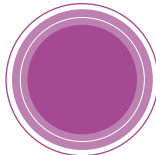




Annual Financial Statements

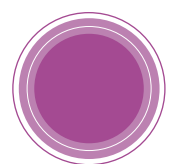
FOR THE YEAR
ENDED 30 JUNE 2021





General Purpose Financial Statements

FOR THE YEAR
ENDED 30 JUNE 2021



Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

62 - 78 Vincent Street
Cessnock NSW 2325

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

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

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

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

Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

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



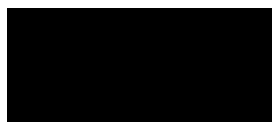
Councillor Bob Dunsent
Mayor
22 September 2021



Councillor Jay Suvaal
Councillor
22 September 2021



Ms Lotta Jackson
General Manager
22 September 2021



Mr Robert Maginnity
Responsible Accounting Officer
22 September 2021

Cessnock City Council

Income Statement

for the year ended 30 June 2021

| Original unaudited budget 2021 | \$ '000 | Notes | Actual 2021 | Actual 2020 |
|--|--|-------|----------------|----------------|
| Income from continuing operations | | | | |
| 55,500 | Rates and annual charges | B2-1 | 55,899 | 53,355 |
| 8,035 | User charges and fees | B2-2 | 14,128 | 7,973 |
| 1,777 | Other revenue | B2-3 | 1,141 | 2,268 |
| 11,522 | Grants and contributions provided for operating purposes | B2-4 | 12,946 | 13,074 |
| 15,236 | Grants and contributions provided for capital purposes | B2-4 | 46,594 | 23,597 |
| 457 | Interest and investment income | B2-5 | 445 | 836 |
| – | Other income | B2-6 | 1,401 | 615 |
| 92,527 | Total income from continuing operations | | 132,554 | 101,718 |
| Expenses from continuing operations | | | | |
| 36,322 | Employee benefits and on-costs | B3-1 | 35,449 | 35,330 |
| 13,976 | Materials and services * | B3-2 | 33,121 | 21,951 |
| 406 | Borrowing costs | B3-3 | 263 | 318 |
| 12,160 | Depreciation, amortisation and impairment for non-financial assets | B3-4 | 14,676 | 12,855 |
| 11,426 | Other expenses * | B3-5 | 6,086 | 5,768 |
| 3,000 | Net losses from the disposal of assets | B4-1 | 6,315 | 2,102 |
| 77,290 | Total expenses from continuing operations | | 95,910 | 78,324 |
| 15,237 | Operating result from continuing operations | | 36,644 | 23,394 |
| 15,237 | Net operating result for the year attributable to Council | | 36,644 | 23,394 |
| – | Net operating result for the year before grants and contributions provided for capital purposes | | (9,950) | (203) |

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

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

Cessnock City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

| \$ '000 | Notes | 2021 | 2020 |
|--|-------|----------------|----------------|
| Net operating result for the year – from Income Statement | | 36,644 | 23,394 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain on revaluation of infrastructure, property, plant and equipment | C1-8 | <u>63,856</u> | <u>82,591</u> |
| Total items which will not be reclassified subsequently to the operating result | | 63,856 | 82,591 |
| Total other comprehensive income for the year | | 63,856 | 82,591 |
| Total comprehensive income for the year attributable to Council | | 100,500 | 105,985 |

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

Cessnock City Council

Statement of Financial Position

as at 30 June 2021

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | C1-1 | 7,766 | 4,907 |
| Investments | C1-2 | 47,000 | 42,600 |
| Receivables | C1-4 | 13,403 | 6,427 |
| Inventories | C1-5 | 1,691 | 1,634 |
| Non-current assets classified as 'held for sale' | C1-7 | 1,409 | 206 |
| Other | C1-9 | 1,006 | 323 |
| Total current assets | | 72,275 | 56,097 |
| Non-current assets | | | |
| Infrastructure, property, plant and equipment | C1-8 | 1,041,814 | 955,756 |
| Right of use assets | C2-1 | 29 | 85 |
| Investments accounted for using the equity method | D1-1 | 383 | – |
| Total non-current assets | | 1,042,226 | 955,841 |
| Total assets | | 1,114,501 | 1,011,938 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | C3-1 | 7,828 | 7,124 |
| Contract liabilities | C3-2 | 7,138 | 4,235 |
| Lease liabilities | C2-1 | 18 | 60 |
| Borrowings | C3-3 | 1,558 | 1,469 |
| Employee benefit provisions * | C3-4 | 10,282 | 9,982 |
| Total current liabilities | | 26,824 | 22,870 |
| Non-current liabilities | | | |
| Payables | C3-1 | 3,039 | 5,491 |
| Lease liabilities | C2-1 | 6 | 23 |
| Borrowings | C3-3 | 5,131 | 3,880 |
| Employee benefit provisions * | C3-4 | 265 | 233 |
| Provisions | C3-5 | 14,344 | 15,049 |
| Total non-current liabilities | | 22,785 | 24,676 |
| Total liabilities | | 49,609 | 47,546 |
| Net assets | | 1,064,892 | 964,392 |
| EQUITY | | | |
| Accumulated surplus | C4-1 | 544,094 | 507,450 |
| IPPE revaluation reserve | C4-1 | 520,798 | 456,942 |
| Total equity | | 1,064,892 | 964,392 |

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

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

Cessnock City Council

Statement of Changes in Equity

for the year ended 30 June 2021

| \$ '000 | Notes | as at 30/06/21 | | | as at 30/06/20 | | |
|--|-------|---------------------|--------------------------|------------------|---------------------|--------------------------|----------------|
| | | Accumulated surplus | IPPE revaluation reserve | Total equity | Accumulated surplus | IPPE revaluation reserve | Total equity |
| Opening balance at 1 July | | 507,450 | 456,942 | 964,392 | 484,883 | 374,351 | 859,234 |
| Changes due to AASB 1058 and AASB 15 adoption | | - | - | - | (827) | - | (827) |
| Opening balance | | 507,450 | 456,942 | 964,392 | 484,056 | 374,351 | 858,407 |
| Net operating result for the year | | 36,644 | - | 36,644 | 23,394 | - | 23,394 |
| Net operating result for the period | | 36,644 | - | 36,644 | 23,394 | - | 23,394 |
| Other comprehensive income | | | | | | | |
| Gain on revaluation of infrastructure, property, plant and equipment | C1-8 | - | 63,856 | 63,856 | - | 82,591 | 82,591 |
| Other comprehensive income | | - | 63,856 | 63,856 | - | 82,591 | 82,591 |
| Total comprehensive income | | 36,644 | 63,856 | 100,500 | 23,394 | 82,591 | 105,985 |
| Closing balance at 30 June | | 544,094 | 520,798 | 1,064,892 | 507,450 | 456,942 | 964,392 |

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

Cessnock City Council

Statement of Cash Flows

for the year ended 30 June 2021

| Original unaudited budget 2021 | \$ '000 | Notes | Actual 2021 | Actual 2020 |
|---|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 56,300 | Rates and annual charges | | 55,404 | 53,162 |
| 7,100 | User charges and fees | | 14,111 | 7,541 |
| 600 | Investment and interest revenue received | | 858 | 942 |
| 23,800 | Grants and contributions | | 30,047 | 27,808 |
| 600 | Bonds, deposits and retention amounts received | | 859 | 1,295 |
| 1,300 | Other | | 949 | 1,505 |
| <i>Payments:</i> | | | | |
| (36,000) | Payments to employees | | (34,354) | (34,776) |
| (17,200) | Payments for materials and services | | (32,792) | (18,199) |
| (400) | Borrowing costs | | (263) | (318) |
| – | Bonds, deposits and retention amounts refunded | | (3,334) | – |
| (5,500) | Other | | (7,965) | (6,582) |
| 30,600 | Net cash flows from operating activities | G1-1a | 23,520 | 32,378 |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| 22,000 | Sale of investment securities | | 800 | 21,600 |
| – | Redemption of term deposits | | 38,800 | – |
| – | Sale of real estate assets | | – | 396 |
| 600 | Sale of infrastructure, property, plant and equipment | | 3,367 | 916 |
| <i>Payments:</i> | | | | |
| (22,000) | Purchase of investment securities | | – | (29,300) |
| – | Acquisition of term deposits | | (44,000) | – |
| (33,676) | Purchase of infrastructure, property, plant and equipment | | (20,909) | (24,935) |
| (33,076) | Net cash flows from investing activities | | (21,942) | (31,323) |
| Cash flows from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| 1,437 | Proceeds from borrowings | | 2,948 | – |
| <i>Payments:</i> | | | | |
| (1,728) | Repayment of borrowings | | (1,608) | (1,511) |
| – | Principal component of lease payments | | (59) | (58) |
| (291) | Net cash flows from financing activities | | 1,281 | (1,569) |
| (2,767) | Net change in cash and cash equivalents | | 2,859 | (514) |
| 4,907 | Cash and cash equivalents at beginning of year | | 4,907 | 5,421 |
| 2,140 | Cash and cash equivalents at end of year | C1-1 | 7,766 | 4,907 |
| 43,000 | plus: Investments on hand at end of year | C1-2 | 47,000 | 42,600 |
| 45,140 | Total cash, cash equivalents and investments | | 54,766 | 47,507 |

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

Cessnock City Council

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Cessnock City 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 17 November 2021.

Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the financial statements.

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

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

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.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Section 355 Committees

The Trust Fund

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

A1-1 Basis of preparation (continued)

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

New accounting standards and interpretations issued not yet effective

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

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

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

New accounting standards adopted during the year

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

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

B Financial Performance

B1 Functions or activities

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

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

| \$ '000 | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets | |
|--|----------------|----------------|---------------|---------------|------------------|---------------|--------------------------|---------------|---------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Functions or activities | | | | | | | | | | |
| Governance | – | – | 950 | 1,145 | (950) | (1,145) | – | – | – | 50 |
| Administration | 8,236 | 1,668 | 44,511 | 14,905 | (36,275) | (13,237) | 6,928 | 3,827 | 116,191 | 97,996 |
| Public order and safety | 952 | 2,478 | 2,226 | 2,542 | (1,274) | (64) | 353 | 1,528 | 4,855 | 4,793 |
| Health | 782 | 653 | 812 | 818 | (30) | (165) | 67 | – | 266 | 272 |
| Environment | 21,794 | 22,322 | 16,612 | 16,928 | 5,182 | 5,394 | 4,017 | 673 | 106,793 | 95,708 |
| Community services and education | 81 | 82 | 274 | 892 | (193) | (810) | 81 | 330 | 13,182 | 6,756 |
| Housing and community amenities | 1,929 | 1,468 | 6,177 | 6,585 | (4,248) | (5,117) | – | 111 | 7,517 | 1,331 |
| Recreation and culture | 3,320 | 5,860 | 5,435 | 12,508 | (2,115) | (6,648) | 2,825 | 4,404 | 88,479 | 75,120 |
| Mining, manufacturing and construction | 1,225 | 887 | 1,275 | 1,424 | (50) | (537) | – | – | 291 | 185 |
| Transport and communication | 42,806 | 17,215 | 15,987 | 19,112 | 26,819 | (1,897) | 34,998 | 18,012 | 769,963 | 726,574 |
| Economic affairs | 3,047 | 1,404 | 1,651 | 1,465 | 1,396 | (61) | 3,012 | 271 | 6,964 | 3,153 |
| General Purpose Income | 48,382 | 47,681 | – | – | 48,382 | 47,681 | 7,259 | 7,515 | – | – |
| Total functions and activities | 132,554 | 101,718 | 95,910 | 78,324 | 36,644 | 23,394 | 59,540 | 36,671 | 1,114,501 | 1,011,938 |

B1-2 Components of functions or activities

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

Governance

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

Administration

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

Public Order and Safety

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

Health

Includes immunisation, food control, health centres etc.

Environment

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

Community Services and Education

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

Housing and Community Amenities

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

Recreation and Culture

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

Mining, Manufacturing and Construction

Includes building control, quarries.

Transport and Communication

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

Economic Affairs

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

B2 Sources of income

B2-1 Rates and annual charges

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

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

Accounting policy

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

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

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

B2-2 User charges and fees

| \$ '000 | 2021 | 2020 |
|---|---------------|--------------|
| Other user charges and fees | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | |
| Inspection services | 272 | 240 |
| Private works – section 67 | 19 | 7 |
| Regulatory/ statutory fees | 135 | 166 |
| Section 10.7 certificates (EP&A Act) | 282 | 210 |
| Section 603 certificates | 216 | 142 |
| Town planning | 1,944 | 1,187 |
| Building permits and fees | 715 | 609 |
| Total fees and charges – statutory/regulatory | 3,583 | 2,561 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | |
| Aerodrome | 122 | 251 |
| Cemeteries | 155 | 188 |
| Transport for NSW works (state roads not controlled by Council) | 7,195 | 2,638 |
| Waste disposal tipping fees | 2,079 | 1,326 |
| Cessnock performing arts centre | 191 | 188 |
| Onsite sewerage management fees | 484 | 469 |
| Swimming pool fees | 118 | 180 |
| Other | 201 | 172 |
| Total fees and charges – other | 10,545 | 5,412 |
| Total user charges and fees | 14,128 | 7,973 |
| Timing of revenue recognition for user charges and fees | | |
| User charges and fees recognised over time | 2,317 | – |
| User charges and fees recognised at a point in time | 11,811 | 7,973 |
| Total user charges and fees | 14,128 | 7,973 |

Accounting policy

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

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

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

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

B2-3 Other revenue

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

Timing of revenue recognition for other revenue

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

Accounting policy for other revenue

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

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

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

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

B2-4 Grants and contributions

| \$ '000 | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|--|-------------------|-------------------|-----------------|-----------------|
| General purpose grants and non-developer contributions (untied) | | | | |
| General purpose (untied) | | | | |
| Current year allocation | | | | |
| Financial assistance – general component | 2,659 | 2,772 | – | – |
| Financial assistance – local roads component | 846 | 877 | – | – |
| Payment in advance - future year allocation | | | | |
| Financial assistance – general component | 2,845 | 2,938 | – | – |
| Financial assistance – local roads component | 908 | 928 | – | – |
| Amount recognised as income during current year | 7,258 | 7,515 | – | – |
| Special purpose grants and non-developer contributions (tied) | | | | |
| Cash contributions | | | | |
| Previously specific grants: | | | | |
| Pensioners' rates subsidies: | | | | |
| Bushfire and emergency services | – | 1,524 | – | – |
| Community centres | – | – | 141 | 535 |
| Economic development | 591 | 256 | – | – |
| Environmental programs | 23 | 96 | – | – |
| Heritage and cultural | – | – | 100 | 52 |
| Library – per capita | 153 | 145 | – | – |
| Library – special projects | 64 | 10 | 83 | 354 |
| LIRS subsidy | 25 | 32 | – | – |
| Noxious weeds | 69 | 104 | – | – |
| Recreation and culture | 6 | 75 | 3,722 | 3,233 |
| Drainage | 63 | 122 | – | – |
| Transport (resources for regions) | – | – | 7,573 | 4,116 |
| Transport (road safety) | 76 | 61 | – | – |
| Waste levy programs | 93 | 93 | 4 | 11 |
| Welfare services | 68 | 63 | – | – |
| Street lighting | 111 | 111 | – | – |
| Transport (roads to recovery) | 1,598 | 533 | – | – |
| Transport (flood works, other roads and bridges funding) | – | – | 1,714 | 5 |
| Other specific grants | 26 | 34 | 35 | 70 |
| Previously contributions: | | | | |
| Bushfire services | – | – | – | 120 |
| Recreation and culture | – | – | 27 | – |
| Transport for NSW contributions (regional roads, block grant) | 1,418 | 1,418 | 270 | 250 |
| Tourism | 185 | 253 | 71 | – |
| Other contributions | 158 | 61 | 218 | 41 |
| Bushfire protection | 353 | 137 | – | – |
| General admin services | 219 | 313 | – | – |
| Hunter water corporation contribution | – | – | 142 | – |
| Motor vehicle leaseback | 354 | – | – | – |
| Road reinstatements | 34 | 116 | – | – |
| Transport | 1 | 2 | 498 | – |
| Total special purpose grants and non-developer contributions – cash | 5,688 | 5,559 | 14,598 | 8,787 |
| Non-cash contributions | | | | |
| Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA) | – | – | 25,702 | 11,398 |
| Total other contributions – non-cash | – | – | 25,702 | 11,398 |
| Total special purpose grants and non-developer contributions (tied) | 5,688 | 5,559 | 40,300 | 20,185 |

continued on next page ...

B2-4 Grants and contributions (continued)

| \$ '000 | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|--|-------------------|-------------------|-----------------|-----------------|
| Total grants and non-developer contributions | 12,946 | 13,074 | 40,300 | 20,185 |
| Comprising: | | | | |
| – Commonwealth funding | 9,150 | 8,075 | 3,562 | 2,749 |
| – State funding | 2,600 | 2,699 | 10,806 | 5,627 |
| – Other funding | 1,196 | 2,300 | 25,932 | 11,809 |
| | 12,946 | 13,074 | 40,300 | 20,185 |

Developer contributions

| \$ '000 | Notes | Operating 2021 | Operating 2020 | Capital 2021 | Capital 2020 |
|--|-------|-------------------|-------------------|-----------------|-----------------|
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | G5 | | | | |
| Cash contributions | | | | | |
| S 7.4 – contributions using planning agreements | | – | – | 2,614 | 589 |
| S 7.11 – contributions towards amenities/services | | – | – | 3,093 | 2,667 |
| S 7.12 – fixed development consent levies | | – | – | 587 | 156 |
| Total developer contributions – cash | | – | – | 6,294 | 3,412 |
| Total developer contributions | | – | – | 6,294 | 3,412 |
| Total contributions | | – | – | 6,294 | 3,412 |
| Total grants and contributions | | 12,946 | 13,074 | 46,594 | 23,597 |
| Timing of revenue recognition for grants and contributions | | | | | |
| Grants and contributions recognised over time | | 7,258 | – | 13,223 | – |
| Grants and contributions recognised at a point in time | | 5,688 | 13,074 | 33,371 | 23,597 |
| Total grants and contributions | | 12,946 | 13,074 | 46,594 | 23,597 |

Unspent grants and contributions

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

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

B2-4 Grants and contributions (continued)

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

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

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

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

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

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

Capital grants

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

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

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

Non-cash contributions

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

Developer contributions

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

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

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

B2-4 Grants and contributions (continued)

Other grants and contributions

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

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

B2-5 Interest and investment income

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

Accounting policy

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

B2-6 Other income

| \$ '000 | Notes | 2021 | 2020 |
|--|-------|--------------|------------|
| Reversal of revaluation decrements on IPPE previously expensed | | | |
| Infrastructure assets | | 481 | – |
| Total gross reversal of revaluation decrements on IPPE previously expensed | | 481 | – |
| Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement | C1-8 | 481 | – |
| Rental income | | | |
| Other lease income | | | |
| Community Facilities | C2-2 | 436 | 252 |
| Leaseback fees - council vehicles | | – | 300 |
| Other | | – | 63 |
| Total Other lease income | | 436 | 615 |
| Total rental income | C2-2 | 436 | 615 |
| Net share of interests in joint ventures and associates using the equity method | | | |
| Joint ventures | | 484 | – |
| Total net share of interests in joint ventures and associates using the equity method | D1-1 | 484 | – |
| Total other income | | 1,401 | 615 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

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

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services *

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|---------------|---------------|
| Raw materials and consumables | | 23,221 | 11,358 |
| Contractor and consultancy costs | | 4,098 | 4,958 |
| Audit Fees | F2-1 | 52 | 56 |
| Infringement notice contract costs (SEINS) | | 35 | 51 |
| Previously other expenses: (*) | | | |
| Councillor and Mayoral fees and associated expenses | F1-2 | 348 | 361 |
| Advertising | | 85 | 146 |
| Bank charges | | 59 | 70 |
| Electricity and heating | | 467 | 473 |
| Insurance | | 1,384 | 1,176 |
| Street lighting LED upgrade | | 605 | 138 |
| Street lighting | | 779 | 958 |
| Telephone and communications | | 312 | 306 |
| Valuation fees | | 207 | 215 |
| Other expenses | | 120 | 115 |
| Rate collection agency expenses | | 67 | 92 |
| RSPCA contribution | | 297 | 297 |
| Section 355 committees | | 117 | 135 |
| Subsidies | | 40 | 43 |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 619 | 263 |
| – Legal expenses: debt recovery | | – | 357 |
| – Legal expenses: other | | 156 | 271 |
| Expenses from leases of low value assets | | 53 | 112 |
| Total materials and services | | 33,121 | 21,951 |
| Total materials and services | | 33,121 | 21,951 |

Accounting policy

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

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

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

B3-3 Borrowing costs

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

Accounting policy

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

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

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

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses *

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

Accounting policy

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

Impairment expenses are recognised when identified.

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

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

| \$ '000 | Notes | 2021 | 2020 |
|---|-------|----------------|----------------|
| Gain (or loss) on disposal of property (excl. investment property) | | | |
| Proceeds from disposal – property | | 2,464 | 457 |
| Less: carrying amount of property assets sold/written off | | (2,077) | (498) |
| Gain (or loss) on disposal | | 387 | (41) |
| Gain (or loss) on disposal of plant and equipment | | | |
| | C1-8 | | |
| Proceeds from disposal – plant and equipment | | 903 | 459 |
| Less: carrying amount of plant and equipment assets sold/written off | | (828) | (502) |
| Gain (or loss) on disposal | | 75 | (43) |
| Gain (or loss) on disposal of infrastructure | | | |
| | C1-8 | | |
| Proceeds from disposal – infrastructure | | – | – |
| Less: carrying amount of infrastructure assets sold/written off | | (6,777) | (2,018) |
| Gain (or loss) on disposal | | (6,777) | (2,018) |
| Gain (or loss) on disposal of investments | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – investments | | 800 | 21,600 |
| Less: carrying amount of investments sold/redeemed/matured | | (800) | (21,600) |
| Gain (or loss) on disposal | | – | – |
| Gain (or loss) on disposal of term deposits | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – term deposits | | 38,800 | – |
| Less: carrying amount of term deposits sold/redeemed/matured | | (38,800) | – |
| Gain (or loss) on disposal | | – | – |
| Net gain (or loss) on disposal of assets | | (6,315) | (2,102) |

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 24 June 2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

| \$ '000 | 2021 Budget | 2021 Actual | 2021 ----- Variance ----- | |
|--|----------------|----------------|------------------------------|-----------------|
| REVENUES | | | | |
| Rates and annual charges | 55,500 | 55,899 | 399 | 1% F |
| User charges and fees | 8,035 | 14,128 | 6,093 | 76% F |
| Additional income from Service NSW (formerly RMS) due to contracted work on state roads being higher than expected. Related costs are recognised in the Materials and services expenditure category. | | | | |
| Other revenues | 1,777 | 1,141 | (636) | (36)% U |
| Variance relates to a combination of income being originally budgeted in this category however reported in Other income, and reduced income related to the recovery of legal fees due to COVID, directly offset by reduced expenditure for debt recovery. | | | | |
| Operating grants and contributions | 11,522 | 12,946 | 1,424 | 12% F |
| Favourable variance relates to success in achieving additional grants specific to the Roads To Recovery Program and Bushfire Economic Recovery. | | | | |
| Capital grants and contributions | 15,236 | 46,594 | 31,358 | 206% F |
| Favourable variance is attributed to developer contributions and dedications being received as a result of the current increase in housing demand that is much higher than anticipated. Also, there was an unexpected dedication of a bridge that was a material variance to budget. | | | | |
| Interest and investment revenue | 457 | 445 | (12) | (3)% U |
| Other income | - | 1,401 | 1,401 | ∞ F |
| Favourable variance relates to the reversal of an asset revaluation decrement that was previously expensed; lease income from community facilities and the recognition of movement in net assets related to the joint operation. | | | | |
| EXPENSES | | | | |
| Employee benefits and on-costs | 36,322 | 35,449 | 873 | 2% F |
| Materials and services | 13,976 | 33,121 | (19,145) | (137)% U |
| Unfavourable variance predominantly relates to additional Service NSW (formerly RMS) expenditure directly offset by additional income; and the review and recognition of operational costs that were originally budgeted in the capital works program. | | | | |
| Borrowing costs | 406 | 263 | 143 | 35% F |
| Favourable variance is directly attributed to a new loan of \$2.95M deferred from 2019/20, that was drawn down on 28 October 2020, resulting in 4 months savings in borrowing costs this financial year. | | | | |
| Depreciation, amortisation and impairment of non-financial assets | 12,160 | 14,676 | (2,516) | (21)% U |

B5-1 Material budget variations (continued)

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

Unfavourable variance as a result of the effects of the 2020 roads revaluation and changes in estimates related to the tip rehabilitation provision, that both occurred following adoption of the 2021 original budget.

| | | | | | |
|---|---------------|--------------|----------------|---------------|----------|
| Other expenses | 11,426 | 6,086 | 5,340 | 47% | F |
| Net losses from disposal of assets | 3,000 | 6,315 | (3,315) | (111)% | U |

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

STATEMENT OF CASH FLOWS

| | | | | | |
|---|-----------------|-----------------|----------------|---------------|----------|
| Cash flows from operating activities | 30,600 | 23,520 | (7,080) | (23)% | U |
| Cash flows from investing activities | (33,076) | (21,942) | 11,134 | (34)% | F |
| Cash flows from financing activities | (291) | 1,281 | 1,572 | (540)% | F |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

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

Reconciliation of cash and cash equivalents

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

Accounting policy

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

C1-2 Financial investments

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

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

C1-3 Restricted cash, cash equivalents and investments

| \$ '000 | 2021 | | 2020 | |
|--|---------------|-------------|---------------|-------------|
| | Current | Non-current | Current | Non-current |
| Total cash, cash equivalents and investments | 54,766 | – | 47,507 | – |
| attributable to: | | | | |
| External restrictions | 23,150 | – | 21,528 | – |
| Internal restrictions | 29,903 | – | 25,365 | – |
| Unrestricted | 1,713 | – | 614 | – |
| | 54,766 | – | 47,507 | – |

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

Details of restrictions

External restrictions – included in liabilities

| | | |
|--|--------------|--------------|
| Specific purpose unexpended grants – general fund | 1,489 | 2,718 |
| External restrictions – included in liabilities | 1,489 | 2,718 |

External restrictions – other

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

| | | |
|--------------------------------------|---------------|---------------|
| Developer contributions – general | 19,541 | 15,435 |
| Transport for NSW contributions | 1,454 | 2,090 |
| Stormwater management | 236 | 855 |
| Other | – | 60 |
| Domestic waste management | 430 | 370 |
| External restrictions – other | 21,661 | 18,810 |
| Total external restrictions | 23,150 | 21,528 |

Internal restrictions

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

| | | |
|---------------------------------------|---------------|---------------|
| Plant and vehicle replacement | 2,525 | 1,680 |
| Employees leave entitlement | 2,974 | 2,891 |
| Carry over works | 1,662 | 1,714 |
| Deposits, retentions and bonds | 3,560 | – |
| Bridge replacement | 672 | 1,067 |
| Computer services | – | 268 |
| Energy efficiency | – | 91 |
| Financial assistance grant in advance | 3,753 | 3,866 |
| Insurance provisions | 1,242 | 1,303 |
| Miscellaneous and property | 386 | 2,444 |
| Operations and programs | 452 | 429 |
| Property investment fund | 389 | 628 |
| Rezoning fees | – | 85 |
| Civil Works | 2,671 | 1,828 |
| Waste depot and rehabilitation | 6,833 | 5,218 |
| Unexpended Loan Funds | 1,235 | 140 |
| Committed Projects (SRV) | 1,549 | 1,713 |
| Total internal restrictions | 29,903 | 25,365 |

Total restrictions

| | |
|---------------|---------------|
| 53,053 | 46,893 |
|---------------|---------------|

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

C1-4 Receivables

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Purpose | | | | |
| Rates and annual charges | 3,649 | - | 2,892 | - |
| Interest and extra charges | - | - | 342 | - |
| User charges and fees | 19 | - | 15 | - |
| Interest on investments | 83 | - | 154 | - |
| Competitive building fees | 355 | - | 13 | - |
| Community facilities | 17 | - | 266 | - |
| Garbage tipping fees | 18 | - | 28 | - |
| Government grants and subsidies | 6,697 | - | 605 | - |
| Kerb and gutter | 7 | - | 11 | - |
| Net GST receivable | 541 | - | 532 | - |
| Premises inspections | 73 | - | 55 | - |
| Rental charges | 58 | - | 36 | - |
| Restoration charges | 10 | - | 8 | - |
| RMS debtors – state roads | 1,958 | - | 1,616 | - |
| Roadworks | - | - | 56 | - |
| Other debtors | 426 | - | 218 | - |
| Total | 13,911 | - | 6,847 | - |
| Less: provision of impairment | | | | |
| Rates and annual charges | (332) | - | (328) | - |
| Other debtors | (176) | - | (92) | - |
| Total provision for impairment – receivables | (508) | - | (420) | - |
| Total net receivables | 13,403 | - | 6,427 | - |

| \$ '000 | 2021 | 2020 |
|---|------------|------------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 420 | 361 |
| + new provisions recognised during the year | 88 | 59 |
| Balance at the end of the year | 508 | 420 |

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, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates 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.

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

C1-4 Receivables (continued)

- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

Council may write off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 120 days past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

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

(ii) Other disclosures

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| (a) Details for real estate development | | | | |
| Residential | 1,270 | – | 1,270 | – |
| Total real estate for resale | 1,270 | – | 1,270 | – |
| Acquisition costs | 1,270 | – | – | – |
| Development costs | – | – | 1,270 | – |
| Total costs | 1,270 | – | 1,270 | – |
| Total real estate for resale | 1,270 | – | 1,270 | – |
| Movements: | | | | |
| Real estate assets at beginning of the year | 1,270 | – | 1,666 | – |
| – Other (Sales) | – | – | (396) | – |
| Total real estate for resale | 1,270 | – | 1,270 | – |

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

Accounting policy

Contract assets

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

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

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

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

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

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

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2020 | | | Asset movements during the reporting period | | | | | | | | At 30 June 2021 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|---|-------------------------------------|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Tfrs from/(to) 'held for sale' category | Revaluation increments/(decrements) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 16,802 | – | 16,802 | 6,326 | 3,800 | (1,375) | – | (13,008) | – | – | – | 12,543 | – | 12,543 |
| Plant and equipment | 24,946 | (16,128) | 8,818 | – | 2,156 | (828) | (2,163) | – | – | – | – | 25,741 | (17,757) | 7,984 |
| Office equipment | 4,342 | (3,768) | 574 | – | 459 | – | (231) | – | – | – | – | 4,802 | (3,999) | 803 |
| Furniture and fittings | 1,466 | (1,333) | 133 | – | 17 | – | (22) | 8 | – | – | – | 1,490 | (1,354) | 136 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 33,553 | – | 33,553 | – | – | – | – | – | 675 | (3,077) | – | 31,151 | – | 31,151 |
| – Community land | 23,895 | – | 23,895 | – | – | – | – | – | (675) | – | 8,457 | 31,677 | – | 31,677 |
| – Land under roads (post 30/6/08) | 684 | – | 684 | – | 58 | – | – | – | – | – | – | 742 | – | 742 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings | 128,424 | (68,600) | 59,824 | 376 | 824 | (374) | (2,182) | 1,194 | 481 | (186) | 4,235 | 135,932 | (71,741) | 64,191 |
| – Roads | 770,758 | (134,985) | 635,773 | 134 | 9,427 | (3,784) | (6,544) | 7,814 | – | – | 28,620 | 807,313 | (135,870) | 671,443 |
| – Bridges | 50,497 | (11,090) | 39,407 | 489 | 15,129 | (1,968) | (579) | 437 | – | – | 6,418 | 65,627 | (6,293) | 59,334 |
| – Footpaths | 19,629 | (3,992) | 15,637 | 206 | 1,095 | (169) | (231) | 709 | – | – | 1,387 | 22,026 | (3,392) | 18,634 |
| – Stormwater drainage | 114,144 | (21,801) | 92,343 | 227 | 5,120 | (52) | (943) | – | – | – | 7,046 | 123,346 | (19,605) | 103,741 |
| – Swimming pools | 5,019 | (2,132) | 2,887 | – | – | (11) | (56) | 20 | – | – | 175 | 5,679 | (2,665) | 3,014 |
| – Other open space/recreational assets | 24,391 | (9,110) | 15,281 | 30 | 3,271 | (420) | (806) | 2,826 | – | (13) | 7,297 | 40,660 | (13,194) | 27,466 |
| – Other infrastructure | 6,221 | (921) | 5,300 | – | – | – | (27) | – | – | – | 221 | 6,485 | (993) | 5,492 |
| Other assets: | | | | | | | | | | | | | | |
| – Library books | 6,165 | (5,128) | 1,037 | – | 136 | – | (211) | – | – | – | – | 6,301 | (5,338) | 963 |
| Reinstatement, rehabilitation and restoration assets (refer Note 11): | | | | | | | | | | | | | | |
| – Tip assets | 12,208 | (8,400) | 3,808 | – | – | – | (625) | – | (683) | – | – | 11,525 | (9,025) | 2,500 |
| Total infrastructure, property, plant and equipment | 1,243,144 | (287,388) | 955,756 | 7,788 | 41,492 | (8,981) | (14,620) | – | (202) | (3,276) | 63,856 | 1,333,040 | (291,226) | 1,041,814 |

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

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

| By aggregated asset class | At 1 July 2019 | | | Asset movements during the reporting period | | | | | | | At 30 June 2020 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---|--------------------------------------|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Tfrs from/(to) 'held for sale' category | Revaluation increments/ (decrements) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | |
| Capital work in progress | 10,056 | – | 10,056 | 6,519 | 7,118 | (548) | – | (6,343) | – | – | 16,802 | – | 16,802 |
| Plant and equipment | 23,306 | (13,924) | 9,382 | – | 2,284 | (497) | (2,489) | 138 | – | – | 24,946 | (16,128) | 8,818 |
| Office equipment | 3,976 | (3,587) | 389 | – | 384 | (5) | (205) | 11 | – | – | 4,342 | (3,768) | 574 |
| Furniture and fittings | 1,423 | (1,315) | 108 | – | 43 | – | (18) | – | – | – | 1,466 | (1,333) | 133 |
| Plant and equipment (under finance lease) | 281 | (281) | – | – | – | – | – | – | – | – | – | – | – |
| Land: | | | | | | | | | | | | | |
| – Operational land | 33,223 | – | 33,223 | – | 330 | – | – | – | – | – | 33,553 | – | 33,553 |
| – Community land | 24,169 | – | 24,169 | – | – | – | – | – | (274) | – | 23,895 | – | 23,895 |
| – Land under roads (post 30/6/08) | 626 | – | 626 | – | 58 | – | – | – | – | – | 684 | – | 684 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings | 125,387 | (65,600) | 59,787 | 281 | 141 | (349) | (2,034) | 542 | (34) | 1,490 | 128,424 | (68,600) | 59,824 |
| – Roads | 685,730 | (122,199) | 563,531 | 1,404 | 7,089 | (927) | (5,577) | 1,884 | – | 68,369 | 770,758 | (134,985) | 635,773 |
| – Bridges | 47,010 | (13,169) | 33,841 | 1,284 | – | (475) | (431) | 374 | – | 4,814 | 50,497 | (11,090) | 39,407 |
| – Footpaths | 20,483 | (4,549) | 15,934 | 6 | 1,014 | (25) | (252) | 636 | – | (1,676) | 19,629 | (3,992) | 15,637 |
| – Stormwater drainage | 101,000 | (21,042) | 79,958 | – | 3,624 | – | (853) | 663 | – | 8,951 | 114,144 | (21,801) | 92,343 |
| – Swimming pools | 4,864 | (2,013) | 2,851 | – | – | – | (54) | – | – | 90 | 5,019 | (2,132) | 2,887 |
| – Other open space/recreational assets | 21,301 | (8,579) | 12,722 | 339 | 618 | (243) | (639) | 2,095 | – | 389 | 24,391 | (9,110) | 15,281 |
| – Other infrastructure | 6,028 | (866) | 5,162 | – | – | – | (26) | – | – | 164 | 6,221 | (921) | 5,300 |
| Other assets: | | | | | | | | | | | | | |
| – Library books | 6,023 | (4,907) | 1,116 | – | 142 | – | (221) | – | – | – | 6,165 | (5,128) | 1,037 |
| Reinstatement, rehabilitation and restoration assets (refer Note 11): | | | | | | | | | | | | | |
| – Tip assets | 8,400 | (8,400) | – | – | 3,808 | – | – | – | – | – | 12,208 | (8,400) | 3,808 |
| Total infrastructure, property, plant and equipment | 1,123,286 | (270,431) | 852,855 | 9,833 | 26,653 | (3,069) | (12,799) | – | (308) | 82,591 | 1,243,144 | (287,388) | 955,756 |

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

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

Accounting policy

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

Land under roads

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

Infrastructure, property, plant and equipment – current year impairments

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

C1-9 Other

Other assets

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|---------------------------|-----------------|---------------------|-----------------|---------------------|
| Prepayments | 1,006 | - | 323 | - |
| Total other assets | 1,006 | - | 323 | - |

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Nil

Vehicles

Nil

Office, Gym and IT equipment

Leases for office, gym and IT equipment are generally for low value assets.

Extension options

Nil

(a) Right of use assets

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

(b) Lease liabilities

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

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

(c) Income Statement

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

| \$ '000 | 2021 | 2020 |
|---------------------------------------|------------|-----------|
| Interest on lease liabilities | 1 | 3 |
| Depreciation of right of use assets | 56 | 56 |
| Expenses relating to low-value leases | 53 | – |
| | 110 | 59 |

C2-1 Council as a lessee (continued)

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

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

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

| | | |
|---|------------|----------|
| < 1 year | 223 | – |
| 1–2 years | 265 | – |
| 2–3 years | 87 | – |
| 3–4 years | 56 | – |
| 4–5 years | 56 | – |
| > 5 years | 194 | – |
| Total undiscounted lease payments to be received | 881 | – |

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

| \$ '000 | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Payables | | | | |
| Goods and services – operating expenditure | 3,942 | – | 3,556 | – |
| Accrued expenses: | | | | |
| - Prepaid rates | 1,982 | – | 1,724 | – |
| - Salaries and wages | 1,186 | – | 423 | – |
| - Other expenditure accruals | 16 | – | 739 | – |
| Security bonds, deposits and retentions | 521 | 3,039 | 544 | 5,491 |
| Trust fund | 181 | – | 138 | – |
| Total payables | 7,828 | 3,039 | 7,124 | 5,491 |
| Total payables | 7,828 | 3,039 | 7,124 | 5,491 |

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

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

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

| \$ '000 | Notes | 2021 Current | 2021 Non-current | 2020 Current | 2020 Non-current |
|--|-------|-----------------|---------------------|-----------------|---------------------|
| Grants and contributions received in advance: | | | | | |
| Unexpended capital grants (to construct Council controlled assets) | (i) | 6,700 | - | 3,352 | - |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii) | - | - | 49 | - |
| Unexpended capital contributions (to construct Council controlled assets) | (i) | - | - | 383 | - |
| Total grants received in advance | | 6,700 | - | 3,784 | - |
| User fees and charges received in advance: | | | | | |
| Upfront fees facilities | | 66 | - | - | - |
| Development Application fees | (iii) | 372 | - | 451 | - |
| Total user fees and charges received in advance | | 438 | - | 451 | - |
| Total contract liabilities | | 7,138 | - | 4,235 | - |

Notes

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

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

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

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

| \$ '000 | 2021 | 2020 |
|--|--------------|------------|
| Grants and contributions received in advance: | | |
| Capital grants (to construct Council controlled assets) | 3,170 | 652 |
| Operating grants (received prior to performance obligation being satisfied) | 49 | - |
| Total revenue recognised that was included in the contract liability balance at the beginning of the period | 3,219 | 652 |

Significant changes in contract liabilities

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

Accounting policy

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

C3-3 Borrowings

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

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1 and E2.

(a) Changes in liabilities arising from financing activities

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

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

(b) Financing arrangements

| \$ '000 | 2021 | 2020 |
|---|--------------|--------------|
| Total facilities | | |
| Bank overdraft facilities ¹ | 1,000 | 1,000 |
| Credit cards/purchase cards | 100 | 230 |
| Total financing arrangements | 1,100 | 1,230 |
| Undrawn facilities | | |
| – Bank overdraft facilities | 1,000 | 1,000 |
| – Credit cards/purchase cards | 100 | 230 |
| Total undrawn financing arrangements | 1,100 | 1,230 |

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

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

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

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

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

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

Description of and movements in provisions

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

D Council structure

D1 Interests in other entities

D1-1 Interests in joint arrangements

Joint operations

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

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

Name of joint operation:

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

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

Council assets employed in the joint operations

| \$ '000 | 2021 | 2020 |
|--|------------|------------|
| Council's share of assets jointly owned with other partners | | |
| Current assets | 633 | 675 |
| Current liabilities | (323) | (232) |
| Property, plant and equipment | 48 | 32 |
| Intangible assets | 27 | – |
| Non-current liabilities | (2) | (2) |
| Total net assets employed – Council and jointly owned | 383 | 473 |

Accounting policy

The council has determined that it has joint operations only.

Joint operations:

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

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

| \$ '000 | 2021 | 2020 |
|--|-------|-------|
| The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date. | | |
| Impact of a 1% movement in interest rates | | |
| – Equity / Income Statement | 473 | 407 |
| Impact of a 10% movement in price of investments | | |
| – Equity / Income Statement | 4,728 | 4,072 |

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

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

Receivables - non-rates and annual charges and contract assets

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

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

| \$ '000 | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | > 91 days overdue | Total |
|------------------------|-----------------|---------------------|----------------------|----------------------|-------------------|--------|
| 2021 | | | | | | |
| Gross carrying amount | 6,934 | 1,493 | 37 | 43 | 1,755 | 10,262 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ECL provision | – | – | – | – | – | – |
| 2020 | | | | | | |
| Gross carrying amount | 759 | 2,868 | 115 | 14 | 199 | 3,955 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| ECL provision | – | – | – | – | – | – |

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

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

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

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

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

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

| \$ '000 | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: | | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|--------------|----------------|--------------|------------------------|------------------------------|
| | | | | 1 - 5 Years | > 5 Years | | |
| 2021 | | | | | | | |
| Trade/other payables | 0.00% | 3,560 | 5,324 | – | – | 8,884 | 8,885 |
| Loans and advances | 3.20% | – | 1,558 | 3,255 | 1,876 | 6,689 | 6,689 |
| Total financial liabilities | | 3,560 | 6,882 | 3,255 | 1,876 | 15,573 | 15,574 |
| 2020 | | | | | | | |
| Trade/other payables | 0.00% | 6,035 | 5,544 | – | – | 11,579 | 10,891 |
| Loans and advances | 5.00% | – | 182 | 2,863 | 2,304 | 5,349 | 5,349 |
| Total financial liabilities | | 6,035 | 5,726 | 2,863 | 2,304 | 16,928 | 16,240 |

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Non-current assets held for sale

Fair value hierarchy

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

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

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

Level 3: 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:

| \$ '000 | Notes | Fair value measurement hierarchy | | | | Total | |
|---|-------|---------------------------------------|------|---|----------------|------------------|----------------|
| | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | 2021 | 2020 |
| | | 2021 | 2020 | 2021 | 2020 | | |
| Recurring fair value measurements | | | | | | | |
| Infrastructure, property, plant and equipment C1-8 | | | | | | | |
| | | – | – | 7,984 | 8,818 | 7,984 | 8,818 |
| | | – | – | 803 | 574 | 803 | 574 |
| | | – | – | 136 | 133 | 136 | 133 |
| | | – | – | 31,151 | 33,553 | 31,151 | 33,553 |
| | | – | – | 31,677 | 23,895 | 31,677 | 23,895 |
| | | – | – | 742 | 684 | 742 | 684 |
| | | – | – | 64,191 | 59,824 | 64,191 | 59,824 |
| | | – | – | 671,443 | 635,773 | 671,443 | 635,773 |
| | | – | – | 59,334 | 39,407 | 59,334 | 39,407 |
| | | – | – | 18,634 | 15,637 | 18,634 | 15,637 |
| | | – | – | 103,742 | 92,343 | 103,742 | 92,343 |
| | | – | – | 3,014 | 2,887 | 3,014 | 2,887 |
| | | – | – | 27,465 | 15,281 | 27,465 | 15,281 |
| | | – | – | 5,492 | 5,300 | 5,492 | 5,300 |
| | | – | – | 963 | 1,037 | 963 | 1,037 |
| | | – | – | 2,500 | 3,808 | 2,500 | 3,808 |
| | | – | – | 1,029,271 | 938,954 | 1,029,271 | 938,954 |
| Non-current assets classified as held for sale C1-7 | | | | | | | |
| | | – | – | 1,409 | – | 1,409 | – |
| | | – | – | 1,409 | – | 1,409 | – |

Transfers between level 1 and level 2 fair value hierarchies

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

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Refer below sections.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

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

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

Operational Land

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

Community Land

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

Land Under Roads

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

Buildings - Non Specialised

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

Buildings - Specialised

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

Infrastructure Assets

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

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

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

E2-1 Fair value measurement (continued)

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

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

Roads, Bridges, Footpaths, Stormwater Drainage

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

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

Condition Assessments:

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

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

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

Footpaths - Evaluated utilising video capture and expert assessment.

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

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

E2-1 Fair value measurement (continued)

Swimming Pools and Other Open Space / Recreational Assets

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

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

Other Infrastructure (Runways and Taxiways)

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

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

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

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

E2-1 Fair value measurement (continued)

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

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

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

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

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

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

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

Description of the funding arrangements

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

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

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

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

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

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

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

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

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

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

* Plus promotional increases

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

(ii) Statewide Mutual Limited

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

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

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

(iii) StateCover Mutual Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

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

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

(ii) Rehabilitation Works

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

| \$ '000 | 2021 | 2020 |
|--------------------------|--------------|--------------|
| Compensation: | | |
| Short-term benefits | 1,316 | 1,532 |
| Post-employment benefits | 86 | 89 |
| Total | 1,402 | 1,621 |

Other transactions with KMP and their related parties

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

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

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

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

continued on next page ...

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

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

F1-2 Councillor and Mayoral fees and associated expenses

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

F2 Other relationships

F2-1 Audit fees

| \$ '000 | 2021 | 2020 |
|--|-----------|-----------|
| Auditors of the Council - NSW Auditor-General: | | |
| Audit and other assurance services | | |
| Audit and review of financial statements | 52 | 56 |
| Remuneration for audit and other assurance services | 52 | 56 |
| Total Auditor-General remuneration | 52 | 56 |
| Total audit fees | 52 | 56 |

G Other matters

G1-1 Statement of Cash Flows information

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

| \$ '000 | 2021 | 2020 |
|--|---------------|---------------|
| Operating result | 36,644 | 23,394 |
| Add/(less) non-cash items: | | |
| Depreciation and amortisation | 14,676 | 12,855 |
| Net losses/(gains) on disposal of assets | 6,315 | 2,102 |
| Non-cash capital grants and contributions | (26,317) | (11,398) |
| Adoption of AASB 15/1058 | - | (827) |
| Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L | (481) | - |
| Share of net (profits)/losses of associates/joint ventures using the equity method | (383) | - |
| +/- Movement in operating assets and liabilities and other cash items: | | |
| Decrease/(increase) in receivables | (7,064) | (2,148) |
| Increase/(decrease) in provision for impairment of receivables | 88 | 59 |
| Decrease/(increase) in inventories | (57) | (1) |
| Decrease/(increase) in other current assets | (683) | (245) |
| Increase/(decrease) in payables | 386 | (772) |
| Increase/(decrease) in other accrued expenses payable | 40 | 165 |
| Increase/(decrease) in other liabilities | (2,174) | 613 |
| Increase/(decrease) in contract liabilities | 2,903 | 4,235 |
| Increase/(decrease) in provision for employee benefits | 332 | 538 |
| Increase/(decrease) in other provisions | (705) | 3,808 |
| Net Cash Flows from operating activities | 23,520 | 32,378 |

(b) Non-cash investing and financing activities

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

G2-1 Events occurring after the reporting date

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

G3 Changes from prior year statements

G3-1 Changes in accounting policy

Voluntary changes in accounting policies

Nature of changes in accounting policies

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

G3-2 Correction of errors

Nature of prior-period error

During the year Council has not made any corrections to prior periods.

G3-3 Changes in accounting estimates

Council made no changes in accounting estimates during the year.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

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

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

G4-2 S7.11 Contributions - under a plan

| \$ '000 | Opening balance at 1 July 2020 | Contributions received during the year | | Interest and investment income earned | Amounts expended | Internal borrowings | Held as restricted asset at 30 June 2021 | Cumulative balance of internal borrowings (to)/from |
|--|--------------------------------|--|----------|---------------------------------------|------------------|---------------------|--|---|
| | | Cash | Non-cash | | | | | |
| Contribution Plan Number 2 - Tourist Development | | | | | | | | |
| Tourist facilities | 187 | – | – | 1 | – | – | 188 | – |
| Total | 187 | – | – | 1 | – | – | 188 | – |
| Contribution Plan Number 4 - Nulkaba Flood Mitigation | | | | | | | | |
| Drainage | 41 | – | – | – | – | – | 41 | – |
| Total | 41 | – | – | – | – | – | 41 | – |
| Contribution Plan Number 5 - Carparking Cessnock CBD | | | | | | | | |
| Parking | 251 | – | – | 2 | (80) | – | 173 | – |

G4-2 S7.11 Contributions - under a plan (continued)

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

continued on next page ...

G4-2 S7.11 Contributions - under a plan (continued)

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

S7.12 Levies – under a plan

Section 7.12 Contributions

| | | | | | | | | |
|----------------------|------------|------------|----------|----------|-------------|----------|------------|----------|
| Commercial Precincts | 346 | 587 | - | 3 | (54) | - | 881 | - |
| Total | 346 | 587 | - | 3 | (54) | - | 881 | - |

G4-3 S7.4 planning agreements

S7.4 planning agreements

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

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2021 | Indicator 2021 | Indicators 2020 2019 | | Benchmark |
|--|-----------------|-------------------|------------------------------|---------|-----------|
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | (4,411) | (5.19)% | 2.50% | (0.78)% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions | 84,995 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 72,049 | 54.75% | 63.95% | 68.12% | > 60.00% |
| Total continuing operating revenue | 131,589 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 49,125 | 3.84x | 2.63x | 2.75x | > 1.50x |
| Current liabilities less specific purpose liabilities | 12,794 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation | 10,528 | 5.45x | 8.02x | 6.06x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 1,930 | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | |
| Rates and annual charges outstanding | 3,317 | 5.63% | 5.15% | 4.94% | < 10.00% |
| Rates and annual charges collectable | 58,898 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 54,766 | 8.18 | 9.12 | 7.01 | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | 6,698 | mths | mths | mths | mths |

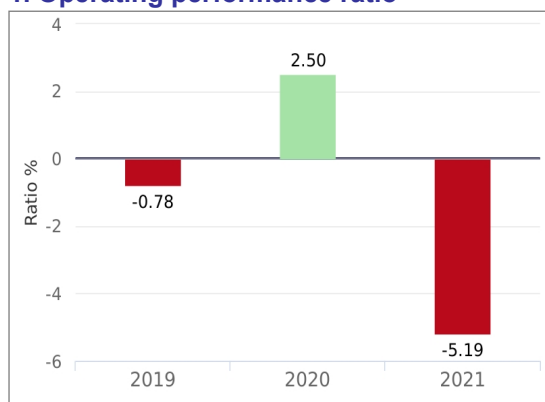
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

H Additional Council disclosures (unaudited)

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

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 (5.19)%

This ratio correlates with the operating result excluding capital income from grants and contributions which is a deficit for 2020/21.

Grants and contributions are to be classified as operating or capital depending on the purpose for which they were received and not on the purpose for which they were spent. Therefore there is sometimes a mismatch between income and expense recognition.

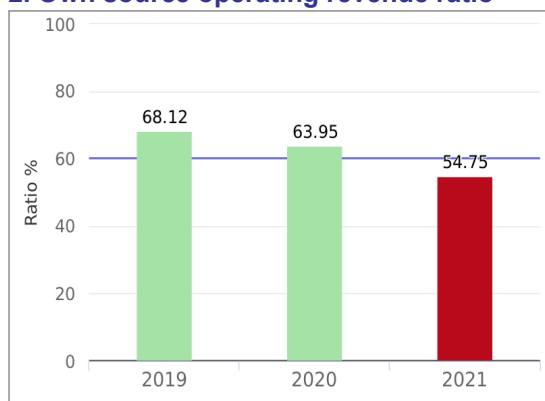
Benchmark: — > 0.00%

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 54.75%

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

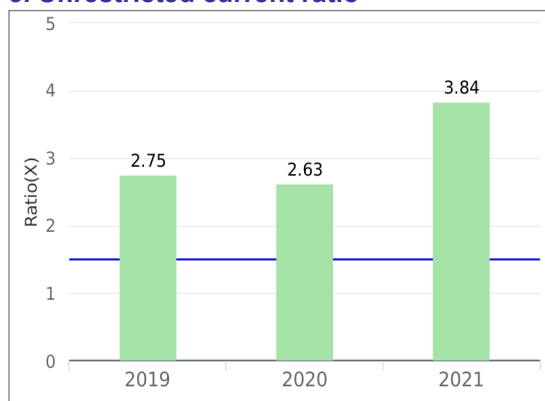
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.84x

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

Benchmark: — > 1.50x

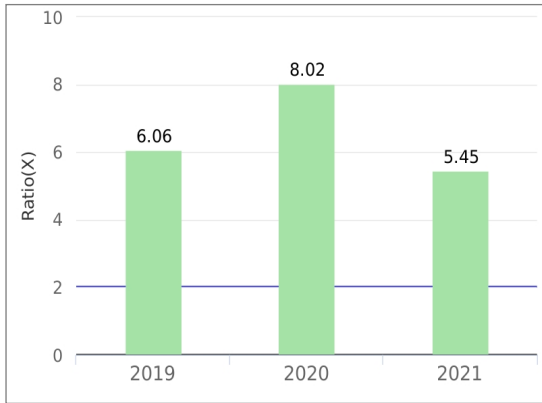
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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 5.45x

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

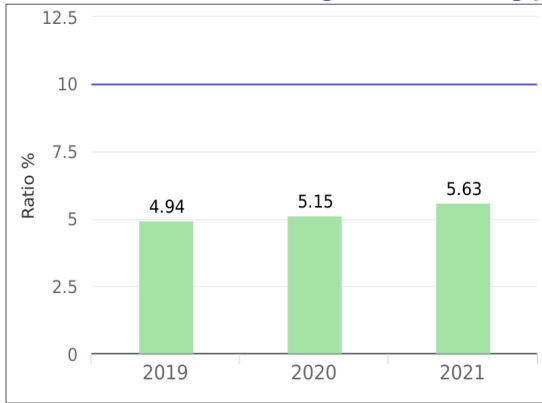
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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 5.63%

Although this ratio has slightly declined from 2019/20 it is still an excellent result for Council given the reduced recovery efforts due to the Covid-19 pandemic.

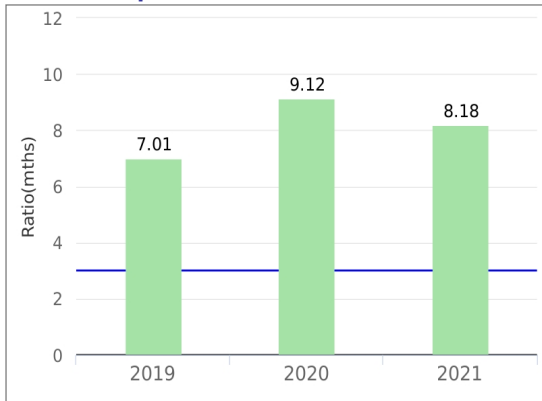
Benchmark: — < 10.00%

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 8.18 mths

The ratio shows Council can pay expenses without a demand on additional cash flows. Although there has been a slight decline from prior year, this ratio demonstrates Council's strength in liquidity despite the current economic climate.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Financial review

Key financial figures of Council over the past 5 years

| \$ '000 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------|-----------|-----------|---------|---------|
| Inflows: | | | | | |
| Rates and annual charges revenue | 55,899 | 53,355 | 50,122 | 47,869 | 44,020 |
| User charges revenue | 14,128 | 7,973 | 10,493 | 13,340 | 8,057 |
| Interest and investment revenue (losses) | 445 | 836 | 1,165 | 978 | 1,515 |
| Grants income – operating and capital | 53,246 | 33,259 | 12,423 | 12,695 | 14,411 |
| Total income from continuing operations | 132,554 | 101,718 | 93,340 | 121,386 | 86,317 |
| Sale proceeds from IPPE | 3,367 | 1,312 | 1,034 | 1,498 | 1,259 |
| New loan borrowings and advances | 2,948 | – | – | 2,960 | – |
| Outflows: | | | | | |
| Employee benefits and on-cost expenses | 35,449 | 35,330 | 33,931 | 31,586 | 29,186 |
| Borrowing costs | 263 | 318 | 402 | 453 | 552 |
| Materials and contracts expenses | 33,121 | 21,951 | 19,489 | 23,157 | 19,841 |
| Total expenses from continuing operations | 95,910 | 78,324 | 78,320 | 82,023 | 74,690 |
| Total cash purchases of IPPE | 20,909 | 24,935 | 16,901 | 16,155 | 15,526 |
| Total loan repayments (incl. finance leases) | 1,661 | 1,569 | 1,392 | 1,306 | 1,143 |
| Operating surplus/(deficit) (excl. capital income) | (9,950) | (203) | (3,047) | (5,374) | (5,268) |
| Financial position figures | | | | | |
| Current assets | 72,275 | 56,097 | 45,966 | 43,147 | 40,349 |
| Current liabilities | 26,824 | 22,870 | 18,796 | 17,701 | 16,569 |
| Net current assets | 45,451 | 33,227 | 27,170 | 25,446 | 23,780 |
| Available working capital (Unrestricted net current assets) | 4,464 | (682) | (2,430) | 222 | (3,511) |
| Cash and investments – unrestricted | 1,713 | 614 | 710 | 1,451 | 33 |
| Cash and investments – internal restrictions | 29,903 | 25,365 | 23,205 | 22,095 | 24,485 |
| Cash and investments – total | 54,766 | 47,507 | 40,321 | 39,160 | 38,010 |
| Total borrowings outstanding (loans, advances and finance leases) | 6,689 | 5,349 | 6,860 | 8,252 | 7,750 |
| Total value of IPPE (excl. land and earthworks) | 1,269,470 | 1,185,012 | 1,065,268 | 954,806 | 847,281 |
| Total accumulated depreciation | 291,226 | 287,388 | 270,431 | 242,664 | 188,771 |
| Indicative remaining useful life (as a % of GBV) | 77% | 76% | 75% | 75% | 78% |

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

H1-3 Council information and contact details

Principal place of business:

62 - 78 Vincent Street
Cessnock NSW 2325

Contact details

Mailing Address:

PO Box 152
Cessnock NSW 2325

Telephone: 02 49934100

Facsimile: 02 49932500

Opening hours:

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

Internet: www.cessnock.nsw.gov.au

Email: council@cessnock.nsw.gov.au

Officers

GENERAL MANAGER

Ms Lotta Jackson

RESPONSIBLE ACCOUNTING OFFICER

Mr Robert Maginnity

PUBLIC OFFICER

Mr Robert Maginnity

AUDITORS

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

GPO Box 12 Sydney NSW 2001

Elected members

MAYOR

Councillor Bob Pynsent

COUNCILLORS

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

Other information

ABN: 60 919 148 928



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Cessnock City Council

To the Councillors of the Cessnock City Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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



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

22 October 2021
SYDNEY



Cr Bob Pynsent
 Mayor
 Cessnock City Council
 PO Box 152
 CESSNOCK NSW 2324

Contact: Furqan Yousuf
 Phone no: 02 9275 7470
 Our ref: D2122081/1712

22 October 2021

Dear Cr Pynsent

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

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

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

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

INCOME STATEMENT

Operating result

| | 2021 \$m | 2020 \$m | Variance % |
|--|-------------|-------------|---------------|
| Rates and annual charges revenue | 55.9 | 53.4 | ↑ 4.8 |
| Grants and contributions revenue | 59.5 | 36.7 | ↑ 62.4 |
| Operating result from continuing operations | 36.6 | 23.4 | ↑ 56.4 |
| Net operating result before capital grants and contributions | (10.0) | (0.2) | ↓ 4900 |

The Council's operating result from continuing operations (\$36.6 million including depreciation and amortisation expense of \$14.7 million) was \$13.2 million higher than the 2019–20 result. This was mainly due to \$22.9 million higher capital grants and contributions and \$6.2 million higher user charges and fees revenue. This was partially offset by the increase in material and services expenses by \$11.2 million and net losses from disposal of asset by \$4.2 million.

The net operating result before capital grants and contributions (net loss of \$10.0 million) was \$9.7 million lower than the 2019–20 result mainly due to increase in operational expenditure as noted above.

Rates and annual charges revenue (\$55.9 million) increased by \$2.5 million (4.7 per cent) in 2020–21 mainly due to annual rate peg increase applied to ordinary rates (2.6 per cent).

Grants and contributions revenue (\$59.5 million) increased by \$22.8 million (62.1 per cent) in 2020–21 mainly due to \$14.3 million higher non-cash asset dedications and \$5.8 million higher special purpose grants and non-developer contributions recorded during the year.

STATEMENT OF CASH FLOWS

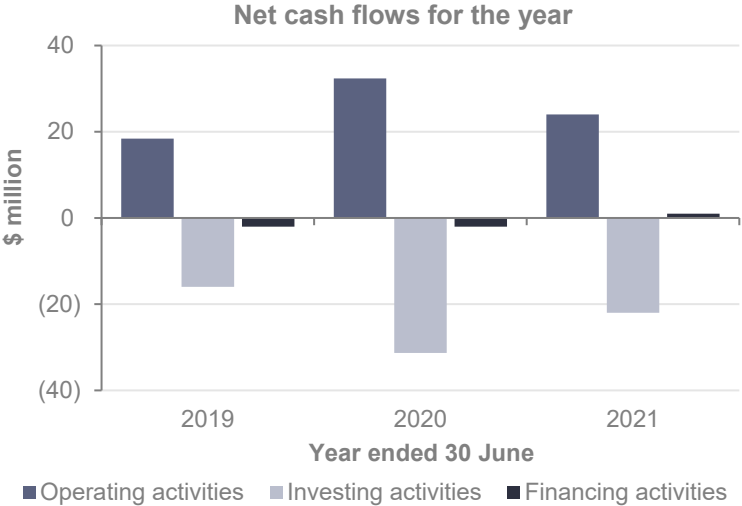
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The decrease in cash provided from operating activities is mainly due to increase in payments for materials and services expenses .

The decrease in cash used in investing activities is mainly due to decrease in purchases of property, plant and equipment.

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

The Council's cash and cash equivalents at 30 June 2021 was \$7.8 million (2020: \$4.9 million). The net cash flow for the year was an increase of \$2.9 million.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2021 | 2020 | Commentary |
|--|------|------|--|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 54.8 | 47.5 | <ul style="list-style-type: none"> Cash and investments increased by \$7.3 million. Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in Council's externally restricted cash and investments is mainly due to increase in developer and Transport NSW contributions. |
| Restricted cash and investments: | | | |
| External restrictions | 23.2 | 21.5 | <ul style="list-style-type: none"> Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capitals projects. The increase in internally restricted cash and investments is mainly due increase in available cash for deposits, retentions and bins and waste depot and rehabilitation reserve. |
| Internal restrictions | 29.9 | 25.4 | |

Debt

The Council has \$6.7 million of borrowings at 30 June 2021 (2019: \$5.3 million).

The Council has an accumulated drawdown facility limit of \$1.1 million at 30 June 2021 (2019: \$1.2 million) which remained unutilised at year-end.

PERFORMANCE

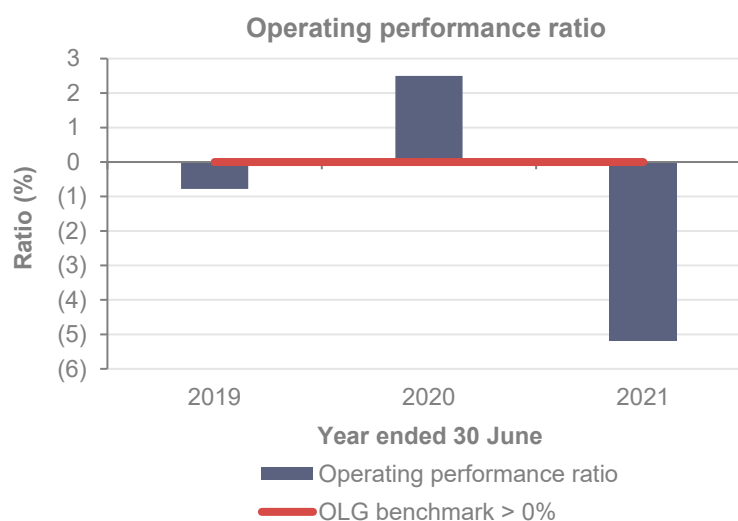
Performance measures

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.

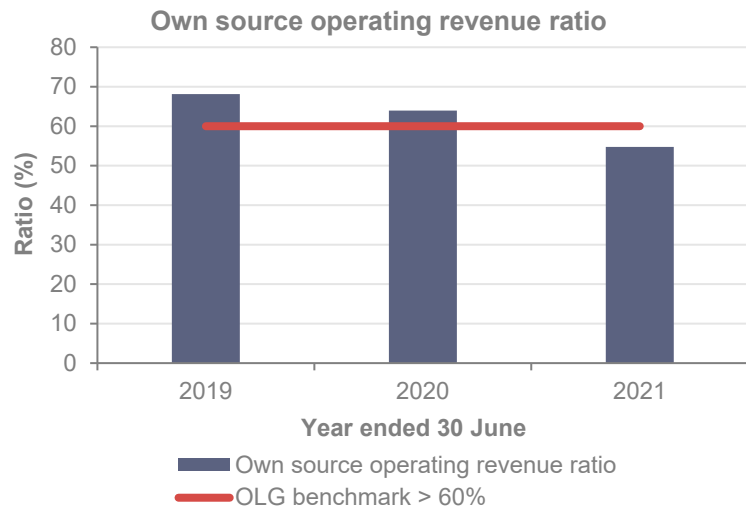
The Council did not meet the OLG benchmark for the current reporting period.



Own source operating revenue ratio

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

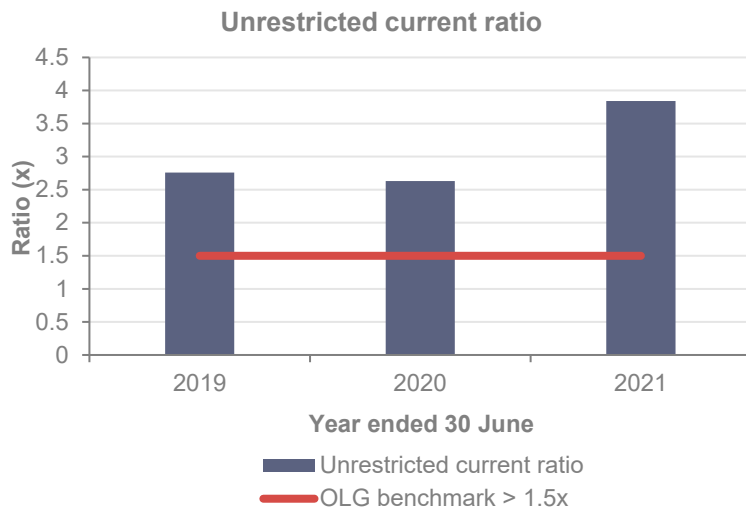
The Council did not meet the OLG benchmark for the current reporting period.



Unrestricted current ratio

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

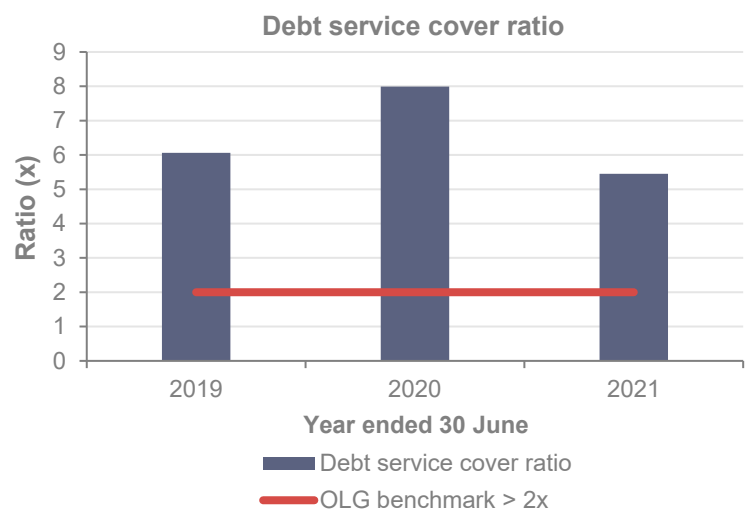
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

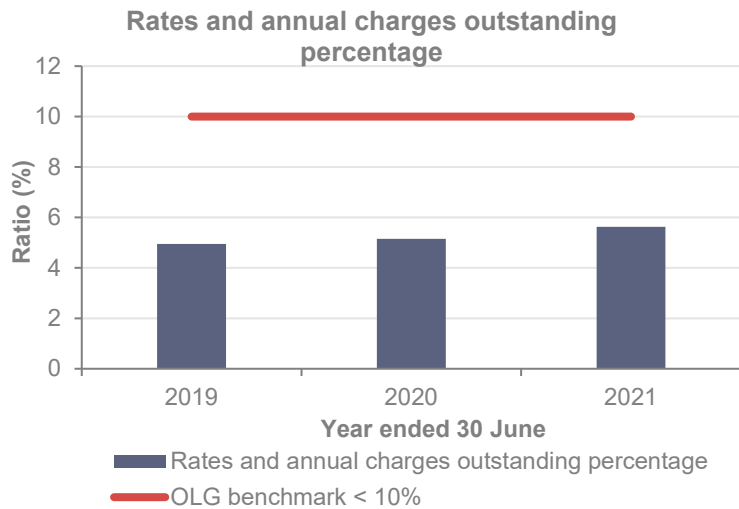
The Council met the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

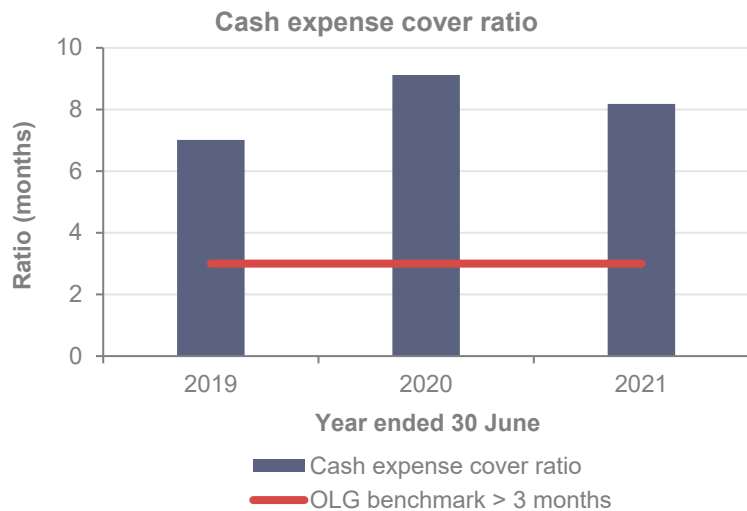
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$1.5 million in 2020-21 (\$3.3 million in 2019-20). Significant renewals included:

- bridge asset renewals of \$0.5 million (\$1.3 million in 2019-20)
- building asset renewals of \$0.4 million (\$0.3 million in 2019-20).

OTHER MATTERS

Legislative compliance

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

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

The Council's:

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



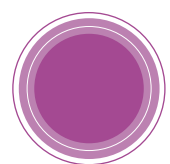
Furqan Yousuf
Delegate of the Auditor-General for New South Wales

cc: Ms Lotta Jackson, General Manager
Ms Jennifer Hayes, Chair of Audit and Risk Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment



Special Schedules

FOR THE YEAR
ENDED 30 JUNE 2021



Cessnock City Council

Special Schedules

for the year ended 30 June 2021

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Report on infrastructure assets as at 30 June 2021 7

Cessnock City Council

Permissible income for general rates

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

Notes

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



INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Cessnock City Council

To the Councillors of Cessnock City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

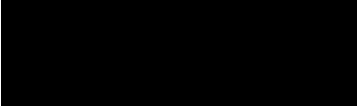
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Furqan Yousuf

Delegate of the Auditor-General for New South Wales

22 October 2021
SYDNEY

Cessnock City Council

Report on infrastructure assets as at 30 June 2021

| Asset Class | Asset Category | Estimated cost | | | | Net carrying amount \$ '000 | Gross replacement cost (GRC) \$ '000 | Assets in condition as a percentage of gross replacement cost | | | | |
|---|---------------------|--|--|--|---------------------------------------|--------------------------------|---|---|--------------|--------------|--------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard \$ '000 | Estimated cost to bring to the agreed level of service set by Council \$ '000 | 2020/21 Required maintenance ^a \$ '000 | 2020/21 Actual maintenance \$ '000 | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | 14,729 | 89,684 | 2,234 | 2,312 | 64,191 | 136,030 | 9.1% | 15.9% | 39.5% | 26.2% | 9.4% |
| | Sub-total | 14,729 | 89,684 | 2,234 | 2,312 | 64,191 | 136,030 | 9.1% | 15.9% | 39.5% | 26.2% | 9.4% |
| Roads | Roads | – | – | – | – | – | – | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Sealed roads | 14,451 | 83,329 | 3,621 | 3,747 | 499,971 | 608,345 | 69.8% | 9.8% | 13.5% | 5.0% | 1.9% |
| | Unsealed roads | 1,244 | 13,917 | 2,056 | 2,128 | 93,274 | 109,840 | 80.1% | 4.1% | 13.9% | 0.7% | 1.2% |
| | Bridges | 31 | 377 | 297 | 307 | 59,334 | 65,718 | 70.7% | 26.7% | 2.4% | 0.3% | 0.0% |
| | Footpaths | 45 | 1,415 | 82 | 85 | 18,634 | 22,026 | 49.5% | 42.9% | 7.2% | 0.4% | 0.0% |
| | Other road assets | 354 | 5,398 | 485 | 502 | 78,198 | 89,283 | 61.5% | 32.4% | 5.0% | 0.9% | 0.2% |
| | Sub-total | 16,125 | 104,436 | 6,541 | 6,769 | 749,411 | 895,212 | 69.8% | 13.4% | 11.7% | 3.6% | 1.5% |
| Stormwater drainage | Stormwater drainage | 192 | 817 | 389 | 402 | 103,741 | 123,348 | 49.5% | 41.0% | 8.9% | 0.4% | 0.1% |
| | Sub-total | 192 | 817 | 389 | 402 | 103,741 | 123,348 | 49.5% | 41.0% | 8.9% | 0.4% | 0.1% |
| Open space / recreational assets | Swimming pools | 18 | 4,091 | – | – | 3,014 | 5,683 | 0.0% | 0.0% | 97.5% | 2.5% | 0.0% |
| | Open Space | 1,752 | 14,015 | 3,578 | 3,703 | 27,466 | 40,810 | 30.3% | 23.6% | 30.7% | 11.6% | 3.9% |
| | Sub-total | 1,770 | 18,106 | 3,578 | 3,703 | 30,480 | 46,493 | 26.6% | 20.7% | 38.9% | 10.4% | 3.4% |
| Other infrastructure assets | Other | 150 | 361 | – | – | 5,492 | 6,485 | 66.0% | 21.3% | 8.2% | 0.0% | 4.6% |
| | Sub-total | 150 | 361 | – | – | 5,492 | 6,485 | 66.0% | 21.3% | 8.2% | 0.0% | 4.6% |
| Total – all assets | | 32,966 | 213,404 | 12,742 | 13,186 | 953,315 | 1,207,568 | 59.2% | 16.8% | 15.6% | 6.1% | 2.3% |

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

Infrastructure asset condition assessment 'key'

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

Cessnock City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2021 | Indicator 2021 | Indicators | | Benchmark |
|--|------------------|-------------------|------------|---------|------------|
| | | | 2020 | 2019 | |
| Buildings and infrastructure renewals ratio | | | | | |
| Asset renewals ^{1,2} | 12,693 | 111.66% | 64.54% | 69.49% | >= 100.00% |
| Depreciation, amortisation and impairment | 11,368 | | | | |
| Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 32,966 | 3.41% | 3.59% | 4.61% | < 2.00% |
| Net carrying amount of infrastructure assets ² | 965,858 | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 13,186 | 103.48% | 101.34% | 108.85% | > 100.00% |
| Required asset maintenance | 12,742 | | | | |
| Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 213,404 | 17.67% | 11.64% | 11.59% | |
| Gross replacement cost | 1,207,568 | | | | |

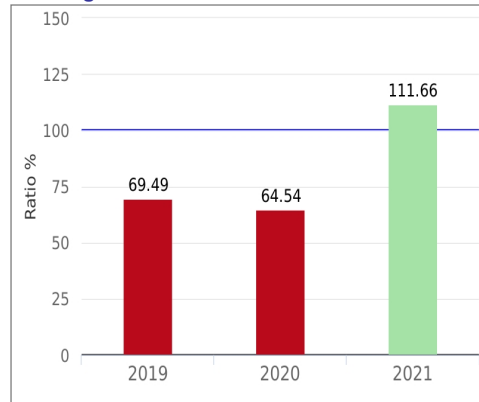
(*) All asset performance indicators are calculated using classes identified in the previous table.

- (1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.
- (2) As per the Local Government Code of Accounting Practice and Financial Reporting 2020/21, WIP is now included in the applicable ratios. Prior year's ratios have not been updated to reflect the inclusion of WIP.

Cessnock City Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

| Commentary on result | |
|--|---------|
| 20/21 ratio | 111.66% |
| This ratio has improved significantly in 2021 due to Work in Progress (WIP) now being included per the Local Government Code of Accounting Practice and Financial Reporting 2020/21. Prior year ratios have not been updated to show the inclusion of WIP. | |

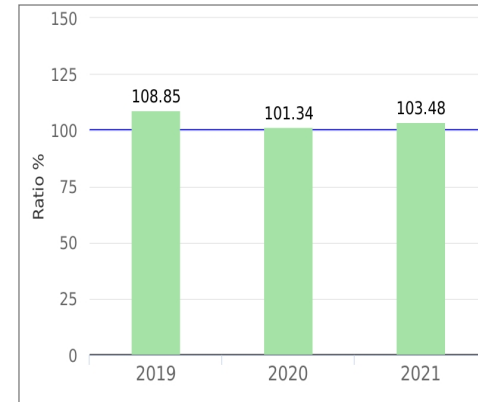
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

| Commentary on result | |
|---|---------|
| 20/21 ratio | 103.48% |
| Council has carried out sufficient maintenance on assets as identified in the Asset Management Plans. | |

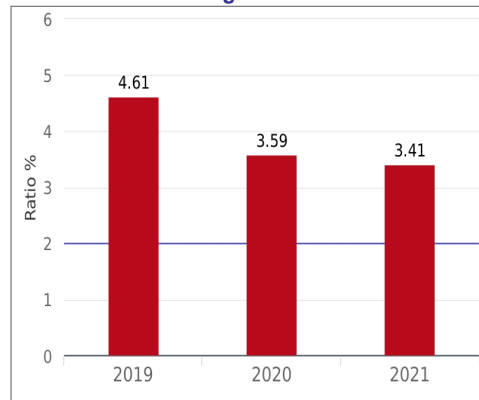
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

| Commentary on result | |
|---|-------|
| 20/21 ratio | 3.41% |
| Council continues to improve on this ratio every year. This ratio reflects the cost to bring assets up to a service potential index (SPI) of 3. In reality, when renewing or replacing assets, they are brought up to an SPI better than 3 and this costs a lot more. | |

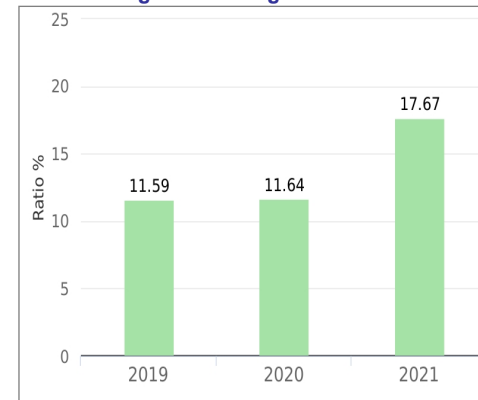
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

| Commentary on result | |
|---|--------|
| 20/21 ratio | 17.67% |
| This ratio reflects the cost to fully replace assets where their service potential index (SPI) is worse than 3. In reality, Council may not need to fully replace the asset to bring it to the agreed level of service. For example, when rehabilitating a road, the formation and sub-base components may not need to be fully replaced. | |