

Muswellbrook Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

Muswellbrook Shire Council Administration Centre
Campbell's Corner 60-82 Bridge St, Muswellbrook NSW 2333

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.muswellbrook.nsw.gov.au.

Muswellbrook Shire Council

General Purpose Financial Statements

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)

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

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

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

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

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

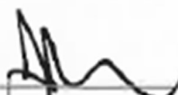
Signed in accordance with a resolution of Council made on 27 July 2021.



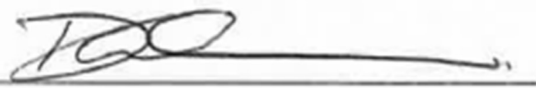
Rod Scholes
Mayor
20 October 2021



Jacinta Ledlin
Deputy Mayor
20 October 2021



Fiona Plesman
General Manager
20 October 2021



David Walsh
Responsible Accounting Officer
20 October 2021

Muswellbrook Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
27,500	Rates and annual charges	B2-1	27,810	27,497
11,604	User charges and fees	B2-2	12,029	13,467
842	Other revenue	B2-3	1,475	1,221
7,442	Grants and contributions provided for operating purposes	B2-4	6,766	7,124
10,880	Grants and contributions provided for capital purposes	B2-4	19,971	9,931
996	Interest and investment income	B2-5	881	1,377
6,207	Other income	B2-6	6,076	5,755
65,471	Total income from continuing operations		75,008	66,372
	Expenses from continuing operations			
14,996	Employee benefits and on-costs *	B3-1	15,066	16,275
15,163	Materials and services *	B3-2	16,127	16,071
3,121	Borrowing costs	B3-3	2,086	2,264
13,985	Depreciation, amortisation and impairment for non-financial assets	B3-4	13,734	12,761
2,797	Other expenses *	B3-5	3,923	2,098
–	Net losses from the disposal of assets	B4-1	3,131	1,470
50,062	Total expenses from continuing operations		54,067	50,939
15,409	Operating result from continuing operations		20,941	15,433
15,409	Net operating result for the year attributable to Council		20,941	15,433
4,529	Net operating result for the year before grants and contributions provided for capital purposes		970	5,502

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

(*) Items have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21.
Refer Note A1-1

Muswellbrook Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		20,941	15,433
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	1,902	39,938
Total items which will not be reclassified subsequently to the operating result		1,902	39,938
Total other comprehensive income for the year		1,902	39,938
Total comprehensive income for the year attributable to Council		22,843	55,371

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

Muswellbrook Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	9,084	5,066
Investments	C1-2	20,550	27,000
Receivables	C1-4	7,350	7,765
Inventories	C1-5	1,661	1,700
Other		250	220
Total current assets		38,895	41,751
Non-current assets			
Investments	C1-2	34,733	27,797
Receivables	C1-4	880	846
Infrastructure, property, plant and equipment	C1-6	674,629	655,676
Investment property	C1-7	61,984	55,323
Investments accounted for using the equity method	D2-1	158	197
Total non-current assets		772,384	739,839
Total assets		811,279	781,590
LIABILITIES			
Current liabilities			
Payables	C3-1	8,966	8,030
Contract liabilities	C3-2	4,970	1,265
Borrowings	C3-3	7,149	19,231
Employee benefit provisions	C3-4	3,338	3,734
Total current liabilities		24,423	32,260
Non-current liabilities			
Borrowings	C3-3	60,873	45,975
Employee benefit provisions	C3-4	–	347
Provisions	C3-5	9,195	9,063
Total non-current liabilities		70,068	55,385
Total liabilities		94,491	87,645
Net assets		716,788	693,945
EQUITY			
Accumulated surplus	C4-1	390,467	369,526
IPPE revaluation reserve	C4-1	326,321	324,419
Council equity interest		716,788	693,945
Total equity		716,788	693,945

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

Muswellbrook Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
\$ '000							
Opening balance at 1 July		369,526	324,419	693,945	355,499	284,481	639,980
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(1,406)	–	(1,406)
Restated opening balance		369,526	324,419	693,945	354,093	284,481	638,574
Net operating result for the year		20,941	–	20,941	15,433	–	15,433
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	1,902	1,902	–	39,938	39,938
Other comprehensive income		–	1,902	1,902	–	39,938	39,938
Total comprehensive income		20,941	1,902	22,843	15,433	39,938	55,371
Closing balance at 30 June		390,467	326,321	716,788	369,526	324,419	693,945

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

Muswellbrook Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
27,500	Rates and annual charges		27,714	26,419
11,604	User charges and fees		12,252	13,756
996	Investment and interest revenue received		897	1,438
18,322	Grants and contributions		30,231	16,683
–	Bonds, deposits and retention amounts received		1,734	–
7,048	Other		8,048	5,743
Payments:				
(14,996)	Employee benefits and on-costs		(15,809)	(15,807)
(13,947)	Materials and services		(17,187)	(11,550)
(3,121)	Borrowing costs		(2,086)	(2,242)
–	Bonds, deposits and retention amounts refunded		–	(45)
(4,013)	Other		(2,401)	(6,222)
29,393	Net cash flows from operating activities	G1-1a	43,393	28,173
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		5,314	37,250
–	Sale of investment property		–	665
–	Sale of real estate assets		194	–
70	Sale of infrastructure, property, plant and equipment		321	510
Payments:				
–	Purchase of investment securities		–	(39,213)
–	Acquisition of term deposits		(5,800)	–
(560)	Purchase of investment property		(8,005)	–
(28,864)	Purchase of infrastructure, property, plant and equipment		(34,211)	(24,238)
–	Purchase of real estate assets		(4)	–
(29,354)	Net cash flows from investing activities		(42,191)	(25,026)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		9,585	2,000
Payments:				
(6,210)	Repayment of borrowings		(6,685)	(6,329)
(6,210)	Net cash flows from financing activities		2,900	(4,329)
(6,171)	Net change in cash and cash equivalents		4,102	(1,182)
5,000	Cash and cash equivalents at beginning of year		4,982	6,164
(1,171)	Cash and cash equivalents at end of year	C1-1	9,084	4,982
55,000	plus: Investments on hand at end of year	C1-2	55,283	54,797
53,829	Total cash, cash equivalents and investments		64,367	59,779

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

Muswellbrook Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27/07/2021. Council has the power to amend and reissue these financial statements.

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

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

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

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

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

and are clearly marked.

New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2021.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note G4-1.

(a) 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) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Commercial Buildings

The Trust Fund

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council's dependence on volunteer services received is not material.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but 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.

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

A1-1 Basis of preparation (continued)

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128
AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at G4-1.

A1-1 Basis of preparation (continued)

(b) Reclassification of Comparatives

Certain items within expenses in the Income Statement have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21. There is no overall impact on the total expenses from continuing operations.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Economic Prosperity	6,515	5,761	4,992	4,653	1,523	1,108	329	398	66,873	55,896
Social Equity and Inclusion	705	803	1,862	1,669	(1,157)	(866)	121	72	26,282	22,079
Environmental Sustainability	788	583	1,278	1,630	(490)	(1,047)	198	87	183	192
Cultural Vitality	64	2,372	4,320	3,698	(4,256)	(1,326)	58	1,510	56,862	48,934
Community Infrastructure	37,973	30,757	35,194	29,194	2,779	1,563	17,678	9,212	601,250	593,481
Community Leadership	28,963	26,097	6,421	10,096	22,542	16,001	8,353	5,776	59,829	61,008
Total functions and activities	75,008	66,373	54,067	50,940	20,941	15,433	26,737	17,055	811,279	781,590

B1-2 Components of functions or activities

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

Economic Prosperity

Plan for Local Economic Prosperity 1. Support Job growth. 2. Diversify the economy, facilitate the development of intensive agriculture and other growth industries, make the Shire a more attractive place to invest and do business. 3. Facilitate greater access to higher education and participation in the knowledge and creativity economy. 4. Develop Muswellbrook as a Regional Centre.

Social Equity and Inclusion

Access to a wide range of community and government agencies appropriate for their age and needs. 5. Continue to improve the affordability, liveability and amenity of the Shire's. 6. Stabilise the tenancy turnover in the Shire's social housing. 7. Build social inclusion and improve the delivery of social services. 8. Retention and expansion of quality and affordable child care services. 9. Facilitate opportunities to expand senior's living. 10. Further the process of reconciliation in the Shire.

Environmental Sustainability

Environmental Sustainability to focus on the regeneration of mined land and urban riparian areas, increase our use of renewable energy and to monitor and manage our use of natural resources. 11. Higher quality final landforms with shallower voids and more emphasis on progressive rehabilitation with local workforce participation. 12. Enhance native vegetation connectivity across the Upper Hunter. 13. Our local rivers and creeks are enhanced, utilised and valued. 14. Support initiatives which reduce the community's impact on the environment. 15. Support Federal and State initiatives to reduce the human impact on climate change.

Cultural Vitality

Increase the local variety, availability and access to the arts and cultural experiences. 16. Conserve the heritage and history of the Shire. 17. Facilitate options to improve cultural activities in the Shire. 18. Facilitate cultural activities and events which engage the community and visitors and which create a 'sense of place' and identity.

Community Infrastructure

Expand on the infrastructure required for Muswellbrook to realise Regional Centre status, improve community facilities and improve accessibility to community facilities. 19. Our community's infrastructure is planned well, is safe and reliable and provides required levels of service. Utility services are operated as distinct business units within Council. 20. A safe, secure and reliable water supply and sewerage services are provided to all residents that will ensure public health. 21. The road, footpath and cycleway networks are integrated and allow for the safe movement of residents around the Shire.

Community Leadership

To improve the community's participation in decision making and implement business improvement initiatives to improve service delivery. 22. Collaborative and responsive community leadership that meets the expectations and anticipates the needs of the community. 23. Genuine and well informed community participation in decision making. 24. A Council that is well managed, efficient and properly resourced and that is responsive to its communities and stakeholders. 25. A sustainable Council that is best practice employer providing safe, happy and productive workplace.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Timing	2021	2020
Ordinary rates			
Residential	2	5,564	5,323
Farmland	2	1,202	1,422
Mining	2	11,389	10,910
Business	2	1,049	1,531
Rates levied to ratepayers		19,204	19,186
Pensioner Rebates Granted		(150)	(145)
Pensioner rate subsidies received	2	83	80
Total ordinary rates		19,137	19,121
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	2	2,562	2,422
Stormwater management services	2	157	157
Water supply services	2	1,649	1,599
Sewerage services	2	4,021	3,929
Waste management services (non-domestic)	2	169	160
Annual charges levied		8,558	8,267
Pensioner subsidies received:			
– Water	2	38	36
– Sewerage	2	38	36
– Domestic waste management	2	39	37
Total annual charges		8,673	8,376
Total rates and annual charges		27,810	27,497

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	2	2,731	3,546
Sewerage services	2	664	722
Total specific user charges		3,395	4,268
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	122	127
Inspection services	2	30	11
Private works – section 67	2	15	27
Regulatory/ statutory fees	2	46	47
Section 10.7 certificates (EP&A Act)	2	99	51
Section 603 certificates	2	62	32
Town planning	2	32	31
DECCW levy recovered	2	1,578	1,572
Development/building control	2	296	270
Water and sewer related sales	2	617	625
Total fees and charges – statutory/regulatory		2,897	2,793
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	92	59
Community centres	2	18	29
Leaseback fees – Council vehicles	2	21	25
Leisure centre	2	25	18
Library and art gallery	2	72	35
Park rents	2	25	23
Restoration charges	2	8	26
Transport for NSW works (state roads not controlled by Council)	2	2,306	2,497
Swimming centres	2	73	387
Waste disposal tipping fees	2	2,969	3,076
Gym centre	2	6	81
Road vehicle permits	2	119	105
Other	2	3	45
Total fees and charges – other		5,737	6,406
Total user charges and fees		12,029	13,467
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)		12,029	13,467
Total user charges and fees		12,029	13,467

Accounting policy

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

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

Where an upfront fee is charged such as membership 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 the term of the licence.

B2-3 Other revenue

\$ '000	Timing	2021	2020
Rental Income - Other Council Properties	2	738	461
Fines	2	56	46
Legal fees recovery – rates and charges (extra charges)	2	–	80
Building Upgrade	2	266	–
Hospitality	2	72	–
Insurance rebates	2	122	73
Insurance claims recoveries	2	35	257
Mine Related Road Study	2	–	299
Other	2	186	5
Total other revenue		1,475	1,221

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,475	1,221
Total other revenue	1,475	1,221

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,682	3,196	–	–
Financial assistance – local roads component	938	468	–	–
Amount recognised as income during current year	3,620	3,664	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Previously specific grants:				
Pensioners' rates subsidies:				
Bushfire and emergency services	410	268	–	17
Community care	61	72	–	–
Economic development	9	–	329	460
Employment and training programs	10	–	–	–
Environmental programs	133	6	–	–
Heritage and cultural	38	83	40	1
Library	48	–	35	–
LIRS subsidy	34	44	–	–
Recreation and culture	28	208	2,429	892
Planning	32	–	–	–
Waste management	31	136	–	–
Street lighting	60	60	–	–
Water Services	–	–	–	279
Transport (roads to recovery)	–	867	765	–
Transport (other roads and bridges funding)	290	223	8,061	6,410
Previously contributions:				
Heritage/cultural	–	2	–	–
Recreation and culture	29	92	327	32
Library operations	–	25	–	52
Roads and bridges	–	45	–	24
Total special purpose grants and non-developer contributions – cash	1,213	2,131	11,986	8,167
Non-cash contributions				
Bushfire services	–	–	182	60
Roads and bridges	–	–	6,087	–
Total other contributions – non-cash	–	–	6,269	60
Total special purpose grants and non-developer contributions (tied)	1,213	2,131	18,255	8,227
Total grants and non-developer contributions	4,833	5,795	18,255	8,227
Comprising:				
– Commonwealth funding	3,640	4,531	2,054	279
– State funding	1,127	1,100	9,902	7,780
– Other funding	66	164	6,299	168
	4,833	5,795	18,255	8,227

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		2	1,253	662	1,455	1,437
S 7.11 – contributions towards amenities/services		2	680	667	25	11
S 7.12 – fixed development consent levies		2	–	–	80	81
S 64 – water supply contributions		2	–	–	69	66
S 64 – sewerage service contributions		2	–	–	78	109
S 64 – stormwater contributions		2	–	–	9	–
Total developer contributions – cash			1,933	1,329	1,716	1,704
Total developer contributions			1,933	1,329	1,716	1,704
Total contributions			1,933	1,329	1,716	1,704
Total grants and contributions			6,766	7,124	19,971	9,931
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			729	–	11,295	–
Grants and contributions recognised at a point in time (2)			6,037	7,124	8,676	9,931
Total grants and contributions			6,766	7,124	19,971	9,931

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	538	493	1,185	1,371
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	140	157	3,897	330
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	(112)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(211)	–	(579)	(516)
Unspent funds at 30 June	467	538	4,503	1,185
Unspent funds at 1 July	19,179	22,634	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,270	2,380	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(4,148)	(5,835)	–	–
Unspent contributions at 30 June	17,301	19,179	–	–

Accounting policy

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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*.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

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)	99	170
– Cash and investments	774	1,188
– Other	8	19
Total interest and investment income (losses)	881	1,377

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
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		6,076	5,755
Total Investment properties		6,076	5,755
Total rental income	C2-2	6,076	5,755
Total other income		6,076	5,755

B3 Costs of providing services

B3-1 Employee benefits and on-costs *

\$ '000	2021	2020
Salaries and wages	12,152	13,049
Employee termination costs (where material – other than vested leave paid)	143	218
Travel expenses	319	365
Employee leave entitlements (ELE)	1,675	1,666
Superannuation	1,270	1,275
Workers' compensation insurance	833	694
Fringe benefit tax (FBT)	62	78
Payroll tax	24	84
Training costs (other than salaries and wages)	179	182
Sick leave insurance	2	2
Protective clothing	37	37
Staff appreciation	33	24
Total employee costs	16,729	17,674
Less: capitalised costs	(1,663)	(1,399)
Total employee costs expensed	15,066	16,275

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

(*) Items have been reclassified in accordance with the Local Government Code of Accounting Practice and Financial Reporting 2020/21.
Refer Note A1-1

B3-2 Materials and services *

\$ '000	Notes	2021	2020
Raw materials and consumables		11,278	9,673
Audit Fees	F2-1	111	93
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	162	166
Advertising		23	38
Bank charges		63	58
Cleaning		136	173
Electricity and heating		1,012	1,133
Insurance		936	820
Postage		51	14
Printing and stationery		19	16
Street lighting		394	358
Telephone and communications		78	108
Valuation fees		59	57
Community facility contribution		–	130
Fair value decrements - investment properties		–	493
Legal expenses:			
– Legal expenses: planning and development		–	1
– Legal expenses: other		697	1,585
Operating leases expense (2019 only):			
– Operating lease rentals: minimum lease payments ¹		43	50
Venue manager		10	10
Waste collection		1,055	1,095
Total materials and services		16,127	16,071
Total materials and services		16,127	16,071

Accounting policy

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		1,954	1,978
Total interest bearing liability costs		1,954	1,978
Total interest bearing liability costs expensed		1,954	1,978
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	132	264
Interest applicable on interest free (and favourable) loans to Council		–	22
Total other borrowing costs		132	286
Total borrowing costs expensed		2,086	2,264

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,076	1,106
Office equipment		205	235
Furniture and fittings		131	117
Land improvements (depreciable)		132	127
Infrastructure:	C1-6		
– Buildings – non-specialised		–	3
– Buildings – specialised		1,946	1,922
– Other structures		470	424
– Roads		4,254	3,898
– Bridges		443	615
– Footpaths		362	402
– Stormwater drainage		767	610
– Water supply network		1,800	1,731
– Sewerage network		2,079	1,390
Other assets:			
– Other		46	158
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-6	23	23
Total gross depreciation and amortisation costs		13,734	12,761
Total depreciation and amortisation costs		13,734	12,761
Total depreciation, amortisation and impairment for non-financial assets		13,734	12,761

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPPE assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

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

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

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

B3-5 Other expenses *

\$ '000	Notes	2021	2020
Fair value decrement on investment properties			
Fair value decrement on investment properties		1,344	—
Total fair value decrement on investment properties	C1-7	1,344	—
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		39	16
Total net share of interests in joint ventures and associates using the equity method	D2-1	39	16
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		32	26
– NSW fire brigade levy		52	46
– NSW rural fire service levy		587	410
– Upper Hunter Weeds Authority		102	100
– Waste levy		1,670	1,442
Donations, contributions and assistance to other organisations (Section 356)		97	58
Total other		2,540	2,082
Total other expenses		3,923	2,098

Accounting policy

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

B4 Gains or losses

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		241	260
Less: carrying amount of property assets sold/written off		(170)	(180)
Gain (or loss) on disposal		71	80
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		79	250
Less: carrying amount of plant and equipment assets sold/written off		(35)	(76)
Gain (or loss) on disposal		44	174
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(3,265)	(1,695)
Gain (or loss) on disposal		(3,265)	(1,695)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		194	–
Less: carrying amount of real estate assets sold/written off		(117)	–
Gain (or loss) on disposal		77	–
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	37,250
Less: carrying amount of investments sold/redeemed/matured		–	(37,250)
Gain (or loss) on disposal		–	–
Other Assets			
Proceeds from disposal – Other Assets		1	–
Less: carrying amount of Other Assets sold/written off		(17)	(29)
Gain (or loss) on disposal		(16)	(29)
Gain (or Loss) on disposal of Office Equipment/Furniture and Fittings			
Less: carrying amount of Office Equipment/Furniture and Fittings assets sold/written off		(5)	–
Gain (or loss) on disposal		(5)	–
Gain (or Loss) on disposal of Inventory			
Less: carrying amount of Inventory assets sold/written off		(37)	–
Gain (or loss) on disposal		(37)	–
Net gain (or loss) on disposal of assets		(3,131)	(1,470)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 26/05/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	27,500	27,810	310	1% F
User charges and fees	11,604	12,029	425	4% F
Other revenues	842	1,475	633	75% F
Marketplace 266k				
Health & Wellbeing 44k				
Insurance recoveries 35k				
Bank recovery 81k				
Sundries 36k				
Operating grants and contributions	7,442	6,766	(676)	(9)% U
Timing variance with multi-year funding.				
Capital grants and contributions	10,880	19,971	9,091	84% F
Only confirmed grants are included in the original budget.				
Ederton Rd 6M non-cash contribution F				
Yarrowa Rd 3M F				
Interest and investment revenue	996	881	(115)	(12)% U
Declining interest rates resulted in lower returns.				
Other income	6,207	6,076	(131)	(2)% U

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	14,996	15,066	(70)	0%	U
Materials and services	15,163	16,127	(964)	(6)%	U
Fair value adjustment 1.3M U					
Legal Fees 315k U					
Borrowing costs	3,121	2,086	1,035	33%	F
Ethtec not required 804k F					
Depreciation, amortisation and impairment of non-financial assets	13,985	13,734	251	2%	F
Other expenses	2,797	3,923	(1,126)	(40)%	U
Net losses from disposal of assets	–	3,131	(3,131)	∞	U
Infrastructure disposal 3.2M U					
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	29,393	43,393	14,000	48%	F
Additional, unbudgeted grant income received 12k F					
Cash flows from investing activities	(29,354)	(42,191)	(12,837)	44%	U
Cash flows from financing activities	(6,210)	2,900	9,110	(147)%	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	120	–
Cash-equivalent assets		
– Deposits at call	8,964	5,066
Total cash and cash equivalents	9,084	5,066

Reconciliation of cash and cash equivalents

\$ '000	Notes	2021	2020
Total cash and cash equivalents per Statement of Financial Position		9,084	5,066
Less bank overdraft	C3-3	–	(84)
Balance as per the Statement of Cash Flows		9,084	4,982

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	17,300	3,000	14,500	–
NCD's, FRN's (with maturities > 3 months)	3,250	31,733	12,500	27,797
Total	20,550	34,733	27,000	27,797
Total financial investments	20,550	34,733	27,000	27,797
Total cash assets, cash equivalents and investments	29,634	34,733	32,066	27,797

Accounting policy

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

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

Financial assets

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

Classification

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

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

C1-2 Financial investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

Rates and annual charges outstanding are secured against the property.

Financial assets through profit or loss

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

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	29,634	34,733	32,066	27,797
attributable to:				
External restrictions	249	34,733	12,496	21,733
Internal restrictions	26,364	–	17,511	6,064
Unrestricted	3,021	–	2,059	–
	29,634	34,733	32,066	27,797

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	4,037	–
Specific purpose unexpended loans – general	2,513	1,898
External restrictions – included in liabilities	6,550	1,898

External restrictions – other

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

Developer contributions – general	6,479	8,239
Developer contributions – water fund	7,498	7,351
Developer contributions – sewer fund	3,373	3,589
Specific purpose unexpended grants (recognised as revenue) – general fund	933	1,840
Water fund	6,106	7,104
Sewer fund	1,174	978
Domestic waste management	790	485
Road Network Efficiency	2,034	2,700
Bengalla Coal Community Fund	45	45
External restrictions – other	28,432	32,331
Total external restrictions	34,982	34,229

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

\$ '000	2021	2020
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	2,576	2,303
Infrastructure replacement	108	54
Employees leave entitlement	1,313	1,590
Deposits, retentions and bonds	4,341	2,606
Carpark replacement	113	113
Road works contingency	494	442
Building replacement	7	7
Administrative	3	3
Builders Rubble	80	80
Environmental	613	613
Works in Progress	148	–
Infrastructure works	125	125
Legal Matters	151	–
Recreation	–	305
Road closure	206	143
Stormwater management	881	750
Carry over works 20/21 Operating	247	–
Waste Levy Aggregate (R&D)	61	61
Carry over works 20/21 Capital	1,045	–
Financial Assistance Grant	1,889	1,885
Road Pavment Consumption Charge	90	82
Culture	10	45
Waste management centre	7,180	6,816
Drainage	143	143
Future Fund	1,559	395
Election	123	–
Mine Affected Roads	908	856
Carryover Works 18/19 Capital	161	199
Sustainability Reserve	56	185
SRV Reserve	92	855
Road Reserve	912	912
Economic Development	–	142
Contingency Reserve	268	436
Carryover Works 19/20 Operating	13	329
Carryover Works 19/20 Capital	378	1,030
Mine Affected Roads Study	70	70
Total internal restrictions	26,364	23,575
Total restrictions	61,346	57,804

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	2,223	880	2,113	846
User charges and fees	560	–	783	–
Accrued revenues				
– Interest on investments	92	–	108	–
Amounts due from other councils	221	–	118	–
VPA's	83	–	500	–
Government grants and subsidies	382	–	171	–
Net GST receivable	564	–	318	–
RMS Routine Services	139	–	351	–
RMS IPWO's	175	–	1,409	–
Waste depot charges	669	–	437	–
Commercial Properties – Rental.	540	–	348	–
TfNSW	204	–	–	–
Restart NSW	1,351	–	984	–
Other debtors	210	–	188	–
Total	7,413	880	7,828	846
Less: provision of impairment				
User charges and fees	(52)	–	(52)	–
Other debtors	(11)	–	(11)	–
Total provision for impairment – receivables	(63)	–	(63)	–
Total net receivables	7,350	880	7,765	846

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	63	63
Balance at the end of the year	63	63

C1-4 Receivables (continued)

Accounting policy

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	1,393	–	1,506	–
Stores and materials	268	–	194	–
Total inventories at cost	1,661	–	1,700	–
Total inventories	1,661	–	1,700	–

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		1,393	–	1,506	–
Total real estate for resale		1,393	–	1,506	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,393	–	1,506	–
Total costs		1,393	–	1,506	–
Total real estate for resale		1,393	–	1,506	–
Movements:					
Real estate assets at beginning of the year		1,506	–	1,506	–
– Purchases and other costs		4	–	–	–
– WDV of sales (expense)	B4-1	(117)	–	–	–
Total real estate for resale		1,393	–	1,506	–

(b) Current inventories not anticipated to be settled within the next 12 months

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

\$ '000	2021	2020
Real estate for resale	913	1,171
	913	1,171

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation increments/ (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	7,013	–	7,013	1,632	7,872	–	–	(5,524)	–	–	–	10,993	–	10,993
Plant and equipment	17,260	(11,441)	5,819	143	462	(35)	(1,076)	–	–	–	–	17,553	(12,245)	5,308
Office equipment	3,643	(2,764)	879	72	19	–	(205)	–	–	–	–	3,731	(2,966)	765
Furniture and fittings	1,738	(1,117)	621	26	38	(5)	(131)	212	–	–	–	1,958	(1,197)	761
Land:														
– Operational land	9,277	–	9,277	–	62	–	–	–	–	–	–	9,339	–	9,339
– Community land	9,994	–	9,994	–	–	–	–	–	1,682	–	(70)	11,606	–	11,606
Land improvements – depreciable	6,519	(1,258)	5,261	117	–	–	(132)	–	(1,682)	–	(348)	4,331	(1,115)	3,216
Infrastructure:														
– Buildings – non-specialised	440	(343)	97	–	–	–	–	–	–	–	–	97	–	97
– Buildings – specialised	76,419	(31,071)	45,348	70	2,012	(170)	(1,946)	–	–	358	–	77,781	(32,109)	45,672
– Other structures	12,892	(3,218)	9,674	1,724	742	–	(470)	876	–	–	1,031	17,660	(4,081)	13,579
– Roads	378,637	(78,461)	300,176	2,915	7,727	(2,293)	(4,254)	1,495	–	–	–	387,678	(81,911)	305,767
– Bridges	65,597	(9,648)	55,949	–	1,510	(584)	(443)	121	–	–	–	65,888	(9,334)	56,554
– Footpaths	17,226	(8,237)	8,989	144	1,572	–	(362)	1,631	–	–	–	20,573	(8,599)	11,974
– Stormwater drainage	73,281	(24,963)	48,318	313	1,838	(388)	(767)	261	–	–	–	75,153	(25,578)	49,575
– Water supply network	107,970	(50,721)	57,249	1,547	65	–	(1,800)	928	–	–	533	111,526	(53,004)	58,522
– Sewerage network	120,657	(37,583)	83,074	748	413	–	(2,079)	–	–	–	756	122,939	(40,027)	82,912
Other assets:														
– Heritage collections	4,764	–	4,764	71	–	–	–	–	–	–	–	4,835	–	4,835
– Other	1,451	(1,359)	92	65	–	(16)	(46)	–	–	–	–	1,434	(1,339)	95
Reinstatement, rehabilitation and restoration assets (refer Note 15):														
– Tip assets	5,110	(2,028)	3,082	–	–	–	(23)	–	–	–	–	5,110	(2,051)	3,059
Total infrastructure, property, plant and equipment	919,888	(264,212)	655,676	9,587	24,332	(3,491)	(13,734)	–	–	358	1,902	950,185	(275,556)	674,629

(1) 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)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) investment properties	Revaluation increments/ (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	37,803	–	37,803	1,200	2,680	–	–	(34,670)	–	–	7,013	–	7,013
Plant and equipment	17,132	(11,171)	5,961	268	772	(76)	(1,106)	–	–	–	17,260	(11,441)	5,819
Office equipment	3,643	(2,529)	1,114	–	–	–	(235)	–	–	–	3,643	(2,764)	879
Furniture and fittings	1,715	(1,000)	715	–	24	–	(117)	–	–	–	1,738	(1,117)	621
Land:													
– Operational land	9,277	–	9,277	–	–	–	–	–	–	–	9,277	–	9,277
– Community land	9,994	–	9,994	–	–	–	–	–	–	–	9,994	–	9,994
Land improvements – depreciable	5,693	(1,131)	4,562	743	36	–	(127)	47	–	–	6,519	(1,258)	5,261
Infrastructure:													
– Buildings – non-specialised	710	(610)	100	–	–	–	(3)	–	–	–	440	(343)	97
– Buildings – specialised	72,424	(29,298)	43,126	99	1,890	(180)	(1,922)	266	2,070	–	76,419	(31,071)	45,348
– Other structures	10,628	(3,031)	7,597	524	1,501	(100)	(424)	577	–	–	12,892	(3,218)	9,674
– Roads	379,356	(97,507)	281,849	4,893	1,042	–	(3,898)	–	–	16,290	378,637	(78,461)	300,176
– Bridges	60,645	(18,343)	42,302	5	–	–	(615)	–	–	14,257	65,597	(9,648)	55,949
– Footpaths	16,608	(4,369)	12,239	117	305	–	(402)	–	–	(3,272)	17,226	(8,237)	8,989
– Stormwater drainage	58,922	(21,717)	37,205	12	376	–	(610)	–	–	11,334	73,281	(24,963)	48,318
– Water supply network	102,958	(48,513)	54,445	2,358	387	–	(1,731)	1,240	–	547	107,970	(50,721)	57,249
– Sewerage network	92,417	(43,489)	48,928	3,306	504	(1,595)	(1,390)	32,540	–	782	120,657	(37,583)	83,074
Other assets:													
– Heritage collections	4,694	–	4,694	–	70	–	–	–	–	–	4,764	–	4,764
– Other	1,768	(1,540)	228	–	52	(29)	(158)	–	–	–	1,451	(1,359)	92
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	5,110	(2,005)	3,105	–	–	–	(23)	–	–	–	5,110	(2,028)	3,082
Total infrastructure, property, plant and equipment	891,497	(286,253)	605,244	13,525	9,639	(1,980)	(12,761)	–	2,070	39,938	919,888	(264,212)	655,676

(1) 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

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 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.

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to C3-2.

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	61,984	55,323
Total owned investment property	61,984	55,323
Owned investment property		
Reconciliation of annual movement:		
Opening balance at 1 July	55,323	55,988
Acquisitions	7,794	—
Capitalised subsequent expenditure	569	1,896
Net gain/(loss) from fair value adjustments	(1,344)	(491)
– Transfers from/(to) owner occupied (C1-6)	(358)	(2,070)
Closing balance at 30 June	61,984	55,323

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C2 Leasing activities

C2-1 Council as a lessee

C2-2 Council as a lessor

Operating leases

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

Council holds a range of commercial and educational properties for generating income.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	6,076	5,755
Total income relating to operating leases for investment property assets	6,076	5,755

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	1,804	–	2,790	–
Goods and services – capital expenditure	2,077	–	1,974	–
Security bonds, deposits and retentions	4,341	–	2,607	–
Prepaid rates	453	–	405	–
Other	10	–	18	–
Pepaid Water Charges	196	–	158	–
Prepaid Debtors	85	–	78	–
Total payables	8,966	–	8,030	–
Total payables	8,966	–	8,030	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	321	–	351	–
Sewer	125	–	125	–
Domestic waste management	–	–	60	–
Payables relating to externally restricted assets	446	–	536	–
Total payables relating to restricted assets	446	–	536	–
Total payables relating to unrestricted assets	8,520	–	7,494	–
Total payables	8,966	–	8,030	–

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	–	171
Total payables	–	171

Accounting policy

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

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

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)	4,503	–	915	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	467	–	309	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	–	–	41	–
Total grants received in advance		4,970	–	1,265	–
Total contract liabilities		4,970	–	1,265	–

Notes

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

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

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	579	516
Operating grants (received prior to performance obligation being satisfied)	211	97
Operating contributions (received prior to performance obligation being satisfied)	–	16
Total revenue recognised that was included in the contract liability balance at the beginning of the period	790	629

Significant changes in contract liabilities

The increase in a contract liability is primarily due to grants in the scope of AASB 15 and 1058(16), where funds have been received prior to performance obligations being satisfied or related asset construction/acquisition occurring.

Accounting policy

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Bank overdraft	–	–	84	–
Loans – secured ¹	7,149	60,873	19,147	45,975
Total borrowings	7,149	60,873	19,231	45,975

(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 21.

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	65,122	(6,720)	9,585	35	–	–	68,022
Total liabilities from financing activities	65,122	(6,720)	9,585	35	–	–	68,022

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisitions	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	69,429	(6,350)	2,000	43	–	–	65,122
Total liabilities from financing activities	69,429	(6,350)	2,000	43	–	–	65,122

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	750	750
Credit cards/purchase cards	63	63
Total financing arrangements	813	813
Undrawn facilities		
– Bank overdraft facilities	750	750
– Credit cards/purchase cards	63	63
Total undrawn financing arrangements	813	813

Additional financing arrangements information

Breaches and defaults

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

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

C3-3 Borrowings (continued)

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	1,247	–	1,633	–
Long service leave	2,037	–	2,000	347
Other leave	54	–	101	–
Total employee benefit provisions	3,338	–	3,734	347

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	2,082	2,526
	2,082	2,526

C3-4 Employee benefit provisions (continued)

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2021				
At beginning of year	1,633	2,347	101	4,081
Additional provisions	793	186	–	979
Amounts used (payments)	(1,179)	(496)	–	(1,675)
Other	–	–	(47)	(47)
Total ELE provisions at end of year	1,247	2,037	54	3,338
2020				
At beginning of year	1,551	1,989	73	3,613
Additional provisions	1,091	598	–	1,689
Amounts used (payments)	(1,009)	(240)	–	(1,249)
Other	–	–	28	28
Total ELE provisions at end of year	1,633	2,347	101	4,081

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	9,195	–	9,063
Sub-total – asset remediation/restoration	–	9,195	–	9,063
Total provisions	–	9,195	–	9,063

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

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	9,063	9,063
Other	132	132
Total other provisions at end of year	9,195	9,195
2020		
At beginning of year	8,799	8,799
Other	264	264
Total other provisions at end of year	9,063	9,063

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

C3-5 Provisions (continued)

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability, workers compensation and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note C1-3.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	22,140	1,649	4,021
User charges and fees	8,286	3,078	665
Interest and investment revenue	535	289	57
Other revenues	847	272	356
Grants and contributions provided for operating purposes	6,690	38	38
Grants and contributions provided for capital purposes	19,824	69	78
Net gains from disposal of assets	(33)	16	17
Other income	6,076	–	–
Total income from continuing operations	64,365	5,411	5,232
Expenses from continuing operations			
Employee benefits and on-costs	13,610	779	677
Materials and services	11,811	2,770	1,546
Borrowing costs	1,275	81	730
Depreciation, amortisation and impairment of non-financial assets	9,767	1,828	2,139
Other expenses	3,314	251	358
Net losses from the disposal of assets	3,131	–	–
Total expenses from continuing operations	42,908	5,709	5,450
Operating result from continuing operations	21,457	(298)	(218)
Net operating result for the year	21,457	(298)	(218)
Net operating result attributable to each council fund	21,457	(298)	(218)
Net operating result for the year before grants and contributions provided for capital purposes	1,633	(367)	(296)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	9,084	–	–
Investments	13,834	5,034	1,682
Receivables	4,299	1,970	1,081
Inventories	1,661	–	–
Other	250	–	–
Total current assets	29,128	7,004	2,763
Non-current assets			
Investments	23,298	8,570	2,865
Receivables	(355)	1,235	–
Infrastructure, property, plant and equipment	530,467	59,669	84,493
Investments accounted for using the equity method	158	–	–
Investment property	61,984	–	–
Total non-current assets	615,552	69,474	87,358
TOTAL ASSETS	644,680	76,478	90,121
LIABILITIES			
Current liabilities			
Payables	8,520	321	125
Contract liabilities	4,970	–	–
Borrowings	6,088	351	710
Employee benefit provision	2,937	244	157
Total current liabilities	22,515	916	992
Non-current liabilities			
Borrowings	45,308	655	14,910
Provisions	9,195	–	–
Total non-current liabilities	54,503	655	14,910
TOTAL LIABILITIES	77,018	1,571	15,902
Net assets	567,662	74,907	74,219
EQUITY			
Accumulated surplus	295,794	40,183	54,490
Revaluation reserves	271,868	34,724	19,729
Council equity interest	567,662	74,907	74,219
Total equity	567,662	74,907	74,219

D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of Minister's approval	17/06/2010
Date raised	30/06/2010
Term years	25 Years
Dates of maturity	30/06/2035
Rate of interest (%)	6%
Amount originally raised (\$'000)	1,750,000

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	158	197
Total net share of interests in joint ventures and associates using the equity method – assets	158	197
Total Council's share of net assets	158	197

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	Interest in ownership			
			2021	2020	2021	2020
Arrow Collaborative Services Limited	Joint Venture	Thornton	4.0%	4.0%	158	197
Total carrying amounts – material joint ventures					158	197

Arrow Collaborative Services Limited

Details

Principal activity		Measurement method
Arrow Collaborative Services Limited	Local Government Services	Equity method

Relevant interests and fair values

	Interest in outputs		Proportion of voting power	
	2021	2020	2021	2020
Arrow Collaborative Services Limited	4.0%	4.0%	8.0%	8.0%

D2-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	Arrow Collaborative Services Limited	
	2021	2020
Statement of financial position		
Current assets		
Cash and cash equivalents	4,340	5,101
Other current assets	1,758	1,446
Non-current assets	727	310
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	1,613	1,343
Other current liabilities	1,507	896
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	26	11
Net assets	3,679	4,607
Statement of comprehensive income		
Income	6,375	5,632
Depreciation and amortisation	(137)	(105)
Other expenses	(7,167)	(5,903)
Profit/(loss) from continuing operations	(929)	(376)
Profit/(loss) for the period	(929)	(376)
Total comprehensive income	(929)	(376)
Share of income – Council (%)	4.2%	4.3%
Profit/(loss) – Council (\$)	(39)	(16)
Total comprehensive income – Council (\$)	(39)	(16)
Summarised Statement of cash flows		
Cash flows from operating activities	(8)	(79)
Cash flows from investing activities	(406)	27
Cash flows from financing activities	(346)	(159)
Net increase (decrease) in cash and cash equivalents	(760)	(211)
Reconciliation of the carrying amount		
Opening net assets (1 July)	5,024	5,400
Profit/(loss) for the period	(929)	(376)
Closing net assets	4,095	5,024
Council's share of net assets (%)	4.3%	4.3%
Council's share of net assets (\$)	158	197

Summarised financial information for individually immaterial joint ventures

Council is a member of the Upper Hunter Weeds Authority Council, a body corporate established under the Local Government Act 1993 (NSW) to the control of Noxious Weeds. Council is one of three constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

Council is of the opinion that it does not control the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Joint Ventures

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

D2-1 Interests in joint arrangements (continued)

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	9,084	5,066	9,084	5,066
Receivables	8,230	8,611	8,230	8,611
Investments				
– Debt securities at amortised cost	55,283	54,797	55,283	54,797
Total financial assets	72,597	68,474	72,597	68,474
Financial liabilities				
Bank overdraft	–	84	–	84
Payables	8,966	8,030	8,966	8,030
Loans/advances	68,022	65,122	68,022	65,122
Total financial liabilities	76,988	73,236	76,988	73,236

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's 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 there 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.

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	–	635
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

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

(b) Credit risk

Credit risk profile

Receivables – rates and annual charges

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 this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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 encourages the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	1,044	1,682	269	108	3,103
2020						
Gross carrying amount	564	1,867	252	204	72	2,959

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	1,315	1,139	567	698	1,471	5,190
ECL provision	–	–	–	–	66	66
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.50%	1.28%
2020						
Gross carrying amount	1,659	1,092	610	1,004	1,350	5,715
ECL provision	–	–	–	–	61	61
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.50%	1.06%

E1-1 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 utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	4,341	–	–	–	4,341	8,513
Loans and advances – fixed	0.00%	–	–	–	–	–	68,022
Total financial liabilities		4,341	–	–	–	4,341	76,535
2020							
Bank overdraft	0.00%	84	–	–	–	84	84
Trade/other payables	0.00%	2,607	5,018	–	–	7,625	7,625
Loans and advances – fixed	3.05%	–	13,425	35,385	16,312	65,122	65,122
Total financial liabilities		2,691	18,443	35,385	16,312	72,831	72,831

Loan agreement breaches

Detail here any breaches to loan agreements which have occurred during the reporting year.

E2-1 Fair value measurement

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

- Infrastructure, Property, Plant and Equipment.
- Investment Property.
- Financial Assets.

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.

AASB113 Fair value measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows;

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Financial assets									
Other financial assets		30/06/21	30/06/20	55,283	54,797	—	—	55,283	54,797
Total financial assets				55,283	54,797	—	—	55,283	54,797
Investment property									
	C1-7								
Investment Properties		30/06/21	30/06/20	61,984	55,323	—	—	61,984	55,323
Total investment property				61,984	55,323	—	—	61,984	55,323
Infrastructure, property, plant and equipment									
	C1-6								
Plant and Equipment		30/06/21	30/06/20	—	—	5,309	5,819	5,309	5,819
Office Equipment		30/06/21	30/06/20	—	—	765	879	765	879
Furniture and Fittings		30/06/21	30/06/20	—	—	761	621	761	621
Operational Land		30/06/18	30/06/18	—	—	9,339	9,277	9,339	9,277
Community Land		30/06/21	30/06/18	—	—	11,606	9,994	11,606	9,994
Depreciable Land Improvements		30/06/21	30/06/16	—	—	3,216	5,261	3,216	5,261
Buildings – Non-Specialised		30/06/18	30/06/18	—	—	97	97	97	97
Buildings – Specialised		30/06/18	30/06/18	—	—	45,672	45,348	45,672	45,348
Other Structures		30/06/21	30/06/16	—	—	13,579	9,674	13,579	9,674
Roads		30/06/20	30/06/20	—	—	305,767	300,176	305,767	300,176
Bridges		30/06/20	30/06/20	—	—	56,554	55,949	56,554	55,949
Footpaths		30/06/20	30/06/20	—	—	11,974	8,989	11,974	8,989
Stormwater Drainage		30/06/20	30/06/20	—	—	49,575	48,318	49,575	48,318
Water Supply Network		30/06/17	30/06/17	—	—	58,522	57,249	58,522	57,249
Sewerage Network		30/06/17	30/06/17	—	—	82,912	83,074	82,912	83,074
Heritage Collections		30/06/18	30/06/18	—	—	4,835	4,764	4,835	4,764
Other		30/06/21	30/06/20	—	—	95	92	95	92
Total infrastructure, property, plant and equipment				—	—	660,578	645,581	660,578	645,581

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Financial assets

Council's investments in the form of deposits and other notes held with financial institutions are valued at their face of par value. This value is adjusted where the security has been acquired at either a discount or a premium with that discount or premium being amortised over period between the acquisition and the maturity of the security.

This valuation occurs based on the principle that Council has designated the securities as being "Held to Maturity".

Accounts receivables are valued at their face value.

The key unobservable input is that Council has no motive to test the marketability of either its financial securities or its accounts receivable.

Investment property

The key unobservable input is the estimated lease returns in which the valuations are based.

The fair value is determined by an independent local real estate agent with the appropriate level of experience and a solid understanding of the market for local properties of this type. There has been no change to the valuation process during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Plant and Equipment, Office Equipment and Furniture and Fittings.

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost and this is disclosed as the fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs into the valuation are the remaining useful life and any residual value. Council reviews the value of these assets by taking into account the pattern of consumption, estimated remaining useful life and any residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Asset Val.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on the Unimproved Capital Value as provided by the Valuer-General. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Depreciable Land Improvements.

This asset class comprises land improvements such as spectator mounds, swales, berms, gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the replacement cost approach by experienced Council Engineers and Asset Management Staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets

E2-1 Fair value measurement (continued)

were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Buildings - Non specialised and Specialised.

Buildings were valued by Asset Val in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

Other Structures.

This asset class comprises infrastructure such as dog leash free areas, ancillary waste facilities, fences, carpark and skateparks.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads, Bridges and Footpaths

This asset class comprises infrastructure including the Road Carriageway, Footpaths, Guardrails, Kerb and Gutter, Retaining walls, Bridges and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other infrastructure within this class. APV performed the valuation as at 30 June 2020.

Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with Office of Local Government Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

APV performed the valuation as at 30 June 2020.

Water Supply and Sewerage Network

Assets within these classes include the mains, pump stations, access pits, reservoirs and treatment plants which enable the treatment and reticulation of potable water and the collection and treatment of waste water. Mains are valued in accordance with the NSW Reference Rates Manual issued by the NSW Office of Water, which is based on extensive data collected in relation to expected replacement cost of water and sewer mains. All other items are valued in accordance with their replacement cost. Valuations are undertaken internally by experienced and qualified Council staff. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impact significantly on the final determination of fair value.

Heritage Assets

Assets within this class comprise of Council's Art Collection. The collection is independently valued with the most recent valuation being completed in 2018.

E2-1 Fair value measurement (continued)

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 (30/6/21) 2021	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and Equipment	5,309	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Office Equipment	765	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Furniture and fittings	761	Cost Approach	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Operational Land	9,339	Market Approach	Land Value, Land area.
Community Land	11,606	NSW Valuer General Land Valuation.	Land Value, Land area.
Depreciable land improvements	3,216	Cost Approach	Current Replacement Cost. Asset Condition. Remaining Useful Life.
Buildings non-specialised	97	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Building specialised	43,339	External Valuation	Current Replacement Cost. Remaining Useful Life. Asset Condition.
Other structures	13,579	Cost Approach	Gross Replacement Cost. Remaining Useful Life. Asset Condition.
Roads	305,767	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Bridges	56,554	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Footpaths	11,974	Cost Approach	Asset Condition. Remaining useful life using componentisation.
Stormwater drainage	49,575	Cost Approach	Asset Condition. Remaining Life.
Water supply network	58,522	Cost Approach	Asset Condition. Remaining Useful Life.
Sewerage network	82,912	Cost Approach	Asset Condition. Remaining Useful Life.
Other minor classes	4,930	Cost or External Valuation	Current Replacement Cost. Useful Life. Asset Condition.

E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational Land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	5,819	5,961	879	1,114	621	715	9,277	9,277
Total gains or losses for the period								
Other movements								
Purchases (GBV)	601	1,040	91	–	64	23	62	–
Disposals (WDV)	(35)	(76)	–	–	(5)	–	–	–
Depreciation and impairment	(1,076)	(1,106)	(205)	(235)	(131)	(117)	–	–
Work in progress transfers	–	–	–	–	212	–	–	–
Closing balance	5,309	5,819	765	879	761	621	9,339	9,277

\$ '000	Community Land		Depreciable land improv- ements		Buildings non- specialised		Building specialised	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	9,994	9,994	5,261	4,562	97	100	45,348	43,126
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	1,682	–	(1,682)	–	–	–	359	–
Purchases (GBV)	–	–	117	779	–	–	2,081	1,989
Disposals (WDV)	–	–	–	–	–	–	(170)	(180)
Depreciation and impairment	–	–	(132)	(127)	–	–	(1,946)	(1,925)
Revaluation Increments	(70)	–	(348)	–	–	(3)	–	2,072
Work in progress transfers	–	–	–	47	–	–	–	266
Closing balance	11,606	9,994	3,216	5,261	97	97	45,672	45,348

E2-1 Fair value measurement (continued)

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	9,674	7,597	300,177	281,850	55,949	42,302	8,988	12,239
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,468	2,025	10,642	5,935	1,511	5	1,717	422
Disposals (WDV)	–	(100)	(2,293)	–	(584)	(615)	–	–
Depreciation and impairment	(470)	(424)	(4,254)	(3,898)	(443)	–	(362)	(402)
Revaluation Increments	1,031	(1)	–	16,290	–	14,257	–	(3,271)
Work in progress transfers	876	577	1,495	–	121	–	1,631	–
Closing balance	13,579	9,674	305,767	300,177	56,554	55,949	11,974	8,988

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Other minor classes	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	48,318	37,205	57,249	54,445	83,074	48,928	4,856	4,922
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,151	388	1,612	2,745	1,161	3,810	136	122
Disposals (WDV)	(388)	–	–	–	–	(1,595)	(16)	(30)
Depreciation and impairment	(767)	(610)	(1,800)	(1,731)	(2,079)	(1,390)	(46)	(158)
Revaluation Increments	–	11,335	533	550	756	781	–	–
Work in progress transfers	261	–	928	1,240	–	32,540	–	–
Closing balance	49,575	48,318	58,522	57,249	82,912	83,074	4,930	4,856

E2-1 Fair value measurement (continued)

\$ '000	Total	
	2021	2020
Opening balance	645,581	564,337
Transfers from/(to) another asset class	359	–
Purchases (GBV)	24,414	19,283
Disposals (WDV)	(3,491)	(2,596)
Depreciation and impairment	(13,711)	(12,123)
Revaluation Increments	1,902	42,010
Work in progress transfers	5,524	34,670
Closing balance	660,578	645,581

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40 million per annum from 1 July 2019 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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

The plan is defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to

E3-1 Contingencies (continued)

account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$148,973.47. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$153,532.44.

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

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

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

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

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

* Plus promotional increases

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

Actuary, the final end of year review will be completed around December 2021.

(ii) Statewide Limited

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

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

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

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 0.21% 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.

(iii) StateCover Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) 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.

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Related Assets and Liabilities Not Recognised

As a result of the Thomas Mitchell Drive Contribution Study and the planning and approval conditions related to that Council has an obligation to undertake road works on Thomas Mitchell Drive. These take the form of a completion of upgrading works, two reseals and rehabilitation. The reseals are planned for around 2023 and 2031 and the rehabilitation between 2035 and 2040.

The costs of these works is estimated at \$9.74M in 2013 dollars. As the works are undertaken, coal mines deemed to be the major contributors to the need for the works are required to make monetary contribution toward the works. In total, these mines are required to pay 39.1% of the actual cost of the works.

As the works are completed the effected coal mines will be invoiced for their contributions based upon the costs of the work and their assessed impact on Thomas Mitchell Drive.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	723	720
Post-employment benefits	87	89
Other long-term benefits	13	14
Termination benefits	50	–
Total	873	823

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

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2021					
Upper Hunter Weeds Authority – Contribution	102	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	16	–	Annually	–	–
Local Government Training Institute – Training Services	21	–	7 days	–	–
FYFE Survey	38	–	30 days	–	–
2020					
Upper Hunter Weeds Authority – Contribution	100	–	Annually	–	–
Contribution from Upper Hunter Weeds Authority	15	–	Annually	–	–
Local Government Training Institute – Training Services	5	–	7 days	–	–

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	27
Councillors' fees	122	133
Other Councillors' expenses (including Mayor)	13	6
Total	162	166

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	91	78
--	----	----

Remuneration for audit and other assurance services

	91	78
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Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

– Other audit and assurance services: Internal Auditor

	20	15
--	----	----

Remuneration for audit and other assurance services

	20	15
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Total remuneration of non NSW Auditor-General audit firms

	111	93
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Total audit fees

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	20,941	15,433
Adjust for non-cash items:		
Depreciation and amortisation	13,734	12,761
Net losses/(gains) on disposal of assets	3,131	1,470
Non-cash capital grants and contributions	–	(60)
Adoption of AASB 15/1058	–	(1,406)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	1,344	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	–	22
Share of net (profits)/losses of associates/joint ventures using the equity method	39	16
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	381	(2,537)
Decrease/(increase) in inventories	(74)	–
Decrease/(increase) in other current assets	(30)	(104)
Increase/(decrease) in payables	(986)	957
Increase/(decrease) in other liabilities	1,819	(376)
Increase/(decrease) in contract liabilities	3,705	1,265
Increase/(decrease) in provision for employee benefits	(743)	468
Increase/(decrease) in other provisions	132	264
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	43,393	28,173

(b) Non-cash investing and financing activities

Other non-cash items (Rural Fire Service)	–	60
Total non-cash investing and financing activities	–	60

G2-1 Commitments

Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	8,770	9,283
Plant and equipment	690	285
Road Infrastructure	10,281	8,626
Land	2,923	2,808
Sewerage Infrastructure	30	565
Land Improvements	318	300
Water Infrastructure	473	275
Other	199	475
Other Structures	964	110
Total commitments	24,648	22,727

These expenditures are payable as follows:

Within the next year	24,648	22,727
Total payable	24,648	22,727

Sources for funding of capital commitments:

Unrestricted general funds	–	(1)
Future grants and contributions	12,066	11,492
Unexpended grants	975	244
Externally restricted reserves	6,155	8,429
Internally restricted reserves	2,939	2,563
Unexpended loans	2,513	–
Total sources of funding	24,648	22,727

Details of capital commitments

Projects that have not been completed in the 2020/21 financial year but have capital commitments.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	204	9	–	2	(62)	–	153	–
Roads	289	10	–	3	–	–	302	–
Parking	2	–	–	–	–	–	2	–
Open space	287	–	–	4	(75)	–	216	–
Community facilities	3	–	–	1	–	–	4	–
Tourism	37	–	–	1	–	–	38	–
Bushfire	110	–	–	1	–	–	111	–
Social Infrastructure	17	16	–	–	(16)	–	17	–
S7.11 contributions – under a plan	949	35	–	12	(153)	–	843	–
S7.12 levies – under a plan	–	80	–	1	–	–	81	–
Total S7.11 and S7.12 revenue under plans	949	115	–	13	(153)	–	924	–
S7.11 not under plans	7,290	3,215	–	–	(4,999)	–	5,506	–
S64 contributions	10,940	147	–	116	(333)	–	10,870	–
Total contributions	19,179	3,477	–	129	(5,485)	–	17,300	–

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

G4-2 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								
Drainage	204	9	–	2	(62)	–	153	–
Roads	289	10	–	3	–	–	302	–
Parking	2	–	–	–	–	–	2	–
Open space	287	–	–	4	(75)	–	216	–
Community facilities	3	–	–	1	–	–	4	–
Tourism	37	–	–	1	–	–	38	–
Bushfire	110	–	–	1	–	–	111	–
Social Infrastructure	17	16	–	–	(16)	–	17	–
Total	949	35	–	12	(153)	–	843	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN

S94A Levies	–	80	–	1	–	–	81	–
Total	–	80	–	1	–	–	81	–

G4-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
VOLUNTARY PLANNING AGREEMENTS								
Roads	—	1,109	—	—	(1,109)	—	—	—
Community facilities	6,613	1,455	—	—	(3,424)	—	4,644	—
Recreation	516	549	—	—	(364)	—	701	—
Education	161	—	—	—	—	—	161	—
Environment	—	102	—	—	(102)	—	—	—
Total	7,290	3,215	—	—	(4,999)	—	5,506	—

G4-4 S64 contributions

S64 contributions

Water	7,351	69	—	78	—	—	7,498	—
Sewer	3,589	78	—	39	(333)	—	3,373	—
Total	10,940	147	—	117	(333)	—	10,871	—

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5,484	9.96%	12.38%	6.98%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	55,037				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	48,271	64.35%	74.30%	68.40%	> 60.00%
Total continuing operating revenue ¹	75,008				
3. Unrestricted current ratio					
Current assets less all external restrictions	34,682	2.17x	0.98x	0.73x	> 1.50x
Current liabilities less specific purpose liabilities	15,995				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	21,304	2.43x	2.56x	2.80x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,771				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,103	10.05%	10.13%	5.86%	< 10.00%
Rates and annual charges collectable	30,868				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	29,384	7.98	5.56	8.39	> 3.00
Monthly payments from cash flow of operating and financing activities	3,681	mths	mths	mths	mths

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	13.80%	16.75%	(6.87)%	9.11%	(5.74)%	(21.96)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	58.81%	69.56%	98.02%	94.47%	97.78%	97.22%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.17x	0.98x	7.65x	4.73x	2.79x	2.38x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.16x	2.39x	19.04x	24.13x	3.52x	1.39x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	12.31%	(0.04)%	0.00%	0.03%	0.00%	0.01%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.98	5.56	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths					mths

(1) - (2) Refer to Notes at Note 28a above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Muswellbrook Shire Council

To the Councillors of the Muswellbrook Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

26 October 2021
SYDNEY



Clr Rod Scholes
Mayor
Muswellbrook Shire Council
PO Box 122
MUSWELLBROOK NSW 2333

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D2122205/1765

26 October 2021

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	27.8	27.5	↑ 1.1
Grants and contributions revenue	26.7	17.1	↑ 56.1
Operating result from continuing operations	20.9	15.4	↑ 35.7
Net operating result before capital grants and contributions	1.0	5.5	↓ 81.8

The Council's operating result from continuing operations (\$20.9 million including depreciation and amortisation expense of \$13.7 million) was \$5.5 million higher than the 2019–20 result. This was mainly due to \$9.7 million higher grants and contributions revenue, partially offset by increased operational expenses as noted below.

The net operating result before capital grants and contributions (\$1.0 million) was \$4.5 million lower than the 2019–20 result. This was mainly due to:

- \$1.0 million higher depreciation and amortisation expense
- \$1.4 million higher materials and services expense
- \$1.7 million higher net losses from disposal of non-current assets.

Rates and annual charges revenue (\$27.8 million) increased by \$0.3 million (1.0 per cent) in 2020–21 due to annual rate peg increase applied to ordinary rates (2.6 per cent), partially offset by an average decrease in the ad-valorem rate for mining by 10 per cent and for farming by 13 per cent.

Grants and contributions revenue (\$26.7 million) increased by \$9.7 million (56.1 per cent) in 2020–21 due to:

- \$6.0 million revenue from contributed road asset relating to Edgerton Road
- \$1.6 million increase in recreation and culture capital grants revenue
- \$1.6 million increase in revenue from roads and bridges capital grants.

STATEMENT OF CASH FLOWS

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

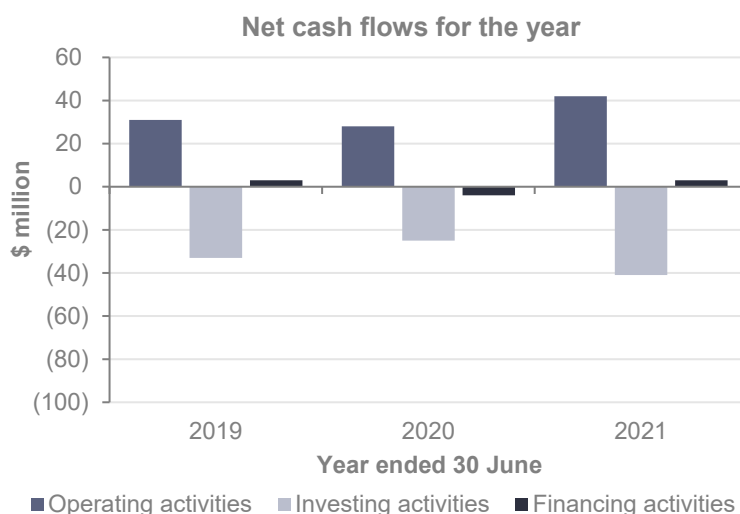
The increase in cash provided from operating activities is mainly due to increase in grants and contributions received during the year.

The increase in cash used in investing activities is mainly due to increased payments for purchases of infrastructure, property, plant and equipment and investment properties.

The increase in cash provided from financing activities is due to increased borrowings during the year.

The Council's cash and cash equivalent balances at 30 June 2021 was \$9.1 million (2020: \$5.0 million).

The net cash flows for the year was an increase of \$4.1 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	64.4	59.9	- Cash and investments increased by \$4.5 million. - Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments increased by \$0.7 million.
Restricted cash and investments:			
• External restrictions	34.9	34.2	Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capital projects. The increase is mainly due to an increase in internally restricted reserve relating to deposits, retentions, and bonds.
• Internal restrictions	26.3	23.6	

Debt

The Council has \$68.0 million of borrowings as at 30 June 2021 (2020: \$65.2 million)

The Council has an accumulated facility limit of \$0.8 million as at 30 June 2021 (2020: \$0.8 million) which remained unutilised at year-end.

PERFORMANCE

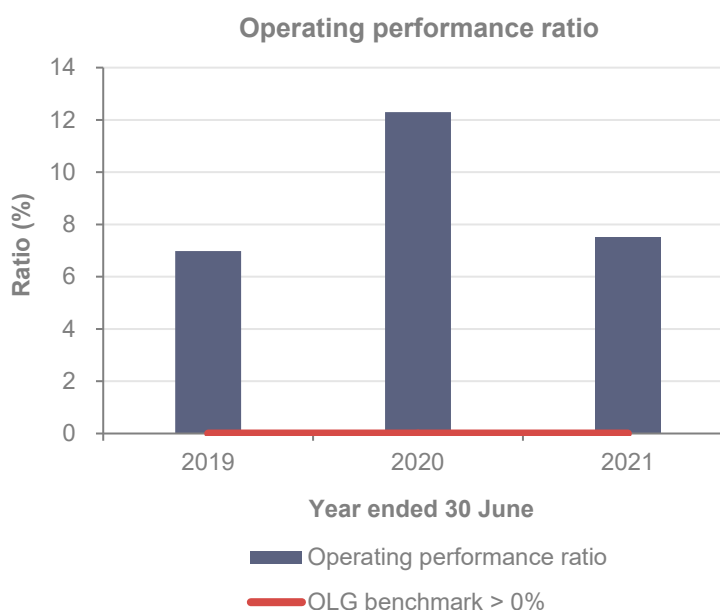
Performance measures

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

Operating performance ratio

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

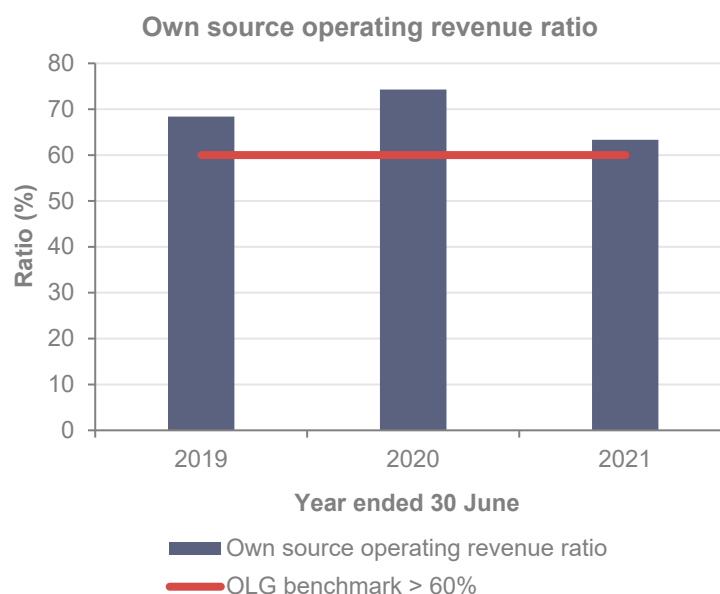
The Council met the OLG benchmark for the current reporting period.



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.

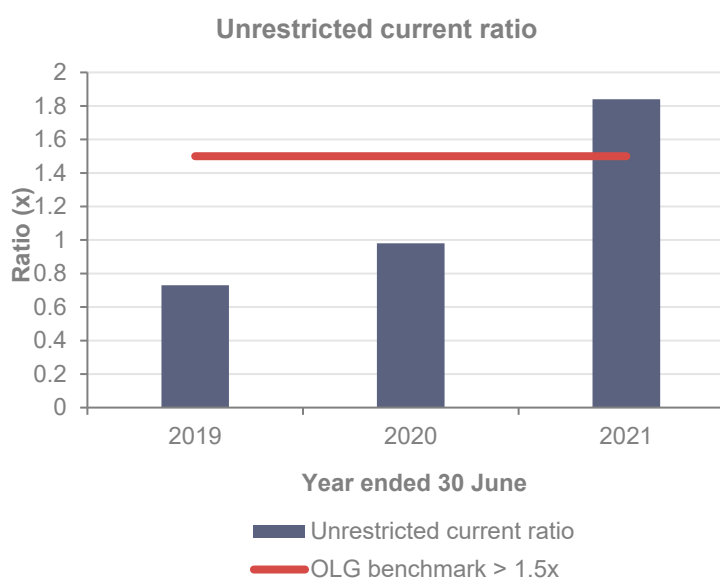
The Council met the OLG benchmark for the current reporting period.



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.

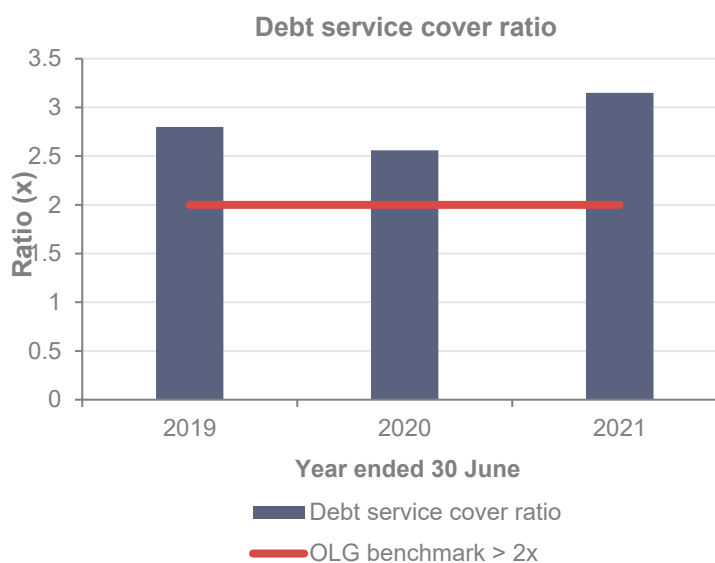
The Council met the OLG benchmark for the current reporting period.



Debt service cover ratio

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

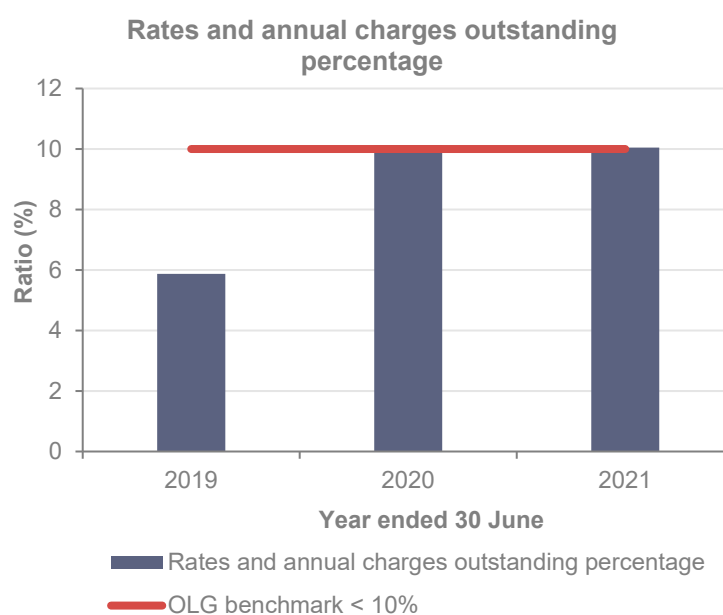
The Council met the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

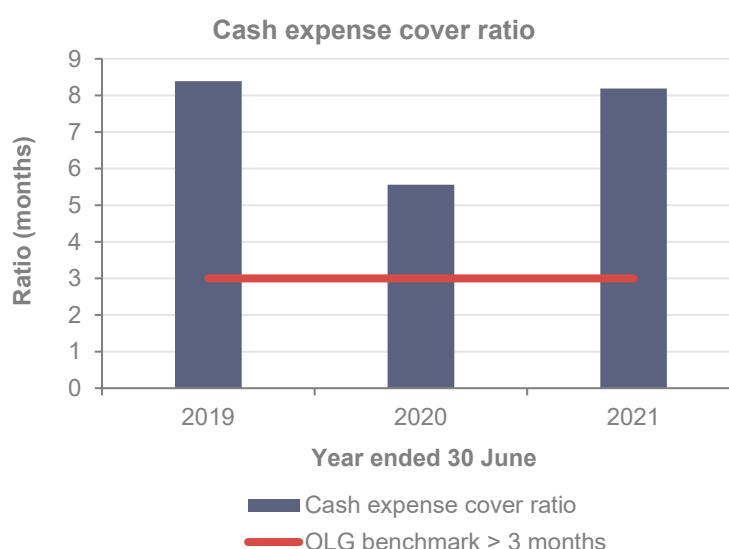
The Council did not meet the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$8.0 million in 2020-21 (\$12.3 million in 2019-20). Significant renewals included:

- road asset renewals of \$2.9 million (\$4.9 million in 2019-20)
- footpath asset renewals of \$1.7 million (\$0.1 million in 2019-20).
- water supply asset renewals of \$1.5 million (\$2.4 million in 2019-20)
- other structures asset renewals of \$1.7 million (\$0.5 million in 2019-20).

OTHER MATTERS

Legislative compliance

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

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

The Council's:

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

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

cc: Ms Fiona Plesman, General Manager
Mr Mitchell Morley, Chair of the Audit, Risk and Improvement Committee
Mr David Walsh, Chief Financial Officer

Muswellbrook Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2021

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



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).

Muswellbrook Shire Council

Special Purpose Financial Statements

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:

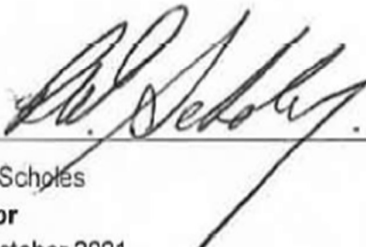
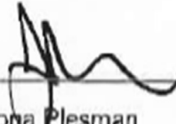
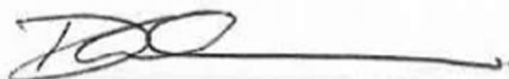
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 27 July 2021.


Rod Scholes
Mayor
20 October 2021
Jacinta Ledlin
Deputy Mayor
20 October 2021
Fiona Plesman
General Manager
20 October 2021
David Walsh
Responsible Accounting Officer
20 October 2021

Muswellbrook Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	1,649	1,600
User charges	3,078	4,086
Interest	289	446
Grants and contributions provided for non-capital purposes	38	36
Profit from the sale of assets	16	–
Other income	272	372
Total income from continuing operations	5,342	6,540
Expenses from continuing operations		
Employee benefits and on-costs	779	1,441
Borrowing costs	81	102
Materials and services	2,770	2,307
Depreciation, amortisation and impairment	1,828	1,763
Other expenses	251	331
Total expenses from continuing operations	5,709	5,944
Surplus (deficit) from continuing operations before capital amounts	(367)	596
Grants and contributions provided for capital purposes	69	345
Surplus (deficit) from continuing operations after capital amounts	(298)	941
Surplus (deficit) from all operations before tax	(298)	941
Less: corporate taxation equivalent [based on result before capital]	–	(164)
Surplus (deficit) after tax	(298)	777
Plus accumulated surplus	40,626	39,685
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	164
Closing accumulated surplus	40,328	40,626
Return on capital %	(0.5)%	1.2%
Subsidy from Council	1,175	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(298)	777
Less: capital grants and contributions (excluding developer contributions)	(69)	(345)
Surplus for dividend calculation purposes	–	432
Potential dividend calculated from surplus	–	216

Muswellbrook Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	4,021	3,929
User charges	602	673
Liquid trade waste charges	63	49
Interest	57	105
Grants and contributions provided for non-capital purposes	38	36
Profit from the sale of assets	17	–
Other income	356	286
Total income from continuing operations	5,154	5,078
Expenses from continuing operations		
Employee benefits and on-costs	677	626
Borrowing costs	730	765
Materials and services	1,546	1,503
Depreciation, amortisation and impairment	2,139	1,415
Other expenses	358	1,884
Total expenses from continuing operations	5,450	6,193
Surplus (deficit) from continuing operations before capital amounts	(296)	(1,115)
Grants and contributions provided for capital purposes	78	108
Surplus (deficit) from continuing operations after capital amounts	(218)	(1,007)
Surplus (deficit) from all operations before tax	(218)	(1,007)
Surplus (deficit) after tax	(218)	(1,007)
Plus accumulated surplus	54,722	55,722
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	7
Closing accumulated surplus	54,504	54,722
Return on capital %	0.5%	(0.4)%
Subsidy from Council	825	1,095
Calculation of dividend payable:		
Surplus (deficit) after tax	(218)	(1,007)
Less: capital grants and contributions (excluding developer contributions)	(78)	(108)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Muswellbrook Shire Council

Income Statement of Commercial Buildings

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	6,692	6,187
Total income from continuing operations	6,692	6,187
Expenses from continuing operations		
Employee benefits and on-costs	201	220
Borrowing costs	963	989
Materials and services	1,565	1,522
Depreciation, amortisation and impairment	614	614
Other expenses	812	1,052
Total expenses from continuing operations	4,155	4,397
Surplus (deficit) from continuing operations before capital amounts	2,537	1,790
Surplus (deficit) from continuing operations after capital amounts	2,537	1,790
Surplus (deficit) from all operations before tax	2,537	1,790
Less: corporate taxation equivalent [based on result before capital]	(660)	(492)
Surplus (deficit) after tax	1,877	1,298
Plus accumulated surplus	32,492	34,122
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	660	492
Add:		
– Subsidy paid/contribution to operations	2,665	(3,420)
Closing accumulated surplus	37,694	32,492
Return on capital %	19.4%	15.6%

Muswellbrook Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	5,034	3,919
Receivables	1,970	2,192
Total current assets	7,004	6,111
Non-current assets		
Investments	8,570	10,536
Receivables	1,235	1,235
Infrastructure, property, plant and equipment	59,669	59,089
Total non-current assets	69,474	70,860
Total assets	76,478	76,971
LIABILITIES		
Current liabilities		
Payables	321	351
Borrowings	351	330
Employee benefit provisions	244	611
Total current liabilities	916	1,292
Non-current liabilities		
Borrowings	655	1,007
Total non-current liabilities	655	1,007
Total liabilities	1,571	2,299
Net assets	74,907	74,672
EQUITY		
Accumulated surplus	40,183	40,482
Revaluation reserves	34,724	34,190
Total equity	74,907	74,672

Muswellbrook Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	1,682	1,313
Receivables	1,081	986
Total current assets	2,763	2,299
Non-current assets		
Investments	2,865	3,254
Infrastructure, property, plant and equipment	84,493	84,706
Total non-current assets	87,358	87,960
Total assets	90,121	90,259
LIABILITIES		
Current liabilities		
Payables	125	125
Borrowings	710	678
Employee benefit provisions	157	163
Total current liabilities	992	966
Non-current liabilities		
Borrowings	14,910	15,620
Total non-current liabilities	14,910	15,620
Total liabilities	15,902	16,586
Net assets	74,219	73,673
EQUITY		
Accumulated surplus	54,490	54,708
Revaluation reserves	19,729	18,965
Total equity	74,219	73,673

Muswellbrook Shire Council

Statement of Financial Position of Commercial Buildings

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	576	107
Receivables	540	348
Total current assets	1,116	455
Non-current assets		
Investments	983	288
Inventories	1,202	1,506
Infrastructure, property, plant and equipment	18,009	17,837
Investment property	61,984	55,323
Total non-current assets	82,178	74,954
Total assets	83,294	75,409
LIABILITIES		
Current liabilities		
Borrowings	5,447	17,631
Total current liabilities	5,447	17,631
Non-current liabilities		
Borrowings	40,153	25,286
Total non-current liabilities	40,153	25,286
Total liabilities	45,600	42,917
Net assets	37,694	32,492
EQUITY		
Accumulated surplus	37,694	32,492
Total equity	37,694	32,492

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Provision of portable water for the communities of Muswellbrook, Denman and Sandy Hollow.

b. Sewerage Services

Provision of sewerage treatment of the communities of Muswellbrook and Denman

c. Commercial Buildings

The provision of residential and commercial properties for the lease and the sale of both development ready and surplus vacant land.

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):

Notional rate applied (%)

Note – Significant Accounting Policies (continued)

Corporate income tax rate – 26%

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,001 up to \$4,616,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

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

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

The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Note – Significant Accounting Policies (continued)

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

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

(iii) Dividends

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

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

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

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

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Muswellbrook Shire Council

To the Councillors of the Muswellbrook Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- water supply business activity
- sewerage business activity
- commercial buildings.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Furqan' followed by a stylized flourish.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY

Muswellbrook Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*To do what is best for our community through leadership,
excellent service and encouragement of sustainable
development.*



Muswellbrook Shire Council

Special Schedules

for the year ended 30 June 2021

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Muswellbrook Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21 *	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	17,722	19,518
Plus or minus adjustments ²	b	939	38
Notional general income	$c = a + b$	18,661	19,556
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	$i = e \times (c + g)$	485	391
Sub-total	$k = (c + g + h + i + j)$	19,146	19,947
Plus (or minus) last year's carry forward total	l	1,045	5
Less valuation objections claimed in the previous year	m	(669)	—
Sub-total	$n = (l + m)$	376	5
Total permissible income	$o = k + n$	19,522	19,952
Less notional general income yield	p	19,518	19,963
Catch-up or (excess) result	$q = o - p$	5	(11)
Carry forward to next year ⁶	$t = q + r + s$	5	(11)

Previous Error Disclosure

During 2019/20 an error was discovered and the 2019/20 Permissible Income Workpapers were corrected. It was discovered that the Land Value amount of the valuation objections (noted in Schedule 4 for 2019/20 - being a loss of 65,405,000 LV) should not have been included in the overall land value charges for the year as recorded in Permissible Income Workpaper 1.

Amendments were made to figures brought forward from 2019/20 Permissible Income Workpapers to correct this an amendment was made to our original workpapers for 2019/20:

- Workpaper 1 - adding back on the 65,405,000 LV for the overall LV changes and the Total (changed from -\$56,982,883 to \$8,422,117)
- Schedule 1 - adding back in the 65,405,000 LV for the category where the objections were (changed from \$1,707,008,519 to \$1,772,413,519)

This in turn adjusted the Calculation Sheet, Schedule 3, Workpaper 2, Total Available and the 2019/20 figures in the Permissible Income Calculation.

The overall change has resulted in an amendment to the catchup amount from 278,062 to 1,044,794, which was used in the calculation of 2020/21 levy.

The Amended 2019/20 Permissible Income workpapers have been used in completing this 2020/21 return.

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

(*) Restated



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Muswellbrook Shire Council

To the Councillors of Muswellbrook Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Furqan' followed by a stylized flourish.

Furqan Yousuf

Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other	4,314	13,750	740	708	45,769	72,902	38.0%	24.0%	19.0%	12.0%	7.0%
	Sub-total	4,314	13,750	740	708	45,769	72,902	38.0%	24.0%	19.0%	12.0%	7.0%
Other structures	Other structures	63	207	730	585	13,579	17,660	49.0%	47.0%	3.0%	1.0%	0.0%
	Sub-total	63	207	730	585	13,579	17,660	49.0%	47.0%	3.0%	1.0%	0.0%
Roads	Other	1,709	6,910	3,530	2,390	374,295	474,139	44.0%	44.0%	11.0%	1.0%	0.0%
	Sub-total	1,709	6,910	3,530	2,390	374,295	474,139	44.0%	44.0%	11.0%	1.0%	0.0%
Water supply network	Other	5,174	14,403	1,290	1,326	58,522	111,526	5.0%	34.0%	48.0%	7.0%	6.0%
	Sub-total	5,174	14,403	1,290	1,326	58,522	111,526	5.0%	34.0%	48.0%	7.0%	6.0%
Sewerage network	Other	3,785	14,999	1,250	1,104	82,912	122,939	35.0%	26.0%	26.0%	10.0%	3.0%
	Sub-total	3,785	14,999	1,250	1,104	82,912	122,939	35.0%	26.0%	26.0%	10.0%	3.0%
Stormwater drainage	Other	126	722	270	31	49,575	75,153	21.0%	34.0%	44.0%	1.0%	0.0%
	Sub-total	126	722	270	31	49,575	75,153	21.0%	34.0%	44.0%	1.0%	0.0%
Total – all assets		15,171	50,991	7,810	6,144	624,652	874,319	35.4%	37.7%	21.2%	3.9%	1.8%

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

Infrastructure asset condition assessment 'key'

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

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	9,093	75.02%	102.90%	78.26%	>= 100.00%
Depreciation, amortisation and impairment	12,121				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	15,171	2.39%	2.90%	6.27%	< 2.00%
Net carrying amount of infrastructure assets	635,645				
Asset maintenance ratio					
Actual asset maintenance	6,144	78.67%	106.41%	98.28%	> 100.00%
Required asset maintenance	7,810				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	50,991	5.83%	6.93%	10.78%	
Gross replacement cost	874,319				

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Muswellbrook Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	82.48%	71.76%	85.94%	136.22%	35.98%	237.84%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	1.26%	1.93%	8.84%	9.30%	4.57%	4.01%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	70.47%	106.58%	102.79%	132.04%	88.32%	83.47%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	3.37%	5.00%	12.91%	13.50%	12.20%	10.96%	
Gross replacement cost							

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.