i> \$ '000	2020 <i>Actual</i> \$ '000
(i) Interest bearing liability costs		
Interest on loans	2,174	2,216
Total interest bearing liability costs	2,174	2,216
Total interest bearing liability costs expensed	2,174	2,216
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	67	80
Discount adjustments relating to movements in provisions (other than ELE)	(96)	129
Total other borrowing costs	(29)	209
Total borrowing costs expensed	2,145	2,425

Accounting policy

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

B3-4 Depreciation, amortisation and impairment of non-financial assets ¹

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment	c1-6	1,303	1,422
Office equipment	c1-6	173	234
Furniture and fittings	C1-6	21	21
Land improvements (depreciable)	C1-6	512	548
Infrastructure:			
– Buildings – non-specialised	C1-6	1,125	1,155
– Buildings – specialised		849	839
– Other structures		44	–
– Roads		6,164	9,865
– Bridges		1,007	707
– Footpaths		332	575
– Stormwater drainage		1,183	1,267
– Water supply network		5,641	5,538
– Sewerage network		3,753	3,759
– Swimming pools		96	90
– Other open space/recreational assets		447	464
Right of use assets		40	43
Other assets:			
– Other	C1-6	46	46
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-6	214	134
– Quarry assets	C1-6	41	42
Total gross depreciation and amortisation costs		22,991	26,749
Total depreciation and amortisation costs		22,991	26,749
Total depreciation, amortisation and impairment for non-financial assets		22,991	26,749

B3-4 Depreciation, amortisation and impairment of non-financial assets ¹ (continued)

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

(1) See note G4-1 for details regarding restatement as a result of prior period error.

B3-5 Other expenses

	2021	2020
	Actual	Actual
	\$ '000	\$ '000
Impairment of receivables		
Other	–	472
Total impairment of receivables	–	472
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	41	46
– NSW fire brigade levy	73	74
– NSW rural fire service levy	402	325
– Waste levy	1,314	964
– Other contributions/levies	536	379
Donations, contributions and assistance to other organisations (Section 356)	104	96
Total other	2,470	1,884
Total other expenses	2,470	2,356

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**

	2021	2020
	Actual	Actual
	\$ '000	\$ '000
Gain (or loss) on disposal of property (excl. investment property)		
Proceeds from disposal – property	-	(2)
Gain (or loss) on disposal	-	(2)
Gain (or loss) on disposal of plant and equipment		
Proceeds from disposal – plant and equipment	835	243
Less: carrying amount of plant and equipment assets sold/written off	(388)	(315)
Gain (or loss) on disposal	447	(72)
Gain (or loss) on disposal of infrastructure		
Less: carrying amount of infrastructure assets sold/written off	(3,202)	(3,011)
Gain (or loss) on disposal	(3,202)	(3,011)
Net gain (or loss) on disposal of assets	(2,755)	(3,085)

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 25/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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REVENUES

Rates and annual charges	43,240	43,428	188	0%	F
User charges and fees	16,145	17,313	1,168	7%	F
Other revenues	1,608	2,193	585	36%	F

The variance relates to:

- Bushfire recovery payment \$324k (F) not budgeted for.
- Higher than expected sales of recycled goods \$135k (F)
- WHS incentive rebates & workers compensation recoveries higher than expected \$89k (F)
- Higher than expected diesel fuel rebate \$108k (F)

Operating grants and contributions	12,120	14,377	2,257	19%	F
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Variation relates to unplanned grants received in the areas of:

- Coastal Management \$121k (F)
- Weeds Biosecurity \$308k (F)
- Stronger People Stronger Places \$750k (F)
- Natural Disaster Recovery \$1m (F)
- Waste \$71k (F)
- Floodplain Management \$186k (F)

Capital grants and contributions	24,384	21,767	(2,617)	(11)%	U
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Interest and investment revenue	891	608	(283)	(32)%	U
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Interest and Investment revenue has continued to be impacted by COVID-19 issues and subsequent issues related to economic performance, resulting in suppressed interest rates.

EXPENSES

Employee benefits and on-costs	25,846	25,378	468	2%	F
Materials and services	21,946	22,838	(892)	(4)%	U
Borrowing costs	2,086	2,145	(59)	(3)%	U
Depreciation, amortisation and impairment of non-financial assets	24,019	22,991	1,028	4%	F
Other expenses	1,850	2,470	(620)	(34)%	U

Variance relates to:

- Higher than budgeted Waste Levy (\$446k) payments to the NSW Government. The volume of waste taken to Landfill was much higher than expected due to Covid-19 Stay-At-Home restrictions and ratepayers taking the opportunity to clean up as a result of natural disasters.
- Crown Land Tourist Park Levy (\$159k) was higher than budgeted as the Long Term Financial Plan budgeted for a lower level of Holiday Park revenue due to travel restrictions as a response to Covid-19.

B5-1 Material budget variations (continued)

\$ '000	2021 <i>Budget</i>	2021 <i>Actual</i>	2021 <i>Variance</i>		
Net losses from disposal of assets	–	2,755	(2,755)	∞	U

The material portion of this variance - \$2,755k (U) relates to renewed infrastructure assets disposed for nil proceeds.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	46,922	42,842	(4,080)	(9)%	U
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Cash flows from investing activities	(53,550)	(48,014)	5,536	(10)%	F
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Council used less cash in the construction of infrastructure than budgeted due to the program of works being revised in response to the availability of resources due to Covid-19, and a refocus to operational work as a direct response to the impact of flooding in March 2021.

Cash flows from financing activities	5,053	22,856	17,803	352%	F
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Council borrowed \$26,500,000 in 2020-21, \$16,000,000 for General Fund and \$10,500,000 for Water Fund. The higher than budgeted loan borrowing programme was to take advantage of low interest rates and Council bought forward planned borrowings for the 2021-22 financial year.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 Actual \$ '000	2020 Actual \$ '000
Cash and cash equivalents		
Cash on hand and at bank	7,575	13,454
Cash-equivalent assets		
– Deposits at call	28,192	4,629
Total cash and cash equivalents	35,767	18,083

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	35,767	18,083
Balance as per the Statement of Cash Flows	35,767	18,083

Accounting policy

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

C1-2 Financial investments

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Financial assets at fair value through the profit and loss				
Managed funds	13,670	–	1,052	–
Total	13,670	–	1,052	–
Debt securities at amortised cost				
Long term deposits	20,500	–	35,933	–
NCD's, FRN's (with maturities > 3 months)	18,050	–	–	–
Total	38,550	–	35,933	–
Total financial investments	52,220	–	36,985	–
Total cash assets, cash equivalents and investments	87,987	–	55,068	–

Accounting policy

Equity securities designated as at FVOCI

The investments shown designated as equity securities as at FVOCI represent investments that the NSW Council intends to hold for long-term strategic purposes.

No strategic investments were disposed of during 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

C1-2 Financial investments (continued)

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in the Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Term Deposits and managed funds in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Total cash, cash equivalents and investments	87,987	–	55,068	–
attributable to:				
External restrictions	65,522	–	46,412	–
Internal restrictions	12,670	–	8,126	–
Unrestricted	9,795	–	530	–
	87,987	–	55,068	–

	2021 Actual \$ '000	2020 Actual \$ '000

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	4,504	4,961
Transport for NSW advances	671	63
Specific purpose unexpended grants – water fund	93	–
Specific purpose unexpended grants – sewer fund	201	376
External restrictions – included in liabilities	5,469	5,400

External restrictions – other

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

Contributions – ancillary works	38	38
Developer contributions – general	5,156	3,656
Developer contributions – sewer fund	3,874	2,888
Developer contributions – water fund	6,519	5,180
Domestic waste management	3,214	3,002
Environmental Levy	3,004	2,839
Holiday Parks Reserve	6,161	5,963
On-site sewerage management reserve	664	473
Sewer fund	12,305	9,831
Sewerage uncompleted works reserve	795	425
Stormwater Levy	551	494
Water fund	16,672	5,602
Water uncompleted works reserve	1,100	621
External restrictions – other	60,053	41,012
Total external restrictions	65,522	46,412

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

	2021 Actual \$ '000	2020 Actual \$ '000
Internal restrictions		
Cemetery headstone restoration reserve	114	108
Corporate	3,156	3,252
Council has internally restricted cash, cash equivalents and investments as follows:		
Deposits, retentions and bonds	1,781	–
General fleet	4,721	3,464
General fund uncompleted works reserve	2,898	1,302
Total internal restrictions	12,670	8,126
Total restrictions	78,192	54,538

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

C1-4 Receivables

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Purpose				
Rates and annual charges	3,979	–	4,664	–
User charges and fees	3,895	–	3,289	–
Accrued revenues				
– Interest on investments	78	–	118	–
– Other income accruals	246	–	151	–
Amounts due from other councils	6,032	–	–	–
Government grants and subsidies	1,642	54	1,018	106
Net GST receivable	886	–	527	–
Amounts due from other levels of government	4,513	–	–	–
Total	21,271	54	9,767	106
Less: provision for impairment				
Other debtors	(54)	–	(54)	–
Total provision for impairment – receivables	(54)	–	(54)	–
Total net receivables	21,217	54	9,713	106
Externally restricted receivables				
Water supply				
– Rates and availability charges	1,117	–	880	–
– Other	1,568	–	2,333	–
Sewerage services				
– Rates and availability charges	962	–	900	–
– Other	398	–	426	–
Domestic waste management	397	–	453	–
Total external restrictions	4,442	–	4,992	–
Unrestricted receivables	16,775	54	4,721	106
Total net receivables	21,217	54	9,713	106

Accounting policy

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

Impairment

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

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

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

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

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

C1-4 Receivables (continued)

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 3 years past due, whichever occurs first.

Receivables with a contractual amount of \$225 written off during the reporting period are still subject to enforcement activity

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

Rates and annual charges outstanding are secured against the property.

C1-5 Contract assets and Contract cost assets

	Notes	2021 Actual \$ '000	2020 Actual \$ '000
Contract assets	C1-5	4,337	2,314
Total contract assets and contract cost assets		4,337	2,314

Contract assets

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Other	4,337	-	2,314	-
Total contract assets	4,337	-	2,314	-

Significant changes in contract assets

There has been significant expenditure in 20/21 on Verge/Eden Street Sports Complex, South West Rocks High Performance Centre and roadworks after fires and flooding which Council will receive in due course.

(i) Externally restricted assets

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Externally restricted assets				
Water	24	-	160	-
Sewer	66	-	51	-
Total externally restricted assets	90	-	211	-
Total restricted assets	90	-	211	-
Total unrestricted assets	4,247	-	2,103	-
Total contract assets and contract cost asset	4,337	-	2,314	-

Accounting policy

Contract assets

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

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020 ²			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	13,380	–	13,380	580	13,503	–	–	(10,368)	–	–	17,095	–	17,095
Plant and equipment	16,729	(7,934)	8,795	2,434	–	(388)	(1,303)	–	–	–	18,190	(8,652)	9,538
Office equipment	3,126	(2,470)	656	361	–	–	(173)	–	–	–	3,485	(2,641)	844
Furniture and fittings	282	(207)	75	67	–	–	(21)	–	–	–	349	(228)	121
Land:													
– Crown land	27,059	–	27,059	–	–	–	–	–	–	–	27,059	–	27,059
– Operational land	21,578	–	21,578	–	–	–	–	–	–	–	21,578	–	21,578
– Community land	9,359	–	9,359	1	–	–	–	–	–	1,066	10,426	–	10,426
Land improvements	44,998	(7,037)	37,961	–	56	–	(512)	2	(613)	1,189	49,795	(11,713)	38,082
Infrastructure:													
– Buildings – non-specialised	37,902	(23,867)	14,035	609	1,934	(950)	(1,125)	2,296	–	–	40,453	(23,653)	16,800
– Buildings – specialised	26,010	(15,480)	10,530	123	459	(7)	(849)	902	–	–	27,472	(16,314)	11,158
– Other structures	–	–	–	–	–	–	(44)	–	881	–	1,410	(573)	837
– Roads	348,441	(115,248)	233,193	3,298	3,393	(1,490)	(6,164)	736	–	(2,240)	351,141	(120,414)	230,727
– Bridges	94,118	(36,193)	57,925	174	658	(47)	(1,007)	372	–	(84)	95,106	(37,115)	57,991
– Footpaths	24,748	(10,990)	13,758	142	187	(32)	(332)	26	–	–	25,035	(11,286)	13,749
– Bulk earthworks (non-depreciable)	235,078	–	235,078	–	764	–	–	–	–	–	235,842	–	235,842
– Stormwater drainage	134,559	(44,564)	89,995	406	466	(103)	(1,183)	135	–	–	135,414	(45,698)	89,716
– Water supply network	290,116	(97,318)	192,798	1,665	1,027	–	(5,641)	553	–	1,761	295,649	(103,486)	192,163
– Sewerage network	226,579	(114,543)	112,036	311	1,774	(101)	(3,753)	2,629	–	913	232,885	(119,076)	113,809
– Swimming pools	3,439	(2,328)	1,111	31	–	–	(96)	–	–	–	3,470	(2,424)	1,046
– Other open space/recreational assets	17,178	(8,039)	9,139	397	979	(3)	(447)	1,137	(268)	759	23,691	(11,999)	11,692
Other assets:													
– Other	1,302	(804)	498	–	148	–	(46)	1,580	–	–	3,030	(850)	2,180
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	801	(133)	668	–	127	–	(214)	–	–	–	800	(219)	581
– Quarry assets	278	(42)	236	–	–	–	(41)	–	–	–	279	(84)	195
Total infrastructure, property, plant and equipment	1,577,060	(487,197)	1,089,863	10,599	25,475	(3,121)	(22,951)	–	–	3,364	1,619,654	(516,425)	1,103,229

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

(2) See note G4-1 for details regarding restatement as a result of prior period error.

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

By aggregated asset class	At 1 July 2019 ²			Asset movements during the reporting period							At 30 June 2020 ²		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount ² \$ '000
Capital work in progress	7,840	–	7,840	6,102	3,021	–	–	(3,583)	–	–	13,380	–	13,380
Plant and equipment	16,499	(7,004)	9,495	1,037	–	(315)	(1,422)	–	–	–	16,729	(7,934)	8,795
Office equipment	3,022	(2,236)	786	104	–	–	(234)	–	–	–	3,126	(2,470)	656
Furniture and fittings	282	(186)	96	–	–	–	(21)	–	–	–	282	(207)	75
Land:													
– Operational land	21,578	–	21,578	–	–	–	–	–	–	–	21,578	–	21,578
– Community land	9,359	–	9,359	–	–	–	–	–	–	–	9,359	–	9,359
– Crown land	27,059	–	27,059	–	–	–	–	–	–	–	27,059	–	27,059
Land improvements	44,393	(6,489)	37,904	–	514	–	(548)	91	–	–	44,998	(7,037)	37,961
Infrastructure:													
– Buildings – non-specialised	37,498	(24,045)	13,453	829	301	(306)	(1,155)	913	–	–	37,902	(23,867)	14,035
– Buildings – specialised	24,917	(14,880)	10,037	475	710	(94)	(839)	242	–	–	26,010	(15,480)	10,530
– Roads	424,476	(149,467)	275,009	1,510	4,002	(986)	(9,865)	356	(36,833)	–	348,441	(115,248)	233,193
– Bridges	64,490	(26,637)	37,853	3,713	499	(270)	(707)	1,156	–	15,681	94,118	(36,193)	57,925
– Footpaths	27,364	(14,138)	13,226	532	15	(15)	(575)	275	–	300	24,748	(10,990)	13,758
– Bulk earthworks (non-depreciable)	243,729	–	243,729	550	483	(534)	–	–	(9,150)	–	235,078	–	235,078
– Stormwater drainage	123,781	(47,242)	76,539	474	334	(59)	(1,267)	–	–	13,974	134,559	(44,564)	89,995
– Water supply network	286,257	(91,292)	194,965	1,171	781	(466)	(5,538)	71	–	1,814	290,116	(97,318)	192,798
– Sewerage network	223,631	(110,405)	113,226	1,490	282	(257)	(3,759)	–	–	1,054	226,579	(114,543)	112,036
– Swimming pools	3,439	(2,238)	1,201	–	–	–	(90)	–	–	–	3,439	(2,328)	1,111
– Other open space/recreational assets	15,052	(7,617)	7,435	–	1,938	(25)	(496)	255	–	–	17,178	(8,039)	9,139
– Other infrastructure	–	–	–	–	–	–	32	–	–	–	–	–	–
Other assets:													
– Other	1,302	(758)	544	–	–	–	(46)	–	–	–	1,302	(804)	498
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	801	–	801	–	–	–	(134)	–	–	–	801	(133)	668
– Quarry assets	278	–	278	–	–	–	(42)	–	–	–	278	(42)	236
Total infrastructure, property, plant and equipment	1,607,047	(504,634)	1,102,413	17,987	12,880	(3,327)	(26,721)	(224)	(45,983)	32,823	1,577,060	(487,197)	1,089,863

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

(2) See Note G4-1 for details regarding restatement as a result of prior period error.

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

Accounting policy

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

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

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

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).

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

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

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	Buildings	Years
Office equipment	5 to 10	Buildings	5 to 80
Office furniture	4 to 10		
Computer equipment	3 to 10		
Vehicles	5 to 13		
Heavy plant/road making equipment	5 to 13		
Other plant and equipment	3 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Water mains	20 to 110	Flood mitigation systems	70 to 80
Sewer mains	20 to 110	Flood Drains	Infinite
Treatment works	15 to 100		
Pumps and telemetry	10 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20 to 30	Bulk earthworks	Infinite
Sealed roads: structure	60 to 225	Swimming pools	30 to 50
Unsealed roads	7 to 90	Land improvements	10 to 100
Bridge	40 to 100	Other open space/recreational assets	25 to 100
Footpaths	40 to 85	Other structures	8 to 180

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

Land under roads

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

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

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

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.

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".

Only land and building Rural Fire Service assets are recognised as assets of the Council in these financial statements as it is Council's position it does not control firefighting plant and equipment.

C2 Liabilities of Council

C2-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
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Payables

Goods and services – operating expenditure	5,257	–	3,143	446
Accrued expenses:				
– Borrowings	226	–	188	–
– Salaries and wages	–	–	244	–
– Other expenditure accruals	679	–	598	–
Advances	–	–	2	–
Security bonds, deposits and retentions	1,780	–	886	–
Prepaid rates	1,826	–	1,285	–
Other	11	–	19	–
Total payables	9,779	–	6,365	446
Total payables	9,779	–	6,365	446

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
--	----------------------------	--------------------------------	----------------------------	--------------------------------

Externally restricted assets

Water	165	–	96	–
Sewer	75	–	80	–
Other	671	–	63	–
Payables relating to externally restricted assets	911	–	239	–
Total payables relating to restricted assets	911	–	239	–
Total payables relating to unrestricted assets	8,868	–	6,126	446
Total payables	9,779	–	6,365	446

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

	2021 Actual \$ '000	2020 Actual \$ '000
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The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	1,503	748
Total payables	1,503	748

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.

The financial liabilities of the Council comprise trade payables, bank and other loans.

Payables

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

C2-2 Contract Liabilities

		2021	2021	2020	2020
	Notes	Current Actual \$ '000	Non-current Actual \$ '000	Current Actual \$ '000	Non-current Actual \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	12,741	–	2,500	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	248	–	649	–
Total grants received in advance		12,989	–	3,149	–
Total contract liabilities		12,989	–	3,149	–

Notes

(i) Council has received funding to construct assets including roads, bridges, halls, play equipment, library, Plan Van 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.

Contract liabilities relating to restricted assets

	2021	2021	2020	2020
	Current Actual \$ '000	Non-current Actual \$ '000	Current Actual \$ '000	Non-current Actual \$ '000
Externally restricted assets				
Sewer	200	–	376	–
Unspent grants held as contract liabilities (excl. Water & Sewer)	7,419	–	2,708	–
Water	93	–	–	–
Contract liabilities relating to externally restricted assets	7,805	–	3,084	–
Total contract liabilities relating to restricted assets	7,805	–	3,084	–
Total contract liabilities relating to unrestricted assets	5,184	–	65	–
Total contract liabilities	12,989	–	3,149	–

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

	2021	2020
	Actual \$ '000	Actual \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,336	635
Operating grants (received prior to performance obligation being satisfied)	1,074	664
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,410	1,299

C2-2 Contract Liabilities (continued)

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.

C2-3 Borrowings

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Loans – secured ¹	4,635	56,160	3,329	34,571
Total borrowings	4,635	56,160	3,329	34,571

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

Borrowings relating to restricted assets

	2021 Current Actual \$ '000	2021 Non-current Actual \$ '000	2020 Current Actual \$ '000	2020 Non-current Actual \$ '000
Externally restricted assets				
Water	1,787	25,332	1,360	16,729
Sewer	1,348	13,668	1,115	15,017
Domestic waste management	–	–	63	–
Borrowings relating to externally restricted assets	3,135	39,000	2,538	31,746
Total borrowings relating to restricted assets	3,135	39,000	2,538	31,746
Total borrowings relating to unrestricted assets	1,500	17,160	791	2,825
Total borrowings	4,635	56,160	3,329	34,571

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	37,900	(3,605)	26,500	–	–	–	60,795
Lease liability	110	(39)	–	–	–	–	71
Total liabilities from financing activities	38,010	(3,644)	26,500	–	–	–	60,866

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	41,869	(3,969)	–	–	–	–	37,900

continued on next page ...

C2-3 Borrowings (continued)

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Government advances	26	(26)	–	–	–	–	–
Lease liability	–	(15)	–	–	125	–	110
Total liabilities from financing activities	41,895	(4,010)	–	–	125	–	38,010

(b) Financing arrangements

	2021 Actual \$ '000	2020 Actual \$ '000
Total facilities		
Credit cards/purchase cards	250	250
Total financing arrangements	250	250
Undrawn facilities		
– Credit cards/purchase cards	250	248
Total undrawn financing arrangements	250	248

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

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.

C2-4 Employee benefit provisions

	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
Annual leave	2,028	–	2,125	–
Sick leave	1,015	–	933	–
Long service leave	3,649	1,180	4,100	886
Total employee benefit provisions	6,692	1,180	7,158	886

Employee benefit provisions relating to restricted assets

Total employee benefit provisions relating to restricted assets	–	–	–	–
Total employee benefit provisions relating to unrestricted assets	6,692	1,180	7,158	886
Total employee benefit provisions	6,692	1,180	7,158	886

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

	2021	2020
	Actual	Actual
	\$ '000	\$ '000

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

Provisions – employees benefits	4,432	3,885
	4,432	3,885

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.

C2-5 Provisions

	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
	Actual	Actual	Actual	Actual
	\$ '000	\$ '000	\$ '000	\$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,246	–	1,208
Sub-total – asset remediation/restoration	–	1,246	–	1,208
Total provisions	–	1,246	–	1,208

Description of and movements in provisions

	Other provisions	
	Asset	Net
	remediation	carrying
	\$ '000	amount
	\$ '000	\$ '000
2021		
At beginning of year	1,208	1,208
Unwinding of discount	38	38
Total other provisions at end of year	1,246	1,246
2020		
At beginning of year	1,079	1,079
Unwinding of discount	129	129
Total other provisions at end of year	1,208	1,208

Nature and purpose of provisions

Asset remediation

The Asset Remediation Provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the council tip and quarry 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 – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

C2-5 Provisions (continued)

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

C3 Reserves

C3-1 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

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	27,528	4,954	12,161
User charges and fees	8,518	7,299	1,496
Interest and investment revenue	457	76	75
Other revenues	1,892	159	142
Grants and contributions provided for operating purposes	13,763	502	112
Grants and contributions provided for capital purposes	17,656	2,367	1,744
Total income from continuing operations	69,814	15,357	15,730
Expenses from continuing operations			
Employee benefits and on-costs	20,257	2,592	2,529
Materials and services	15,682	4,324	4,047
Borrowing costs	230	1,040	875
Depreciation and amortisation	13,520	5,682	3,789
Other expenses	2,470	–	–
Net losses from the disposal of assets	2,324	330	101
Calculated Taxation Equivalents	–	–	–
Total expenses from continuing operations	54,483	13,968	11,341
Operating result from continuing operations	15,331	1,389	4,389
Net operating result for the year	15,331	1,389	4,389
Net operating result attributable to each council fund	15,331	1,389	4,389
Net operating result for the year before grants and contributions provided for capital purposes	(2,325)	(978)	2,645

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	8,567	17,283	9,917
Investments	37,861	7,101	7,258
Receivables	17,172	2,685	1,360
Inventories	475	29	4
Contract assets and contract cost assets	4,337	–	–
Other	412	–	–
Total current assets	68,824	27,098	18,539
Non-current assets			
Receivables	54	–	–
Infrastructure, property, plant and equipment	787,470	197,933	117,826
Right of use assets	41	–	–
Total non-current assets	787,565	197,933	117,826
TOTAL ASSETS	856,389	225,031	136,365
LIABILITIES			
Current liabilities			
Payables	9,539	165	75
Contract liabilities	12,696	93	200
Lease liabilities	31	–	–
Borrowings	1,500	1,787	1,348
Employee benefit provision	6,692	–	–
Total current liabilities	30,458	2,045	1,623
Non-current liabilities			
Lease liabilities	40	–	–
Borrowings	17,160	25,332	13,668
Employee benefit provision	1,180	–	–
Provisions	1,246	–	–
Total non-current liabilities	19,626	25,332	13,668
TOTAL LIABILITIES	50,084	27,377	15,291
Net assets	806,305	197,654	121,074
EQUITY			
Accumulated surplus	377,338	60,726	53,837
Revaluation reserves	428,967	136,928	67,237
Council equity interest	806,305	197,654	121,074
Total equity	806,305	197,654	121,074

D2 Interests in other entities

D2-1 Interests in joint arrangements

(i) Joint operations

	<i>Principal activity</i>	<i>Place of business</i>	<i>Interest in ownership</i>		<i>Interest in voting</i>	
			2021	2020	2021	2020
(a) Council is involved in the following joint operations (JO's)						
Maria River Road upgrade	Upgrade of Maria River Road, a joint operation between Port Macquarie-Hastings Council and Kempsey Shire Council with a total project cost of \$17.01m	Port Macquarie NSW	52%	0%	50%	0%

Maria River Road is a length of road linking the NSW coastal towns of Crescent Head and Port Macquarie via the Settlement Point Ferry at Port Macquarie.

The road is situated within two local government areas, with the southern 11.7km of unsealed road in the Port Macquarie-Hastings Local Government Area (LGA) and the northern 12.7km of unsealed road within the Kempsey LGA.

A joint application for funding to seal the remaining unsealed section of Maria River Road was made by Kempsey Shire Council (KSC) and Port Macquarie-Hastings Council (PMHC) under the Fixing Local Roads scheme.

On July 9th, 2020, it was announced that the application was successful and funding of \$17.01m was awarded by Transport for NSW for the abovementioned project.

Accounting policy

Council has determined that it has only a joint operation

Joint operations

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

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

	<i>Carrying value</i> 2021 \$ '000	<i>Carrying value</i> 2020 \$ '000	<i>Fair value</i> 2021 \$ '000	<i>Fair value</i> 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	35,767	18,083	35,767	18,083
Receivables	21,271	9,819	21,271	9,819
Investments				
– Debt securities at amortised cost	38,550	35,933	38,550	35,933
- 'Financial assets at fair value through Profit & Loss	–	1,052	–	1,052
Fair value through profit and loss				
Investments				
– Held for trading	13,670	–	13,670	–
Total financial assets	109,258	64,887	109,258	64,887
Financial liabilities				
Payables	9,779	6,811	9,779	6,811
Loans/advances	60,795	37,900	62,643	53,335
Lease liabilities	71	110	71	–
Total financial liabilities	70,645	44,821	72,493	60,146

Fair value is determined as follows:

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

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

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

Impact of a 1% movement in interest rates

– Equity / Income Statement

790 551

Impact of a 10% movement in price of investments

– Equity / Income Statement

3,172 73

(b) Credit risk

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

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

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

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

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

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

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

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

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.

	<i>Not yet overdue \$ '000</i>	<i>< 1 year overdue \$ '000</i>	<i>1 - 2 years overdue \$ '000</i>	<i>2 - 5 years overdue \$ '000</i>	<i>> 5 years overdue \$ '000</i>	<i>Total \$ '000</i>
2021						
Gross carrying amount	1,829	2,150	–	–	–	3,979
2020						
Gross carrying amount	–	4,664	–	–	–	4,664

Receivables - non-rates and annual charges and contract assets

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

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

	<i>Not yet overdue \$ '000</i>	<i>0 - 30 days overdue \$ '000</i>	<i>31 - 60 days overdue \$ '000</i>	<i>61 - 90 days overdue \$ '000</i>	<i>> 91 days overdue \$ '000</i>	<i>Total \$ '000</i>
2021						
Gross carrying amount	14,867	1,471	365	59	584	17,346
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	4,429	439	107	35	199	5,209
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

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

(c) Liquidity risk

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

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

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. Council manages this risk through diversification of borrowing types, maturities and interest rate structures.

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

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

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

	<i>Weighted average interest rate %</i>	<i>Subject to no maturity \$ '000</i>	<i>payable in:</i>			<i>Total contractu al cash outflows \$ '000</i>	<i>Actual carrying values \$ '000</i>
			<i>≤ 1 Year \$ '000</i>	<i>1 - 5 Years \$ '000</i>	<i>> 5 Years \$ '000</i>		
2021							
Trade/other payables	0.00%	1,780	6,173	–	–	7,953	7,953
Loans and advances	3.92%	–	6,937	30,264	39,770	76,971	60,795
Total financial liabilities		1,780	13,110	30,264	39,770	84,924	68,748
2020							
Trade/other payables	0.00%	886	3,746	446	–	5,078	5,526
Loans and advances	5.50%	–	5,344	19,309	26,263	50,916	37,900
Total financial liabilities		886	9,090	19,755	26,263	55,994	43,426

E2-1 Fair value measurement

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

- Financial assets
- Infrastructure, property, plant and equipment

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

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

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

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

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

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2021	2020	2021	2020	2021	2020 ¹
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss		13,670	1,052	–	–	13,670	1,052
Total financial assets		13,670	1,052	–	–	13,670	1,052
Infrastructure, property, plant and equipment							
	C1-6						
Work in progress		–	–	17,095	13,380	17,095	13,380
Plant and equipment		–	–	9,538	8,795	9,538	8,795
Office equipment		–	–	844	656	844	656
Furniture and fittings		–	–	121	75	121	75
Crown Land		–	–	27,059	27,059	27,059	27,059
Operational land		–	–	21,578	21,578	21,578	21,578
Community land		–	–	10,426	9,359	10,426	9,359
Land Improvements		–	–	38,082	37,961	38,082	37,961
Buildings – non specialised		–	–	16,800	14,035	16,800	14,035
Buildings – specialised		–	–	11,158	10,530	11,158	10,530
Other Structures		–	–	837	–	837	–
Roads, bridges, footpaths, bulk earthwork		–	–	538,309	539,954	538,309	539,954
Stormwater drainage		–	–	89,716	89,995	89,716	89,995
Water supply network		–	–	192,163	192,798	192,163	192,798
Sewerage network		–	–	113,809	112,036	113,809	112,036
Swimming pools		–	–	1,046	1,111	1,046	1,111
Other open space/recreational assets		–	–	11,692	9,139	11,692	9,139
Other		–	–	2,180	498	2,180	498
Tip Assets		–	–	581	668	581	668
Quarry assets		–	–	195	236	195	236
Total infrastructure, property, plant and equipment		–	–	1,103,229	1,089,863	1,103,229	1,089,863

(1) See Note G4-1 for details regarding restatement as a result of prior period error

Transfers between level 1 and level 2 fair value hierarchies

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

continued on next page ...

E2-1 Fair value measurement (continued)

measurements.

Valuation techniques

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

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

Fair value measurements using significant unobservable inputs (level 3)

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

	<i>Plant and equipment</i>		<i>Office equipment</i>		<i>Furniture and fittings</i>		<i>Crown Land</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	8,795	9,495	656	786	75	96	27,059	27,059
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,434	1,037	361	104	67	–	–	–
Disposals (WDV)	(388)	(315)	–	–	–	–	–	–
Depreciation and impairment	(1,303)	(1,422)	(173)	(234)	(21)	(21)	–	–
Closing balance	9,538	8,795	844	656	121	75	27,059	27,059

	<i>Operational land</i>		<i>Community Land</i>		<i>Land improvement</i>		<i>Buildings non specialised</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	21,578	21,578	9,359	9,359	37,961	37,904	14,035	13,453
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	1,066	–	1,189	–	–	–
Other movements								
Transfers from/(to) another asset class	–	–	–	–	(612)	91	–	–
Purchases (GBV)	–	–	1	–	56	514	4,840	2,043
Disposals (WDV)	–	–	–	–	–	–	(950)	(306)
Depreciation and impairment	–	–	–	–	(512)	(548)	(1,125)	(1,155)
Closing balance	21,578	21,578	10,426	9,359	38,082	37,961	16,800	14,035

E2-1 Fair value measurement (continued)

	<i>Building specialised</i>		<i>Other Structures</i>		<i>Roads bridges</i>		<i>Stormwater drainage</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>footpaths</i>	<i>earthworks</i>	<i>2021</i>	<i>2020</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>2021</i>	<i>2020¹</i>	<i>2021</i>	<i>2020</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	10,530	10,037	–	–	539,954	569,817	89,995	76,539
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	(30,002)	–	13,974
Other movements								
Transfers from/(to) another asset class	–	–	881	–	–	–	–	–
Purchases (GBV)	1,484	1,426	–	–	9,751	13,091	1,007	808
Disposals (WDV)	(7)	(94)	–	–	(1,569)	(1,805)	(103)	(59)
Depreciation and impairment	(849)	(839)	(44)	–	(9,827)	(11,147)	(1,183)	(1,267)
Closing balance	11,158	10,530	837	–	538,309	539,954	89,716	89,995

(1) See Note G4-1 for details regarding restatement as a result of prior period error

	<i>Water supply network</i>		<i>Sewerage network</i>		<i>Swimming pools</i>		<i>Open space/recreational</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>
	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>	<i>\$ '000</i>
Opening balance	192,798	194,965	112,036	113,226	1,111	1,201	9,139	7,435
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	1,761	1,814	1,021	1,054	–	–	759	–
Other movements								
Transfers from/(to) another asset class	553	–	2,629	–	–	–	868	–
Purchases (GBV)	2,692	2,023	2,085	1,772	31	–	1,376	2,193
Disposals (WDV)	–	(466)	(101)	(257)	–	–	(3)	(25)
Depreciation and impairment	(5,641)	(5,538)	(3,861)	(3,759)	(96)	(90)	(447)	(464)
Closing balance	192,163	192,798	113,809	112,036	1,046	1,111	11,692	9,139

E2-1 Fair value measurement (continued)

	Other		Tip assets		Quarry Assets		Total	
	2021 Actual \$ '000	2020 Actual \$ '000	2021 Actual \$ '000	2020 Actual \$ '000	2021 Actual \$ '000	2020 Actual \$ '000	2021 Actual \$ '000	2020 Actual \$ '000
Opening balance	498	544	668	801	236	278	1,089,863	1,102,413
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	5,796	(13,160)
Transfers from/(to) another asset class	1,728	–	–	–	–	–	(4,321)	(3,492)
Purchases (GBV)	–	–	127	–	–	–	40,395	34,134
Disposals (WDV)	–	–	–	–	–	–	(3,121)	(3,327)
Depreciation and impairment	(46)	(46)	(214)	(133)	(41)	(42)	(25,383)	(26,705)
Closing balance	2,180	498	581	668	195	236	1,103,229	1,089,863

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

There were no transfers into and out of the level 3 fair valuation hierarchy.

c. The valuation process for level 3 fair value measurements

Property, plant and equipment, furniture and fittings incorporates:

Major plant
Fleet vehicles
Minor plant
Furniture and fittings
Office equipment

All 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 include:

- Pattern of consumption
- Useful life
- Asset Condition
- Residual Value

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.

Operational Land was revalued by an external valuer at 30 June 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 the current market price in an active and liquid market of the same or similar asset.

The unobservable Level 3 inputs used include:

- Rate per square Metre

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

Community land

Council's 'Community' land (including 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 Environmental

E2-1 Fair value measurement (continued)

Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land has been split into Community Land owned by Council and Crown Land that is managed by Council.

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 positions on the use of the Valuer General's Valuations of community land and in association with the Local government Accounting Advisory Group, the Division 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 Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the 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.

Land improvements – non depreciable and depreciable

Council's Land Improvements incorporates fencing, landscaping, earthworks and playgrounds.

Council carries fair values of land using the following unobservable Level 3 inputs:

- Gross replacement cost
- Asset condition
- Non Depreciable
- Remaining useful life

Land improvements were valued at Fair value. There has been no change to the valuation process during the reporting period.

Buildings – non-specialised and specialised

Council Buildings include libraries, public amenities, sporting club houses, depot buildings, workshops, community centres, rural fire service buildings and tourist caravan parks.

Valuations are 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 into account a range of factors. Buildings are physically inspected and values are provided based on extensive professional judgement, condition and consumption rates.

As such, these assets are classified as having being valued using the following unobservable Level 3 inputs:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful life of an asset

Council's buildings were revalued by an external valuer on 30 June 2018.

Roads, water and sewer networks.

This asset class comprises the Roads, Bridges, Car Parks, Kerb & Guttering, Footpaths, Cycleways together with Water and Sewerage Networks.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. Valuations for the road, comprising surface, pavement, and formation were based on calculations carried out in 2015 utilising an internal engineering expertise utilising asset data sourced from pavement management survey and staff assessments. Water and Sewerage infrastructure was revalued at 1 July 2016 utilising a mix of internal engineering expertise and the use of external specialist valuers.

Council fair values road infrastructure using unobservable Level 3 inputs at a component level. Council fair values kerb and guttering and footpaths using unobservable Level 3 inputs at a non-componentised level.

E2-1 Fair value measurement (continued)

The 'Cost Approach' is used to value these assets by componentising the assets into significant parts and then rolling up these component values to provide an overall valuation for each significant assets (e.g. road, water treatment facility, dam, pump station, sewer treatment plant) within Council's Asset System. Kerb and guttering, footpaths, water mains and sewers are also valued using the "Cost Approach" however this is done on a non componentised basis.

The level of componentisation adopted by Council is in accordance with AASB 116 and OLG Circular 09-09.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset condition
- Remaining useful life
- Current replacement cost

Stormwater Drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls and flood mitigation levees, drains and gate structures.

Council carries fair values of drainage assets using unobservable Level 3 inputs which include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost

The 'Cost Approach' is used to value drainage assets. There has been no change to the valuation during the reporting period.

Other assets, swimming pools and other open space/recreational assets

Council's Other Assets includes powerheads, waste systems, water tanks, landfill lids and recycling facilities.

Council carries fair values of Other Assets using Level 3 inputs. The unobservable Level 3 inputs include:

- Pattern of Consumption
- Asset condition
- Residual value
- Current replacement cost

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

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.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution 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 payment is available.

Council participates in a defined benefits superannuation scheme called the the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers from a sub-group of the Scheme with over 170 employers supporting around 5,000 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan 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.

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

Division B	1.9 times 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.

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

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.

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

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

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

E3-1 Contingencies (continued)

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

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

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

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

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

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/2008.

(ii) Infringement notices/fines

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

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

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

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

(iii) Mid North Coast Co-Op Library

Council together with other local government authorities have entered into an agreement to operate a regional library known as the Mid North Coast Co-Op Library. Annually, the Council contributes to the library to fund its activities based upon a prescribed formula. In the event that Council wishes to withdraw from the agreement, the assets and liabilities of the Regional Library attributable to Council will be determined by the Library Board of New South Wales.

(iii) Natural Disaster Claims

Council has lodged claims with the NSW Government for funding under the Natural Disaster Assistance Scheme for \$3.2m for emergency clean up and \$88k to assist with restoring damaged infrastructure and other assets expensed in the 2021 financial year. Council anticipates that these funding applications will be approved and the revenue recognised in the 2022 financial year.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	1,095	1,015
Post-employment benefits	74	67
Other long-term benefits	28	30
Total	1,197	1,112

Other transactions with KMP and their related parties

Transactions of a minor/immaterial nature were made to companies associated with Council's KMP. The transactions related to:

- Maintenance work at Civic Centre
- Award recognition and Australia Day medals

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	Actual	Actual
	\$ '000	\$ '000

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	44	46
Councillors' fees	181	182
Other Councillors' expenses (including Mayor)	5	4
Total	230	232

F2 Other relationships

F2-1 Audit fees

	2021	2020
	Actual	Actual
	\$ '000	\$ '000

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

Remuneration for audit and other assurance services

Total Auditor-General remuneration

Total audit fees

94	96
94	96
94	96
94	96

G Other matters

G1-1 Statement of Cash Flows information

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

	2021 <i>Actual</i> \$ '000	2020 ¹ <i>Actual</i> \$ '000
Net operating result from Income Statement	21,109	6,546
Adjust for non-cash items:		
Depreciation and amortisation	22,991	26,749
Net losses/(gains) on disposal of assets	2,755	3,085
Non-cash capital grants and contributions	(2,996)	(3,021)
Adoption of AASB 15/1058	–	(2,273)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	67	80
Unwinding of discount rates on reinstatement provisions	38	–
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(11,452)	433
Increase/(decrease) in provision for impairment of receivables	–	(204)
Decrease/(increase) in inventories	(1)	(23)
Decrease/(increase) in other current assets	(282)	(74)
Decrease/(increase) in contract assets	(2,023)	(2,314)
Increase/(decrease) in payables	1,668	(85)
Increase/(decrease) in accrued interest payable	38	(16)
Increase/(decrease) in other accrued expenses payable	(163)	161
Increase/(decrease) in other liabilities	1,425	146
Increase/(decrease) in contract liabilities	9,840	3,149
Increase/(decrease) in provision for employee benefits	(172)	613
Increase/(decrease) in other provisions	–	129
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	42,842	33,081

(1) See Note G4-1 for details regarding restatement as a result of prior period error.

(b) Non-cash investing and financing activities

Developer dedicated assets	2,996	3,021
Total non-cash investing and financing activities	2,996	3,021

(1) See Note G4-1 for details regarding restatement as a result of prior period error.

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021	2020
	Actual	Actual
	\$ '000	\$ '000

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

Property, plant and equipment

Office Equipment	–	21
Land Improvements	4,160	46
Building - Non-Specialised	–	25
Building - Specialised	4,571	2,033
Bridges	110	587
Roads	1,992	–
Total commitments	10,833	2,712

Details of capital commitments

Capital expenditure commitments relate to Mid North Coast High Performance Centre, construction and sealing Point Plomer Road, construction of Cell 4 at Kempsey Shire Council Waste Management Centre and field upgrades to Verge\Eden Street playing fields.

G3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

- At its meeting on 17 August 2021 (Item 9.1) Council resolved to enter into an agreement with the Slim Dusty Centre to transfer buildings, fixtures and fittings, excluding the Slim Dusty Museum fixtures, exhibits and memorabilia to Council for Nil cost. The fair value of these assets and the full impact on operating results is yet to be determined.
- The NSW Government has endorsed the Independent Panel on Road Classification Review and Regional Road Transfer recommendation that Armidale Road be transferred to State Government control. This will result in the removal of roads with a Written Down Value of \$40.5m being removed from Councils assets and transferred to the State Government with details and exact timing to be confirmed. Annual depreciation expenses will decrease \$543k per financial year as a result.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior-period error

Nature of prior-period error

The revaluation of Community Land, Land Improvements and Other Open Space/Recreational assets in the 2020-2021 year has discovered previously omitted Community Land, Land Improvements and Other Open Space/Recreational assets. These assets have been identified as a result of improved asset management practices and technological advances. The assets have now been recognised and have an impact of increasing the value of Infrastructure, Property, Plant and Equipment at:

- 1 July 2019 by \$7,601,000 (Community Land assets \$1,057,000, Land Improvements \$4,936,000 and Other Open Space/Recreational Assets \$1,608,000).
- 30 June 2020 by \$7,554,000 (Community Land assets \$1,057,000, Land Improvements \$4,920,000, and Other Open Space/Recreational Assets \$1,577,000).

At 30 June 2020 there was an increase in depreciation expense of \$47,000 which was recognised in the income statement.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction errors. The impact on each line item are shown in the table below.

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

Statement of Financial Position

	<i>Original Balance 1 July, 2019 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 1 July, 2019 \$ '000</i>
Infrastructure, property, plant & equipment	1,094,812	7,601	1,102,413
Total assets	1,158,856	7,601	1,166,457
Net assets	1,101,846	7,601	1,109,447
Accumulated Surplus	458,918	7,601	466,519
Total equity	1,101,846	7,601	1,109,447

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

Statement of Financial Position

	<i>Original Balance 30 June, 2020 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2020 \$ '000</i>
Infrastructure, property, plant & equipment	1,082,309	7,554	1,089,863
Total assets	1,150,228	7,554	1,157,782
Net assets	1,093,006	7,554	1,100,560

G4-1 Correction of errors (continued)

	<i>Original Balance 30 June, 2020 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2020 \$ '000</i>
Accumulated Surplus	463,238	7,554	470,792
Total equity	1,093,006	7,554	1,100,560

Income Statement

	<i>Original Balance 30 June, 2020 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2020 \$ '000</i>
Depreciation and amortisation	26,702	47	26,749
Total expenses from continuing operations	83,244	47	83,291
Net operating result for the year	6,593	(47)	6,546

Net operating result for the year before grants and contributions provided for capital purposes
The net operation result before depreciation is impacted by depreciation adjustments for 'found assts.

Statement of Comprehensive Income

	<i>Original Balance 30 June, 2020 \$ '000</i>	<i>Impact Increase/ (decrease) \$ '000</i>	<i>Restated Balance 30 June, 2020 \$ '000</i>
Net operating result for the year	6,593	(47)	6,546
Total comprehensive income for the year	(6,567)	(47)	(6,614)

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	31	–	–	–	–	–	31	–
Roads	1,535	494	–	15	–	–	2,044	–
Parking	50	–	–	–	–	–	50	–
Community facilities	310	46	–	3	–	–	359	–
SWR plan	1,454	779	–	14	–	–	2,247	–
Public domain	172	59	–	2	–	–	233	–
Administration	103	88	–	1	–	–	192	–
S7.11 contributions – under a plan	3,655	1,466	–	35	–	–	5,156	–
Total S7.11 and S7.12 revenue under plans	3,655	1,466	–	35	–	–	5,156	–
S64 contributions	8,069	2,249	–	75	–	–	10,393	–
Total contributions	11,724	3,715	–	110	–	–	15,549	–

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

G5-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN NUMBER 1								
Drainage	31	–	–	–	–	–	31	–
Roads	1,535	494	–	15	–	–	2,044	–
Parking	50	–	–	–	–	–	50	–
Community facilities	310	46	–	3	–	–	359	–
SWR plan	1,454	779	–	14	–	–	2,247	–
Public domain	172	59	–	2	–	–	233	–
Administration	103	88	–	1	–	–	192	–
Total	3,655	1,466	–	35	–	–	5,156	–

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					

G5-3 Contributions not under plans

S64 contributions

S64 Water contributions	5,181	1,290	–	48	–	–	6,519	–
S64 Sewerage contributions	2,888	959	–	27	–	–	3,874	–
Total	8,069	2,249	–	75	–	–	10,393	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2021	2021	2020	2019	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2,097	2.69%	(6.71)%	(6.60)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	77,919				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	63,542	63.74%	67.23%	73.69%	> 60.00%
Total continuing operating revenue ¹	99,686				
3. Unrestricted current ratio					
Current assets less all external restrictions	44,374	2.72x	1.69x	2.63x	> 1.50x
Current liabilities less specific purpose liabilities	16,340				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	27,233	4.70x	3.75x	3.63x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,789				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,979	8.25%	10.25%	8.16%	< 10.00%
Rates and annual charges collectable	48,216				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	56,267	10.17	10.76	11.33	> 3.00
Monthly payments from cash flow of operating and financing activities	5,534	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

G6-2 Statement of performance measures by fund

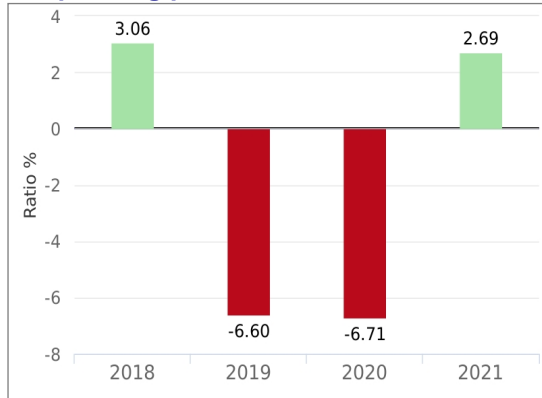
\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.13%	(12.86)%	(16.56)%	(0.56)%	13.72%	10.90%	> 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	55.00%	57.64%	81.32%	85.74%	88.20%	91.40%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.71x	1.71x	10.49x	6.94x	10.16x	6.69x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11.22x	7.22x	2.52x	2.43x	3.45x	2.86x	> 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	6.48%	10.23%	19.15%	17.00%	7.37%	7.41%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.46 mths	8.49 mths	19.93 mths	14.11 mths	12.88 mths	17.82 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G6-1 above.

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.69%

The Consolidated and General Fund results have been positively impacted by additional operating grant funding, notably in relation to Natural Disaster Recovery.

Respective fund ratios are General Fund 4.13%, Water Fund (16.56)%, Sewer Fund 13.72%.

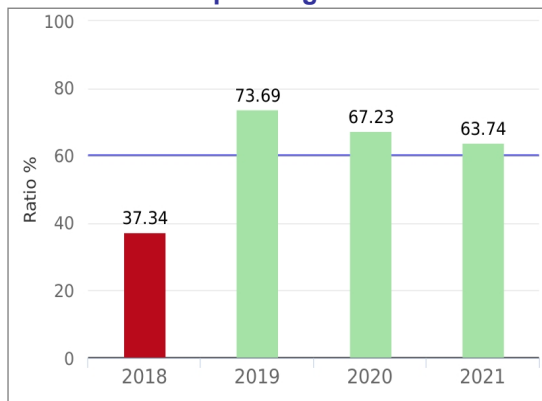
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 63.74%

This ratio remains above benchmark, but has been impacted by high levels of grant funding.

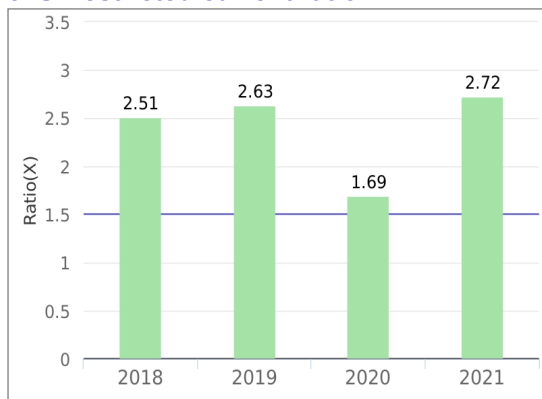
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.72x

This is a strong improvement over prior year. Additional borrowings have aided in the improvement of this ratio.

Benchmark: — > 1.50x

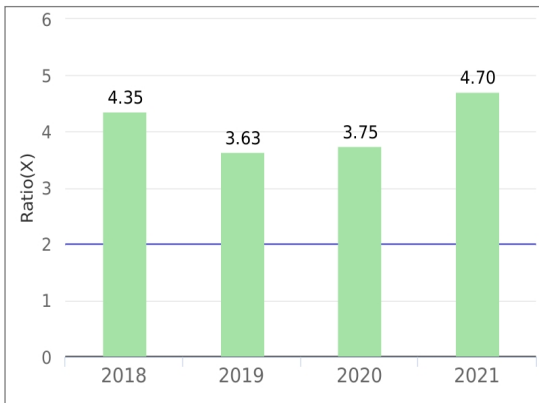
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 4.70x

Council has maintained a strong position in relation to this benchmark. Total borrowings remain relatively low.

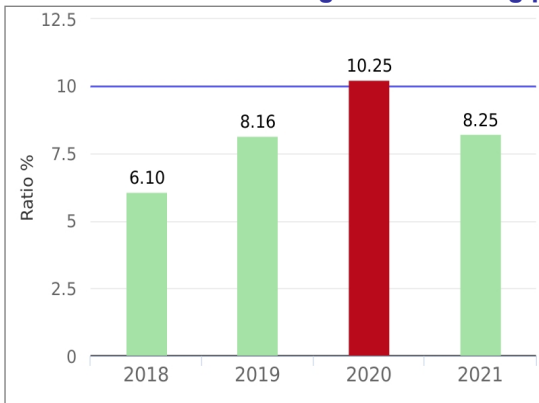
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 8.25%

Rates and annual charges collections are back on track after being impacted last year by COVID-19 restrictions on collections.

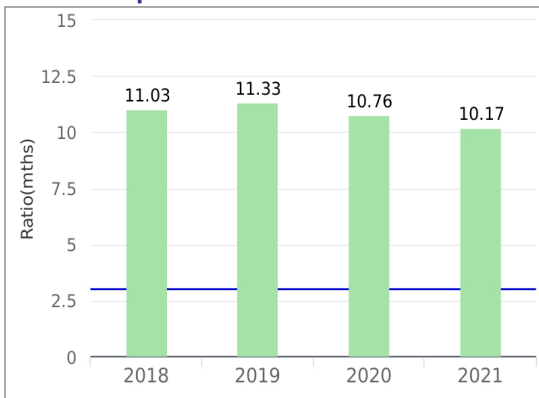
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 10.17 mths

Council has maintained a positive result, well above benchmark. The result this year is in line with past results.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:
22 Tozer Street
WEST KEMPSEY NSW 2440

Contact details

Mailing Address:
P O Box 3078
WEST KEMPSEY NSW 2440

Telephone: 02 6566 3200
Facsimile: 02 6566 3205

Opening hours:
8:30am - 4:30pm
Monday to Friday

Internet: www.kempsey.nsw.gov.au
Email: ksc@council.nsw.gov.au

Officers

General Manager
Craig Milburn

Responsible Accounting Officer
Stephen Mitchell

Elected members

Mayor
Elizabeth Campbell

Other information

ABN: 70 705 618 663



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Kempsey Shire Council

To the Councillors of the Kempsey Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

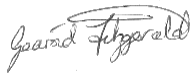
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

9 November 2021
SYDNEY



Cr Liz Campbell
Mayor
Kempsey Shire Council
PO Box 78
WEST KEMPSEY NSW 2440

Contact: Gearoid Fitzgerald
Phone no: 9275 7392
Our ref: D/1746

9 November 2021

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements

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

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

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

Revaluation Quality Control

As part of the 2021 revaluation of community land, land improvements and open space / recreational assets, the audit process identified a number of assets with a written down value of \$7.6 million that had not previously been recorded in the financial statements. These 'found' assets were identified as a result of improved asset identification and geospatial mapping processes. Other revaluation errors were also detected and corrected as part of the audit process.

Whilst Council was aware of some of the found assets upon receipt of the independent revaluation report and also identified some revaluation calculation errors, the quality control process was not sufficient to ensure that all material matters had been identified and addressed in the financial report prior to audit commencement. Greater involvement by the finance team when conducting quality review processes will allow Council to address revaluation errors prior to the audit commencing.

INCOME STATEMENT

Operating result

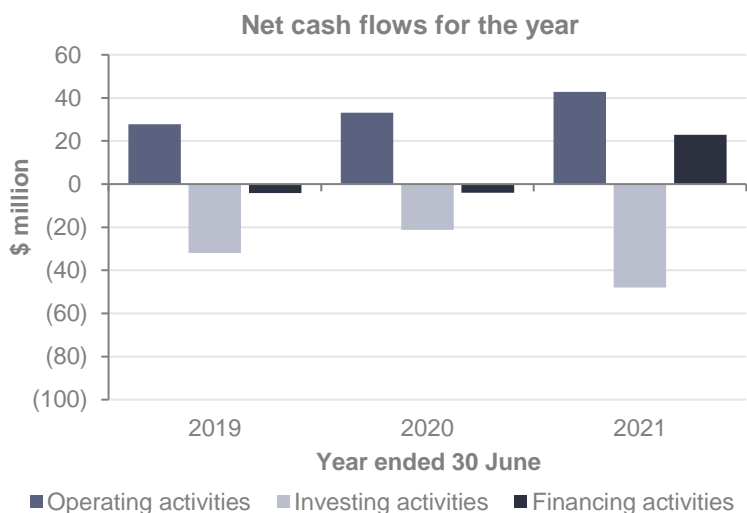
	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	43.4	41.7	↑ 4.1
User charges and fees	17.3	16.1	↑ 7.5
Grants and contributions revenue	36.1	29.4	↑ 22.8
Depreciation and amortisation expense	23.0	26.7	↓ 13.9
Operating result from continuing operations	21.1	6.5	↑ 224.6
Net operating result before capital grants and contributions	(0.7)	(8.1)	↑ 91.4

The Council's operating result from continuing operations (\$21.1 million including depreciation and amortisation expense of \$23.0 million) was \$14.6 million higher than the 2019–20 result. This increase is largely attributable to the following:

- Rates and annual charges revenue (\$43.4 million) increasing by \$1.7 million (4.1 per cent).
- User charges and fees revenue (\$17.3 million) increasing by \$1.2 million (7.5 per cent).
- Grants and contributions revenue (\$36.1 million) increasing by \$6.7 million (22.8 per cent) due to:
 - Increased grants to fund roads and bridges repair / replacement; and
 - Increased development activity resulting in the collection of greater developer contributions.
- Depreciation, amortisation and impairment for non-financial assets (\$23.0m) decreasing by \$3.7 million (13.9 per cent). The reduction in depreciation is a result of the reassessment of road asset useful lives as part of the revaluation of this asset class in the prior year.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$9.8 million. This was largely due to an increase in grants & contributions.
- Net cash used in investing activities increased by \$26.8 million comprising an increase in capital expenditure of \$5.9 million and movement of cash assets to investments of \$20.3 million.
- Net cash provided by financing activities increased by \$26.9 million, mainly due to new borrowings of \$26.5 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	88.0	55.1	• Externally restricted cash and investments has increased by \$19.1 million from the prior year. This movement is mainly attributable to a \$2.6 million increase in sewer fund and a \$11.1 million increase in water fund cash and investments.
Restricted cash and investments:			• Internally restricted cash and investments has increased by \$4.6 million from prior year. This movement is mainly attributable to increases of \$1.8 million in deposits, retentions & bonds, \$1.3 million general fleet reserve and \$1.6 million general fund uncompleted works reserve.
• External restrictions	65.5	46.4	
• Internal restrictions	12.7	8.1	

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.

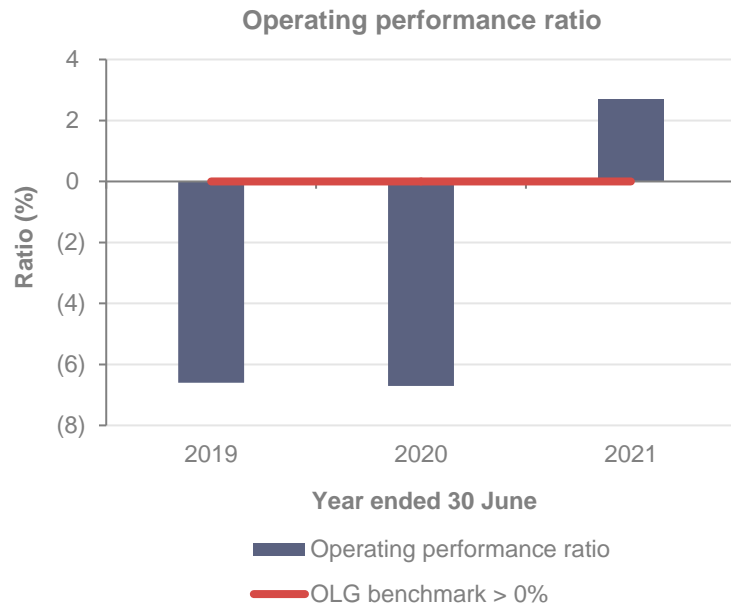
Operating performance ratio

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.

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

The ratio has increased significantly due to an improvement in Council's 2020–21 operating result (before all capital items).

The 2020 ratio was restated to correct a prior period error.

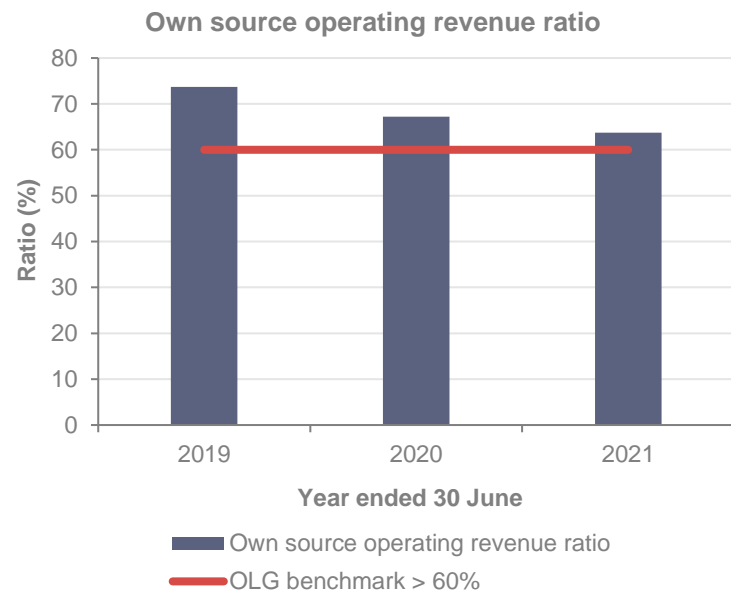


Own source operating revenue ratio

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

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

The ratio was negatively impacted in 2020–21 and 2019–20 by higher levels of capital grants and contributions.

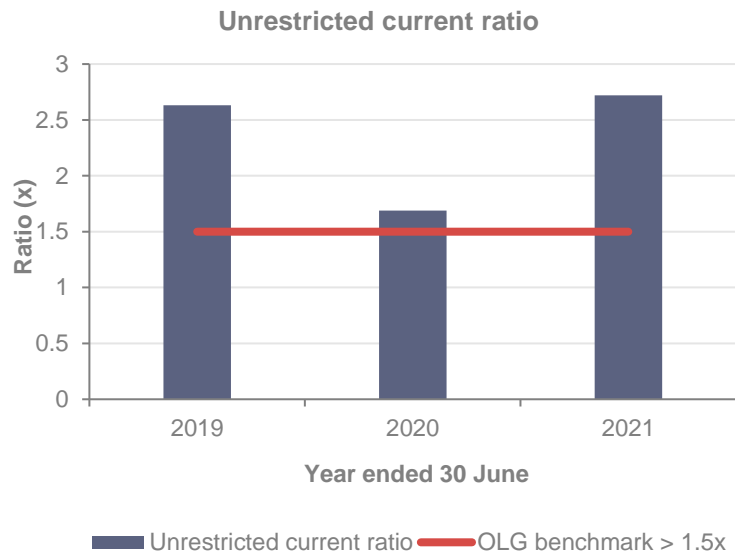


Unrestricted current ratio

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 exceeded the OLG benchmark for the current reporting period.

This ratio decreased significantly in the prior year due to the temporary utilisation of internal reserves to fund capital projects until external borrowings were secured during 2020–21.

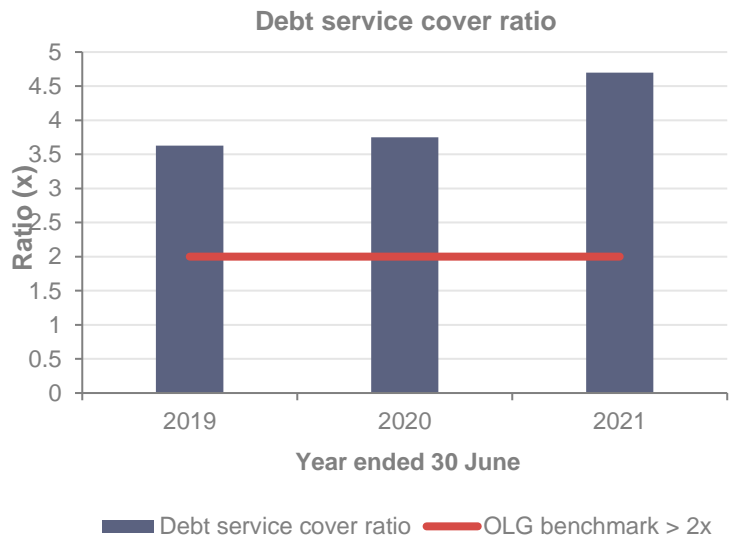


Debt service cover ratio

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

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

The increase in Council's ratio for 2020–21 is mainly due an improvement in Council's 2020–21 operating result (before all capital items).

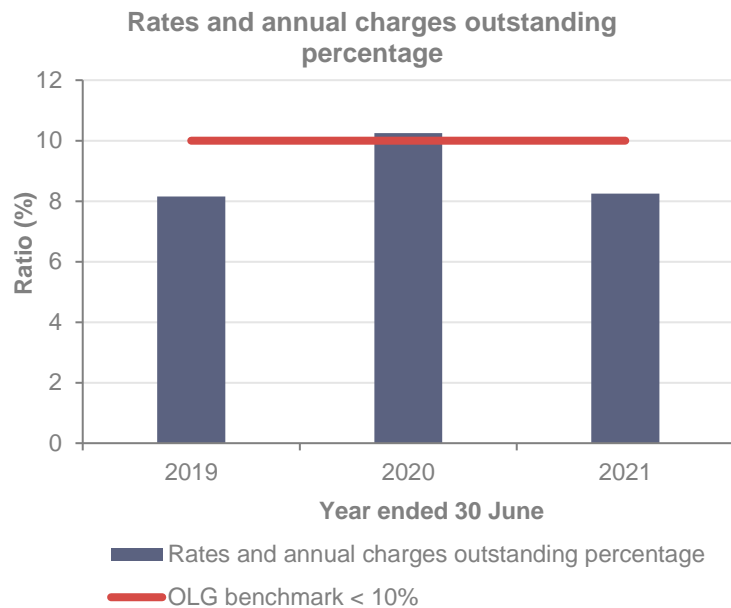


Rates and annual charges outstanding percentage

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

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

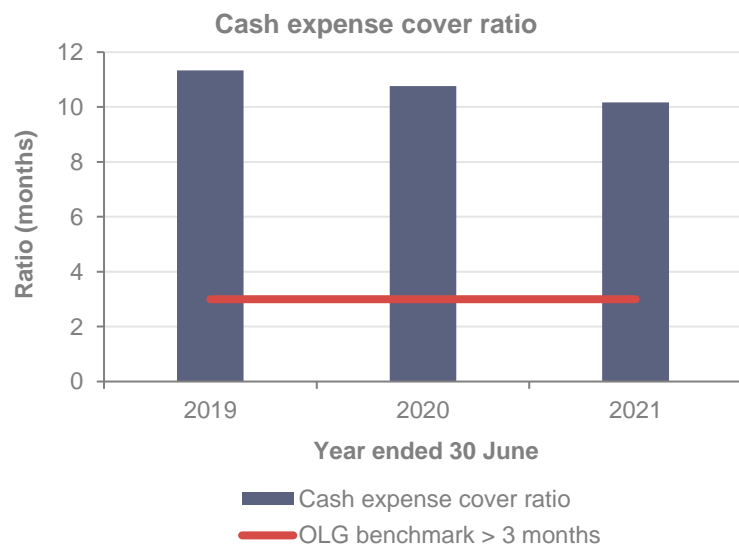
The ratio increased during 2019–20 as a result of COVID-19 and Council's support package measures implemented in response. These measures have been wound-back during 2020–21.



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 exceeded the OLG benchmark for the current reporting period, however the ratio is in decline.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2020–21 year was \$10.6 million (\$18.9 million in 2019–20). In 2020–21, major renewal projects included:

- Stuarts Point Foreshore Upgrade Project
- Crescent Head Cabin Replacement Program
- Road renewals throughout the Shire
- Central Kempsey Sewer Treatment works

OTHER MATTERS

Legislative compliance

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

cc: Craig Milburn, General Manager
Stephen Coates, Chair of the Audit and Risk Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Kempsey Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
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Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
Statement of Financial Position of sewerage business activity	7
Note – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

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).

Kempsey Shire Council

Special Purpose Financial Statements for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 September 2021.



Elizabeth Campbell
Mayor
02 November 2021



Sue McGinn
Councillor
02 November 2021



Craig Milburn
General Manager
02 November 2021



Stephen Mitchell
Responsible Accounting Officer
02 November 2021

Kempsey Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 <i>Actual</i> \$ '000	2020 <i>Actual</i> \$ '000
Income from continuing operations		
Access charges	4,954	4,662
User charges	7,091	7,938
Fees	208	253
Interest	76	238
Grants and contributions provided for non-capital purposes	502	379
Other income	159	85
Total income from continuing operations	12,990	13,555
Expenses from continuing operations		
Employee benefits and on-costs	2,592	2,757
Borrowing costs	1,040	1,066
Materials and services	4,324	4,207
Depreciation, amortisation and impairment	5,682	5,601
Loss on sale of assets	330	466
Calculated taxation equivalents	40	39
Debt guarantee fee (if applicable)	176	90
Total expenses from continuing operations	14,184	14,226
Surplus (deficit) from continuing operations before capital amounts	(1,194)	(671)
Grants and contributions provided for capital purposes	2,367	1,812
Surplus (deficit) from continuing operations after capital amounts	1,173	1,141
Surplus (deficit) from all operations before tax	1,173	1,141
Surplus (deficit) after tax	1,173	1,141
Plus accumulated surplus	59,377	58,146
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	40	39
– Debt guarantee fees	176	90
Less:		
– Tax equivalent dividend paid	(40)	(39)
Closing accumulated surplus	60,726	59,377
Return on capital %	(0.1)%	0.2%
Subsidy from Council	3,103	1,347
Calculation of dividend payable:		
Surplus (deficit) after tax	1,173	1,141
Less: capital grants and contributions (excluding developer contributions)	(1,077)	(1,812)
Surplus for dividend calculation purposes	96	–
Potential dividend calculated from surplus	48	–

Kempsey Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 <i>Actual</i> \$ '000	2020 <i>Actual</i> \$ '000
Income from continuing operations		
Access charges	12,161	11,303
User charges	992	963
Liquid trade waste charges	224	309
Fees	280	92
Interest	75	223
Grants and contributions provided for non-capital purposes	112	114
Other income	142	94
Total income from continuing operations	13,986	13,098
Expenses from continuing operations		
Employee benefits and on-costs	2,529	2,870
Borrowing costs	875	948
Materials and services	4,047	4,055
Depreciation, amortisation and impairment	3,789	3,797
Loss on sale of assets	101	257
Calculated taxation equivalents	29	29
Debt guarantee fee (if applicable)	75	81
Total expenses from continuing operations	11,445	12,037
Surplus (deficit) from continuing operations before capital amounts	2,541	1,061
Grants and contributions provided for capital purposes	1,744	1,107
Surplus (deficit) from continuing operations after capital amounts	4,285	2,168
Surplus (deficit) from all operations before tax	4,285	2,168
Less: corporate taxation equivalent [based on result before capital]	(661)	(292)
Surplus (deficit) after tax	3,624	1,876
Plus accumulated surplus	49,477	47,254
Plus/less: Accumulated Surplus adjusted due to AASB15	–	(26)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	29	29
– Debt guarantee fees	75	81
– Corporate taxation equivalent	661	292
Less:		
– Tax equivalent dividend paid	(29)	(29)
Closing accumulated surplus	53,837	49,477
Return on capital %	2.9%	1.7%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	3,624	1,876
Less: capital grants and contributions (excluding developer contributions)	(785)	(1,107)
Surplus for dividend calculation purposes	2,839	769
Potential dividend calculated from surplus	1,420	385

Kempsey Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 Actual \$ '000	2020 Actual \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	17,283	3,598
Investments	7,101	7,806
Receivables	2,685	3,213
Inventories	29	–
Total current assets	27,098	14,617
Non-current assets		
Infrastructure, property, plant and equipment	197,933	198,006
Total non-current assets	197,933	198,006
Total assets	225,031	212,623
LIABILITIES		
Current liabilities		
Contract liabilities	93	–
Payables	165	96
Borrowings	1,787	1,264
Total current liabilities	2,045	1,360
Non-current liabilities		
Borrowings	25,332	16,729
Total non-current liabilities	25,332	16,729
Total liabilities	27,377	18,089
Net assets	197,654	194,534
EQUITY		
Accumulated surplus	60,726	59,377
Revaluation reserves	136,928	135,157
Total equity	197,654	194,534

Kempsey Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 Actual \$ '000	2020 Actual \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	9,917	4,205
Investments	7,258	9,315
Receivables	1,360	1,326
Inventories	4	–
Total current assets	18,539	14,846
Non-current assets		
Infrastructure, property, plant and equipment	117,826	117,702
Total non-current assets	117,826	117,702
Total assets	136,365	132,548
LIABILITIES		
Current liabilities		
Contract liabilities	200	376
Payables	75	80
Borrowings	1,348	1,274
Total current liabilities	1,623	1,730
Non-current liabilities		
Borrowings	13,668	15,017
Total non-current liabilities	13,668	15,017
Total liabilities	15,291	16,747
Net assets	121,074	115,801
EQUITY		
Accumulated surplus	53,837	49,477
Revaluation reserves	67,237	66,324
Total equity	121,074	115,801

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. Water Supply

Water supply services within the Kempsey Shire Council area

b. Sewerage Service

Sewerage services within the Kempsey Shire Council area

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%

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

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

In accordance with the Department of Planning, Industry & Environment (DPIE) – 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 DPIE – 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%.

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

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

The rate applied of 26% 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.

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DPIE – 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 DPIE – Water.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Kempsey Shire Council

To the Councillors of the Kempsey Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

9 November 2021
SYDNEY

Kempsey Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*Lead and work with our community to build an inspired,
connected Macleay Valley*



Kempsey Shire Council

Special Schedules

for the year ended 30 June 2021

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Kempsey Shire Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	20,685	21,325
Plus or minus adjustments ²	b	105	221
Notional general income	c = a + b	20,790	21,546
Permissible income calculation			
Rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	541	431
Sub-total	k = (c + g + h + i + j)	21,331	21,977
Plus (or minus) last year's carry forward total	l	(4)	1
Sub-total	n = (l + m)	(4)	1
Total permissible income	o = k + n	21,327	21,978
Less notional general income yield	p	21,325	21,967
Catch-up or (excess) result	q = o - p	2	11
Carry forward to next year ³	t = q + r - s	2	11
Notes			

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

(3) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Kempsey Shire Council

To the Councillors of Kempsey Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Kempsey 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 Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

9 November 2021
SYDNEY

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		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					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings – non-specialised	70	70	539	539	16,799	40,452	80.4%	3.0%	14.4%	2.2%	0.0%	
	Buildings – specialised	–	–	371	371	11,158	27,472	14.0%	10.4%	13.8%	49.5%	12.3%	
	Sub-total	70	70	910	910	27,958	67,924	53.5%	6.0%	14.2%	21.3%	5.0%	
Roads	Sealed roads	29,595	29,595	3,091	2,841	167,046	242,306	33.8%	44.8%	8.9%	6.0%	6.5%	
	Unsealed roads	–	–	1,361	1,361	16,526	26,899	10.0%	81.6%	8.1%	0.3%	0.0%	
	Bridges	1,732	1,732	126	126	57,991	95,106	30.8%	17.4%	42.7%	6.9%	2.2%	
	Footpaths	646	646	132	62	13,749	25,035	26.1%	9.7%	48.3%	15.3%	0.6%	
	Other road assets	1,202	1,202	210	140	47,155	81,934	17.3%	40.0%	37.0%	4.5%	1.2%	
	Bulk earthworks	–	–	–	–	235,842	235,842	100.0%	0.0%	0.0%	0.0%	0.0%	
Sub-total	33,175	33,175	4,920	4,530	538,309	707,122	52.4%	25.8%	15.1%	4.1%	2.7%		
Water supply network	Water supply network	5,645	5,645	4,710	4,622	192,163	294,730	30.8%	26.4%	35.3%	5.4%	2.1%	
	Sub-total	5,645	5,645	4,710	4,622	192,163	294,730	30.8%	26.4%	35.3%	5.4%	2.1%	
Sewerage network	Sewerage network	43,343	43,343	214	181	113,809	234,564	23.9%	38.8%	15.0%	19.1%	3.3%	
	Sub-total	43,343	43,343	214	181	113,809	234,564	23.9%	38.8%	15.0%	19.1%	3.3%	
Stormwater drainage	Stormwater drainage	5,802	5,802	872	472	89,716	135,414	50.2%	29.5%	11.2%	6.6%	2.5%	
	Sub-total	5,802	5,802	872	472	89,716	135,414	50.2%	29.5%	11.2%	6.6%	2.5%	
Open space / recreational assets	Swimming pools	–	–	682	682	421	3,470	54.7%	0.0%	0.0%	45.3%	0.0%	
	Other	–	–	3,105	3,105	12,317	25,285	20.2%	13.1%	53.3%	8.0%	5.4%	
	Sub-total	–	–	3,787	3,787	12,738	28,755	24.4%	11.5%	46.9%	12.5%	4.7%	
Total – all assets		88,035	88,035	15,432	14,521	975,530	1,469,919	42.8%	27.1%	19.3%	7.9%	2.8%	

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

Kempsey Shire Council

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2021	2021	2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	7,736	37.48%	77.80%	59.64%	>= 100.00%
Depreciation, amortisation and impairment	20,641				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	88,035	8.87%	9.77%	11.40%	< 2.00%
Net carrying amount of infrastructure assets	992,625				
Asset maintenance ratio					
Actual asset maintenance	14,521	94.10%	86.90%	82.57%	> 100.00%
Required asset maintenance	15,432				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	88,035	5.99%	6.26%	7.46%	
Gross replacement cost	1,469,919				

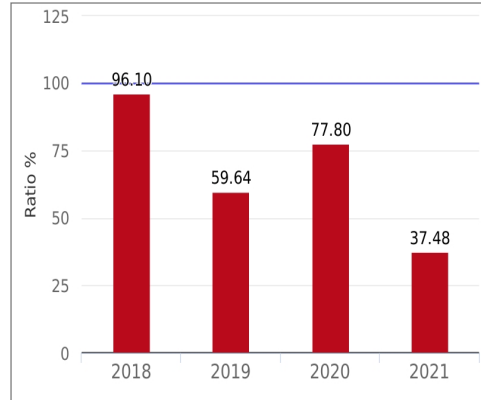
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Kempsey Shire Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 37.48%

This result has been impacted by higher levels of grant funded works (usually new assets) and improved data capture in relation to the split of upgrade vs renewal works (assets renewed to a higher standard than those replaced).

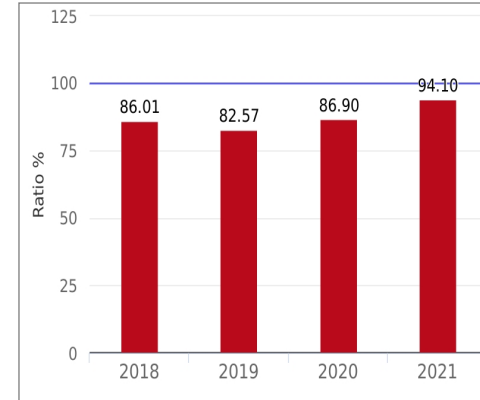
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

20/21 ratio 94.10%

This ratio is slightly below benchmark and is trending in the right direction.

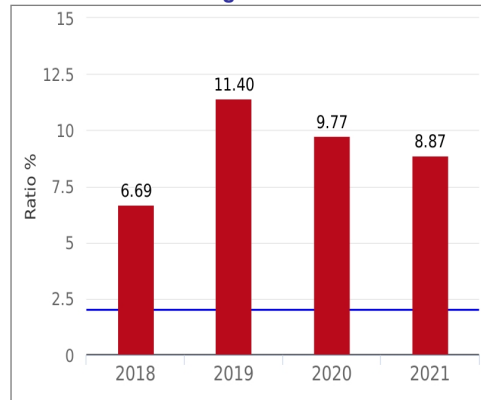
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 8.87%

This ratio is trending in the right direction and is expected to continue to improve.

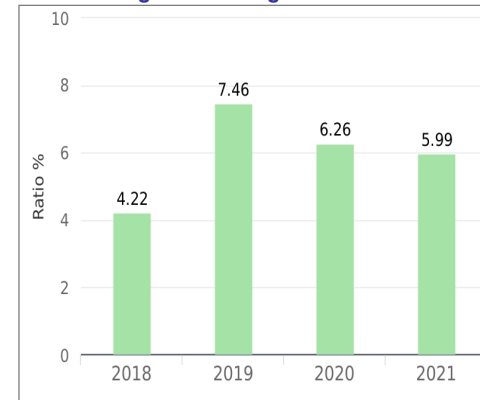
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 5.99%

More work needs to be done in order to address this metric and better understand service levels. This work is ongoing and is expected to improve going forward.

Kempsey 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	55.02%	108.36%	21.93%	21.14%	8.29%	39.64%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	5.69%	7.30%	2.94%	6.79%	38.08%	29.59%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	92.48%	88.76%	98.13%	81.96%	84.58%	88.22%	> 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	4.15%	5.28%	1.92%	6.48%	18.48%	9.92%	
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.