

FINANCIAL REPORTING

INTRODUCTION

The Financial Statements show that Council has achieved a satisfactory financial result for 2020/21.

Council's operating result for the financial year ended 30 June 2021 was a surplus of \$25.58 million including Grants and Contributions for capital purposes. After adjusting for Capital Grants and Contributions, the net operating result was \$7.1 million.

The Financial Statements for the year ended 30 June 2021 have been prepared in accordance with the Local Government Act 1993 (as amended) and Regulations, the Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting. The Statements comprise the following reports:

- General Purpose Financial Statements (independently audited)
- Special Purpose Financial Statements (independently audited)
- Special Schedules (independently audited)

Reporting officer's comments

In 2020/21, Council maintained a satisfactory financial position with an operating surplus of \$25.58 million, including capital grants and contributions, and available working capital stood at \$4.7 million. This surplus contributes to funding for Council's capital works program.

As of 30 June 2021, \$129.9 million was spent on services and operations and \$54 million on capital projects, despite some challenges experienced with the ongoing COVID-19 pandemic. Whilst financial impacts were experienced, Council continued to deliver programs and services in line with Federal and State COVID-19 restrictions.

It is anticipated that 2021/22 will be another challenging year and we will need to continue to monitor and manage the financial challenges associated with COVID-19.

Council's end of financial year result was satisfactory taking into account all financial performance indicators. To the best of my knowledge, Council's financial statements present fairly the Council's operating result and financial position for the year.

Council received an unqualified report from the NSW Auditor General for its 2020/21 Financial Statements.



Angela Apostol
Manager Finance

Financial position of Council – summary (as at 30 June 2021)

The following table provides a summary of the financial results from the Financial Statements 2020/21:

Income Statement \$'000	Actual 2021	Actual 2020
Income from Continuing Operations	155,480	153,838
Expenses from Continuing Operations	129,896	126,745
Net Operating Result for the Year	25,584	27,093
Net Operating Result for the year before Grants and Contributions for Capital purposes	7,090	12,176
Statement of Financial Position \$'000	Actual 2021	Actual 2020
Current Assets	120,074	108,375
Non-Current Assets	1,998,972	1,762,362
Total Assets	2,119,046	1,870,737
Current Liabilities	69,675	39,663
Non-Current Liabilities	4,514	23,395
Total Liabilities	74,189	63,058
Net Assets	2,044,857	1,807,679
Total Equity	2,044,857	1,807,679
Statement of Cash Flows \$'000	Actual 2021	Actual 2020
Net Cash Flow from Operating Activities	48,589	41,744
Net Cash Flow used in Investing Activities	(59,205)	(60,787)
Net Cash Flow from Financial Activities	(635)	1,240
Net (decrease) in Cash	(11,251)	(17,803)
Plus: Cash at beginning of year	20,554	38,357
Cash at end of Year	9,303	20,554
Plus: Investments on hand at end of year	187,370	178,000
Total Cash and Investments	196,673	198,554

Figure 36: Summary of the financial results from the Financial Statements 2020/21



FURTHER INFORMATION

on financial results can be found in the **Financial Statements** on page 307-417.

Performance measurement indicators

The Statement of Performance Measurement (See Note F6 of the Financial Statements on page 373) provide ratios used to assess various aspects of Council’s financial performance. These ratios have been prescribed by the Code of Accounting Practice for 2020/21.

The Infrastructure Asset ratios listed in ‘Special Schedules - Report on Infrastructure Assets’ are Building and Infrastructure Renewal Ratio, Infrastructure Backlog Ratio, Asset Maintenance Ratio and Cost to bring assets to agreed service level. These can be found on page 417 in the Special Schedule section of the Financial Statements.

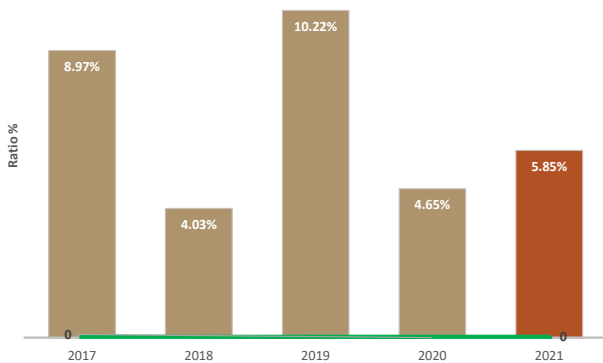
The results of all financial indicators, including asset ratios, providing five year comparisons and commentary, are detailed in the following graphs.

1. Operating performance ratio

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

2020/21 ratio: 5.85%

Council’s Performance Ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The improvement in the ratio is mainly due to increased general income compared to the year before, which had a more significant impact from COVID-19 pandemic revenue loss and expenditure from natural disasters.



Benchmark: — > 0%

Figure 37: Operating performance ratio

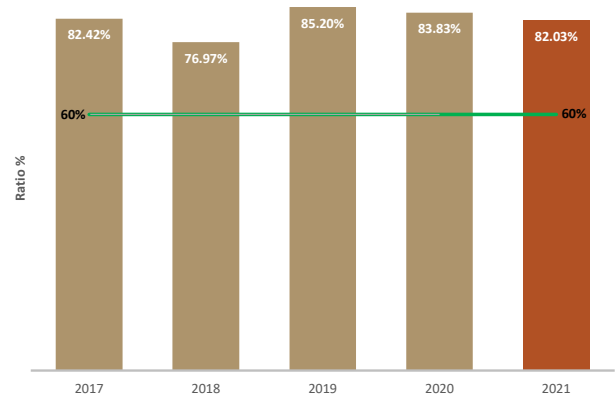
Source for benchmark: Code of Accounting Practice and Financial Reporting

2. Own source operating revenue

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

2020/21 ratio: 82.03%

Council’s Own Source Operating Revenue Ratio has remained stable and above the benchmark of (>60%) in the last five years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.



Benchmark: — > 60%

Figure 38: Own source operating revenue ratio

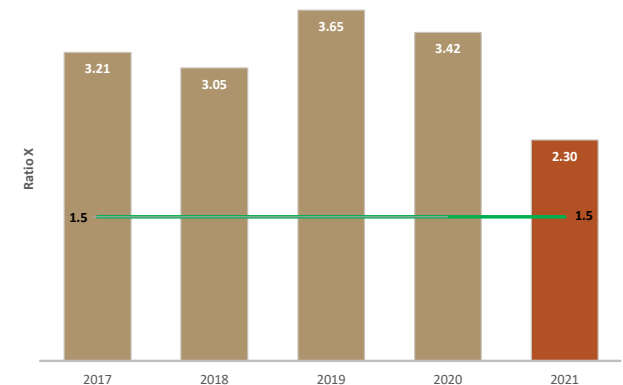
Source for benchmark: Code of Accounting Practice and Financial Reporting

3. Unrestricted current ratio

This ratio assesses the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

2020/21 ratio: 2.30x

Council’s Unrestricted Current Ratio is above the benchmark of >1.5x and has been outperforming the benchmark for the last five years. The ratio saw a decrease from the previous year mainly due to an increase in current liabilities related to a major project currently in progress and due to be completed in the next financial year. Notwithstanding, Council’s liquidity is good and it can readily pay its debts as they fall due.



Benchmark: — > 1.50x

Figure 39: Unrestricted current ratio

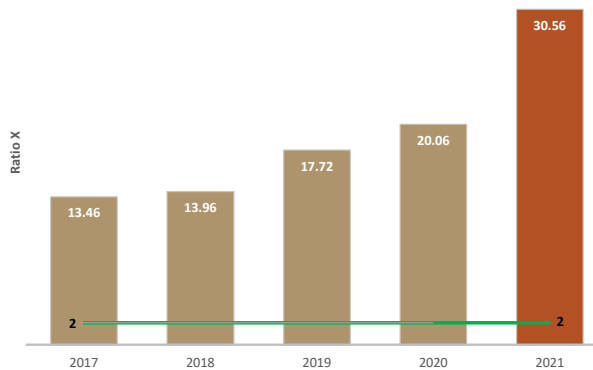
Source for benchmark: Code of Accounting Practice and Financial Reporting

4. Debt service cover ratio

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

2020/21 ratio: 30.56x

The Debt Service Cover Ratio has increased from the previous year and is above the benchmark of 2x, mainly due to an improvement in the operating cash, as well as decreased principal and interest repayments during the financial year compared to the previous year.



Benchmark: — > 2.00x

Figure 40: Debt service cover ratio

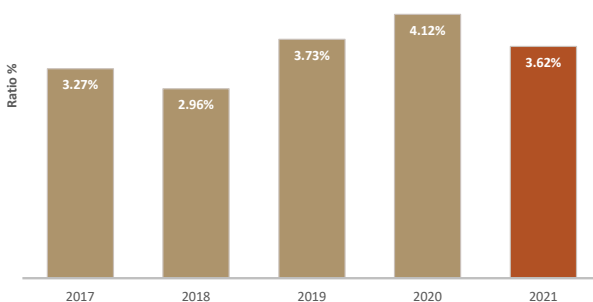
Source for benchmark: Code of Accounting Practice and Financial Reporting

5. Rates, annual charges, interest and extra charges outstanding percentage

This percentage assesses the impact of uncollected rates and annual charges on Council’s liquidity and the adequacy of recovery efforts.

2020/21 ratio: 3.62%

The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council’s ratio of 3.62% is satisfactory and is better than the benchmark of ‘less than 5%’. This is primarily due to an improvement in collection of rates and annual charges post 2019/20 which had an impact on some ratepayers as a result of the COVID-19 pandemic.



Benchmark: — < 5.00%

Figure 41: Rates, annual charges, interest and extra charges outstanding percentage

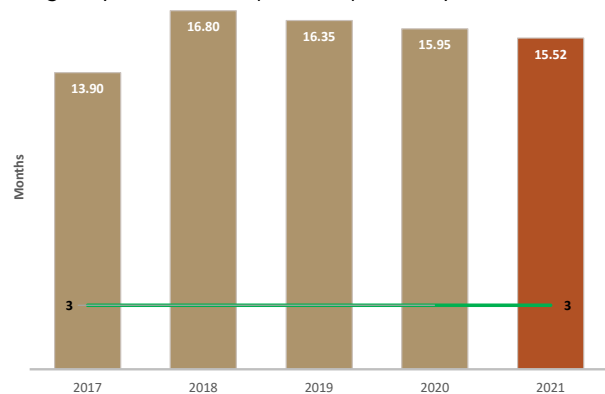
Source for benchmark: Code of Accounting Practice and Financial Reporting

6. Cash expense cover ratio (months)

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

2020/21 ratio: 15.52 months

Council’s Cash Expense Cover Ratio is satisfactory and above benchmark of ‘greater than 3 months’. This ratio has marginally reduced compared to previous year.



Benchmark: — > 3 months

Figure 42: Cash expense cover ratio

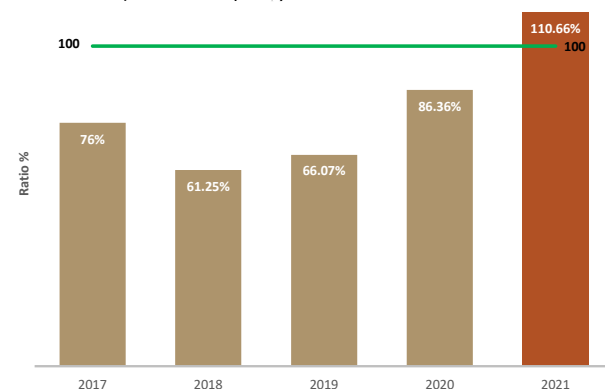
Source for benchmark: Code of Accounting Practice and Financial Reporting

7. Buildings and infrastructure renewals expenditure ratio

This ratio assesses the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2020/21 ratio: 110.66%

The ratio is an improvement from the previous year due to additional renewal mainly on drainage and footpaths, and a change in the calculation allowing for work in progress expenditure to be included in the ratio. Council will continue to focus on appropriate asset standards for renewal and maintenance of its assets and prioritise renewal capital work programs.



Benchmark: — ≥ 100%

Figure 43: Buildings and infrastructure renewals expenditure ratio

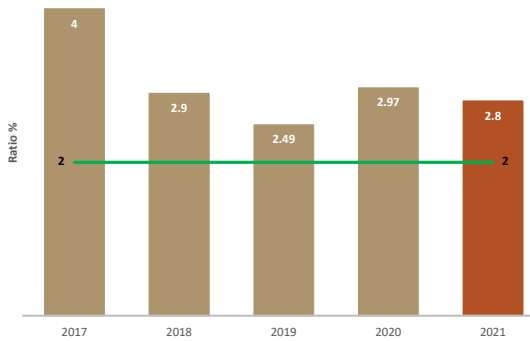
Source for benchmark: Code of Accounting Practice and Financial Reporting

8. Infrastructure backlog ratio

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

2020/21 ratio: 2.80%

Council achieved a backlog ratio of 2.80% at the end of the 2020/21 financial year, which is a decrease from the last financial year, mainly due to reassessment of asset conditions within the infrastructure assets class. The ratio indicates that Council still has an infrastructure backlog. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.



Benchmark: — < 2 %

Figure 44: Infrastructure backlog ratio

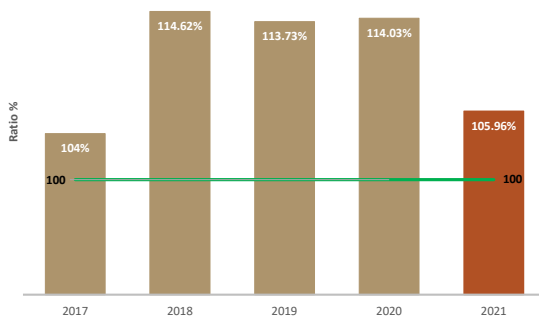
Source for benchmark: Code of Accounting Practice and Financial Reporting

9. Asset maintenance ratio

This ratio compares actual versus required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

2020/21 ratio: 105.96%

A ratio of above 100% indicates that Council is investing enough funds within the year to ensure assets reach their useful lives. The benchmark is greater than 100%. The ratio has slightly reduced due to a reduction in repairs, maintenance and cleaning of some assets compared to the previous year. Council is committed to increase expenditure on asset maintenance in the future to maintain its infrastructure assets in satisfactory condition in the long term.



Benchmark: — > 100%

Figure 45: Asset maintenance ratio

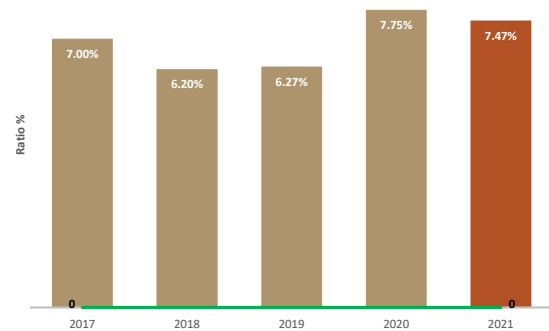
Source for benchmark: Code of Accounting Practice and Financial Reporting

10. 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.

2020/21 ratio: 7.47%

The cost to bring to level of service is an estimate of the cost to renew existing assets that have reached the condition-based intervention level. The ratio is a decrease on the prior year mainly due to the reassessment of asset conditions within the infrastructure assets class. Council is committed to increase expenditure on assets renewal in future years and reduce the cost to bring to level of service and this is reflected in Council’s Long Term Financial Plan and Asset Management Strategy.



Benchmark: — > 0%

Figure 46: Cost to bring assets to agreed service level

Source for benchmark: Code of Accounting Practice and Financial Reporting

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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Overview

Ku-ring-gai Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

818 Pacific Highway
Gordon NSW 2072

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.krg.nsw.gov.au

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across New South Wales are required to present a set of 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.

GENERAL PURPOSE FINANCIAL STATEMENTS STATEMENT BY COUNCILLORS AND MANAGEMENT

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FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

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

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

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

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



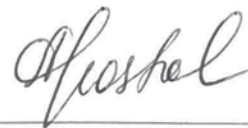
Cedric Spencer
Mayor
21 September 2021



Sam Ngai
Deputy Mayor
21 September 2021



John McKee
General Manager
21 September 2021



Angela Apostol
Responsible Accounting Officer
21 September 2021

PRIMARY FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
90,565	Rates and annual charges	B2-1	90,853	88,273
22,032	User charges and fees	B2-2	20,661	19,753
5,539	Other revenue	B2-3	5,066	4,654
8,115	Grants and contributions provided for operating purposes	B2-4	9,453	8,971
13,286	Grants and contributions provided for capital purposes	B2-4	18,494	14,917
3,700	Interest and investment income	B2-5	3,381	5,052
7,297	Other income	B2-6	7,572	11,161
6,100	Net gains from the disposal of assets	B4-1	–	1,057
156,634	Total income from continuing operations		155,480	153,838
	Expenses from continuing operations			
45,952	Employee benefits and on-costs	B3-1	42,992	41,713
62,335	Materials and services	B3-2	62,025	64,008
531	Borrowing costs	B3-3	304	439
18,751	Depreciation, amortisation and impairment	B3-4	20,380	17,438
3,016	Other expenses	B3-5	3,286	3,147
–	Net losses from the disposal of assets	B4-1	909	–
130,585	Total expenses from continuing operations		129,896	126,745
26,049	Operating result from continuing operations		25,584	27,093
26,049	Net operating result for the year attributable to Council		25,584	27,093
12,763	Net operating result for the year before grants and contributions provided for capital purposes		7,090	12,176

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

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\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		25,584	27,093
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	C1-6	211,594	99,337
Total items which will not be reclassified subsequently to the operating result		211,594	99,337
Total other comprehensive income for the year		211,594	99,337
Total comprehensive income for the year attributable to Council		237,178	126,430

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	9,303	20,554	38,357
Investments	C1-2	83,820	67,500	41,250
Receivables	C1-4	24,023	17,074	10,622
Inventories	C1-5	243	207	164
Current assets classified as 'held for sale'		–	–	380
Other		2,685	3,040	2,515
Total current assets		120,074	108,375	93,288
Non-current assets				
Investments	C1-2	103,550	110,500	113,000
Receivables	C1-4	125	102	111
Infrastructure, property, plant and equipment	C1-6	1,845,005	1,602,924	1,483,849
Investment property	C1-7	47,173	46,170	39,866
Intangible Assets	C1-8	864	927	224
Right of use assets	C2-1	2,255	1,739	–
Total non-current assets		1,998,972	1,762,362	1,637,050
Total assets		2,119,046	1,870,737	1,730,338
LIABILITIES				
Current liabilities				
Payables	C3-1	21,297	15,899	15,060
Contract liabilities	C3-2	16,915	11,652	2,504
Lease liabilities	C2-1	78	65	–
Borrowings	C3-3	19,460	560	19,603
Employee benefit provisions	C3-4	11,925	11,487	10,402
Total current liabilities		69,675	39,663	47,569
Non-current liabilities				
Lease liabilities	C2-1	2,233	1,690	–
Borrowings	C3-3	1,960	21,420	1,081
Employee benefit provisions	C3-4	321	285	302
Total non-current liabilities		4,514	23,395	1,383
Total liabilities		74,189	63,058	48,952
Net assets		2,044,857	1,807,679	1,681,386
EQUITY				
Accumulated surplus		923,958	898,374	871,418
IPPE revaluation reserve		1,120,899	909,305	809,968
Total equity		2,044,857	1,807,679	1,681,386

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

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	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000							
Opening balance at 1 July		898,374	859,808	1,758,182	871,418	760,471	1,631,889
Correction of prior period errors		-	49,497	49,497	-	49,497	49,497
Changes due to AASB 1058 and AASB 15 adoption	F4-1	-	-	-	(137)	-	(137)
Restated opening balance		898,374	909,305	1,807,679	871,281	809,968	1,681,249
Net operating result for the year		25,584	-	25,584	27,093	-	27,093
Net operating result for the period		25,584	-	25,584	27,093	-	27,093
Other comprehensive income							
- Gain on revaluation of IPP&E	C1-6	-	211,594	211,594	-	99,337	99,337
Other comprehensive income		-	211,594	211,594	-	99,337	99,337
Total comprehensive income		25,584	211,594	237,178	27,093	99,337	126,430
Closing balance at 30 June		923,958	1,120,899	2,044,857	898,374	909,305	1,807,679

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

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>				
89,980	Rates and annual charges		91,105	87,819
22,032	User charges and fees		33,928	21,938
3,700	Investment and interest revenue received		4,055	5,430
21,826	Grants and contributions		14,615	24,784
–	Bonds, deposits and retention amounts received		4,669	3,629
3,304	Other		10,058	7,610
6,087	Rental Income		7,572	6,134
3,445	Fines		2,687	2,658
<i>Payments:</i>				
(44,334)	Employee benefits and on-costs		(42,638)	(40,727)
(57,032)	Materials and services		(68,349)	(68,034)
(531)	Borrowing costs		(304)	(439)
–	Bonds, deposits and retention amounts refunded		(2,477)	(3,641)
–	Other		(3,225)	(2,652)
(2,835)	Contributions/levies to other levels of government		(3,107)	(2,765)
45,642	Net cash provided in operating activities	F1-1	48,589	41,744
Cash flows from investing activities				
<i>Receipts:</i>				
126,602	Sale of investment securities		69,500	65,250
6,100	Sale of infrastructure, property, plant and equipment		1,518	2,546
<i>Payments:</i>				
(76,876)	Purchase of investment securities		(70,050)	(89,000)
–	Transfer of term deposits		(8,820)	–
–	Purchase of investment property		(1,003)	(1,277)
(101,578)	Purchase of infrastructure, property, plant and equipment		(50,305)	(37,530)
–	Purchase of intangible assets		(45)	(776)
(45,752)	Net cash (used in) investing activities		(59,205)	(60,787)
Cash flows from financing activities				
<i>Receipts:</i>				
7,600	Proceeds from borrowings		–	2,000
<i>Payments:</i>				
(397)	Repayment of borrowings		(560)	(704)
–	Principal component of lease payments		(75)	(56)
7,203	Net cash flow (used in) financing activities		(635)	1,240
7,093	Net increase (decrease) in cash and cash equivalents		(11,251)	(17,803)
7,027	Cash and cash equivalents at beginning of year		20,554	38,357
14,120	Cash and cash equivalents at end of year	C1-1	9,303	20,554
124,942	plus: Investments on hand at end of year	C1-2	187,370	178,000
139,062	Total cash, cash equivalents and investments		196,673	198,554

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



Autumn. Photographer: Matt Drago.

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A ABOUT COUNCIL AND THESE FINANCIAL STATEMENTS

A1-1 BASIS OF PREPARATION

These financial statements were authorised for issue by Council on 21 September 2021.

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

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

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

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

Council is a not for-profit entity for the purpose of preparing these financial statements.

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 financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties refer Note C1-7,
- (ii) estimated fair values of infrastructure, property, plant and equipment refer Note C1-6,
- (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.

COVID 19 Impact

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. Council continued to respond to the COVID-19 pandemic with many of Council's services adapted to comply with public health orders and to meet emerging needs in the community.

This Pandemic has had a financial impact for Council in the financial year ended 30 June 2021, which was reported to Council in September and December 2020, and is expected to further impact the following financial year. As at the end of the current reporting period Council estimated a loss from COVID 19 of approximately \$1.7m mainly from the use of halls, facilities and events; leases and licenses for community and commercial buildings, income from parking, other fines and others. Council provided rental relief packages to commercial and community leasing portfolio based on evaluation of requests received. The

AI-1 BASIS OF PREPARATION (CONTINUED)

financial impact of the rent relief packages has been accounted for and reflected in the financial statements under relevant income category. No material changes have been noted in asset values and collection of rates.

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and other assets 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
- Thomas Carlyle Children Centre
- Art Centre
- Trade Waste
- Gordon Golf Course
- Turramurra Golf Course
- Tennis Courts
- Swimming Pool
- Commercial Leasing

The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for library services, community events, programs etc. These services have not been recognised in the Financial Statements as they are not significant and cannot be measured reliably.

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

- AASB 1059 – Service Concession Arrangements: Grantor and associated amendments
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

These newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B FINANCIAL PERFORMANCE

B1 FUNCTIONS OR ACTIVITIES

B1-1 FUNCTIONS OR ACTIVITIES – INCOME, EXPENSES AND ASSETS

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
								Restated		Restated
\$ '000										
Functions or activities										
Access, Traffic and Transport	3,397	3,387	2,055	1,938	1,342	1,449	1,107	782	2,138	825
Community, People and Culture	12,317	11,902	23,655	23,349	(11,338)	(11,447)	3,280	3,053	65,932	64,988
Leadership and Governance	80,905	83,953	22,995	21,000	57,910	62,953	3,918	4,006	293,689	334,808
Local Economy and Employment	2	–	204	159	(202)	(159)	2	–	11,504	11,666
Natural Environment	22,703	21,979	28,327	27,507	(5,624)	(5,528)	617	392	13,897	12,293
Places, Spaces and Infrastructure	36,156	32,617	52,660	52,792	(16,504)	(20,175)	19,023	15,655	1,731,886	1,446,157
Total functions and activities	155,480	153,838	129,896	126,745	25,584	27,093	27,947	23,888	2,119,046	1,870,737

B1-2 COMPONENTS OF FUNCTIONS OR ACTIVITIES

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

Access, Traffic and Transport

This theme is about ensuring that access and connection to, from and within Ku-ring-gai provides safe, reliable and affordable public and private travel, transport and infrastructure.

Service provided under this theme - Traffic and transport strategy and research, Road safety, Engineering design, Civil works and maintenance.

Community, People and Culture

This theme is about creating a healthy, safe, and diverse community that respects our history and celebrates our differences in a vibrant culture of learning.

Services provided under this theme – Children's services, Youth services, Aged services, Disability services, Cultural development, Community events, Libraries and Art Centre, Community health, Safety and wellbeing programs, Community facilities and halls management, Sports grounds and parks bookings and Emergency management support.

Leadership and Governance

This theme is about ensuring that Ku-ring-gai is well led, managed and supported by an ethical organisation which delivers projects and services to the community by listening, advocating and responding to their needs.

Services provided under this theme – Financial management, Integrated planning and reporting, Property and asset management, Revenue accounting, Governance, Procurement, Risk management, Customer services, Communication, Community engagement, Human Resources, Information Management, Administration, records and Civic support.

Local Economy and Employment

This theme is about creating sustainable economic and employment opportunities through vital, attractive local and neighbourhood centres, business innovation and use of technology.

Services provided under this theme – Economic and social development, Marketing and Events coordination.

Natural Environment

This theme is about working together as a community to protect and enhance our special natural environment and resources.

Services provided under this theme – Environment Levy programs and initiatives, Corporate sustainability program, Biodiversity and bushland management programs, Bush fire management program, Water conservation, reuse and water quality management program, Environmental education and sustainable living programs, Environmental volunteering program, Climate change adaptation program, Energy management program, Waste management, recycling and education.

Places, Spaces and Infrastructure

This theme is about creating a range of well planned, clean and safe neighbourhoods and public spaces designed with a strong sense of identity and place.

Services provided under this theme – Urban design and planning, Heritage planning, Development assessment, Development compliance and regulation, Open space projects, Landscape design, Drainage works and maintenance, Strategic asset management, Building asset works and maintenance, Parks and sports field works maintenance, Tree preservation and maintenance.

B2 SOURCES OF INCOME

B2-1 RATES AND ANNUAL CHARGES

\$ '000	2021	2020
Ordinary rates		
Residential	32,363	30,947
Business	4,519	4,746
Less: pensioner rebates	(609)	(607)
Pensioner rate subsidies received	241	245
Total ordinary rates	36,514	35,331
Special rates		
Environmental levy	3,161	3,080
Infrastructure levy	28,847	27,891
Less: pensioner rebates	(166)	(166)
Total special rates	31,842	30,805
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	21,640	21,296
Stormwater management services	1,018	1,009
Section 611 charges	91	85
Less: pensioner rebates	(414)	(423)
Pensioner subsidies received:		
– Domestic waste management	162	170
Total annual charges	22,497	22,137
Total rates and annual charges	90,853	88,273

Council has used 2020 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance a rates payment.

B2-2 USER CHARGES AND FEES

\$ '000	Timing	2021	2020
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	1,994	2,123
Certificates	2	820	716
DA advertising fees	2	7	53
Driveway application fees	2	1,162	683
Outstanding notices	2	218	190
Regulatory application fees	2	410	457
Tree preservation charges	2	86	114
Total fees and charges – statutory/regulatory		4,697	4,336
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Art centre	2	384	375
Bus shelters	2	77	432
Compliance Levy	2	516	770
Golf courses (Gordon and Turramurra)	2	2,345	1,763
Halls	2	352	320
Holiday activities	2	387	441
Leaseback fees – Council vehicles	2	419	399
Restoration charges	2	1,586	1,422
Library	2	68	69
Nursery and wildflower garden	2	74	63
Parks	2	1,493	899
Sale of documents	2	1	1
Showground	2	126	597
Swimming centre	2	4,196	4,097
Tennis courts	2	574	311
Thomas Carlyle children centre and family day care	2	1,065	923
Trade waste charges	2	1,812	1,803
Other	2	489	732
Total fees and charges – other		15,964	15,417
Total user charges and fees		20,661	19,753
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		20,661	19,753
Total user charges and fees		20,661	19,753

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.

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

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

B2-3 OTHER REVENUE

\$ '000	Timing	2021	2020
Fines – parking	2	1,700	1,873
Fines – other	2	987	785
Legal fees recovery – rates and charges (extra charges)	2	–	31
Legal fees recovery – other	2	244	260
Commissions and agency fees	2	8	10
Credit card surcharge	2	177	191
Insurance claims recoveries	2	417	39
Dog registration fees	2	118	148
Domestic waste other income	2	219	211
Other	2	477	499
Licence income	2	252	223
Program fees	2	157	179
Recycling income (non-domestic)	2	285	122
Legal proceedings settlements	2	25	83
Total other revenue		5,066	4,654

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)		4,654
Total other revenue		5,066

Accounting policy for other revenue

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

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

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

B2-4 GRANTS AND CONTRIBUTIONS

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	1,827	1,871	-	-
Payment in advance - future year allocation					
Financial assistance	2	1,956	1,983	-	-
Amount recognised as income during current year					
		3,783	3,854	-	-
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Better waste and recycling fund	1	169	141	-	-
Pensioners' rates subsidies:					
Community care	2	43	29	-	56
Community centres	2	2,112	2,352	-	-
Environmental protection	1	526	140	93	-
Library	2	362	328	17	38
LIRS subsidy	2	-	4	-	-
NSW rural fire services	2	58	70	-	-
Recreation and culture	1	14	118	6,076	2,596
Road safety	2	576	372	3,930	711
Street lighting	2	305	305	-	-
Transport	2	42	107	704	709
Previously contributions:					
Contribution to works	2	1,463	1,151	50	63
Total special purpose grants and non-developer contributions – cash					
		5,670	5,117	10,870	4,173
Non-cash contributions					
Roads and bridges		-	-	-	823
Total other contributions – non-cash					
		-	-	-	823
Total special purpose grants and non-developer contributions (tied)					
		5,670	5,117	10,870	4,996
Total grants and non-developer contributions					
		9,453	8,971	10,870	4,996
Comprising:					
- Commonwealth funding		2,563	6,152	2,788	717
- State funding		6,890	2,819	8,082	4,279
		9,453	8,971	10,870	4,996

B2-4 GRANTS AND CONTRIBUTIONS (CONTINUED)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services						
		2	–	–	7,624	9,921
Total developer contributions – cash			–	–	7,624	9,921
Total developer contributions			–	–	7,624	9,921
Total contributions			–	–	7,624	9,921
Total grants and contributions			9,453	8,971	18,494	14,917
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)						
			140	–	1,839	–
Grants and contributions recognised at a point in time (2)						
			9,313	8,971	16,655	14,917
Total grants and contributions			9,453	8,971	18,494	14,917

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
Operating & Capital grants				
Unspent funds at 1 July	2,351	661	–	–
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	3,488	2,279	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,979)	(120)	–	–
Unexpended and held as externally restricted assets (operating & capital grants)	3,860	2,351	–	–
Contributions				
Unspent funds at 1 July	136,347	134,510	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	1,837	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(10,201)	–	–	–
Unspent contributions at 30 June	126,146	136,347	–	–

B2-4 GRANTS AND CONTRIBUTIONS (CONTINUED)

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 INTEREST AND INVESTMENT INCOME

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	50	174
– Cash and investments	3,331	4,878
Total interest and investment income (losses)	3,381	5,052
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	50	174
General Council cash and investments	623	649
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	2,238	3,397
Restricted investments/funds – internal:		
Internally restricted assets	470	832
Total interest and investment revenue recognised	3,381	5,052

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
Fair value increment on investment properties			
Fair value increment on investment properties		–	5,027
Total fair value increment on investment properties	C1-7	–	5,027
Rental income			
Investment properties			
Lease income relating to variable lease payments not dependent on an index or a rate		2,992	2,159
Total Investment properties		2,992	2,159
Other lease income			
Community and Commercial rental		4,580	3,975
Total Other lease income		4,580	3,975
Total rental income	C2-2	7,572	6,134
Total other income		7,572	11,161

B3-1 EMPLOYEE BENEFITS AND ON-COSTS

\$ '000	2021	2020
Salaries and wages	34,600	33,563
Employee leave entitlements (ELE)	5,005	5,408
Superannuation	3,987	3,828
Workers' compensation insurance	1,203	827
Fringe benefit tax (FBT)	242	269
Other	124	163
Total employee costs	45,161	44,058
Less: capitalised costs	(2,169)	(2,345)
Total employee costs expensed	42,992	41,713

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 C3-4 for more information.

B3-2 MATERIALS AND SERVICES

\$ '000	Notes	2021	2020
Raw materials and consumables		3,763	3,735
Contractor and consultancy costs		40,952	43,409
Audit Fees	E2-1	67	61
Lease expense		357	244
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	E1-2	371	375
Advertising		255	351
Bank charges		330	331
Computer software charges		1,821	1,395
Election expenses		–	3
Electricity and heating		1,009	986
Insurance		1,628	1,513
Postage		266	281
Street lighting		1,525	1,605
Subscriptions and publications		323	291
Telephone and communications		444	358
Valuation fees		238	226
Commissions and management fees		868	440
Conferences		61	144
Corporate events		36	42
Family day care (child care assistance)		684	750
Insurance excess		43	28
Training costs (other than salaries and wages)		207	242
External plant hire		105	111
Rate issue costs		46	36
Rental rebates		1,992	1,784
Sydney water		278	351
Vehicle registration		185	189
Other expenses		1,647	2,025
Legal expenses:			
– Legal expenses: planning and development		2,035	2,079
– Legal expenses: other		193	284
Expenses from short-term leases		–	14
Expenses from leases of low value assets		296	325
Total materials and services		62,025	64,008

Accounting policy

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

B3-3 BORROWING COSTS

\$ '000	2021	2020
Interest bearing liability costs		
Interest on leases	38	38
Interest on loans	266	401
Total interest bearing liability costs expensed	304	439
Total borrowing costs expensed	304	439

Accounting policy

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

B3-4 DEPRECIATION, AMORTISATION AND IMPAIRMENT

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,266	1,229
Office equipment		219	163
Furniture and fittings		46	43
Land improvements (depreciable)		169	147
Infrastructure:	C1-6		
– Buildings – non-specialised		161	149
– Buildings – specialised		3,091	3,037
– Other structures		313	237
– Roads		8,437	6,353
– Bridges		229	158
– Footpaths		1,062	697
– Stormwater drainage		1,725	1,682
– Swimming pools		30	30
– Other open space/recreational assets		2,773	2,711
Right of use assets	C2-1	115	72
Other assets:			
– Library books		597	591
– Other		39	66
Intangible assets	C1-8	108	73
Total depreciation and amortisation costs		20,380	17,438
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED		20,380	17,438

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.

B3-5 OTHER EXPENSES

\$ '000	Notes	2021	2020
Impairment of receivables			
User charges and fees		15	86
Total impairment of receivables	C1-4	15	86
Other			
Contributions/levies to other levels of government			
– Department of planning levy		455	441
– Emergency services levy (includes FRNSW, SES, and RFS levies)		2,652	2,324
Donations, contributions and assistance to other organisations (Section 356)		164	296
Total other expenses		3,286	3,147

Accounting policy

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

B4 GAINS OR LOSSES

B4-1 GAINS OR LOSSES FROM THE DISPOSAL OF ASSETS

\$ '000	Notes	2021	2020
Plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		1,518	1,052
Less: carrying amount of plant and equipment assets sold and written off		(1,260)	(869)
Net gain on disposal		258	183
Infrastructure Assets	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure and other assets sold and written off		(1,167)	(118)
Net loss on disposal		(1,167)	(118)
Financial Assets	C1-2		
Proceeds from disposal/redemptions/maturities – financial assets		69,500	65,250
Less: carrying amount of financial assets sold/redeemed/matured		(69,500)	(65,250)
Gain (or loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		–	1,374
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(403)
Net gain on disposal		–	971
Community Land			
Proceeds from disposal – land assets		–	120
Less: carrying amount of land assets sold/written off		–	(21)
Net gain on disposal		–	99
Buildings - Specialised			
Proceeds from disposal – Buildings - Specialised		–	–
Less: carrying amount of Buildings - Specialised assets sold/written off		–	(78)
Net loss on disposal		–	(78)
NET GAIN (OR LOSS) ON DISPOSAL OF ASSETS		(909)	1,057

Accounting policy

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.

B5-1 MATERIAL BUDGET VARIATIONS

Council's original budget was adopted by the Council on 30/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

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

Operating grants and contributions	8,115	9,453	1,338	16%	F
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Favourable variance mainly due to unbudgeted grants (\$1.8m) and contribution to emergency services levy (\$0.6m) partly offset by budgeted grants yet to be received (\$0.9m).

Capital grants and contributions	13,286	18,494	5,208	39%	F
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Favourable variance mainly due to unbudgeted grants (\$10.7m) for Lindfield Village Green, St Ives Showground and Local Roads and Community Infrastructure partly offset by less than budgeted developer contributions (\$5.3m).

Net gains from disposal of assets	6,100	-	(6,100)	(100)%	U
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Unfavourable variance due to budgeted asset sales related to major projects being deferred to future years.

EXPENSES

Borrowing costs	531	304	227	43%	F
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Favourable mainly due to budgeted interest rates lower than actual and new loan for St Ives Indoor Sports Facility deferred to 2021/22.

STATEMENT OF CASH FLOWS

Cash flows from investing activities	(45,752)	(59,205)	(13,453)	29%	U
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Actual cash outflow from investing activities is mainly due to a decrease in receipts for sale of investment securities compared to budget offset by reduced actual expenditure on capital works compared to budget.

Cash flows from financing activities	7,203	(635)	(7,838)	(109)%	U
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Unfavourable mainly due to new loan for St Ives Indoor Sports Facility deferred to 2021/22.

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	9,303	20,554
Total cash and cash equivalents	9,303	20,554
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	9,303	20,554
Balance as per the Statement of Cash Flows	9,303	20,554

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

C1-2 FINANCIAL INVESTMENTS

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Debt securities at amortised cost				
Long term deposits	77,820	65,000	53,000	81,000
FRN's (with maturities > 3 months)	6,000	38,550	14,500	29,500
Total	83,820	103,550	67,500	110,500
Total financial investments	83,820	103,550	67,500	110,500
Total cash assets, cash equivalents and investments	93,123	103,550	88,054	110,500

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).

Classification

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.

(a) 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.

C1-2 FINANCIAL INVESTMENTS (CONTINUED)

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

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

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

C1-3 RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	93,123	103,550	88,054	110,500
attributable to:				
External restrictions	43,611	103,550	45,095	110,500
Internal restrictions	42,977	–	37,809	–
Unrestricted	6,535	–	5,150	–
	93,123	103,550	88,054	110,500

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	2,232	2,005
External restrictions – included in liabilities	2,232	2,005

External restrictions – other

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

Developer contributions – general	126,146	136,347
Specific purpose unexpended grants (recognised as revenue) – general fund	1,628	346
Environmental levy	3,568	3,591
Domestic waste management	13,587	13,306
External restrictions – other	144,929	153,590
Total external restrictions	147,161	155,595

Internal restrictions

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

Employees leave entitlement	2,650	2,289
Carry over works	3,074	2,575
Deposits, retentions and bonds	670	670
Infrastructure and facilities	34,245	27,712
Other	2,338	4,563
Total internal restrictions	42,977	37,809
Total restrictions	190,138	193,404

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	3,152	80	3,428	56
Interest and extra charges	154	45	248	46
User charges and fees	2,570	–	3,383	–
Accrued revenues				
– Interest on investments	1,253	–	1,832	–
– Other income accruals	1,869	–	957	–
Government grants and subsidies	13,929	–	6,547	–
Net GST receivable	628	–	886	–
Other debtors	468	–	440	–
Total	24,023	125	17,721	102
Less: provision of impairment				
User charges and fees	–	–	(647)	–
Total provision for impairment – receivables	–	–	(647)	–
Total net receivables	24,023	125	17,074	102

There are no restrictions applicable to the above assets.

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	647	561
New provisions recognised during the year	–	86
– amounts already provided for and written off this year	(647)	–
Balance at the end of the year	–	647

Accounting policy

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Due to COVID -19 debt recovery relief, no interest was charged on overdue rates from 1 July to 31 December 2020.
From January 2021 Interest on overdue rates and charges was charged at 7%.
- (iv) Please refer to Note E1 for issues concerning credit risk and fair value disclosures.

Impairment

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

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

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

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

C1-4 RECEIVABLES (CONTINUED)

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

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

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

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

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

COVID 19

Council's rates and annual charges collection have not been significantly impacted by the COVID-19 Pandemic and are comparable to prior years, therefore no adjustment has been made by the impairment provision.

C1-5 INVENTORIES

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	195	–	170	–
Trading stock	48	–	37	–
Total inventories at cost	243	–	207	–
Total inventories	243	–	207	–

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Costs are assigned to individual items of inventory on basis of weighted average costs.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

C1-6 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

By aggregated asset class	Asset movements during the reporting period										At 30 June 2021			
	At 1 July 2020 ¹													
\$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ²	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other adjustments	Revaluation increments to equity (ARR)	Revaluation decrements to equity (ARR)	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	27,851	-	27,851	2,801	22,800	-	-	(7,061)	-	(35)	-	-	46,356	46,356
Plant and equipment	14,254	(4,774)	9,480	2,364	-	(1,255)	(1,266)	64	(81)	1	-	-	14,294	9,307
Office equipment	1,713	(835)	878	13	-	(5)	(219)	5	33	-	-	-	1,692	705
Furniture and fittings	633	(389)	244	15	2	-	(46)	26	(18)	-	-	-	654	223
Land:														
- Operational land	160,960	-	160,960	-	2,056	-	-	-	5,489	-	-	-	168,505	168,505
- Community land	452,607	-	452,607	-	-	-	-	-	(5,489)	-	211,913	-	659,031	659,031
- Crown land	138,653	-	138,653	-	-	-	-	-	-	-	-	-	138,653	138,653
- Land under roads (post 30/6/08)	1,173	-	1,173	-	-	-	-	-	-	-	-	-	1,173	1,173
Land improvements – depreciable	2,946	(1,229)	1,717	-	-	-	(169)	-	209	-	-	-	7,743	1,757
Infrastructure:														
- Buildings – non-specialised	8,662	(4,263)	4,399	19	96	-	(161)	-	-	-	-	-	8,777	4,353
- Buildings – specialised	154,977	(65,142)	89,835	2,473	2,985	-	(3,091)	1,651	-	1	-	-	162,087	93,854
- Other structures	17,626	(7,188)	10,438	247	136	-	(313)	121	131	(1)	-	-	18,362	10,759
- Roads	548,195	(220,911)	327,284	8,198	209	-	(8,437)	1,183	(14)	-	-	-	553,720	328,423
- Bridges	15,322	(5,299)	10,023	-	-	-	(229)	-	-	-	-	-	15,322	9,794
- Footpaths	71,816	(23,856)	47,960	2,153	55	(1)	(1,062)	767	-	-	-	-	74,647	49,872
- Bulk earthworks (non-depreciable)	75,391	-	75,391	-	-	-	-	-	-	-	-	-	75,391	75,391
- Stormwater drainage	242,009	(79,508)	162,501	1,169	397	(24)	(1,725)	284	2,675	-	-	-	247,886	165,277
- Swimming pools	3,007	(541)	2,466	13	-	-	(30)	13	-	-	-	-	3,033	2,462
- Other open space/recreational assets	130,245	(55,697)	74,548	2,699	1,703	(1,138)	(2,773)	2,947	(2,726)	-	(231)	-	130,982	75,029
Other assets:														
- Library books	7,393	(4,246)	3,147	502	-	-	(697)	-	-	-	-	-	7,895	3,052
- Other	5,918	(4,549)	1,369	-	3	(4)	(39)	-	(209)	(3)	(88)	-	1,029	1,029
Total infrastructure, property, plant and equipment	2,081,351	(478,427)	1,602,924	22,666	30,442	(2,427)	(20,157)	-	-	(37)	(319)	211,913	2,337,232	1,845,005

(1) This column has been restated

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

By aggregated asset class	At 1 July 2019 ¹							Asset movements during the reporting period					At 30 June 2020 ²	
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ³	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Transfers	Other adjustments	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	19,024	–	19,024	3,415	10,621	–	–	(5,209)	–	–	–	27,851	–	27,851
Plant and equipment	14,268	(5,470)	8,798	2,692	36	(869)	(1,229)	52	–	–	14,254	(4,774)	9,480	
Office equipment	1,481	(672)	809	217	15	–	(163)	–	–	–	1,713	(835)	878	
Furniture and fittings	594	(346)	248	14	25	–	(43)	–	–	–	633	(389)	244	
Land:														
– Operational land	159,230	–	159,230	–	1,730	–	–	–	–	–	160,960	–	160,960	
– Community land	452,628	–	452,628	–	–	(21)	–	–	–	–	452,607	–	452,607	
– Crown land	138,653	–	138,653	–	–	–	–	–	–	–	138,653	–	138,653	
– Land under roads (post 30/6/08)	1,173	–	1,173	–	–	–	–	–	–	–	1,173	–	1,173	
Land improvements – depreciable	2,946	(1,083)	1,863	–	–	–	(147)	–	1	–	2,946	(1,229)	1,717	
Infrastructure:														
– Buildings – non-specialised	7,865	(4,114)	3,751	10	786	–	(149)	–	–	–	8,662	(4,263)	4,399	
– Buildings – specialised	152,422	(62,198)	90,224	2,598	114	(78)	(3,037)	14	–	–	154,977	(65,142)	89,835	
– Other structures	15,936	(6,372)	9,564	354	76	(36)	(237)	193	(20)	543	17,626	(7,188)	10,438	
– Roads	487,541	(231,577)	255,964	7,393	1,728	(14)	(6,353)	2,667	(1,922)	67,820	548,195	(220,911)	327,284	
– Bridges	14,501	(6,463)	8,038	–	–	(68)	(158)	–	–	2,210	15,322	(5,299)	10,023	
– Footpaths	50,662	(17,438)	33,224	283	954	–	(697)	655	27	13,514	71,816	(23,856)	47,960	
– Bulk earthworks (non-depreciable)	59,894	–	59,894	247	–	–	–	–	–	15,250	75,391	–	75,391	
– Stormwater drainage	238,543	(77,293)	161,250	681	627	–	(1,682)	223	1,402	–	242,009	(79,508)	162,501	
– Swimming pools	2,985	(511)	2,474	22	–	–	(30)	–	–	–	3,007	(541)	2,466	
– Other open space/recreational assets	125,732	(53,180)	72,552	1,412	1,919	–	(2,711)	863	513	–	130,245	(55,697)	74,548	
Other assets:														
– Library books	6,708	(3,655)	3,053	685	–	–	(591)	–	–	–	7,393	(4,246)	3,147	
– Other	5,918	(4,483)	1,435	–	–	–	(66)	–	–	–	5,918	(4,549)	1,369	
Total infrastructure, property, plant and equipment	1,958,704	(474,855)	1,483,849	20,023	18,631	(1,086)	(17,293)	(542)	5	99,337	2,081,351	(478,427)	1,602,924	

(1) This column has been restated

(2) This column has been restated

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

C1-6 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policy

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

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

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

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	Stormwater assets	Years
Office equipment	10	Pits	10 to 100
Office furniture	2 to 10	Pipes	100 to 150
Computer equipment	4 to 10		
Vehicles	10	Other infrastructure assets	
Other plant and equipment	3 to 20	Bulk earthworks	NA
		Swimming pools	100
		Recreation assets	5 to 120
Transportation assets		Other Asset	
Road surface	20 to 100	Other Asset (Art Works)	NA
Road pavements	60 to 80	Library Books	10
Road structures	10 to 120		
Bridge	3 to 70	Buildings	
Other structure (Car Park)	25 to 60	Buildings	25 to 100
Kerb and Gutter	60 to 100		
Footpaths	40 to 80		

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 in accordance with AASB 1051 Land Under Roads.

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

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C1-7 INVESTMENT PROPERTIES

\$ '000	2021	2020
Owned investment property		
Investment property on hand at fair value	47,173	46,170
Total owned investment property	47,173	46,170
Owned investment property		
At fair value		
Opening balance at 1 July	46,170	39,866
Acquisitions	1,003	1,277
– Net gain from fair value adjustments	–	5,027
Closing balance at 30 June	47,173	46,170

C1-8 INTANGIBLE ASSETS

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	2,526	1,750
Accumulated amortisation	(1,599)	(1,526)
Net book value – opening balance	927	224
Movements for the year		
Other movements	63	–
Purchases	45	776
Amortisation charges	(108)	(73)
Closing values at 30 June		
Gross book value	2,571	2,526
Accumulated amortisation	(1,707)	(1,599)
Total software – net book value	864	927
Total intangible assets – net book value	864	927

Accounting policy**IT development and software**

Systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include software licenses.

Amortisation is calculated on a straight line bases over periods generally ranging from 5 to 10 years.

C2 LEASING ACTIVITIES

C2-1 COUNCIL AS A LESSEE

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

Office and IT equipment

Leases for office and IT equipment are for multi-function devices. The lease term is for 4 - 5 years, the payments are fixed with renewal options available at the expiry of the lease term.

Land

Council leases Crown land from the State of New South Wales within the meaning of CLA. The term of the lease is 25 years with no renewal option but to continue the arrangement on a month to month basis on the expiration of the term of the lease.

(a) Right of use assets

\$ '000	Office and IT Equipment	Land	Total
2021			
Opening balance at 1 July	52	1,687	1,739
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	36	–	36
Adjustments to right-of-use assets due to re-measurement of lease liability	(3)	598	595
Depreciation charge	(20)	(95)	(115)
Balance at 30 June	65	2,190	2,255
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	54	1,757	1,811
Depreciation charge	(2)	(70)	(72)
Balance at 30 June	52	1,687	1,739

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	78	2,233	65	1,690
Total lease liabilities	78	2,233	65	1,690

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	78	385	1,848	2,311	2,311
2020					
Cash flows	65	335	1,355	1,755	1,755

C2-1 COUNCIL AS A LESSEE (CONTINUED)

(ii) Lease liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total lease liabilities relating to unrestricted assets	78	2,233	65	1,690
Total lease liabilities	78	2,233	65	1,690

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	38	38
Depreciation of right of use assets	115	72
Expenses relating to short-term leases	–	14
Expenses relating to low-value leases	296	325
	449	449

(e) Statement of Cash Flows

Total cash outflow for leases	(113)	(94)
	(113)	(94)

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.

C2-2 COUNCIL AS A LESSOR

Operating leases

Council leases out a number of properties to community and commercial 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:

- as investment property - where the asset is predominantly for rental or capital growth purposes (refer note C1-7)
- IPP&E - where the rental is incidental, or the asset is held to meet Council's service delivery objective (refer note C1-6).

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

\$ '000	2021	2020
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(i) Assets held as investment property

Investment property operating leases relate to current tenancies relating to Council's Investment Property at 828 Pacific Highway.

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

Lease income relating to variable lease payments not dependent on an index or a rate	2,992	2,159
Total income relating to operating leases for investment property assets	2,992	2,159

Operating lease expenses

Direct operating expenses that generated rental income	(851)	(845)
Total expenses relating to operating leases	(851)	(845)

Repairs and maintenance: investment property

Contractual obligations for future repairs and maintenance	107	104
Total repairs and maintenance: investment property	107	104

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of childcare, community and recreation facilities. 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)	4,580	3,975
Total income relating to operating leases for Council assets	4,580	3,975

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

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

< 1 year	2,679	2,042
1-2 years	2,393	1,566
2-3 years	2,167	1,287
3-4 years	1,560	1,060
4-5 years	648	1,092
Total undiscounted lease payments to be received	9,510	7,047

C3 LIABILITIES OF COUNCIL

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C3-1 PAYABLES

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	6,557	–	6,643	–
Goods and services – capital expenditure	4,184	–	1,418	–
Security bonds, deposits and retentions	9,483	–	7,291	–
Other	1,073	–	547	–
Total payables	21,297	–	15,899	–
Total payables	21,297	–	15,899	–

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 – Loans, security bonds, deposits and retentions	7,300	5,456
Total payables and borrowings	7,300	5,456

Accounting policy

Payables

These amounts represent liabilities for goods and services provided to the 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)	1,953	–	8,111	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	279	–	141	–
Total grants received in advance		2,232	–	8,252	–
User fees and charges received in advance:					
Upfront fees	(iii)	3,078	–	2,157	–
Other		11,605	–	1,243	–
Total user fees and charges received in advance		14,683	–	3,400	–
Total contract liabilities		16,915	–	11,652	–

Notes

(i) Council has received funding to construct assets including sporting facilities, carparks, parks and other infrastructure. The funds received are under an enforceable contract which requires 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 receivable which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

C3-2 CONTRACT LIABILITIES (CONTINUED)

(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) Upfront membership fees for various program and classes do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when the benefit or services are provided.

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	2,232	-	8,253	-
Contract liabilities relating to externally restricted assets	2,232	-	8,253	-
Total contract liabilities relating to restricted assets	2,232	-	8,253	-
Total contract liabilities relating to unrestricted assets	14,683	-	3,399	-
Total contract liabilities	16,915	-	11,652	-

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:		
Operating grants (received prior to performance obligation being satisfied)	1,979	120
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,979	120

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	19,460	1,960	560	21,420
Total borrowings	19,460	1,960	560	21,420

(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

Borrowings relating to restricted assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total borrowings relating to unrestricted assets	19,460	1,960	560	21,420
Total borrowings	19,460	1,960	560	21,420

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

\$ '000	2021	2020
The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Borrowings	18,900	–
Total borrowings	18,900	–

(a) Changes in borrowings 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	21,980	(560)	–	–	–	–	21,420
Lease liability (Note C2-1b)	1,755	(75)	36	594	–	1	2,311
Total liabilities from financing activities	23,735	(635)	36	594	–	1	23,731

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank Facility	18,900	18,900
Credit cards	120	100
Total financing arrangements	19,020	19,000
Drawn facilities		
– Bank Facility	18,900	18,900
– Credit cards	100	95
Total drawn financing arrangements	19,000	18,995
Undrawn facilities		
– Credit cards	20	5

C3-3 BORROWINGS (CONTINUED)

Accounting policy

Borrowing costs are expensed, except to the extent that they are incurred during the construction of qualifying assets.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

C3-4 EMPLOYEE BENEFIT PROVISIONS

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	3,773	–	3,393	–
Sick leave	294	–	296	–
Long service leave	7,858	321	7,798	285
Total employee benefit provisions	11,925	321	11,487	285

Employee benefit provisions relating to restricted assets

Refer to Note C1-3 for restricted assets (internal) related to provisions.

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	7,959	7,465
	7,959	7,465

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
2021				
At beginning of year	3,393	296	8,083	11,772
Additional provisions	2,976	–	856	3,832
Payments	(2,596)	(2)	(760)	(3,358)
Total ELE provisions at end of year	3,773	294	8,179	12,246
2020				
At beginning of year	2,923	292	7,489	10,704
Additional provisions	2,834	4	1,425	4,263
Payments	(2,364)	–	(831)	(3,195)
Total ELE provisions at end of year	3,393	296	8,083	11,772

C3-4 EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

Accounting policy

Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlements beyond 12 months – even though it is not anticipated that all employees with more than 5 years' service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit 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 AASB 119 *Employee benefits*.

Sufficient reliable information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The scheme's most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme, however, is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

In relation to further disclosure below, under item d (iii) the expected contributions by Council to the Fund for the next annual reporting period are \$483,491.40. Based on the past service liabilities methodology, for item (d) (iv) the share of any funding surplus or deficit that can be attributed to Council is 0.83%.

The requirement for contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40m per annum) is assessed annually by the Actuary.

As previously notified, the past service contributions of \$40m per annum remain in place and will continue to be reviewed on an annual basis or as required. The funding requirements for the defined benefit schemes are assessed by the Trustee on an annual basis with the outcome of each annual funding update communicated in the new year. We advise that under item (d) (v), it is estimated that there are \$331,300.00 past service contributions remaining.

C3-4 EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2021 was \$510,646.08. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

Council received further disclosure requirements under paragraph 148 of the AASB119 which are detailed below:

(a) a description of the funding arrangements, including the method used to determine the entity's rate of contribution and any minimum funding requirements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

The current standard employer contribution rates are:

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum 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.

(b) A description of the extent to which the entity can be liable to the plan other entities' obligations under the terms and conditions of the multi-employer plan.

As stated 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.

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 entity.

(c) A description of any agreed allocation of a deficit or surplus on:

- *Wind-up the plan*

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

- *The entity's withdrawal from the plan*

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

(d) Given the entity accounts for that plan as if it were defined contribution plan in accordance with paragraph 34, the following information:

(i) the fact that the plan is a defined benefit plan

We confirm the plan is a defined benefit plan.

(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

See earlier section on "AASB 119 accounting observations".

(iii) The expected contributions to the plan for the next annual reporting period.

(iv) Information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

C3-4 EMPLOYEE BENEFIT PROVISIONS (CONTINUED)

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

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

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

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

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

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021.

(v) An indication of the level of participation of the entity in the plan compared with other participating entities.

An employer's past service contribution per annum (see cover letter) as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

D RISKS AND ACCOUNTING UNCERTAINTIES

DI-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.

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	9,303	20,554	9,303	20,554
Receivables	24,148	17,176	24,148	17,176
Investments				
– Debt securities at amortised cost	187,370	178,000	193,843	178,308
Total financial assets	220,821	215,730	227,294	216,038
Financial liabilities				
Payables	21,297	15,899	21,297	15,899
Loans/advances	21,420	21,980	21,420	21,980
Total financial liabilities	42,717	37,879	42,717	37,879

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- **Payables** – exclude payments received in advance.

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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 also seeks advice from independent advisors before placing any funds in cash equivalents and investments.

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
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The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

Impact of a 1% movement in interest rates

– Equity / Income Statement	445	440
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Impact of a 10% movement in price of investments

– Equity / Income Statement	4,455	4,400
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(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages the credit risk by monitoring outstanding debts and employing stringent debt recovery procedures.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 encourage the payment of debt.

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	2,435	416	321	60	3,232
2020						
Gross carrying amount	–	2,839	448	140	57	3,484

Receivables - non-rates and annual charges and contract assets

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	17,250	448	35	1,398	1,785	20,916
2020						
Gross carrying amount	12,014	525	111	1,395	294	14,339

D1-1 RISKS RELATING TO FINANCIAL INSTRUMENTS HELD (CONTINUED)

(c) Liquidity risk

Payables and borrowings are both 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 can be utilised as required.

The contractual undiscounted cash outflows (i.e.principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	9,483	11,814	–	–	21,297	21,297
Loans and advances	1.06%	–	19,460	1,160	800	21,420	21,420
Total financial liabilities		9,483	31,274	1,160	800	42,717	42,717
2020							
Trade/other payables	0.00%	7,291	8,730	–	–	16,021	15,899
Loans and advances	1.61%	–	560	20,420	1,000	21,980	21,980
Total financial liabilities		7,291	9,290	20,420	1,000	38,001	37,879

D2 FAIR VALUE MEASUREMENT

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Investment property	C1-7						
Investment properties		47,173	46,170	–	–	47,173	46,170
Total investment property		47,173	46,170	–	–	47,173	46,170
Infrastructure, property, plant and equipment	C1-6						
Operational Land		–	–	168,505	160,960	168,505	160,960
Community Land		–	–	659,031	452,607	659,031	452,607
Land Under Roads		–	–	1,173	1,173	1,173	1,173
Land Improvements Depreciable		–	–	1,757	1,717	1,757	1,717
Stormwater Drainage		–	–	165,277	162,501	165,277	162,501
Structure (Car Parks)		–	–	10,759	10,438	10,759	10,438
Buildings – Non Specialised		–	–	4,353	4,399	4,353	4,399
Buildings – Specialised		–	–	93,854	89,835	93,854	89,835
Furniture & Fittings		–	–	223	244	223	244
Library Books		–	–	3,051	3,147	3,051	3,147
Office Equipment		–	–	704	878	704	878
Plant & Equipment (e.g. Fleet & Small Plant)		–	–	9,307	9,480	9,307	9,480
Crown Land		–	–	138,653	138,653	138,653	138,653
Other (Artworks, Sculptures)		–	–	1,032	1,369	1,032	1,369
Roads and Bulk earthworks		–	–	301,808	301,206	301,808	301,206
Bridges		–	–	9,794	10,023	9,794	10,023
Footpaths		–	–	49,873	47,960	49,873	47,960
Kerb & Gutter		–	–	92,941	93,165	92,941	93,165
Road Structure & Street Furniture		–	–	9,065	8,304	9,065	8,304
Recreational Facilities		–	–	75,029	74,548	75,029	74,548
Swimming Pools		–	–	2,462	2,466	2,462	2,466
Total infrastructure, property, plant and equipment		–	–	1,798,651	1,575,073	1,798,651	1,575,073

D2 FAIR VALUE MEASUREMENT (CONTINUED)

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

Valuation techniques

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

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

Investment property

Council obtains an independent valuation of its investment property on an annual basis and at the end of each reporting period the financial statements reflect the most up to date valuation. The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Income that may arise out of renting the property based on direct capitalisation method.

The investment property held by Council has been valued by the valuer using valuation techniques that are appropriate and for which sufficient data was available to measure fair value, maximising the use of observable inputs (Level 2 inputs) and minimising unobservable inputs (Level 3 inputs) (based on the per square metres).

The market approach was used to value the investment property. It was valued on 30 June 2021 by Scott Fullarton FAPI, Certified Practising Valuer, and Registered Valuer No 2144.

Infrastructure, property, plant and equipment (IPPE)

Community Land

Assets within the "Community Land" class are Council owned Community Land, and Community Land under Council's control, care, and management. Council's community land is revalued in June 2021, based on the most recent Unimproved Capital Value (UCV), provided by the Valuer General .

Currently all Council assets in this asset class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Crown Land

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. Crown Land is valued on the Unimproved Capital Value provided by the Valuer General. However, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all of Council's land classified as operational land under Local Government Act 1993. The total area of land at the time of the last valuation was 82,222m². Council's operational land is valued regularly with a comprehensive valuation completed and revalued every five years. Scott Fullarton Valuation Pty Ltd. completed the last valuation in June 2018. Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Remaining useful life, condition of asset, future cash flow from the use of asset are also considered when determining the fair value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

D2 FAIR VALUE MEASUREMENT (CONTINUED)

Land Under Roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment. Eight locations were identified by Council's Strategic Asset Coordinator by end of 30 June 2019. Values were determined using the Englobo methodology derived from the Code of Accounting Practice and Financial Reporting.

This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable.

Land Improvements Depreciable

The land improvements asset class consists of land improvement capital works surrounding Council buildings and parks. Council values these land improvements internally using cost approach. Replacement costs (unit rates) and useful lives of Council's land improvement assets were determined using technical knowledge from council staff (engineers and asset management) and contractor information. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, dimensions and residual value. The condition of each asset was determined by completing field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits and pipes. Council staff completed the valuation of these assets internally using replacement cost approach and the last valuation was completed in June 2018.

Replacement costs (unit rates) and useful lives for Stormwater Drainage assets were determined through a combination of historic subdivision data and technical knowledge of Council staff, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption, and residual value. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age and CCTV investigations undertaken across a representative selection of Council's drainage network.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Other Structure (Car Park)

Council's car parks are componentised into the pavement, surface, formation and kerb & gutter for inspection and valuation. Council undertook the full revaluation of car park assets in June 2020.

The condition of each asset was determined by engineers completing field inspections using the rate 1 (Excellent) to 5 (Very Poor). Replacement costs (unit rate) of Council's car park assets were determined using technical knowledge from council engineers and managers based on current contractor cost information. The useful lives were determined using SSROC useful life as a guide. Other significant inputs considered in the valuation of these assets are condition rating, remaining useful life, pattern of consumption, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Buildings - Non specialised and Specialised

Council engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of residual value, useful life, asset condition and componentisation) required extensive professional judgment and impacted significantly on the final determination of fair value, as such, these assets have been valued utilising Level 3 inputs.

Roads

Council's roads are componentised into the pavement, surface and formation and further separated into segments for inspection and valuation. Council undertook the full revaluation of road assets in June 2020.

The condition of Council's roads is determined utilising a pavement condition index which is based on surface cracking, surface texture and roughness, rutting. The condition is assessed completed by external consultant Infrastructure Management Group through field inspection. This pavement condition index is converted into road technical ratings condition 1 (Excellent) to 5 (Very Poor). The replacement costs (unit rates) are determined based on current contractor cost

D2 FAIR VALUE MEASUREMENT (CONTINUED)

information for different road classes and materials. Useful lives were reviewed by Council's roads engineer based on Austroads 2009 guide. Remaining useful life is based on the new condition rate and Austroads Health Indices calculated by the Council's pavement management system SMEC.

Road is categorised as Level 3 assets as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Bridges

Council's bridges register consists of pedestrian, road, culvert, and vehicle access bridges. Council undertook the full revaluation of bridge assets in June 2020. The bridges were inspected and valued by an independent consultant Aurecon Australasia Pty Ltd. In order to apply fair valuation and condition based depreciation, the following information was determined by the consultant for each component:

- Condition assessment - Bridge site inspection is at component level, based on which the average condition rating at decimal format is calculated for the component. The rate is then round up or down based on Aurecon Australasia's professional methodology.
- The useful life and remaining useful life - Useful life of a component is based on primary material that the component in question is comprised of. The remaining useful life (RUL) is calculated by taking into account both condition and age and subtracting that from the design life.
- Replacement cost - The cost to replace a component to a current day equivalent.
- Residual value - For the purposes of calculating Fair Value for all bridge components at the end of their Useful Life, the RV has been assumed to be \$0 since generally there is no significant re-sale value potential for bridge components.
- Depreciation Method - For the purposes of the fair value calculation, a straight-line depreciation is adopted.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Footpaths

Council's engineer completed the full valuation of the Footpath assets internally in June 2020.

Replacement costs (unit rates) are determined based on invoices for footpath construction 2019-2020 and Council's Minor Works Tender Schedule of Rates. Useful lives are reviewed using technical knowledge with no changes being implemented to existing adopted useful lives. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of each asset are the latest condition rate is Council's asset system. The condition rates are updated per a five-year condition assessment program. Besides this, footpaths are also inspected with conditions updated as part of customer requests, authorised road opening work and Council's capital works program. Council models the footpath defects to determine an overall footpath condition rating for each footpath segment.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Kerb & Gutter

Council staff performed the valuation of the assets internally in June 2020.

The condition rates are assessed by external consultant Infrastructure Management Group through inspection and engineer's desktop assessment. Replacement costs (unit rates) are based on current contractor cost information. Useful lives are reviewed using technical knowledge with no changes being implemented to existing adopted useful lives. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Road Structure and Street Furniture

The Road Structures and Street Furniture register comprises of all structures (e.g. traffic islands, guardrails) and furniture (e.g. bollards, signs) within Council's road network. Council staff completed the valuation of the assets internally in June 2020.

The condition of these assets are monitored during Council's routine suburbs audit, and maintained if necessary. In addition, their conditions are updated regularly following customers' requests and completion of Council's capital works program. The condition of each asset was determined using the ratings 1 (Excellent) to 5 (Very Poor).

D2 FAIR VALUE MEASUREMENT (CONTINUED)

Replacement costs (unit rates) are based on current invoices, quotations Council's Minor Works Tender and Schedule of Rates and capital works handover spreadsheets. The useful lives of Council's road structures and street furniture are reviewed and updated using technical knowledge from Council engineers based on SSROC guide. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open Space / Recreational Assets

Council's recreational facilities register includes all assets within our sports fields, bushland and park locations. This includes but is not limited to ovals, playing courts, playgrounds, fences and fire trails.

Council staff completed the valuation of these assets internally in current financial year. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management) and Contractor information. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

The condition of these assets was determined by field inspections using the ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Swimming Pool

Council engaged Scott Fullarton Valuation Pty Ltd to value all swimming pools in 2018. Substantial components of the pool are valued using replacement cost method. Replacement costs were determined using square metre rates and other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, components, dimensions and residual value.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Plant & Equipment, Office Equipment, and Furniture & Fittings

This asset category includes:

Plant & Equipment – Motor vehicles, trucks, mowers, buses, earthmoving equipment
Office Equipment – Computer equipment
Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are valued at cost in Council's books and reported at Fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

Library Books

This asset category comprises of assets such as library books, journals, magazines, CDs and DVDs.

The library books are reported at fair value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. Valuation techniques remain the same for this reporting period. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market making it a Level 3 asset.

Others (Artwork, Sculptures)

Council engaged McWilliam and Associates Pty Ltd to value all artwork, memorabilia and monuments in current financial year.

This information was updated into Council's public art register.

The valuation was completed using the replacement cost approach and market value in accordance with AASB 116. The replacement value for artworks and memorabilia was determined by the price at which the items could be purchased from a reputable dealer, gallery or retail outlet.

D2 FAIR VALUE MEASUREMENT (CONTINUED)

The replacement value for monuments was determined as the cost of replacing an asset with a similar object in a condition equal to, but not better than its condition when new. An estimate of associated costs including consultancy and site management is included in the determination of the replacement value.

Where the fair value of an asset could not be determined by sale on the open market, a depreciable replacement cost has been adopted. Other significant inputs considered in the valuation are the condition of the asset, pattern of consumption and remaining useful life.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Fair value 2021	Valuation technique/s	Unobservable inputs
Bridges	9,794	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 2 - 5 Good to Very poor Useful life 3-70 years
Community Land	659,031	NSW Valuer General	Unimproved Capital Value provided by Valuer General
Buildings - Specialised	93,854	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 4 Excellent to Poor Useful life 25-100 years Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical
Buildings Non Specialised	4,353	Cost Approach	Replacement Cost - Unit Rates vary from asset to asset Asset Condition rating 1 - 4 Excellent to Poor Useful life 25-100 years Components: Structure, Roof, Floor, Mechanical, Fire and Security, Internal finishes and Electrical
Crown Land	138,653	NSW Valuer General	Unimproved Capital Value provided by Valuer General
Footpaths	49,873	Cost Approach	Replacement Cost - Unit Rates \$110 - \$480 vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor Useful life 40- 80 years
Furniture and Fittings, Office Equipment and Plant and Equipment (e.g. Fleet and Small Plant)	10,235	Cost Approach	Cost vary from asset to asset Useful life 2-10 years Residual Value \$nil - \$10

D2 FAIR VALUE MEASUREMENT (CONTINUED)

\$ '000	Fair value 2021	Valuation technique/s	Unobservable inputs
Kerb and Gutter	92,941	Cost Approach	<p>Replacement Cost - Unit Rate \$150 - \$250 vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 60-100 years</p>
Land Improvements Depreciable	1,757	Cost Approach	<p>Replacement Cost - Unit Rates vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 20 years</p>
Land Under Roads	1,173	Cost Approach / Englobo valuation	<p>Total area (85,374,620m²)</p> <p>Total area LUR (19,421m²)</p> <p>Englobo valuation basis (AASB116)</p>
Library Books	3,051	Cost Approach	<p>Replacement Costs vary from asset to asset</p> <p>Asset Condition rating 1-5 Excellent to Very poor</p> <p>Useful life 10 years</p> <p>Residual Value \$nil - \$10</p>
Operational Land	168,505	Market Value / Cost Approach	Total area (82,222m ²)
Other (Artworks, Sculptures)	1,032	Cost Approach	<p>sale price based on specialists' professional judgments and Replacement costs vary from asset to asset</p>
Other Structures (Car park)	10,759	Cost Approach	<p>Replacement Costs vary from asset to asset</p> <p>Asset Condition rating 1 - 4 Excellent to poor</p> <p>Useful life 25-60 years</p>
Recreational Facilities	75,029	Cost Approach	<p>Replacement Costs vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 5-120 years</p>
Road Structure and Street Furniture	9,065	Cost Approach	<p>Replacement Costs vary from asset to asset</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Useful life 10-120 years</p>
Roads	226,417	Cost Approach	<p>Unit Rates Surface:\$25-\$35 Pavement:\$5-\$350</p> <p>Asset Condition rating 1 - 5 Excellent to Very poor</p> <p>Pavement useful life 60 - 80 years Surface useful life 20 - 100 years</p>

D2 FAIR VALUE MEASUREMENT (CONTINUED)

\$ '000	Fair value 2021	Valuation technique/s	Unobservable inputs
Stormwater Drainage	165,277	Cost Approach	Replacement Cost Unit Rates vary from asset to asset Asset Condition rating 1 - 5 Excellent to Very poor
Swimming Pools	2,462	Cost Approach	Useful life 10-150 years Replacement Costs vary from asset to asset Asset Condition rating 1-2 Excellent to Good Useful life 100 years

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

\$ '000	Community Land		Land under Roads		Land improvements depreciable		Stormwater drainage	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	452,607	452,628	1,173	1,173	1,717	1,864	162,501	161,250
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	(5,489)	-	-	-	209	-	2,675	1,402
Purchases (GBV)	-	-	-	-	-	-	1,850	1,531
Disposals (WDV)	-	(21)	-	-	-	-	(24)	-
Depreciation and impairment	-	-	-	-	(169)	(147)	(1,725)	(1,682)
Revaluation	211,912	-	-	-	-	-	-	-
Closing balance	659,030	452,607	1,173	1,173	1,757	1,717	165,277	162,501

\$ '000	Structures (car parks)		Building specialised		Other		Roads and Bulk Earth Work	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	10,438	9,565	89,835	90,224	1,369	1,435	301,206	242,136
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	131	(20)	-	-	(209)	-	-	(1,656)
Purchases (GBV)	504	623	7,109	2,726	3	-	6,967	9,255
Disposals (WDV)	-	(36)	-	(78)	(4)	-	-	-
Depreciation and impairment	(313)	(237)	(3,091)	(3,037)	(39)	(66)	(6,364)	(5,231)
Revaluation	-	543	-	-	(88)	-	-	56,702
Closing balance	10,760	10,438	93,853	89,835	1,032	1,369	301,809	301,206

D2 FAIR VALUE MEASUREMENT (CONTINUED)

\$ '000	Bridges		Footpaths		Kerb and gutter		Road structure and street furniture	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	10,023	8,039	47,960	33,224	93,165	67,551	8,304	6,171
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	-	-	27	-	(94)	(14)	(172)
Purchases (GBV)	-	-	2,976	1,892	1,509	1,277	1,114	1,505
Disposals (WDV)	-	(68)	(1)	-	-	-	-	(14)
Depreciation and impairment	(229)	(158)	(1,062)	(697)	(1,734)	(974)	(339)	(148)
Revaluation	-	2,210	-	13,514	-	25,405	-	962
Closing balance	9,794	10,023	49,873	47,960	92,940	93,165	9,065	8,304

\$ '000	Recreational facilities		Swimming pools		Held for sale (comm land and LIMP)		Crown land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	74,548	72,552	2,466	2,474	-	380	138,653	138,653
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	(2,726)	513	-	-	-	-	-	-
Purchases (GBV)	7,350	4,194	26	22	-	24	-	-
Disposals (WDV)	(1,138)	-	-	-	-	-	-	-
Depreciation and impairment	(2,773)	(2,711)	(30)	(30)	-	(404)	-	-
Revaluation	(231)	-	-	-	-	-	-	-
Closing balance	75,030	74,548	2,462	2,466	-	-	138,653	138,653

D2 FAIR VALUE MEASUREMENT (CONTINUED)

\$ '000	Buildings non-specialised		Furniture and fittings		Office equipment		Plant and equipment	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	4,399	3,752	244	248	878	809	9,480	8,798
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	–	(18)	–	33	–	(81)	–
Purchases (GBV)	115	796	43	39	18	232	2,428	2,780
Disposals (WDV)	–	–	–	–	(5)	–	(1,255)	(869)
Depreciation and impairment	(161)	(149)	(46)	(43)	(219)	(163)	(1,266)	(1,229)
Closing balance	4,353	4,399	223	244	705	878	9,306	9,480

\$ '000	Operational Land		Library books		Total	
	2021	2020	2021	2020	2021	2020
Opening balance	160,960	159,230	3,147	3,053	1,575,073	1,465,209
Transfers from/(to) another asset class	5,489	–	–	–	–	–
Purchases (GBV)	2,056	1,730	502	685	34,570	29,311
Disposals (WDV)	–	–	–	–	(2,427)	(1,086)
Depreciation and impairment	–	–	(597)	(591)	(20,157)	(17,697)
Revaluation	–	–	–	–	211,593	99,336
Closing balance	168,505	160,960	3,052	3,147	1,798,652	1,575,073

Highest and best use

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

D3-1 CONTINGENCIES

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

(ii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity. StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

Where agreement is reached independent valuations guide the acquisition process in accordance with Council's Acquisition and Divestment of Land Policy. At reporting date, independent valuations have not yet been secured to accurately determine the value of any potential liability to Council (and subsequent land asset) from all such potential acquisitions.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

E PEOPLE AND RELATIONSHIPS

E1 RELATED PARTY DISCLOSURES

E1 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. KMP defined for this disclosure are elected members, general manager, directors and some managers (based on their responsibility and financial delegations).

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	3,605	3,597
Other long-term benefits	160	34
Total	3,765	3,631

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.

Council does not use Other transactions with KMP and their related parties.

E1-2 COUNCILLOR AND MAYORAL FEES AND ASSOCIATED EXPENSES

367

\$ '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	69	69
Councillors' fees	258	258
Other Councillors' expenses (including Mayor)	44	48
Total	371	375

E2 OTHER RELATIONSHIPS

E2-1 AUDIT FEES

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	67	61
Remuneration for audit and other assurance services	67	61
Total Auditor-General remuneration	67	61
Total audit fees	67	61

F OTHER MATTERS

F1-1 STATEMENT OF CASH FLOWS INFORMATION

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	25,584	27,093
Adjust for non-cash items:		
Depreciation and amortisation	20,380	17,438
Net loss on disposal of assets	909	(1,057)
Non-cash capital grants and contributions	–	(823)
Adoption of AASB 15/1058	–	(137)
Gains recognised on fair value re-measurements through the P&L:		
– Investment property	–	(5,027)
+/- Movement in operating assets and liabilities and other cash items:		
(Increase)/Decrease in receivables	(6,325)	(6,529)
Increase/(Decrease) in provision for doubtful debts	(647)	86
(Increase)/Decrease in inventories	(36)	(43)
(Increase)/Decrease in other assets	355	(525)
Increase/(Decrease) in payables– operating	(86)	1,079
Increase/(Decrease) in other liabilities	2,718	(2,531)
Increase/(Decrease) in contract liabilities	5,263	11,652
Increase/(Decrease) in employee leave entitlements	474	1,068
Net cash provided from operating activities from the Statement of Cash Flows	48,589	41,744

F2-1 COMMITMENTS

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	997	809
Other	7,779	19,613
Total commitments	8,776	20,422
These expenditures are payable as follows:		
Within the next year	8,776	20,422
Total payable	8,776	20,422
Sources for funding of capital commitments:		
Unrestricted general funds	8,776	20,422
Total sources of funding	8,776	20,422

F3-1 EVENTS OCCURRING AFTER THE REPORTING DATE

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

The Coronavirus (COVID 19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had a financial impact for Council in the financial year ended 30 June 2021, which was reported to Council, and is expected to further impact the following financial year. The scale, timing and duration of the potential impacts on Council in current environment is unknown, however, it is expected that there will be a decrease in projected revenue.

In the period after balance sheet date to signing of this report, Council was financially sound and there have not been any additional significant adverse operational or financial impacts as a result of COVID-19 Pandemic or other circumstances and any known impacts to date have been reflected in the 30 June 2021 financial statements.

F4 CHANGES FROM PRIOR YEAR STATEMENTS

F4-1 CORRECTION OF ERRORS

Nature of prior-period error

Assets Revaluation Reserve

Council revalued the following asset classes during the year: recreational facility assets, artwork and community land. As part of this process a number of missing (new) and duplicate assets have been identified. The duplicate assets have been disposed and the newly identified assets have been recognised in the Asset Register by restating the balances at the beginning of the earliest period presented (1 July 2019) with an adjustment to the Asset Revaluation Reserve at that date.

Community Land – an adjustment (increase) of \$49.7m made to Community land Revaluation Reserve.

Recreation Facility Assets – an adjustment (decrease) of (\$0.226m) made to Recreational facility Revaluation Reserve.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure Property, Plant and Equipment	1,434,352	49,497	1,483,849
Total assets	1,680,841	49,497	1,730,338
Net Assets	1,631,889	49,497	1,681,386
Asset Revaluation Reserve	760,471	49,497	809,968
Total equity	1,631,889	49,497	1,681,386

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure Property, Plant and Equipment	1,553,427	49,497	1,602,924
Total assets	1,821,240	49,497	1,870,737
Net Assets	1,758,182	49,497	1,807,679
Asset Revaluation Reserve	859,808	49,497	909,305
Total equity	1,758,182	49,497	1,807,679

F5 STATEMENT OF DEVELOPER CONTRIBUTIONS AS AT 30 JUNE 2021

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F5-1 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					
Traffic facilities	28,913	1,089	-	507	(4,517)	-	25,992	-
Parking	909	-	-	15	(4)	-	920	-
Open space	90,863	2,786	-	1,438	(13,419)	-	81,668	-
Community facilities	7,716	360	-	128	(579)	-	7,625	-
Other	(210)	-	-	-	288	-	78	-
S7.11 contributions – under a plan	128,191	4,235	-	2,088	(18,231)	-	116,283	-
S7.12 levies – under a plan	8,156	3,389	-	150	(1,832)	-	9,863	-
Total S7.11 and S7.12 revenue under plans	136,347	7,624	-	2,238	(20,063)	-	126,146	-
Total contributions	136,347	7,624	-	2,238	(20,063)	-	126,146	-

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.

F5-2 DEVELOPER CONTRIBUTIONS BY PLAN

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – 1993 Plan								
Parking	909	-	-	15	(4)	-	920	-
Total	909	-	-	15	(4)	-	920	-
CONTRIBUTION PLAN – 2000 to 2003 Residential Plan								
Open space	780	-	-	13	(19)	-	774	-
Community facilities	47	-	-	-	(47)	-	-	-
Total	827	-	-	13	(66)	-	774	-
CONTRIBUTION PLAN – 2004/2009 Residential Plan								
Open space	1,737	31	-	26	(414)	-	1,380	-
Community facilities	3,197	-	-	52	(234)	-	3,015	-
Traffic and other	-	-	-	-	-	-	-	-
Total	4,934	31	-	78	(648)	-	4,395	-
CONTRIBUTION PLAN – 2010 Plan								
Traffic facilities	28,913	1,089	-	507	(4,517)	-	25,992	-
Open space	87,994	2,755	-	1,393	(12,986)	-	79,156	-
Community facilities	4,472	360	-	76	(298)	-	4,610	-
Other	(210)	-	-	-	288	-	78	-
Total	121,169	4,204	-	1,976	(17,513)	-	109,836	-
CONTRIBUTION PLAN – Ku-ring-gai SEPP 5 Plan								
Open space	352	-	-	6	-	-	358	-
Total	352	-	-	6	-	-	358	-
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER –								
Section 7.12 levies								
Indirect contribution	8,156	3,389	-	150	(1,832)	-	9,863	-
Total	8,156	3,389	-	150	(1,832)	-	9,863	-

F6-1 STATEMENT OF PERFORMANCE MEASURES – CONSOLIDATED RESULTS

\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ¹	8,014	5.85%	4.65%	10.22%	4.03%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	136,986					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	127,533	82.03%	83.83%	85.20%	76.97%	>60.00%
Total continuing operating revenue	155,480					
3. Unrestricted current ratio						
Current assets less all external restrictions ²	76,463	2.30x	3.42x	3.65x	3.05x	>1.50x
Current liabilities less specific purpose liabilities ³	33,284					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	28,698	30.56x	20.06x	17.72x	13.96x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	939					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	3,431	3.62%	4.12%	3.73%	2.96%	<5.00%
Rates and annual charges collectable	94,681					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	152,123	15.52 mths	15.95 mths	16.35 mths	16.80 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	9,802					

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Refer Note C1-1 to C1-5 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Note C3 - excludes all loans, payables and provisions not expected to be paid in the next 12 months (incl.ELE).

G ADDITIONAL COUNCIL DISCLOSURES (UNAUDITED)

G1-1 STATEMENT OF PERFORMANCE MEASURES – CONSOLIDATED RESULTS (GRAPHS)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio 5.85%

Council's Performance Ratio is above the benchmark of (0%), which means that Council can easily contain operating expenditure (excluding capital grants and contributions) within its operating revenue. The improvement in the ratio is mainly due to increased general income compared to the year before, which had a more significant impact from COVID-19 Pandemic revenue loss and expenditure from natural disasters.

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 82.03%

Council's Own Source Operating Revenue Ratio has remained stable and above the benchmark of (>60%) in the last four years. Council has sufficient level of fiscal flexibility, in the event of being faced with unforeseen events.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.30x

Council's Unrestricted Current Ratio is above the benchmark of >1.5x and has been outperforming benchmark for the last four years. The ratio saw a decrease from previous year mainly due to an increase in current liabilities related to a major project currently in progress and due to be completed in the next financial year. Notwithstanding, Council's liquidity is good and it can readily pay its debts as they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 STATEMENT OF PERFORMANCE MEASURES – CONSOLIDATED RESULTS (GRAPHS) (CONTINUED)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 30.56x

The Debt Service Cover Ratio has increased from previous year and is above the benchmark of 2x, mainly due to an improvement in the operating cash, as well as decreased principal and interest repayments during the financial year compared to the previous year.

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 3.62%

The percentage of rates and annual charges that are unpaid at the end of the financial year is a measure of how well Council is managing debt recovery. Council's ratio of 3.62% is satisfactory and is better than the benchmark of "less than 5%". This is primarily due to an improvement in collection of rates and annual charges post 2019/20 which had an impact on some ratepayers as a result of Covid-19 Pandemic.

Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 15.52 mths

Council's Cash Expense Cover Ratio is satisfactory and above benchmark of "greater than 3 months". This ratio has marginally reduced compared to previous year.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio achieves benchmark

■ Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Ku-ring-gai Council

To the Councillors of the Ku-ring-gai Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

22 September 2021
SYDNEY



Ms Jennifer Anderson
Mayor
Ku-ring-gai Council
818 Pacific Highway
GORDON NSW 2072

Contact: Chariee Bultitude
Phone no: 02 9275 7104
Our ref: D2119704/1748

22 September 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Ku-ring-gai Council**





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

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

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	90.9	88.3	 3
Grants and contributions revenue	27.9	23.9	 17
Operating result from continuing operations	25.6	27.1	 6
Net operating result before capital grants and contributions	7.1	12.2	 42

The Council's operating result from continuing operations (\$25.6 million including depreciation and amortisation expense of \$20.4 million) was \$1.5 million lower than the 2019–20 result.

This result includes an increase in rates and annual charges (\$2.6 million), an increase in user charges and fees (\$0.9 million), an increase in grants and contribution revenue (\$4.0 million), a decrease in interest and investment income (\$1.7 million) and other income (\$3.6 million). The decrease in other income is mainly due to fair value of investment property, this year there is no major movement noted in the fair value of assets and last year there was \$5.0 million recognised as an increment in assets.

The decrease in Council's net operating result is due to a higher increase in the total expenses (\$3.2 million) compared to the increase in total income (\$1.6 million).

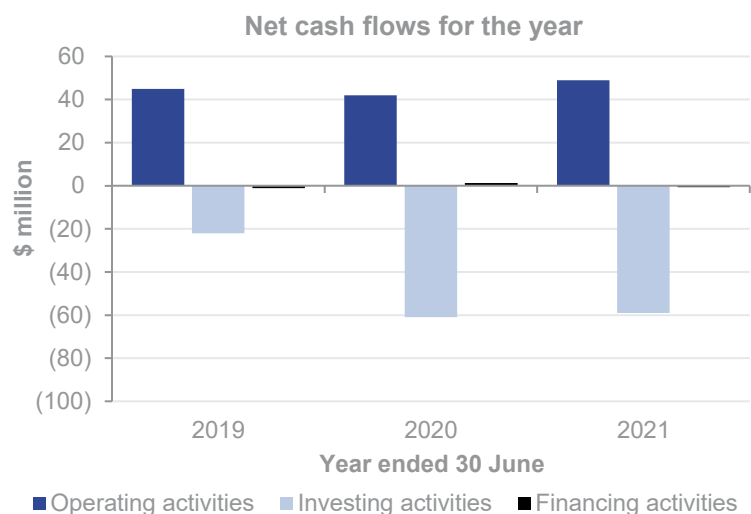
The net operating result before capital grants and contributions (\$7.1 million) was \$5.1 million lower than the 2019–20 result. This result includes an increase in employee benefits and on-costs (\$1.3 million), depreciation, amortisation and impairment (\$2.9 million) and net losses from the disposal of assets (\$0.9 million).

Rates and annual charges revenue (\$90.9 million) increased by \$2.6 million (3 per cent) in 2020–21 due to the rate peg and natural growth in rateable properties.

Grants and contributions revenue (\$27.9 million) increased by \$4 million (17 per cent) in 2020–21 due to additional grant funding received.

STATEMENT OF CASH FLOWS

- Cash flows from operating activities increased by \$6.8 million in 2020-21 due to an increase in receipts of user charges & fees, and rates & annual charges. This is offset by a decrease in grants & contributions income.
- Council's cash outflows from investing activities decreased by \$1.6 million in 2020-21 due to movements in investment securities during the year, purchase of IPPE and utilisation of term deposits.
- Net cash from financing activities decreased by \$1.9 million in 2020-21 due to the prior year reflecting proceeds from borrowings of \$2.0 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	196.7	198.6	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted funds decreased by \$8.4 million as a result of a decrease in developer contributions. • Internally restricted cash and investments have been restricted in use by resolution or by a policy of Council to reflect identified programs of works and any forward plans identified by Council. Internal restrictions for infrastructure and facilities have increased. • Council's unrestricted cash balance is relatively consistent.
Restricted cash and investments:			
• External restrictions	147.2	155.6	
• Internal restrictions	43.0	37.8	
• Unrestricted	6.5	5.2	

Debt

At 30 June 2021, Council recognised \$21.4 million in loans (30 June 2020: \$21.9 million). The loan is for the purpose of refurbishment of certain infrastructure, property, plant and equipment under the operational plan. Council's loans are secured over the general rating income of Council.

PERFORMANCE

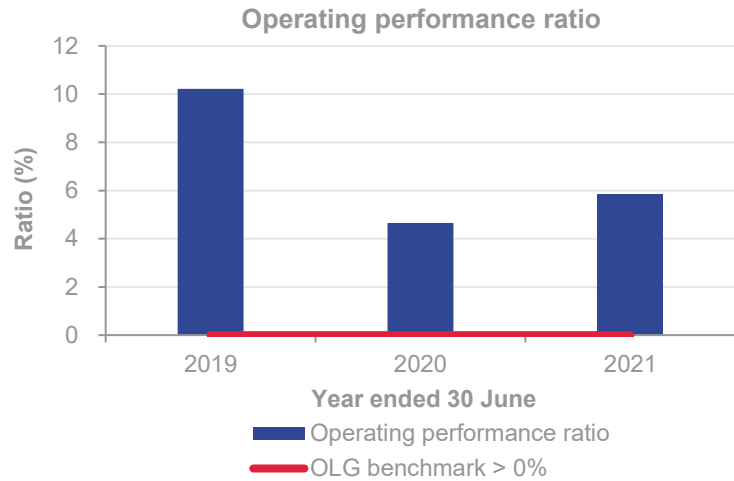
Performance measures

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

Operating performance ratio

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

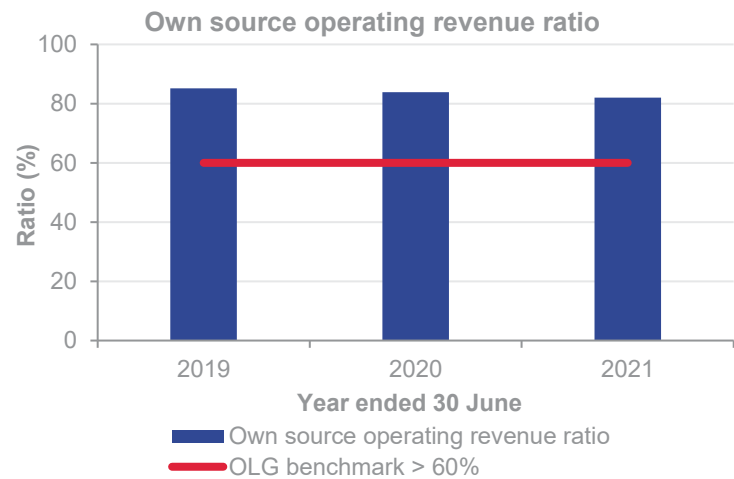
The Council exceeded the OLG benchmark for the current reporting period.



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.

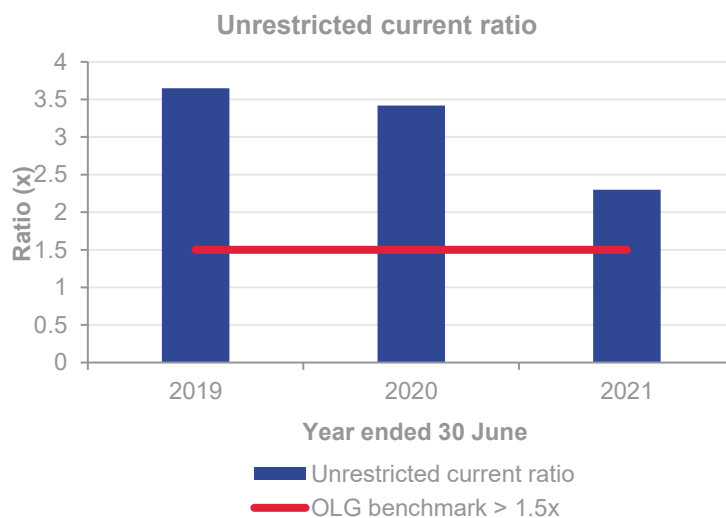
The Council exceeded the OLG benchmark for the current reporting period.



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.

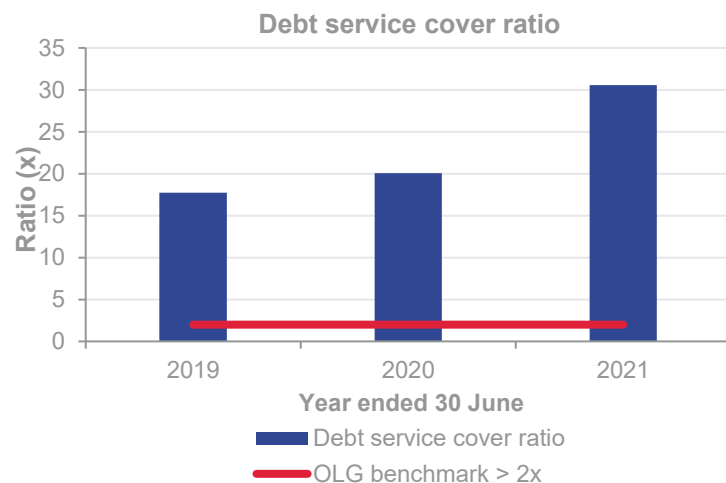
The Council exceeded the OLG benchmark for the current reporting period.



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.

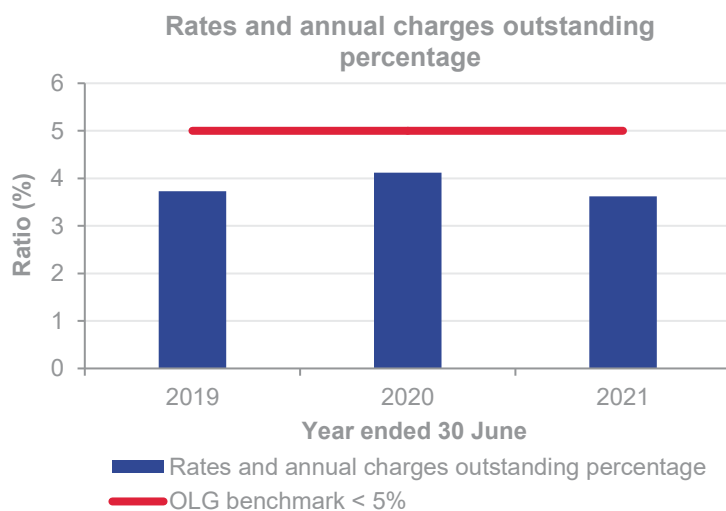
The Council exceeded the OLG benchmark for the current reporting period.



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 5 per cent for metropolitan councils.

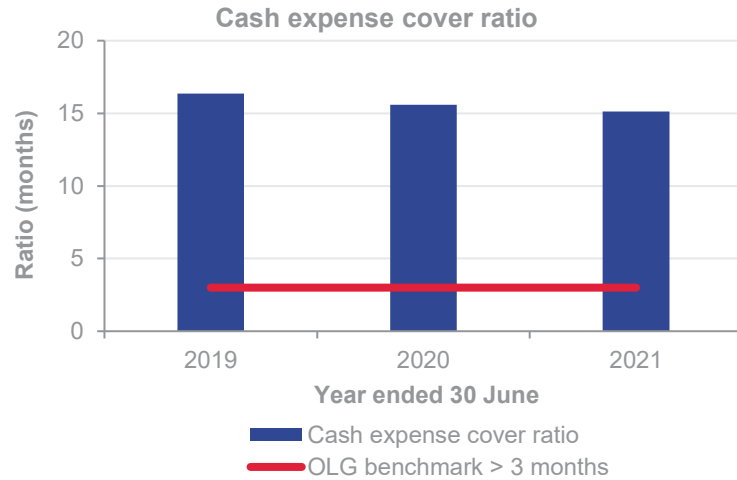
The Council exceeded the OLG benchmark for the current reporting period.



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 exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

During the 30 June 2021 financial year, Council recognised \$22.7 million in additions renewals (30 June 2020: \$20.0 million). Council performed a comprehensive revaluation of recreational assets, investment property, community land and artwork. The revaluation process included a condition assessment of the infrastructure assets. An increase in asset renewals during the 30 June 2021 financial year, can be attributable to additional infrastructure assets that were identified as being required to be replaced during the revaluation process.

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.

Chariee Bultitude
Delegate of the Auditor-General for New South Wales

cc: Mr John McKee, General Manager
Mr Stephen Coates, Chair of the Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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Background

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

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

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

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

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

SPECIAL PURPOSE FINANCIAL STATEMENTS STATEMENT BY COUNCILLORS AND MANAGEMENT

FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

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



Cedric Spencer
Mayor
21 September 2021



Sam Ngai
Deputy Mayor
21 September 2021



John McKee
General Manager
21 September 2021



Angela Apostol
Responsible Accounting Officer
21 September 2021

INCOME STATEMENT OF THOMAS CARLYLE CHILDREN CENTRE

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FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	894	735
Grants and contributions provided for non-capital purposes	826	1,005
Total income from continuing operations	1,720	1,740
Expenses from continuing operations		
Employee benefits and on-costs	1,367	1,294
Materials and services	106	78
Depreciation, amortisation and impairment	40	40
Other expenses	86	82
Total expenses from continuing operations	1,599	1,494
Surplus (deficit) from continuing operations before capital amounts	121	246
Surplus (deficit) from continuing operations after capital amounts	121	246
Surplus (deficit) from all operations before tax	121	246
Less: corporate taxation equivalent [based on result before capital]	(31)	(68)
Surplus (deficit) after tax	90	178
Plus accumulated surplus	1,039	1,170
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	31	68
Less:		
– Dividend paid	(83)	(377)
Closing accumulated surplus	1,077	1,039
Return on capital %	9.8%	19.4%

INCOME STATEMENT OF ART CENTRE

FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	447	388
Grants and contributions provided for non-capital purposes	10	–
Total income from continuing operations	457	388
Expenses from continuing operations		
Employee benefits and on-costs	351	313
Materials and services	344	247
Depreciation, amortisation and impairment	48	48
Other expenses	31	41
Total expenses from continuing operations	774	649
Surplus (deficit) from continuing operations before capital amounts	(317)	(261)
Surplus (deficit) from continuing operations after capital amounts	(317)	(261)
Surplus (deficit) from all operations before tax	(317)	(261)
Surplus (deficit) after tax	(317)	(261)
Plus accumulated surplus	4,114	4,099
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	218	276
Closing accumulated surplus	4,015	4,114
Return on capital %	(4.5)%	(4.6)%
Subsidy from Council	421	311

INCOME STATEMENT OF TRADE WASTE

FOR THE YEAR ENDED 30 JUNE 2021

389

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	1,812	1,803
Other income	99	99
Total income from continuing operations	1,911	1,902
Expenses from continuing operations		
Employee benefits and on-costs	45	46
Materials and services	1,141	1,136
Total expenses from continuing operations	1,186	1,182
Surplus (deficit) from continuing operations before capital amounts	725	720
Surplus (deficit) from continuing operations after capital amounts	725	720
Surplus (deficit) from all operations before tax	725	720
Less: corporate taxation equivalent [based on result before capital]	(189)	(198)
Surplus (deficit) after tax	536	522
Plus accumulated surplus	526	616
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	189	198
Less:		
– Dividend paid	(686)	(810)
Closing accumulated surplus	565	526
Return on capital %	92.9%	93.1%

INCOME STATEMENT OF GORDON GOLF COURSE

FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	1,299	944
Total income from continuing operations	1,299	944
Expenses from continuing operations		
Employee benefits and on-costs	679	749
Materials and services	447	368
Depreciation, amortisation and impairment	117	118
Other expenses	394	332
Total expenses from continuing operations	1,637	1,567
Surplus (deficit) from continuing operations before capital amounts	(338)	(623)
Surplus (deficit) from continuing operations after capital amounts	(338)	(623)
Surplus (deficit) from all operations before tax	(338)	(623)
Surplus (deficit) after tax	(338)	(623)
Plus accumulated surplus	7,401	7,408
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	418	616
Closing accumulated surplus	7,481	7,401
Return on capital %	(3.5)%	(7.8)%
Subsidy from Council	482	694

INCOME STATEMENT OF TURRAMURRA GOLF COURSE

391

FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	1,259	1,008
Total income from continuing operations	1,259	1,008
Expenses from continuing operations		
Employee benefits and on-costs	507	470
Materials and services	317	390
Depreciation, amortisation and impairment	402	401
Other expenses	462	473
Total expenses from continuing operations	1,688	1,734
Surplus (deficit) from continuing operations before capital amounts	(429)	(726)
Surplus (deficit) from continuing operations after capital amounts	(429)	(726)
Surplus (deficit) from all operations before tax	(429)	(726)
Surplus (deficit) after tax	(429)	(726)
Plus accumulated surplus	17,262	17,624
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	374	364
Closing accumulated surplus	17,207	17,262
Return on capital %	(2.4)%	(2.7)%
Subsidy from Council	695	962

INCOME STATEMENT OF TENNIS COURTS

FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	584	325
Total income from continuing operations	584	325
Expenses from continuing operations		
Employee benefits and on-costs	–	2
Materials and services	22	12
Depreciation, amortisation and impairment	325	330
Other expenses	35	24
Total expenses from continuing operations	382	368
Surplus (deficit) from continuing operations before capital amounts	202	(43)
Surplus (deficit) from continuing operations after capital amounts	202	(43)
Surplus (deficit) from all operations before tax	202	(43)
Less: corporate taxation equivalent [based on result before capital]	(53)	–
Surplus (deficit) after tax	149	(43)
Plus accumulated surplus	3,544	3,778
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	53	–
Add:		
– Subsidy paid/contribution to operations	(189)	(191)
Closing accumulated surplus	3,557	3,544
Return on capital %	3.4%	(0.8)%
Subsidy from Council	–	91

INCOME STATEMENT OF SWIMMING POOL

FOR THE YEAR ENDED 30 JUNE 2021

393

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	4,196	4,097
Total income from continuing operations	4,196	4,097
Expenses from continuing operations		
Materials and services	3,251	3,636
Depreciation, amortisation and impairment	456	454
Other expenses	899	473
Total expenses from continuing operations	4,606	4,563
Surplus (deficit) from continuing operations before capital amounts	(410)	(466)
Surplus (deficit) from continuing operations after capital amounts	(410)	(466)
Surplus (deficit) from all operations before tax	(410)	(466)
Surplus (deficit) after tax	(410)	(466)
Plus accumulated surplus	19,356	20,033
Plus adjustments for amounts unpaid:		
Add:		
– Subsidy paid/contribution to operations	(239)	(211)
Closing accumulated surplus	18,707	19,356
Return on capital %	(2.2)%	(2.4)%
Subsidy from Council	690	637

INCOME STATEMENT OF COMMERCIAL LEASING

FOR THE YEAR ENDED 30 JUNE 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	3,161	2,620
Other Income	835	383
Fair Value Increment	–	5,027
Total income from continuing operations	3,996	8,030
Expenses from continuing operations		
Employee benefits and on-costs	281	332
Borrowing costs	37	37
Materials and contracts	617	467
Depreciation, amortisation and impairment	155	129
Other expenses	348	418
Total expenses from continuing operations	1,438	1,383
Surplus (deficit) from continuing operations before capital amounts	2,558	6,647
Surplus (deficit) from continuing operations after capital amounts	2,558	6,647
Surplus (deficit) from all operations before tax	2,558	6,647
Less: corporate taxation equivalent [based on result before capital]	(665)	(1,828)
Surplus (deficit) after tax	1,893	4,819
Plus accumulated surplus	48,582	42,309
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	665	1,828
Less:		
– Dividend paid	(1,346)	(374)
Closing accumulated surplus	49,794	48,582
Return on capital %	95.4%	254.5%

STATEMENT OF FINANCIAL POSITION OF THOMAS CARLYLE CHILDREN CENTRE

395

AS AT 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Non-current assets		
Receivables	57	–
Infrastructure, property, plant and equipment	1,240	1,271
Total non-current assets	1,297	1,271
Total assets	1,297	1,271
LIABILITIES		
Current liabilities		
Payables	5	3
Employee benefit provisions	154	168
Total current liabilities	159	171
Total liabilities	159	171
Net assets	1,138	1,100
EQUITY		
Accumulated surplus	1,077	1,039
Revaluation reserves	61	61
Total equity	1,138	1,100

STATEMENT OF FINANCIAL POSITION OF ART CENTRE

AS AT 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	6,977	5,629
Total non-current assets	6,977	5,629
Total assets	6,977	5,629
LIABILITIES		
Current liabilities		
Payables	151	85
Employee benefit provisions	53	52
Total current liabilities	204	137
Total liabilities	204	137
Net assets	6,773	5,492
EQUITY		
Accumulated surplus	4,015	4,114
Revaluation reserves	2,758	1,378
Total equity	6,773	5,492

STATEMENT OF FINANCIAL POSITION OF TRADE WASTE

397

AS AT 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	780	773
Total non-current assets	780	773
Total assets	780	773
LIABILITIES		
Current liabilities		
Payables	105	114
Employee benefit provisions	110	133
Total current liabilities	215	247
Total liabilities	215	247
Net assets	565	526
EQUITY		
Accumulated surplus	565	526
Total equity	565	526

STATEMENT OF FINANCIAL POSITION OF GORDON GOLF COURSE

AS AT 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Receivables	38	3
Total current assets	38	3
Non-current assets		
Infrastructure, property, plant and equipment	9,683	8,014
Total non-current assets	9,683	8,014
Total assets	9,721	8,017
LIABILITIES		
Current liabilities		
Payables	22	23
Employee benefit provisions	48	105
Total current liabilities	70	128
Total liabilities	70	128
Net assets	9,651	7,889
EQUITY		
Accumulated surplus	7,481	7,401
Revaluation reserves	2,170	488
Total equity	9,651	7,889

STATEMENT OF FINANCIAL POSITION OF TURRAMURRA GOLF COURSE

399

AS AT 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Receivables	29	28
Total current assets	29	28
Non-current assets		
Infrastructure, property, plant and equipment	17,847	26,818
Total non-current assets	17,847	26,818
Total assets	17,876	26,846
LIABILITIES		
Current liabilities		
Payables	25	4
Employee benefit provisions	158	154
Total current liabilities	183	158
Total liabilities	183	158
Net assets	17,693	26,688
EQUITY		
Accumulated surplus	17,207	17,262
Revaluation reserves	486	9,426
Total equity	17,693	26,688

STATEMENT OF FINANCIAL POSITION OF TENNIS COURTS

AS AT 30 JUNE 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	5,926	5,423
Total non-current assets	5,926	5,423
Total assets	5,926	5,423
LIABILITIES		
Current liabilities		
Payables	29	42
Total current liabilities	29	42
Total liabilities	29	42
Net assets	5,897	5,381
EQUITY		
Accumulated surplus	3,557	3,544
Revaluation reserves	2,340	1,837
Total equity	5,897	5,381

STATEMENT OF FINANCIAL POSITION OF SWIMMING POOL

401

AS AT 30 JUNE 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Receivables	309	66
Total current assets	309	66
Non-current assets		
Infrastructure, property, plant and equipment	18,780	19,391
Total non-current assets	18,780	19,391
Total assets	19,089	19,457
LIABILITIES		
Current liabilities		
Payables	382	101
Total current liabilities	382	101
Total liabilities	382	101
Net assets	18,707	19,356
EQUITY		
Accumulated surplus	18,707	19,356
Total equity	18,707	19,356

STATEMENT OF FINANCIAL POSITION OF COMMERCIAL LEASING

AS AT 30 JUNE 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	2,682	2,626
Investment property	47,173	46,170
Total non-current assets	49,855	48,796
Total assets	49,855	48,796
LIABILITIES		
Current liabilities		
Payables	7	136
Provisions	54	78
Total current liabilities	61	214
Total liabilities	61	214
Net assets	49,794	48,582
EQUITY		
Accumulated surplus	49,794	48,582
Total equity	49,794	48,582

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Swimming Pool

Comprising the whole of the operations and assets of Council's Swimming Pool.

b. Commercial Leasing

Comprising the whole of the operations and assets of Commercial Leasing.

Category 2

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

a. Thomas Carlyle Children Centre

Comprising the whole of the operations and assets of Thomas Carlyle Children Centre.

b. Art Centre

Comprising the whole of the operations and assets of the Art Centre.

c. Trade Waste

Comprising the whole of the operations and assets of Trade Waste.

d. Gordon Golf Course

Comprising the whole of the operations and assets of the Gordon Golf Course.

NOTE – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Turramurra Golf Course

Comprising the whole of the operations and assets of Turramurra Golf Course.

f. Tennis Courts

Comprising the whole of the operations and assets of Council's Tennis Courts.

Taxation equivalent charges

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

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

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

Corporate income tax rate – 26% (19/20 27.5%)

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26%. (19/20 27.5%)

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

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

Loan and debt guarantee fees

There are no loans applicable to the business activities in the operating statement.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(ii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Ku-ring-gai Council

To the Councillors of the Ku-ring-gai Council

Opinion

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

The Declared Business Activities of the Council are:

- Thomas Carlyle Children Centre
- Art Centre
- Trade Waste
- Gordon Golf Course
- Turramurra Golf Course
- Tennis Courts
- Swimming Pool
- Commercial Leasing

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

22 September 2021
SYDNEY

SPECIAL
SCHEDULES

FOR THE YEAR ENDED 30 JUNE 2021

Contents

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Special Schedules are not audited (with the exception of the Permissible income for general rates Statement).

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as:

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS)
- the Office of Local Government (OLG)

(ii) The financial data is collected for various users including:

- the allocation of Financial Assistance Grants
- the incorporation of Local Government financial figures in national statistics
- the monitoring of loan approvals
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

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	66,563	68,889
Plus or minus adjustments ²	b	581	305
Notional general income	c = a + b	67,144	69,194
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x c	1,746	1,384
Sub-total	k = (c + i)	68,890	70,578
Plus (or minus) last year's carry forward total	l	(1)	-
Sub-total	n = l	(1)	-
Total permissible income	o = k + n	68,889	70,578
Less notional general income yield	p	68,889	70,388
Catch-up or (excess) result	q = o - p	-	190
Carry forward to next year ⁵	t = q	-	190

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.
- (5) 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

Ku-ring-gai Council

To the Councillors of Ku-ring-gai Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Ku-ring-gai Council (the Council) for the year ending 30 June 2022.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Chariee Bultitude
Delegate of the Auditor-General for New South Wales

22 September 2021
SYDNEY

REPORT ON INFRASTRUCTURE ASSETS

AS AT 30 JUNE 2021

Asset Class	Asset Category	Estimated cost			2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring to the standard ^a \$ '000	Estimated cost to bring to the agreed level of service set by Council ^b \$ '000	Required maintenance ^c \$ '000				1	2	3	4	5
Buildings	All Council Buildings	1,330	7,601	3,420	3,091	98,207	170,864	25.4%	25.5%	44.6%	4.5%	0.0%
	Sub-total	1,330	7,601	3,420	3,091	98,207	170,864	25.4%	25.5%	44.6%	4.5%	0.0%
Other structures	Other structures	203	1,159	750	216	10,759	18,362	28.6%	25.0%	40.1%	6.3%	0.0%
	Sub-total	203	1,159	750	216	10,759	18,362	28.6%	25.0%	40.1%	6.3%	0.0%
Roads	Roads	18,249	68,290	2,340	1,413	226,417	353,837	6.8%	47.7%	26.8%	14.9%	4.0%
	Bridges	255	962	80	22	9,794	15,322	0.5%	82.4%	10.7%	4.9%	1.4%
	Footpaths	920	4,456	1,450	897	49,873	74,647	27.6%	20.2%	46.3%	5.5%	0.5%
	Other Road Assets (Incl. Bulk Earthworks)	2,095	8,757	1,050	1,357	177,397	275,274	29.1%	8.5%	59.2%	2.7%	0.5%
	Sub-total	21,519	82,465	4,920	3,689	463,480	719,080	17.3%	30.6%	40.9%	9.0%	2.2%

Asset Class	Asset Category	Estimated cost to bring to the to satisfactory service level of Council ^a		2020/21 Required maintenance ^c	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000					1	2	3	4	5
Stormwater drainage	Stormwater drainage	658	2,851	870	1,619	165,277	247,886	11.7%	67.8%	19.4%	1.0%	0.2%
	Sub-total	658	2,851	870	1,619	165,277	247,886	11.7%	67.8%	19.4%	1.0%	0.2%
Open space / recreational assets	Swimming Pools & Recreational Assets	417	2,292	5,990	8,285	77,491	134,015	9.3%	26.3%	62.7%	1.7%	0.0%
	Sub-total	417	2,292	5,990	8,285	77,491	134,015	9.3%	26.3%	62.7%	1.7%	0.0%
Total – all assets		24,127	96,368	15,950	16,900	815,214	1,290,207	16.6%	36.5%	39.5%	6.1%	1.3%

(a) The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset that is currently not at the condition determined to be satisfactory by the Council and community.

(b) The estimated cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by Council.

(c) 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

REPORT ON INFRASTRUCTURE ASSETS (CONTINUED)

AS AT 30 JUNE 2021

Infrastructure asset performance indicators consolidated *

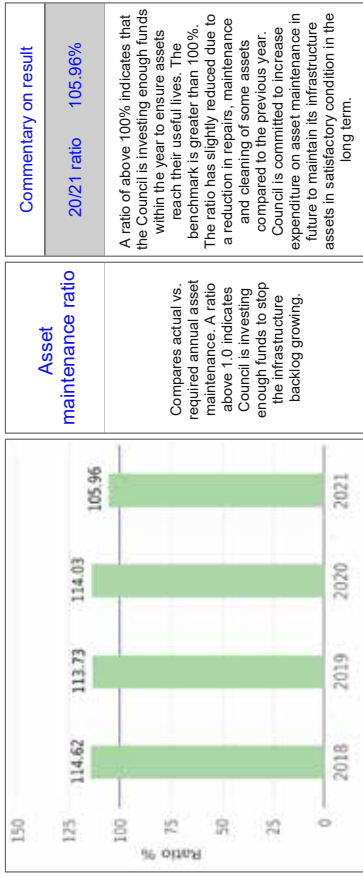
\$ '000	Amounts 2021	Indicator 2021	2020	Indicators 2019	2018	Benchmark
Buildings and infrastructure renewals ratio ¹						
Asset renewals ¹	19,721					
Depreciation, amortisation and impairment	17,821	110.66%	86.36%	66.07%	61.25%	>=100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	24,127					
Net carrying amount of infrastructure assets	861,570	2.80%	2.97%	2.49%	2.90%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	16,900					
Required asset maintenance	15,950	105.96%	114.03%	113.73%	114.62%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	96,368					
Gross replacement cost	1,290,207	7.47%	7.75%	6.27%	6.20%	

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

(1) Excludes Work In Progress (WIP) in the previous year calculations

(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.

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 **105.96%**

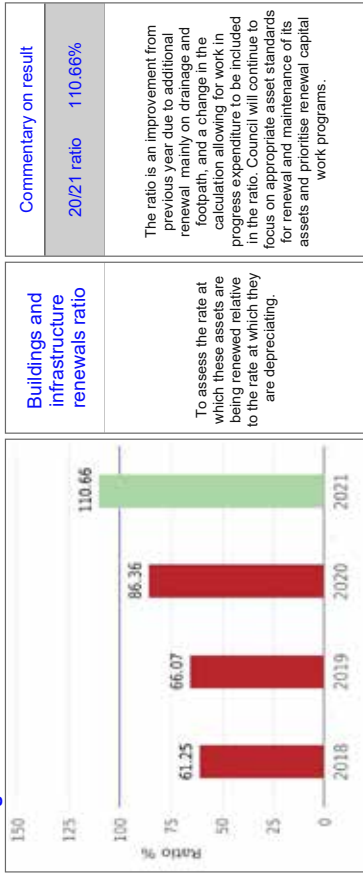
A ratio of above 100% indicates that the Council is investing enough funds within the year to ensure assets reach their useful lives. The benchmark is greater than 100%. The ratio has slightly reduced due to a reduction in repairs, maintenance and cleaning of some assets compared to the previous year. Council is committed to increase expenditure on asset maintenance in future to maintain its infrastructure assets in satisfactory condition in the long term.

Benchmark: — > 100.00%

Ratio achieves benchmark
Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 **110.66%**

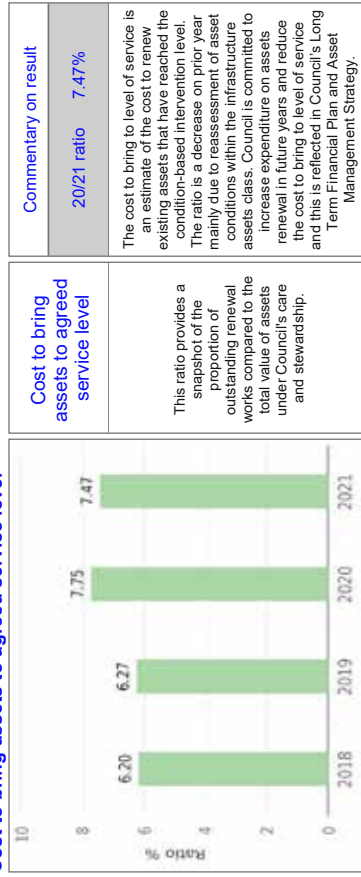
The ratio is an improvement from previous year due to additional renewal mainly on drainage and footpath, and a change in the calculation allowing for work in progress expenditure to be included in the ratio. Council will continue to focus on appropriate asset standards for renewal and maintenance of its assets and prioritise renewal capital work programs.

Benchmark: — >= 100.00%

Ratio achieves benchmark
Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 **7.47%**

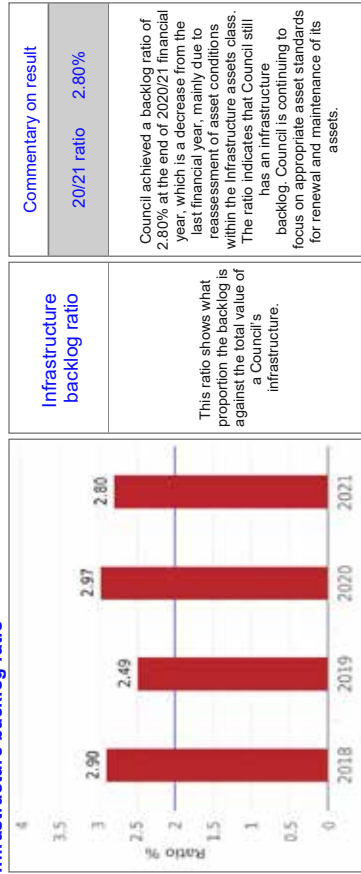
The cost to bring to level of service is an estimate of the cost to renew existing assets that have reached the condition-based intervention level. The ratio is a decrease on prior year mainly due to reassessment of asset conditions within the infrastructure assets class. Council is committed to increase expenditure on assets renewal in future years and reduce the cost to bring to level of service and this is reflected in Council's Long Term Financial Plan and Asset Management Strategy.

Benchmark: — < 2.00%

Ratio achieves benchmark
Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 **2.80%**

Council achieved a backlog ratio of 2.80% at the end of 2020/21 financial year, which is a decrease from the last financial year, mainly due to reassessment of asset conditions within the Infrastructure assets class. The ratio indicates that Council still has an infrastructure backlog. Council is continuing to focus on appropriate asset standards for renewal and maintenance of its assets.