



AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

9 March 2022

Meeting Notice

**The Audit, Risk and Improvement Committee Meeting
of Central Coast Council
will be held in the Wyong Committee Room,
2 Hely Street, Wyong,
on Wednesday 9 March 2022 at 2pm,
for the transaction of the business listed below:**

Note: It was resolved at the 9 March 2022 meeting (please refer to the minutes) that items 3.1, 3.2, 3.3, 4.4, 6.2, 6.3, 7.1 and 8.1 were not to be publicly released in accordance with the ARIC Charter. Whilst they are listed in the table of contents, the reports have been removed from the Business Paper.

General Reports

1.2	Disclosures of Interest.....	5
1.3	Confirmation of Minutes of Previous Meeting.....	8
1.4	Outstanding Action Items.....	19
2.1	General Finance Update.....	25
2.2	Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports.....	41
2.3	Council's Asset Sales Program.....	254
3.1	Enterprise Risk Management Report - February 2022.....	256
3.2	IT Update.....	265
4.3	Validation of 2020/21 Operational Plan Deliverables - Final Report February 2022.....	271
4.4	Insurer Claims Management Audit Report 1 December 2021 - 31 December 2021.....	308
6.1	Governance Lighthouse Report as at 31 December 2021.....	335
6.2	Contingency workforce engagement update.....	350
6.3	Council's Insurance Arrangements.....	352
7.1	Complaints and Compliments Q2 2021-22.....	363
7.2	Work, Health and Safety Report.....	378
8.1	Report from the Office of the Internal Ombudsman.....	383

Confidential Items (provided under separate cover)

4.2	Update on Internal Audit function and activities
5.1	Reports issued by the NSW Audit Office
6.4	Update on legal matters

Please note item numbers correspond to items as they appear on the agenda (see pages 3-4).

1 Introduction – 2pm

1.1	Acknowledgement of Country, apologies and welcome	Verbal	ARIC Chairperson
1.2	Disclosures of Interest	Report	ARIC Chairperson
1.3	Confirmation of previous ARIC meeting minutes	Report	ARIC Chairperson
1.4	Outstanding action items	Report	ARIC Chairperson
1.5	Council's current status	Verbal	Chief Executive Officer

2 Financial Management – 2:20pm

2.1	General finance update (standing item)	Report	Director Corporate Affairs and Chief Financial Office
2.2	Financial Statements for the period 1 July 2020 to 30 June 2021 including audit reports	Report	Director Corporate Affairs and Chief Financial Office
2.3	Council's Asset Sales Program – Update Report	Report	Director Corporate Affairs and Chief Financial Office

3 Risk Management – 2:40pm

3.1	Enterprise Risk Management Report (standing item)	Report	Enterprise Risk Manager
3.2	IT update (156/2021)	Report	Unit Manager Information and Technology

4 Internal Audit – 3.10pm

4.1	Draft Internal Audit Plan (159/2021)	Verbal	Director – Centium / Unit Manager Governance and Legal Counsel
4.2	Update on Internal Audit function and activities (104/2021)	Confidential Report	Unit Manager Governance and Legal Counsel
4.3	Validation of 2020/21 Operational Plan Deliverables – Final Report February 2022	Report	Director – Centium / Unit Manager Governance and Legal Counsel
4.4	Insurer Claims Management Audit Report 1 December 2021 – 31 December 2021	Report	Director – Centium / Unit Manager Governance and Legal Counsel

5 External Audit – 3:30pm

5.1	Reports issued by the NSW Audit Office	Confidential Report	NSW Audit Office
-----	--	---------------------	------------------

6 Governance – 3:40pm

6.1	Governance Lighthouse report as at 31 December 2021	Report	Unit Manager Governance and Legal Counsel
6.2	Contingency workforce engagement update (178/2020)	Report	Unit Manager People and Culture
6.3	Council's Insurance Arrangements (101/2021)	Report	Unit Manager Governance and Legal Counsel
6.4	Update on legal matters (standing item)	Confidential Report	Unit Manager Governance and Legal Counsel

7 Performance – 4:20pm

7.1	Complaints and Compliments Q2 2021 – 22	Report	Director Corporate Affairs and Chief Financial Officer
7.2	Work, Health and Safety Update (150/2021)	Report	Unit Manager People and Culture

8 Fraud Control – 4:40pm

8.1	Report from the Office of the Internal Ombudsman	Report	Senior Internal Ombudsman
-----	--	--------	------------------------------

9 General Business – 4:50pm

9.1	Tour of Council's Water and Sewer Assets (142/2021)	Verbal	Chairperson
9.2	Update on External Independent Member Recruitment	Verbal	Unit Manager Governance and Legal Counsel

Item No: 1.2
Title: Disclosures of Interest
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15026102



Recommendation

- 1 *That the Committee note the standing declarations of current Committee members outlined in the table below.*
- 2 *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*
- 3 *That the Committee make a recommendation that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Report Purpose

Chapter 14 of the *Local Government Act 1993* ("LG Act") regulates the way in which the Councillors and relevant staff of Council conduct themselves to ensure that there is no conflict between their private interests and their public functions.

Section 451 of the LG Act states in part that:

- (1) *A councillor or a member of a council committee who has a pecuniary interest in any matter with which the council is concerned and who is present at a meeting of the council or committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.*
- (2) *The councillor or member must not be present at, or in sight of, the meeting of the council or committee:*
 - (a) *at any time during which the matter is being considered or discussed by the council or committee, or*
 - (b) *at any time during which the council or committee is voting on any question in relation to the matter.*
- (3) *For the removal of doubt, a councillor or a member of a council committee is not prevented by this section from being present at and taking part in a meeting at which a matter is being considered, or from voting on the matter, merely because the Councillor or member has an interest in the matter of a kind referred to in section 448.*

1.2 Disclosures of Interest (contd)

Further, the [Code of Conduct](#) adopted by Council applies to all Councillors and Staff. The Code relevantly provides that if a Councillor or Staff member has a non-pecuniary conflict of interest, the nature of the conflict must be disclosed as well as providing for a number of ways in which a non-pecuniary conflict of interests might be managed.

Committee Members standing declarations

ARIC Member	Meeting Date	Disclosure of Interest
John Gordon	14 September 2021	<p>Standing declarations amended to include the following NSW Local Government Committees. Less than significant non-pecuniary interest on the following:</p> <ul style="list-style-type: none"> • Camden Council – Independent Member (former Chair) of ARIC • Inner West Council – Independent Chair of ARIC • Liverpool City Council – Independent Member of ARIC • Shoalhaven Council – Independent Member of ARIC • Sutherland Shire Council – Independent Chair of ARIC • Waverley Council – Independent Member of ARIC • Woollahra Council – Independent Member (former Chair) of ARIC
Carl Millington	13 July 2021 (noted outside of meeting)	Less than significant non-pecuniary interest as an Independent member on Randwick City Council Audit, Risk and Improvement Committee.
Arthur Butler	24 June 2021	Less than significant non-pecuniary interest as a member of the Audit, Risk and Improvement Committee for the Hunter and Central Coast Development Corporation.
John Gordon	10 December 2020/ 13 April 2021	<p>Less than significant non-pecuniary interest as:</p> <p>a) he was a Partner with PricewaterhouseCoopers (PwC) for a period of 22 years, retiring December 2008. PwC were the Auditors for the former Gosford and Wyong Councils in 2016. He was not involved in either of the 2016 Council audits; and</p> <p>b) he is an independent member of the NSW Audit Office Audit, Risk and Improvement Committee who are the Auditors of Central Coast Council.</p>
John Gordon	17 March 2020	Less than significant non-pecuniary interest as an Independent Chair of the NSW Healthcare Complaints Commission Audit and Risk Committee.

ARIC Member	Meeting Date	Disclosure of Interest
John Gordon	1 October 2019	Less than significant non-pecuniary interest as an Independent Member on Waverly Council Audit, Risk and Improvement Committee.
John Gordon	5 March 2019	Less than significant non-pecuniary interest as an Independent Chair of the NSW Education Standards Authority (NESA) Committee.
John Gordon	4 December 2018	Less than significant non-pecuniary interest as he is an Independent member of the Department of Education Audit and Risk Committee.
John Gordon	21 November 2017	Less than significant non-pecuniary interest that he has been appointed as an Independent Member to the Audit Office of NSW's Audit and Risk Committee, effective 30 November 2017.

Attachments

Nil.



Item No: 1.3
Title: Confirmation of Minutes of Previous Meeting
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15026272
Author: Kelly Drover, Meeting Support Officer
Manager: Edward Hock, Unit Manager Governance and Legal Counsel

Recommendation

- 1 *That the Committee confirm the minutes of the previous meeting held on 7 December 2021.*

- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 3/02/2022.

Summary

The purpose of this report is to confirm the minutes of the previous Audit, Risk and Improvement Committee meeting held on 7 December 2021.

The minutes from 7 December 2021 were circulated to all Audit, Risk and Improvement Committee members by email on 21 December 2021 and were reported to the 8 February 2022 Ordinary Council Meeting.

Council's *Audit Risk and Improvement Committee Charter* states that all supporting papers to the meeting agendas will be released to the public on Council's website, unless such release would be contrary to the public interest. It is considered that the nature or content of this report and attachments do not fall within any of the exceptions listed under Clause 78 of the Charter and release to the public be approved.

Attachments

1  ARIC Minutes 7 December 2021 D14988711



Central Coast Council
Audit, Risk and Improvement Committee
Meeting
Held Remotely - Online
7 December 2021

MINUTES

Present

Carl Millington (Chairperson)	Independent member
Arthur Butler	Independent member
John Gordon	Independent member
Rik Hart	Administrator

In Attendance

David Farmer	Chief Executive Officer
Natalia Cowley	Director Corporate Affairs and Chief Financial Officer
David Milliken	Acting Director Environment and Planning
Jade Maskiewicz	Assistant Internal Ombudsman
Jamie Beal	Unit Manager Information and Technology
Edward Hock	Unit Manager Governance and Legal Counsel
Stephen Bignill	Enterprise Risk Manager
Sharon McLaren	Section Manager Corporate Planning and Reporting
Rachel Callachor	Meeting Support Officer
Kelly Drover	Meeting Support Officer
David Daniels	Audit Office of NSW
Cassie Malone	Audit Office of NSW
Penelope Corkill	Account Manager, Centium, IA Co-Sourced Partner

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

1 INTRODUCTION

Welcome, Acknowledgement of Country and Apologies

The Chairperson, Carl Millington, opened the meeting at 2.07pm, welcomed attendees and completed an Acknowledgement of Country.

It was noted that the meeting was being recorded for minute taking purposes. By attending the meeting, speakers consented to an audio record of the meeting. Recording of the proceedings of this Committee meeting are not permitted without prior approval of the Council. The meeting recording will be deleted once the meeting minutes are finalised.

Apologies received:

Brian Bell, Acting Director Community and Recreation Services

Boris Bolgoff, Director Infrastructure Services

Lilly Mojsin, Senior Internal Ombudsman

1.2 Disclosures of Interest

Resolution

137/2021(ARIC) *The Committee noted the standing declarations of current Committee members outlined in the report.*

138/2021(ARIC) *The Committee recommended that this report be made publicly available as the nature or content of the report do not fall within any listed exceptions pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.3 Confirmation of Minutes of Previous Meeting

Resolution

139/2021(ARIC) *The Committee confirmed the minutes of the previous meeting held on 14 September 2021.*

140/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1.4 Outstanding Action Items

The Committee noted it is a positive to see action items being completed off the action list.

Item 8.4 to be closed and reconsidered at the March 2022 meeting.

In regard to Item 178/2020 Natalia Cowley provided a verbal update on the contingency

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

workforce engagement. People and Culture will be providing a report to the March 2022 meeting.

96/2021 – Action to be completed

115/2021 – Action to be completed

Resolution

141/2021(ARIC) *The Committee noted the report on Outstanding Action Items.*

142/2021(ARIC) *A tour of Council's Water and Sewer Assets for the independent committee members to be considered at the March 2022 ARIC meeting.*

143/2021(ARIC) *Action Item 101/2021 on Council's insurance arrangements to be reported to the March 2022 ARIC meeting.*

144/2021(ARIC) *The Committee recommended that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of this report do not fall within any listed exceptions.*

1.5 Council's current status

David Farmer, Chief Executive Officer provided the Committee with an update on Council's current status including the following key items:

- Recovery program including securing asset sales and most recently the State Government announcement regarding the purchase of the Gosford Administration building for a new TAFE campus
- Water and Sewer determination currently before IPART
- Special Rate Variation application
- Community Survey and Staff Survey
- ELT structure changes

The Committee noted that the risk of fraud and corruption is of concern and it might be worth taking another look at risk and triaging the big ticket items that could affect Council reputation-wise including Work, Health and Safety, major fraud and major IT breaches. To be explored further with the Committee in 2022.

Resolution

145/2021(ARIC) *The Committee noted the verbal update on Council's current status provided by the Chief Executive Officer.*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

2 FINANCE

2.1 General Finance Update

In regard to the financial statements, Natalia Cowley advised that the external audit was still in progress and the Auditors have requested a lodgement extension till 28 February 2022.

The Committee suggested a collaborative approach with Council and the NSW Audit Office on effectiveness and improving the process next year. It was noted that Council's IPART submission is required to be reported to the 8 February 2022 Ordinary Council Meeting and it would be helpful to have the audit completed by this date.

The Audit Office noted that if they received the outstanding items by the end of the week, they will be in a better position to complete the audit within Council's expectations.

The Committee considered the circumstances provided in the report on the sale of the CCGT property (3 Bounty Close, Tuggerah) and were satisfied with the verbal update provided at the meeting.

Resolution

146/2021(ARIC) *The Committee noted the report on General Finance Update.*

147/2021(ARIC) *Council to provide advice to the ARIC Committee on review of the financial statements.*

148/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

3 RISK MANAGEMENT

Stephen Bignill joined the meeting for items 3.1 and 3.2 and left at the conclusion of these items.

3.1 Enterprise Risk Management Report - November 2021

The Committee noted it would be beneficial to see how Council's top operational risks are being managed in future reports and are happy to work offline with Stephen to provide examples of reports that may be of use to Council.

Resolution

149/2021(ARIC) *The Committee noted the Enterprise Risk Management Report - November 2021.*

150/2021(ARIC) *Work, Health and Safety report to be provided to the March 2022 ARIC meeting.*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

151/2021(ARIC) *The Committee recommended that this report is not made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council, Council Officials and Council property.*

3.2 Minutes of the Risk Management Committee Meeting 9 November 2021

Resolution

152/2021(ARIC) *The Committee noted the Minutes of the Risk Management Committee Meeting 9 November 21.*

153/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain matters affecting the security of Council, Councillors, Council staff or Council property.*

Jamie Beal joined the meeting for item 3.3 and left at the conclusion of this item.

3.3 IT Update December 2021

Jamie Beal, Unit Manager Information and Technology provided the Committee with a presentation including the following key items:

- Essential 8 review
- IT Project Governance
- Crown Jewels review
- ITGC update
- Technology Risks

The Committee suggested it would be beneficial to have the opportunity to read the minutes of the IT Steering Committee.

Resolution

154/2021(ARIC) *The Committee noted the presentation and report on IT Update December 2021.*

155/2021(ARIC) *IT update report and presentation to be circulated to the Committee.*

156/2021(ARIC) *The Committee request an IT update to be provided at the March 2022 meeting including any examples of significant cyber issues/events and a copy of the phishing attack reviews. This update should also include the Business Continuity Plan and IT Disaster Recovery Plan and details of the last time there was a test of the plans.*

157/2021(ARIC) *The Committee recommended that this report and the supporting papers to*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters that may affect the security of Council, Council Officials and Council property.

4 INTERNAL AUDIT

4.1 Internal Audit Update

Penelope Corkill, Account Manager, Centium, provided the Committee with an update on Internal Audit including the following:

- There are three audits currently in various stages of completion
 - Asset Management audit with a workshop being held later this week
 - Validation of Operational Plan
 - Mandatory audit of Councils claims management

Resolution

158/2021(ARIC) *The Committee noted the verbal update provided by Centium on Internal Audit.*

159/2021(ARIC) *Draft Internal Audit plan to be provided at the March 2022 ARIC meeting including an update on the outstanding recommendations and a plan to address them.*

5 EXTERNAL AUDIT

5.1 Audit Office of NSW Annual Work Program 2021-2024

Resolution

160/2021(ARIC) *The Committee noted the report on Audit Office of NSW Annual Work Program 2021-2024.*

161/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

6 GOVERNANCE

6.1 Update on Public Inquiry

Edward Hock, Unit Manager Governance and Legal Counsel provided the Committee with an update on the Public Inquiry. Hearings are finalised and opportunity for submission in reply based on oral evidence was opened to those participants and Council does not expect to have an update from the Minister before the end of 2021.

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

Resolution

162/2021(ARIC) *The Committee noted the verbal update provided on the Public Inquiry.*

6.2 Governance Lighthouse report as at 30 September 2021

Resolution

163/2021(ARIC) *The Committee noted the Governance Lighthouse report as at 30 September 2021.*

164/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

6.3 ARIC Annual Work Plan

Resolution

165/2021(ARIC) *The Committee noted the report on ARIC Annual Work Plan.*

166/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

6.4 Update on Legal Matters

Resolution

167/2021(ARIC) *The Committee noted the report on Update on Legal Matters.*

168/2021(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

- a they may contain confidential advice or confidential communications concerning litigation or legal matters that may otherwise be privileged from production on the grounds of legal professional privilege.*
- b further, on balance, it would not be in the public interest to make this information available as it may compromise Council's ability to ensure the optimum outcome for the community*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

7 PERFORMANCE

7.1 Complaints and Compliments Q1 2021-22

Resolution

169/2021(ARIC) *The Committee noted the report on Complaints and Compliments Q1 2021-22.*

170/2021(ARIC) *The Committee recommended that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

Sharon McLaren joined the meeting for item 7.2 and left at the conclusion of this item.

7.2 Update on the Integrated Planning and Reporting Activities for 2021-22

Sharon McLaren, Section Manager Corporate Planning and Reporting provided the Committee with an update on the Integrated Planning and Reporting (IP&R) activities for 2021/22. This update differed to the one provided to the Committee in September due to Council's application for a Special Rate Variation (SRV). As Council is considering an SRV submission, it is required by IPART to exhibit all IP&R documents before Council submits an SRV application. This includes revisions to the Community Strategic Plan, Delivery Program for 2022/23 – 2024/25 FY, and the 3 elements of the Resourcing Strategy (Long Term Financial Plan, Workforce Management Strategy, and Asset Management Strategy).

This will be reported to an Extraordinary Council meeting in December for adoption to publicly exhibit with a further meeting early February 2022 to determine whether Council will apply for the SRV.

A community reference group will also be established early 2022.

Resolution

171/2021(ARIC) *The Committee noted the report on the Update on the Integrated Planning and Reporting Activities for 2021-22.*

172/2021(ARIC) *The Committee recommended that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

**Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd**

8 FRAUD CONTROL

8.1 Report from the Office of the Internal Ombudsman

Resolution

173/2021(ARIC) *The Committee noted the report on Report from the Office of the Internal Ombudsman.*

174/2021(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78(a) of the Audit, Risk and Improvement Committee Charter, as it contains personnel matters concerning particular individuals.*

8.2 Fraud and Corruption Control Framework

Resolution

175/2021(ARIC) *The Committee noted the report on Fraud and Corruption Control Framework.*

176/2021(ARIC) *The Committee recommended that this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains matters affecting the security of Council, Councillors, Council staff or Council property.*

9 GENERAL BUSINESS

9.1 Meeting Dates for 2022

Resolution

177/2021(ARIC) *The Committee confirmed the meeting dates for 2022 as set out in the report.*

178/2021(ARIC) *The Committee recommended that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as the nature or content of the report do not fall within any listed exceptions.*

9.2 Statewide Insurance Group

John Gordon recently attended a presentation by Statewide Insurance Group. Statewide has a deal where clients can request a briefing on environmental risks which includes a complete schedule of all environmental risks including Council's response to them. This may prove beneficial when Council is updating the risk register.

Minutes of the Audit, Risk and Improvement Committee Meeting of Council 7 December 2021
contd

The Meeting closed at 5.26pm.

Next Meeting Wednesday 9 March 2022
 Wyong Committee Room
 Risk Briefing 1pm – 2pm
 Ordinary Meeting 2pm – 5pm



Item No: 1.4
Title: Outstanding Action Items
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15036514
Author: Kelly Drover, Meeting Support Officer
Manager: Edward Hock, Unit Manager Governance and Legal Counsel

Recommendation

- 1 *That the Committee note the report on Outstanding Action Items.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 23/02/2022.

Summary

A review of the Outstanding Action Items from previous meetings.

Green = completed items;
Blue = on agenda for 9 March 2022 meeting;
White = still pending (not overdue); and
Red = overdue

In summary there are:

21 Actions

- 11 Actions have been completed
- 3 Actions are not yet completed and are not overdue
- 0 Actions are not yet completed and overdue
- 7 Actions will be completed as a result of being on the agenda for this meeting

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
178/2020(ARIC)	6/11/2020	The Committee requests that the Senior Internal Ombudsman provide an update on investigations regarding contingency workforce engagement at the next applicable meeting.	Senior Internal Ombudsman	7/12/21 - Natalia Cowley provided a verbal update on the contingency workforce engagement. People and Culture will be providing a report to the March 2022 meeting.
22/2021(ARIC)	10/03/2021	The Committee requested they be provided with copies of Council's monthly Financial reporting to the Office of Local Government.	Director Corporate Affairs	<p>ONGOING</p> <p>February Monthly Accounts and Cashflow reports emailed to ARIC Members 30/3</p> <p>March Monthly Accounts and Cashflow reports emailed to ARIC Members 13/5</p> <p>April and May Monthly Accounts and Cashflow reports emailed to ARIC Members 22/7</p> <p>June, July and August Monthly Accounts and Cashflow reports emailed to ARIC Members 7/10</p>

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
60/2021(ARIC)	24/06/2021	The Committee resolved that a cyber security audit should be undertaken for the IT element of the 2021/22 work program.	Chief Internal Auditor	
62/2021(ARIC)	24/06/2021	The Committee requested an assessment of performance against the Essential 8.	Unit Manager Information and Technology	Reported to the 7 December 2021 meeting. Action is considered complete.
63/2021(ARIC)	24/06/2021	The Committee requested an update on the controls to manage the IT projects considering the impacts on IT.	Unit Manager Information and Technology	Reported to the 7 December 2021 meeting. Action is considered complete.
64/2021(ARIC)	24/06/2021	The Committee requested an update on the crown jewels in terms of corporate data and how IT identifies and is managing this risk.	Unit Manager Information and Technology	Reported to the 7 December 2021 meeting. Action is considered complete.
65/2021(ARIC)	24/06/2021	The Committee noted the reports issued by the NSW Audit Office and welcome feedback from management on the actions proposed with regard to the ITGC management letter and the issues raised in the engagement closing report as well as a revision of the action dates.	Director Corporate Affairs and Chief Financial Officer	Reported to the 7 December 2021 meeting. Action is considered complete.
67/2021(ARIC)	24/06/2021	The Committee noted the Management Letter from NSW Audit Office - Information Technology General Controls Testing phase for Audit for year ended 30 June 2020 and welcome feedback from	Director Corporate Affairs and Chief Financial Officer	Reported to the 7 December 2021 meeting. Action is considered complete.

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
		management on the actions proposed and the issues raised in the engagement closing report as well as a revision of the action dates.		
96/2021(ARIC)	14/09/2021	The Committee requested a briefing be provided at a future meeting on what level the bottom line reporting goes to and an understanding of how the financial reporting is going back to the business and how that data is being used to manage the business properly to the bottom line.	Director Corporate Affairs and Chief Financial Officer	Reported to the 7 December 2021 meeting. Action is considered complete.
101/2021(ARIC)	14/09/2021	The Committee requested a report be provided to a future ARIC meeting on Council's insurance arrangements.	Unit Manager Governance and Legal Counsel	Included on agenda for 9 March 2022 meeting.
104/2021(ARIC)	14/09/2021	The Committee requested a report be provided at a future meeting by the Unit Manager Governance and Legal Counsel on the proposed Outsourced function including the risks, budget and an organisation diagram.	Unit Manager Governance and Legal Counsel	Included on agenda for 9 March 2022 meeting.
107/2021(ARIC)	14/09/2021	The Committee requested that in regard to Issue 2 – Framework and documentation outlining the Council's understanding of restrictions, that the policy document and tracking spreadsheet be presented to the next ARIC meeting after they are available.	Director Corporate Affairs and Chief Financial Officer	

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
115/2021(ARIC)	14/09/2021	The Committee request that the update on investigations regarding contingency workforce engagement be deferred to a future ARIC meeting.	Senior Internal Ombudsman	Action completed at 7 December 2021 meeting.
124/2021(ARIC)	14/09/2021	In regard to Item 6.3 IM&T Update, The Committee requested that this item be deferred to the December ARIC meeting to allow time for a more detailed discussion.	Unit Manager Information and Technology	Reported to the 7 December 2021 meeting. Action is considered complete.
135/2021(ARIC)	14/09/2021	The Committee request that a comprehensive report on the ARIC Annual Work Plan be tabled at the December ARIC meeting and that it be circulated for discussion prior to the meeting.	Unit Manager Governance and Legal Counsel / Meeting Support Officer	Reported to the 7 December 2021 meeting. Action is considered complete.
136/2021(ARIC)	14/09/2021	The Committee request that David Daniels, NSW Audit Office run through the Performance Audit Program at the December ARIC meeting.	NSW Audit Office	Reported to the 7 December 2021 meeting. Action is considered complete.
142/2021(ARIC)	7/12/2021	A tour of Council's Water and Sewer Assets for the independent committee members to be considered at the March 2022 ARIC meeting.	Meeting Support Officer	Included on agenda for 9 March 2022 meeting.
147/2021(ARIC)	7/12/2021	Council to provide advice to the ARIC Committee on review of the financial statements.	Director Corporate Affairs and Chief Financial Officer	
150/2021(ARIC)	7/12/2021	Work, Health and Safety report to be provided to the March 2022 ARIC meeting.	Unit Manager People and Culture	Included on agenda for 9 March 2022 meeting.

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
155/2021(ARIC)	7/12/2021	IT update report and presentation to be circulated to the Committee.	Meeting Support Officer	Distributed via email 8 December 2021.
156/2021(ARIC)	7/12/2021	The Committee request an IT update to be provided at the March 2022 meeting including any examples of significant cyber issues/events and a copy of the phishing attack reviews. This update should also include the Business Continuity Plan and IT Disaster Recovery Plan and details of the last time there was a test of the plans.	Unit Manager Information and Technology	Included on agenda for 9 March 2022 meeting.
159/2021(ARIC)	7/12/2021	Draft Internal Audit plan to be provided at the March 2022 ARIC meeting including an update on the outstanding recommendations and a plan to address them.	Unit Manager Governance and Legal Counsel / Centium	Included on agenda for 9 March 2022 meeting.

Attachments

Nil.



Item No: 2.1
Title: General Finance Update
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2020/03205 - D15064026

Author: Peter Correy, Unit Manager Finance

Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on General Finance Update.*
- 2 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 31/01/2022.

Summary

This report presents the summary position of Council's Financial position for the financial year-to-date 31 January 2022.

Attachments

- | | | |
|---|---------------------------------------|-----------|
| 1   | Monthly Finance Report - January 2022 | D15038232 |
| 2   | 2021-2022 Quarter 2 Review | D14984857 |
| 3   | Investment Report for January 2022 | D15034671 |

Item No: 2.3
Title: Monthly Finance Report - January 2022
Department: Corporate Affairs

22 February 2022 Ordinary Council Meeting

Reference: F2020/03205 - D15038232
Author: Peter Correy, Unit Manager, Finance
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer



Recommendation

That Council note the report Monthly Financial Reports – January 2022.

Report purpose

To present to Council the monthly financial reports for January 2022.

Executive Summary

This report presents the January 2022 monthly financial reports for Central Coast Council. The reports cover the period 1 July 2021 to 31 January 2022.

Background

The monthly financial reports have been prepared in accordance with the requirements of the *Local Government Act 1993* ("LG Act"), the *Local Government (General) Regulation 2005* ("LG Reg"), and the relevant accounting and reporting requirements of the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting and Australian Accounting Standards.

Report

The reports disclose the year-to-date financial results in Operating Statement format, they reflect the organisational structure and are presented by Department and Unit. The reports include a traffic light indicator of current status – on track (green light), off track (red light) continue to monitor status (orange light). Relevant supporting comments are included, as well as a graphical representation of the financial results.

The Local Government Code of Accounting Practice and Financial Reporting (Guidelines) require Council to recognise rates income at the beginning of the financial year when levied. However, for internal reporting purposes Council recognises rates revenue on a continual basis throughout the financial year thereby aligning revenue with Council's expenditure for the delivery of services to the community.

2.3 Monthly Finance Report - January 2022 (contd)

Consultation

In the preparation and finalisation of the monthly reports for January 2022, all business areas of Council contributed to the information contained within the financial reports.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

These financial reports show how actual expenditure is tracking against the year-to-date Q2 adjusted forecast of Council for the reporting period 1 July 2021 to 31 January 2022.

Council's net operating result excluding Grants and Contributions for capital purposes for January is showing a favourable variance to budget of \$3.5M, consisting of an actual surplus of \$3.4M compared to a budget deficit of \$0.1M.

Year to date, Council's net operating result excluding Grants and Contributions for capital purposes is showing a favourable variance to budget of \$16.5M, consisting of an actual surplus of \$29.3M compared to a budget surplus of \$12.8M.

Council's net operating result including Grants and Contributions for capital purposes for January is showing a favourable variance to budget of \$0.7M, consisting of an actual surplus of \$6.8M compared to a budget surplus of \$6.1M.

Year to date, Council's net operating result including Grants and Contributions for capital purposes is showing a favourable variance to budget of \$13.1M, consisting of an actual surplus of \$54.5M compared to a budget surplus of \$41.5M.

Year to date capital expenditure was \$46.0M against budget of \$65.0M. There are currently 457 projects in various stages of completion.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G2: Communicate openly and honestly with the community to build a relationship based on transparency, understanding, trust and respect.

2.3 Monthly Finance Report - January 2022 (contd)

Attachments

1	January 2022 Monthly Finance Report	Provided Under Separate Cover	D15041850
2	Consolidated and By Fund January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041861
3	Office of the Chief Executive Officer January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041862
4	Community and Recreation Services January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041864
5	Infrastructure Services January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041865
6	Water and Sewer January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041866
7	Environment and Planning January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041867
8	Corporate Affairs January 2022 Monthly Financial Report	Provided Under Separate Cover	D15041868

Item No: 2.1
Title: 2021-2022 Quarter 2 Review
Department: Corporate Affairs

22 February 2022 Ordinary Council Meeting

Reference: F2021/00508 - D14984857
Author: Mellissa McKee, Financial Controller
Michelle Best, Financial Controller
Paul Foote, Section Manager, Corporate Planning and Reporting
Manager: Sharon McLaren, Unit Manager Strategic Planning (Acting)
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer



Recommendation

That Council adopt Central Coast Council's Q2 Business Report for 2021-2022 including the proposed budget amendments.

Report purpose

To report on Central Coast Council's performance progress as measured against the organisation's Operational Plan for 2021-2022 to 31 December 2021 (Q2). The Q2 Business Report covers the progress on the operational plan activities and financial performance for the period 1 October 2021 to 31 December 2021.

Executive Summary

Clause 203 of the *Local Government (General) Regulation 2005* requires a Council's Responsible Accounting Officer to prepare and submit a quarterly budget review statement to the governing body of Council. The quarterly budget review statement must show, by reference to the estimated income and expenditure that is set out in the Operational Plan adopted by Council for the relevant year, a revised estimate of income and expenditure for that year. It also requires the budget review statement to include a report by the Responsible Accounting Officer as to whether or not they consider the statement indicates Council to be in a satisfactory financial position and if not, to include recommendations for remedial action. Council's Operational Plan sets out the achievements, goals and revenue policy, including estimates of income and expenditure. The quarterly budget review statement plays an important role in monitoring Council's progress against the plan.

Operational Plan Action and Target Progress

At the end of Quarter 2 the overall performance against the Operational Plan actions and targets shows that out of the 66 actions / indicators, 5 have been Completed, 44 are On Track, one has Not Commenced, and 16 are either Delayed, On Hold or have been Closed. The majority of those that are Delayed, On Hold or Closed are due to the COVID-19

2.1 2021-2022 Quarter 2 Review (contd)

restrictions and the need to comply with the NSW Public Health orders, which were in place during Quarter 2.

Financial Performance

- The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable variance of \$13.1M, consisting of an actual surplus of \$165.2M compared to a budget surplus of \$152.1M.
- The year to date (YTD) operating result (including capital grants and contributions) is showing a favourable variance of \$12.4M, consisting of an actual surplus of \$186.9M compared to a budget surplus of \$174.5M.
- The proposed Q2 adjustments will move the 2021-2022 approved operating surplus (excluding capital grants and contributions) from \$3.1M to an operating surplus (excluding capital grants and contributions) of \$6.3M.
- The proposed Q2 adjustments will move the 2021-2022 approved operating surplus (including capital grants and contributions) from \$70.8M to an operating surplus (including capital grants and contributions) of \$68.7M.
- The year to date (YTD) capital expenditure is \$42.3M compared to a year-to-date budget of \$53.6M.
- The proposed Q2 capex budget adjustment is a decrease of \$12.3M that will result in a revised 2021-2022 full year capital works program of \$160.4M from \$172.7M.

For more information and details of progress and financial performance please refer to the attached Q2 Business Report.

Background

The attached report is the 2021-2022 Q2 Business Report for Central Coast Council. It incorporates reporting on the progress of actions and targets against the objectives of the Operational Plan and a Quarterly Budget Review Statement.

Clause 203 of the *Local Government (General) Regulation 2005* requires that no later than two months after the end of each quarter (except the June quarter), the Responsible Accounting Officer of Council must prepare and submit to Council a Quarterly Budget Review Statement that shows a revised estimate of the income and expenditure for that year.

Sub-section 404(5) of the *Local Government Act 1993* requires that Council report as to its progress with respect to its actions and targets against the objectives of the Operational Plan,

2.1 2021-2022 Quarter 2 Review (contd)

at least every six months. This report contains progress information for Quarter 2 and is prepared to coincide with the Quarterly Budget Review Statement.

This quarterly report is presented in the necessary format and is considered to satisfy the legislative requirements.

Current Status

The 2021-2022 Q2 Business Report is included as Attachment 1 and reports on progress for the year to 31 December 2021 (Q2 YTD), against the Operational Plan 2021-2022, including budget.

Operational Plan Actions and Targets

The table below is a summary of the overall progress on the actions, measures and projects for Q2. The information contained in the Q2 Business Report includes specific details of progress.

Theme:	Belonging	Smart	Green	Responsible	Liveable	Total
Completed	0	1	0	2	2	5
On Track	5	2	6	21	10	44
Delayed	1	0	0	4	7	12
Not Commenced	0	0	0	1	0	1
On Hold	0	0	1	1	1	3
Closed	0	1	0	0	0	1
Total	6	4	7	29	20	66

Financial Performance

The year to date (YTD) operating result (excluding capital grants and contributions) is showing a favourable variance of \$13.1M, consisting of an actual surplus of \$165.2M compared to a budget surplus of \$152.1M. For more information, please refer to sections 1.1 and 2.2 of Attachment 1.

The year to date (YTD) operating result (including capital grants and contributions) is showing a favourable variance of \$12.4M, consisting of an actual surplus of \$186.9M compared to a budget surplus of \$174.5M. For more information, please refer to sections 1.1 and 2.2 of Attachment 1.

These results are reported in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) which requires Council to recognise rates income at the beginning of the financial year when levied. The impact of this on Council's operating results is a large surplus at the beginning of the financial year which will reduce as the year progresses as Council incurs expenditure from delivering services to the community.

2.1 2021-2022 Quarter 2 Review (contd)

Q2 YTD capital expenditure is \$42.3M compared to a year-to-date budget of \$53.6M.

Consultation

All Units of Council were consulted during the development of this Report and contributed to the information contained in the Report.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

- 1108/20 *That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.*

The following statement is provided in response to this resolution of Council.

Budget adjustments are proposed in this report and are detailed in the attached 2021-2022 Q2 Business Report.

The proposed Q2 adjustments will improve the 2021-2022 approved operating surplus (excluding capital grants and contributions) from \$3.1M to an operating surplus (excluding capital grants and contributions) of \$6.3M.

The proposed Q2 adjustments will decrease the 2021-2022 approved operating surplus (including capital grants and contributions) from \$70.8M to an operating surplus (including capital grants and contributions) of \$68.7M.

Adjustments proposed to be adopted as part of the Q2 budget review include:

Increase of \$2.0M in operating income

- \$2.7M additional sewer annual charges income resulting from IPART's Clarification Notice No 1 of 2021. Council brought a clerical error in the 2019 Determination to IPART's attention and IPART issued amendments to correct the error resulting in additional income.
- \$0.7M additional funding for Natural Disaster operating projects (offset by additional expenditure)
- \$0.5M additional income from water availability charges - residential \$0.5M and non-residential \$20k.
- \$0.5M additional income from trade waste non-compliant user charges in December 2021.
- \$0.4M additional income from restoration works and works to be undertaken on State roads (partially offset by additional expenses).
- \$0.2M increase in Waste Management annual charges.

2.1 2021-2022 Quarter 2 Review (contd)

- (\$0.3M) reduction in forecast Property Development and Projects revenue in 2021-2022.
- (\$1.1M) reduction in forecast Holiday Park and Camping Ground income (partially offset by reduced expenses).
- (\$1.5M) reduction in water usage income - water demand has been lower in Q2 due to higher rainfall (YTD demand is down approx 1.8% compared to the previous year).

Decrease of (\$5.2M) in capital income

- (\$2.1M) reduction in capital grant income due to changes in project delivery timeframes for the following water and sewer projects:
 - Infrastructure reinforcement works Gosford CBD
 - Mardi Water Treatment Plant Upgrade
 - Warnervale Town Centre works.
- (\$2.1M) reduction in s7.11 developer contribution forecast income.
- (\$1.0M) reduction in s64 developer contribution forecast income.

Reduction of \$1.2M in operational expenditure

- \$1.8M reduction in Information and Technology contract and consultant costs, operating lease expense, communication costs (mobiles), software licenses and postage costs in 2021-2022.
- \$0.4M reduction in Holiday Parks contract commission payments as a result of reduced income forecasts.
- \$0.2M reduction in EPA Waste Levy payments due to lower waste tonnages being received at Council's waste management facilities.
- (\$0.3M) increase in green waste processing costs due to green waste volumes at Council's waste management facilities.
- (\$0.3M) reduction in internal tipping income that impacts recoveries in operating expenditure.
- (\$0.7M) additional expense for Natural Disaster operating projects (offset by additional income)

Council's focus continues to be on reducing expenditure, raising additional income, monitoring incoming cash flow, performing cashflow forecasts and ensuring a more sustainable cash preservation. Council's Business Recovery Plan is a multi-faceted approach to address the current liquidity issues and introduce structural changes aimed at ensuring the longer-term financial sustainability of Council operations. For more information on the proposed budget adjustments please refer to section 3.1 and 3.2 of Attachment 1.

Capital Works Program

The proposed Q2 budget adjustment is a decrease of \$12.3M, resulting in a revised 2021-2022 full year capital works program of \$160.4M.

2.1 2021-2022 Quarter 2 Review (contd)

For a full list of proposed changes to the capital works program please refer to section 3.3 of the Attachment.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Options

Quarterly reporting of Council's financial performance is mandatory under the *Local Government (General) Regulation 2005*.

Critical Dates or Timeframes

Sub-clause 203(1) of the *Local Government (General) Regulation 2005* requires a Council's Responsible Accounting Officer to prepare and submit a quarterly budget review statement to the Council within two months of the end of each quarter (excluding June).

Attachments

- 1 Q2 Business Report Provided Under Separate Cover D15038202



Item No: 2.2
Title: Investment Report for January 2022
Department: Corporate Affairs

22 February 2022 Ordinary Council Meeting

Reference: F2004/06604 - D15034671
Author: Devini Susindran, Team Leader
Manager: Mellissa McKee, Financial Controller
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 That Council note the Investment Report for January 2022.**
- 2 That Council note that internally restricted funds are unrestricted funds that have been internally allocated to a certain purpose.**
- 3 That Council allocate the required unrestricted funds available in the General Fund to meet its January 2022 unrestricted funds deficit of \$43.34M in Water and Drainage funds as set out in this report.**

Report purpose

To present monthly Investment Reports in accordance with cl. 212 of the *Local Government (General) Regulation 2005* which states as follows:

- 1 *The Responsible Accounting Officer of a Council*
 - a *must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act) to be presented—*
 - i. *if only one ordinary meeting of the council is held in a month, at that meeting, or*
 - ii. *if more than one such meeting is held in a month, at whichever of those meetings the council by resolution determines, and*
 - b *must include in the report a certificate as to whether the investment has been made in accordance with the Act, the regulations and the council's investment policies.*
- 2 *The report must be made up to the last day of the month immediately preceding the meeting.*

Executive Summary

This report details Council's investments as at 31 January 2022.

2.2 Investment Report for January 2022 (contd)

Background

Council's investments are made in accordance with the Local Government Act 1993, Local Government (General) Regulation 2005, the amended Investment Policy adopted at the Ordinary Council Meeting on 3 February 2021, Ministerial Investment Order issued February 2011 and Division of Local Government (as it was then known) Investment Policy Guidelines published in May 2010.

Current Status

Council's current cash and investment portfolio totals \$580.62M as at 31 January 2022.

Council's Cash and Investment Portfolio by Source of Funds

Source of Funds	Value (\$'000)
Investment Portfolio	557,496
Transactional accounts Per Bank Statement and cash in hand	23,123
Total	580,619

Council's Portfolio is held in separate funds by purpose and is summarised as follows:

Fund	General Fund (\$'000)	Water Fund (\$'000)	Sewer Fund (\$'000)	Drainage Fund (\$'000)	Waste Fund (\$'000)
External Restricted Funds	186,477	7,195	22,019	37,049	93,499
Internal Restricted Funds	89,734	1,026	877	55	-
Total Restricted Funds	276,211	8,221	22,896	37,104	93,499
Unrestricted Funds	57,300	(7,577)	118,474	(35,760)	10,251
Total funds by Fund	333,511	644	141,370	1,344	103,750

During January, Council's total cash and investments decreased by \$6.62M from \$587.24M to \$580.62M.

Detailed restrictions have been provided in Attachment 2. Council is managing the previously reported negative unrestricted funds balance, as part of Council's Business Recovery Plan.

The negative unrestricted balance is currently \$43.34M, made up of unrestricted fund deficits in the Water and Drainage Funds, as per the table above.

2.2 Investment Report for January 2022 (contd)

The unrestricted funds balances above, across the five Funds will increase and decrease during the 2022 financial year as rates revenue and property sale settlements occur. In the interim, the unrestricted funds deficit of \$43.34M is proposed to be funded through the General Fund's available unrestricted cash balance of \$57.30M at 31 January 2022.

Portfolio management

Council's Investment Portfolio is managed through term deposits and floating rate note maturities and placements.

Total net return on the portfolio for Council in January, comprising entirely of interest earned, was \$460k. The total value of the Council's investment portfolio at 31 January 2022 is outlined in Table 1 below.

Table 1 – Portfolio movement Investment only

Description	2020-21	Jul-Sep Qtr	Oct-Dec Qtr	Jan-22	FYTD
	Financial Year \$'000	2021/22 \$'000	2021/22 \$'000	2021/22 \$'000	2021/22 \$'000
Opening Balance	348,210	447,221	510,478	557,727	447,221
Movement for the period	99,011	63,257	47,249	(231)	110,275
Closing Balance	447,221	510,478	557,727	557,496	557,496
Interest earnings	4,508	1,129	1,223	460	2,812

The market value of Council's investment portfolio at 31 January is \$557.50M.

Council's investments are evaluated and monitored against a benchmark appropriate to the risk (APRA Standards BBB long term or above) and time horizon of the investment concerned. A summary of the term deposit and floating rate notes maturities are listed in Table 2 below.

Table 2 - Investment Maturities

Time Horizon	Percentage Holdings	Maturity on or before	Value \$'000
At Call	2.91%	Immediate	16,223
Investments			
0 - 3 months	8.25%	Apr-2022	46,001
4 - 6 months	12.19%	Jul-2022	67,932
7 - 12 months	1.79%	Jan-2023	10,000
1 - 2 years	7.42%	Jan-2024	41,346
2 - 3 years	17.72%	Jan-2025	98,813
3 - 4 years	20.69%	Jan-2026	115,333
4 - 5 years	29.03%	Jan-2027	161,848
Total Investments	97.09%		541,273
Total Portfolio	100.00%		557,496
Interest Accrued to 31 Jan 2022 (Excluding Interest on call accounts)			1,315
Market Value of Investment per Portfolio Valuation Report (Attachment 5)			558,811

2.2 Investment Report for January 2022 (contd)

Council is required hold funds with the State Insurance Regulatory Authority (SIRA) for workers compensation purposes. An investment of \$850k matured on 31 January 2022 and notification of these funds being placed in a Trust account with SIRA was received after month end. While attachment 5 shows these funds as matured, attachment 4 shows the funds as placed in the SIRA trust account with Westpac. This variance is purely due to timing.

A reconciliation is provided below to support attachments to the investment report

Reconciliation		\$'000
Face Value of Investments		557,397
Market Value Adjustment		99
Market Value of Investments	Table 1 and Table 2	557,496
Interest income accrual	Table 2	1,315
Market Value of Investments	Table 2 and Attachment 5	558,811
SIRA (Workcover) investments	Recorded as matured January and as invested in February in Council's General ledger	850
Market Value + SIRA		559,661
Less Market Value Adjustment		(99)
Less Interest Accrual		(1,315)
Face Value of Investments	Attachment 4	558,247

The investment portfolio is concentrated in AA above (21.33%), A (27.39%), and BBB (51.28%).

Council monitors and manages the portfolio taking into consideration credit ratings of financial institutions, interest rates offered for the maturity dates required and counterparty exposure.

Council's investments were in excess of its 3-5 year term group trading limit by \$39.2M at 31 January 2022 due to \$35M in new 5 year Floating Rate Note investments placed in January. The investments were placed with Commonwealth Bank, Suncorp Bank and Westpac Banking Corporation. However, no individual trading limits have been exceeded and on this basis this exceedance has been accepted as it provided the best return on Council's investments.

The current spread of investments and counterparty exposure for January 2022 are shown in Graphs 1 and 2 respectively in Attachment 3.

Environmental, Social and Green (ESG) Investments

Council continues to look for 'ESG' investment opportunities subject to prevailing investment guidelines. A list of current ESG investments held is contained on the investment listing,

2.2 Investment Report for January 2022 (contd)

highlight in green. For the month of January there have been no new green investments undertaken.

Council currently holds 4.12% or \$22.95M in ESG investments as at 31 January 2022.

Portfolio Return

Interest rates on investments in the month, ranged from 0.30% to 3.18%, all of which exceeded the monthly Bank Bill Swap Rate (BBSW) benchmark of 0.01%.

The weighted running yield for January of 0.97% for Central Coast Council is favourable compared to the rolling three-year benchmark bank bill swap (BBSW) Index of 0.48% as shown in Graph 3 - Portfolio Returns in Attachment 3.

Market values reflected in the Portfolio valuation report in Attachment 5 have been used to record the unrecognised gains in tradeable fixed rate bonds and floating rate notes. Interest accrued has been recorded separately and is not reflected in portfolio valuations.

Financial Considerations

At its meeting held 19 October 2020, Council resolved the following:

1108/20 That any motions put before Council for the remainder of this term of Council that have financial implications require the Chief Executive Officer to provide a report on how those additional costs will be met.

The following statement is provided in response to this resolution of Council.

Council's investment portfolio includes rolling maturity dates to ensure that Council has sufficient liquidity to meet its ongoing obligations.

Link to Community Strategic Plan

Theme 4: Responsible

Goal G: Good governance and great partnerships

R-G4: Serve the community by providing great customer experience, value for money and quality services.

Attachments

1	Summary of Investments as at 31 January 2022	Provided Under Separate Cover	D15035688
---	--	-------------------------------	-----------

2.2 Investment Report for January 2022 (contd)

2	Summary of Restrictions as at 31 January 2022	Provided Under Separate Cover	D15036080
3	Investment Report for January 2022 - Graphs 1, 2 and 3	Provided Under Separate Cover	D15035690
4	Treasury Direct Trading Limits Report at 31 January 2022	Provided Under Separate Cover	D15035696
5	Treasury Direct Portfolio Valuation Report at 31 January 2022	Provided Under Separate Cover	D15035693



Item No: 2.2
Title: Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports.
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/01155 - D15060991
Author: Mellissa McKee, Financial Controller
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on the Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports..*
- 2 *That the Committee recommends that Council adopt the 2020-2021 Consolidated Financial Reports for Central Coast Council that include General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules.*
- 3 *That the Committee recommends that Council adopt the 2020-2021 Central Coast Council Water Supply Authority General Purpose Financial Statements.*
- 4 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 1/03/2022.

Summary

This report presents the final 2020-2021 Consolidated Financial Reports for Central Coast Council and Central Coast Council Water Supply Authority, including external audit reports. The Financial Reports cover the period from 1 July 2020 to 30 June 2021.

This report details the amendments made to the Financial Reports that have been made subsequent to them being presented to the Audit, Risk and Improvement Committee (ARIC) on 14 September 2021.

Background

The *Local Government Act 1993* ("LG Act") require that Council prepare financial statements each year and refer them for audit. The requirement includes:

- That the financial statements are prepared in accordance with the LG Act and the regulations and the requirements of the publications issued by

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

the Australian Accounting Standards Board, and other standards as prescribed by the regulations.

- Council form an opinion on the financial statements.
- Council present its audited financial statements together with the external auditor's reports (scheduled to be presented to Council on 22 March 2022).

Adoption of financial statements

The financial statements for the 2020-2021 reporting period are the formal record of the business performance of all Council activities and are prepared in accordance with accounting standards and legislative requirements for the period from 1 July 2020 to 30 June 2021.

Council's external auditor, The Audit Office of New South Wales ("Audit Office") have signed-off and provided their formal audit opinions to Council. This is the standard practice and is in accordance with legislative requirements. The audit reports form part of the Financial Reports included as Attachment 1 and Attachment 2.

Current Status

Audit Status

The Audit, Risk and Improvement Committee met on 14 September 2021 to review the draft 2020-2021 Central Coast Council Financial Reports. The Committee recommended that Council adopt the 2020-2021 Central Coast Council Consolidated Financial Reports (that include the General Purpose financial statements, Special Purpose financial statements and Special Schedules) and that Council adopt the 2020-2021 Central Coast Council Water Supply Authority Financial Reports.

Subsequent to the presentation of draft 2020-2021 Financial Reports to the Audit, Risk and Improvement Committee on 14 September 2021 a number of amendments have been made within the Reports. The tabled amendments impact a number of Notes to the Financial Reports in the General Purpose Financial Statements, Water Supply Authority Financial Statements and Special Purpose Financial Statements. There have also been a number of minor typographical and rounding changes to improve clarity of the Notes. The key changes that have been made include the following items that have been reflected in the final Financial Reports:

- Water and Sewer Infrastructure, Property, Plant and Equipment revaluation results.
- Impacts of the International Financial Reporting Interpretations Committee (IFRIC) 'Software as a Service' (SaaS) agenda decision.
- Amendment to the fair value of operational land.
- Recognition of newly found assets.

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Council has received the formal audit opinions and the Financial Statements have been updated to include those opinions. The audit opinion issued for Central Coast Council includes a qualification. At 30 June 2021, Council recognised \$5.5B of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets in note C1-8 of the Financial Statements. Council was unable to provide sufficient evidence to the Audit Office, to support the carrying value of these assets on the Statement of Financial Position as at 30 June 2021.

The audit opinion issued for Central Coast Council Water Supply Authority includes a qualification. At 30 June 2021, the Authority recognised \$3.6B of stormwater drainage assets, water supply network assets and sewerage network assets in note C1-5 of the Financial Statements. The Authority was unable to provide sufficient evidence to the Audit Office, to support the carrying value of these assets on the Statement of Financial Position as at 30 June 2021. This impacts the recorded depreciation expense related to these assets in note B2-4.

A public meeting is to be held in accordance with Section 418 (2) of the Local Government Act 1993 and is scheduled to be held as part of the Ordinary Meeting of Council on 22 March 2022. Council will extend an invitation to the external auditor, David Daniels of the Audit Office, or his delegate to formally present at that meeting.

Amendments 2020-2021 Financial Statements

This analysis provides an overview of the changes made to the key statements since presentation to the Audit, Risk and Improvement Committee on 14 September 2021. Key statements and notes detailed in this analysis include:

- Income statement
- Statement of financial position
- Statement of performance measures (Note G6 to the financial statements)

Council's primary financial statements are in the format required by accounting standards and must conform to the provisions of the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) issued by the Office of Local Government (OLG).

Consolidated Financial Statements

Following is a comparison of the financial performance for Central Coast Council as presented in the Draft 2020-2021 Financial Statements on 14 September 2021 compared to the final Financial Statements for 2020-2021 attached to this report.

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Operating Result

The operating deficit before capital grants and contributions presented in the draft 2020-2021 Financial Reports was (\$61.1M) and the operating result including capital grants and contributions of \$83.7M was a surplus of \$22.6M.

The operating deficit before capital grants and contributions presented in the final 2020-2021 Financial Reports is (\$70.7M) and the operating result including capital grants and contributions of \$83.7M was a surplus of \$13.0M – a deterioration of (\$9.6M).

The table below compares the draft 2021-2021 results with the final 2020-2021 results.

	Draft 2020-21 Actual \$'000	Final 2020-21 Actual \$'000	Movement \$'000
Income from operations	539,670	541,944	2,274
Expenditure from operations	600,797	612,635	(11,838)
Operating result for continuing operations (excluding capital grants and contributions)	(61,127)	(70,691)	(9,564)
Income from capital grants and contributions	83,702	83,702	-
Net operating result (including capital grants and contributions)	22,575	13,011	(9,564)

Income from Operations

The following table reports income by category and is followed by explanations of the significant movements between draft and final results.

	Draft 2020-21 Actual \$'000	Final 2020-21 Actual \$'000	Movement \$'000
Income from Operations			
Rates and Annual Charges	331,384	331,727	343
User Charges and Fees	139,103	141,034	1,931
Interest and Investment Revenue	5,893	5,893	-
Other Revenues	12,667	12,667	-
Grants and Contributions - Operating	42,408	42,408	-
Grants and Contributions - Capital	83,702	83,702	-
Rental Income	8,215	8,215	-
Total Income	623,372	625,646	2,274

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Rates and annual charges

The minor \$0.3M increase relates to water supply, drainage and sewerage annual charges that were remapped from internal expense subsequent to the draft Financial Reports being presented. Nil impact overall on Income Statement.

User charges and fees

The \$1.9M increase relates to water supply, sewerage and trade waste user charges that were remapped from internal expense subsequent to the draft Financial Reports being presented. Nil impact overall on Income Statement.

Expenditure from Operations

The following table reports expenditure by category and is followed by explanations of the significant movements between draft and final results.

	Draft 2020-21 Actual \$'000	Final 2020-21 Actual \$'000	Movement \$'000
Expenditure from Operations			
Employee benefits and on-costs	222,616	222,616	-
Borrowing costs	16,708	16,708	-
Materials and services	162,057	167,875	(5,818)
Depreciation and amortisation	156,305	162,303	(5,998)
Other expenses	36,059	36,081	(22)
Net losses from the disposal of assets	7,052	7,052	-
Total Expenditure	600,797	612,635	(11,838)

Materials and Services

The (\$5.8M) increase in Materials and Services is made up of two adjustments.

- (\$2.3M) relates to the remapping of internal annual charges and user charges described above. Nil impact overall on Income Statement.
- (\$3.6M) relates to the change in accounting treatment of the 'Software as a Service' (SaaS) International Financial Reporting Interpretations Committee (IFRIC) agenda decision, that meant that costs that had been previously capitalised were now recognised as operating costs on the Income Statement. Council revisited its capitalised configuration and customisation costs which resulted in the \$3.6M write-off of intangible assets WIP capitalised in FY21.

Depreciation

The (\$6.0M) increase in depreciation expense relates to:

- (\$0.2M) increase in depreciation costs in water supply network and sewerage network assets as a result of IPPE revaluation.
- (\$7.9M) revaluation decrement recognised for sewerage network assets as a result of IPPE revaluation. Council did not have sufficient balance in the asset

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

revaluation reserve for sewerage network assets as the value of all assets and liabilities from the former Councils was transferred to Central Coast Council on 13 May 2016 and recognised as a gain on local government amalgamation via the Income Statement.

- Partially offset by a \$2.1M reduction in IT intangible asset amortisation expense as a result of the 'Software as a Service' (SaaS) IFRIC agenda decision described above.

Other Expenses

The minor (\$22k) increase relates to an increase in impairment of receivables that was recorded subsequent to the draft Financial Reports being presented.

Statement of Financial Position

The Statement of Financial Position details the value of what Council owns ("assets") and what Council owes ("liabilities").

Within these headings, "Current" means an amount that is due to be realised within the next 12 months whilst "Non-current" indicates an asset or liability that is longer term in nature.

The following table shows the changes in category on the Statement of Financial Position followed by explanations of the significant movements between draft and final results.

Statement of Financial Position	Draft 30 June 2021 \$'000	Final 30 June 2021 \$'000	Movement \$'000
Assets			
Current Assets	337,443	342,370	4,927
Non-Current Assets	7,565,350	7,625,575	60,225
Total Assets	7,902,793	7,967,495	65,152
Liabilities			
Current Liabilities	187,154	187,154	-
Non-Current Liabilities	397,462	397,462	-
Total Liabilities	584,616	584,616	-
Net Assets			
Accumulated Surplus	6,975,467	6,956,447	(19,020)
Revaluation Reserve	342,710	426,882	84,172
Net Equity	7,318,177	7,383,329	65,152

Current assets

The \$4.9M increase in Current assets is made up of two adjustments.

- (\$1.6M) decrease in the value of land assets recognised as assets 'held for sale'

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

- Offset by the recognition of \$6.5M building assets recognised as assets 'held for sale' as part of Council's financial recovery plan.

Non-current assets

The \$60.2M increase in Non-current assets is made up of two adjustments.

- \$93.1M increase in the value of Infrastructure, Property, Plant and Equipment as a result of revaluation activities and recognition of newly found assets:
 - \$84.2M to materially reflect the increase in fair value of operational land.
 - \$11.6M newly found assets. A number of water and sewer assets were identified during this year's comprehensive revaluations, which were not recorded in the Council's financial statements. Retrospective correction was made at 1 July 2019 in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', which increased the prior year comparatives for water supply network assets and sewerage network assets.
 - \$10.3M adjustment in WIP due to the realignment of IT intangible assets noted below.
 - \$8.9M net increase in the value of water supply and sewerage network assets.
 - (\$21.9M) decrease in the value of buildings.
- (\$32.9M) reduction in the value of IT intangible assets due to the change in accounting treatment of the 'Software as a Service' (SaaS) International Financial Reporting Interpretations Committee (IFRIC) agenda decision, that meant that SaaS costs could no longer be capitalised. This was treated retrospectively as a change in accounting policy. A third Statement of Financial Position was included in the financial statements, and a number of comparative figures and disclosures were restated.

Statement of Performance Measurement (Note G6)

Note G6 - Statement of Performance Measures, includes various indicators mandated by the Office of Local Government (OLG). The indicators provide a 'snap-shot' of financial performance and comparability between Councils. The "benchmark" figures for the indicators reported represent the OLG's benchmarks.

The table below shows the minor movements in the performance measures as a result of the amendments to the Financial Statements described above.

Local Government Industry Indicators	Draft 2021	Final 2021	OLG Benchmark	2021 Result
Operating Performance Ratio	(10.10%)	(10.37%)	> 0.00%	--
Own Source Operating Revenue Ratio	79.75%	79.83%	> 60.00%	✓
Unrestricted Current Ratio	2.18x	2.27x	> 1.50	✓
Debt Service Cover Ratio	1.49x	1.44x	> 2.00x	X

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Local Government Industry Indicators	Draft 2021	Final 2021	OLG Benchmark	2021 Result
Rates, Annual Charges, Interest Outstanding Percentage	5.41%	5.69%	< 5.00%	x
Cash Expense Cover Ratio	5.08 months	5.03 months	> 3 months	✓

Operating Performance Ratio - measures how well Council contained operating expenditure within operating revenue. Council has breached this benchmark in line with the reported \$70.7M operating loss before capital grants and contributions.

Own Source Operating Revenue Ratio - measures Council's fiscal flexibility and the degree of reliance on external funding sources such as operating grants and contributions. Council's performance is satisfactory as it is above the benchmark.

Unrestricted Current Ratio – measures the adequacy of working capital and Council's ability to satisfy obligations in the short term for the unrestricted activities of Council. Council has corrected the prior year breach of this benchmark through additional \$150M external borrowings to substantially cover the reported overspend of unrestricted funds.

Debt Service Cover Ratio - measures the availability of operating cash to service debt including interest, principal and lease payments. Council has breached this ratio as the operating result before capital excluding interest and depreciation does not adequately cover loan principal repayments and borrowing costs.

Rate and Annual Charges Outstanding Ratio - assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. Council has breached this ratio however Council's debt recovery efforts have shown significant improvement highlighted by the reduction in the ratio deficit from FY 2020. The primary driver for this breach continues to be the impact of COVID 19 on Council's residents.

The impact of COVID 19 has necessitated Council staff to pro-actively work with our ratepayers on financially affordable payment plans in accordance with the Policy for Debt Recovery and Hardship to move towards achieving industry benchmark for this measure.

Cash Expense Cover Ratio - this liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow. Council's performance is above the benchmark.

Water Supply Authority (WSA) Financial Statements

Following is a comparison of the financial performance for Central Coast Council Water Supply Authority as presented in the Draft 2020-2021 Financial Statements on 14 September 2021 compared to the final Financial Statements for 2020-2021 attached to this report.

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Operating Result

The operating deficit before capital grants and contributions presented in the draft 2020-2021 Financial Reports was (\$33.4M) and the operating result including capital grants and contributions of \$24.6M was a deficit of (\$8.8M).

The operating deficit before capital grants and contributions presented in the final 2020-2021 Financial Reports is (\$41.5M) and the operating result including capital grants and contributions of \$83.7M was a deficit of (\$16.8M) – a deterioration of \$8.1M.

The table below compares the draft 2021-2021 results with the final 2020-2021 results.

	Draft 2020-21 Actual \$'000	Final 2020-21 Actual \$'000	Movement \$'000
Income from operations	161,666	161,863	197
Expenditure from operations	195,050	203,338	(8,288)
Net operating result (excluding capital grants and contributions)	(33,384)	(41,475)	(8,091)
Income from capital grants and contributions	24,630	24,630	-
Net operating result (including capital grants and contributions)	(8,754)	(16,845)	(8,091)

Income from Operations

The following table reports income by category and is followed by explanations of the significant movements between draft and final results.

	Draft 2020-21 Actual \$'000	Final 2020-21 Actual \$'000	Movement \$'000
Annual Charges	81,825	81,804	(21)
User Charges and Fees	76,942	77,161	219
Interest and Investment Revenue	2,125	2,125	-
Other Revenues	66	65	(1)
Grants and Contributions - Operating	708	708	-
Grants and Contributions - Capital	24,630	24,630	-
Total Income	186,296	186,493	197

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Annual charges and User charges and fees

The \$0.2M increase relates to water supply and sewerage annual and user charges that were remapped from internal expense subsequent to the draft Financial Reports being presented. Nil impact overall on Income Statement.

Expenditure from Operations

The following table reports expenditure by category and is followed by explanations of the significant movements between draft and final results.

	Draft 2020-21 Actual \$'000	Final 2020-21 Actual \$'000	Movement \$'000
Expenditure from Operations			
Employee benefits and on-costs	36,218	36,218	-
Borrowing costs	14,439	14,439	-
Materials and services	69,668	69,866	(198)
Depreciation and amortisation	72,309	80,399	(8,090)
Other expenses	3	3	-
Net losses from the disposal of assets	2,413	2,413	-
Total Expenditure	195,050	203,338	(8,288)

Materials and Services

The (\$0.2M) increase relates to the remapping of internal user charges described above. Nil impact overall on Income Statement.

Depreciation

The (\$8.1M) increase in depreciation expense relates to:

- \$0.2M adjustment in depreciation costs in water supply network and sewerage network assets.
- \$7.9M revaluation decrement recognised for sewerage network assets as a result of IPPE revaluation. Council did not have sufficient balance in the asset revaluation reserve for sewerage network assets as the value of all assets and liabilities from the former Councils was transferred to Central Coast Council on 13 May 2016 and recognised as a gain on local government amalgamation via the Income Statement.

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Statement of Financial Position

The following table shows the changes in category on the Statement of Financial Position followed by explanations of the significant movements between draft and final results.

	Draft 30 June 2021 \$'000	Final 30 June 2021 \$'000	Movement \$'000
Statement of Financial Position			
Assets			
Current Assets	93,386	93,386	-
Non-Current Assets	3,826,059	3,865,149	39,090
Total Assets	3,919,445	3,958,535	
Liabilities			
Current Liabilities	77,244	82,860	(5,616)
Non-Current Liabilities	180,584	180,584	-
Total Liabilities	257,828	263,444	
Net Assets			
Retained Earnings	3,454,092	3,457,606	3,514
Revaluation Reserve	207,525	237,485	29,960
Net Equity	3,661,617	3,695,091	33,474

Non-current assets

The \$39.1M increase in Non-current assets is an increase in the value of Infrastructure, Property, Plant and Equipment and is made up of the following adjustments:

- \$13.7M to materially reflect the increase in fair value of operational land.
- \$11.6M newly found assets. A number of water and sewer assets were identified during this year's comprehensive revaluations, which were not recorded in the Council's financial statements. Retrospective correction was made at 1 July 2019 in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', which increased the prior year comparatives for water supply network assets and sewerage network assets.
- \$8.9M net increase in the value of water supply and sewerage network assets as result of revaluations.
- \$4.9M including correction of WIP from General Fund to Drainage Fund.

Current Liabilities

The \$5.6M movement in Current liabilities is an increase in internal loans to Drainage Fund from General Fund.

2.2 Financial Statements for the period 1 July 2020 to 30 June 2021, including audit reports. (contd)

Attachments

- | | |
|--|-----------|
| 1  Central Coast Council Consolidated Financial Reports 2020-2021, including audit reports | D15061604 |
| 2  Central Coast Council Water Supply Authority Financial Statements 2020-2021, including audit reports | D15061609 |



Financial Reports

Central Coast Council

1 July 2020 to 30 June 2021



General Purpose Financial Statements

Central Coast Council

1 July 2020 to 30 June 2021

Central Coast Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Administrator and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements	95

Overview

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

2 Hely Street Wyong, NSW 2259
49 Mann Street Gosford, NSW 2250

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.centralcoast.nsw.gov.au

Central Coast Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

At 30 June 2021, Council recognised \$5.5B of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets in note C1-8 of the Financial Statements. Council was unable to provide sufficient evidence to the Audit Office, to support the carrying value of these assets on the Statement of Financial Position as at 30 June 2021. This impacts the recorded depreciation expense related to these assets in note B3-4 and ratios in the Statements of Performance Measures in notes G6-1 and G6-2.

Apart from the above, 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 12 October 2021



Rik Hart
Administrator
28 February 2022



David Farmer
Chief Executive Officer
28 February 2022



Natalia Cowley
Responsible Accounting Officer
28 February 2022

Central Coast Council | Income Statement | For the year ended 30 June 2021

Central Coast Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
Income from continuing operations				
335,480	Rates and annual charges	B2-1	331,727	321,946
140,550	User charges and fees	B2-2	141,034	129,480
9,017	Other revenue	B2-3	12,667	9,293
47,512	Grants and contributions provided for operating purposes	B2-4	42,408	44,436
39,287	Grants and contributions provided for capital purposes	B2-4	83,702	66,901
10,340	Interest and investment income	B2-5	5,893	12,727
8,137	Other income	B2-6	8,215	7,724
590,323	Total income from continuing operations		625,646	592,507
Expenses from continuing operations				
200,862	Employee benefits and on-costs	B3-1	222,616	220,882
163,869	Materials and services	B3-2	167,875	178,589
15,038	Borrowing costs	B3-3	16,708	16,151
141,732	Depreciation, amortisation and impairment for non-financial assets	B3-4	162,303	155,066
42,932	Other expenses	B3-5	36,081	39,540
-	Net losses from the disposal of assets	B4-1	7,052	4,931
564,433	Total expenses from continuing operations		612,635	615,159
25,890	Operating result from continuing operations		13,011	(22,652)
25,890	Net operating result for the year attributable to Council		13,011	(22,652)
(13,397)	Net operating result for the year before grants and contributions provided for capital purposes		(70,691)	(89,553)

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

Central Coast Council | Statement of Comprehensive Income | For the year ended 30 June 2021

Central Coast Council

Statement of Comprehensive Income
for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
Net operating result for the year – from Income Statement		13,011	(22,652)
Other comprehensive income:			
Amounts that will not be reclassified subsequent to operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<u>174,928</u>	<u>60,167</u>
Total other comprehensive income for the year		<u>174,928</u>	<u>60,167</u>
Total comprehensive income for the year attributable to Council		<u>187,939</u>	<u>37,515</u>

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

Central Coast Council | Statement of Financial Position | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	65,709	92,296	44,059
Investments	C1-2	164,794	166,210	340,739
Receivables	C1-4	62,498	81,154	68,807
Inventories	C1-5	1,403	1,646	1,391
Non-current assets classified as 'held for sale'	C1-7	44,358	-	-
Other		3,608	6,459	5,481
Total current assets		342,370	347,765	460,477
Non-current assets				
Investments	C1-2	255,297	104,202	93,717
Receivables	C1-4	3,384	3,768	3,409
Infrastructure, property, plant and equipment	C1-8	7,344,078	7,228,783	7,078,487
Intangible Assets	C1-9	19,710	8,932	1,703
Right of use assets	C2-1	2,483	1,804	-
Other		623	254	336
Total non-current assets		7,625,575	7,347,743	7,177,652
Total assets		7,967,945	7,695,508	7,638,129
LIABILITIES				
Current liabilities				
Payables	C3-1	71,137	94,153	76,906
Income received in advance	C3-1	2,916	2,795	16,144
Contract liabilities	C3-2	13,527	10,644	-
Lease liabilities	C2-1	241	287	-
Borrowings	C3-3	40,554	44,790	47,753
Employee benefit provisions	C3-4	52,492	58,012	54,960
Provisions	C3-5	6,287	6,758	11,458
Total current liabilities		187,154	217,439	207,221
Non-current liabilities				
Income received in advance	C3-1	6,766	7,381	7,465
Contract liabilities	C3-2	2,254	2,352	-
Lease liabilities	C2-1	2,320	1,552	-
Borrowings	C3-3	307,674	191,798	185,404
Employee benefit provisions	C3-4	3,144	2,900	1,844
Provisions	C3-5	75,304	76,696	63,908
Total non-current liabilities		397,462	282,679	258,621
Total liabilities		584,616	500,118	465,842
Net assets		7,383,329	7,195,390	7,172,287
EQUITY				
Accumulated surplus	C4-1	6,956,447	6,943,436	6,980,500
IPPE revaluation reserve	C4-1	426,882	251,954	191,787
Total equity		7,383,329	7,195,390	7,172,287

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

Central Coast Council | Statement of Changes in Equity | For the year ended 30 June 2021

Central Coast 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					Restated	Restated	Restated
Opening balance at 1 July (as previously stated)		6,943,436	251,954	7,195,390	6,989,141	191,787	7,180,928
Correction of prior period errors	G4-2	-	-	-	11,850	-	11,850
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(14,412)	-	(14,412)
Voluntary change in accounting policy	G4-1	-	-	-	(20,491)	-	(20,491)
Restated opening balance		6,943,436	251,954	7,195,390	6,966,088	191,787	7,157,875
Net operating result for the year		13,011	-	13,011	(21,837)	-	(21,837)
Correction of prior period errors	G4-2	-	-	-	(245)	-	(245)
Voluntary changes in accounting policy	G4-1	-	-	-	(570)	-	(570)
Other comprehensive income							
- Gain / (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	-	174,928	174,928	-	60,167	60,167
Total comprehensive income		13,011	174,928	187,939	(22,652)	60,167	37,515
Closing balance at 30 June		6,956,447	426,882	7,383,329	6,943,436	251,954	7,195,390

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

Central Coast Council | Statement of Cash Flows | For the year ended 30 June 2021

Central Coast Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
337,078	Rates and annual charges		335,879	321,075
143,054	User charges and fees		151,706	119,666
11,795	Interest received		5,757	10,274
87,525	Grants and contributions		101,348	90,445
–	Bonds, deposits and retentions received		83	–
15,239	Other (includes rental income)		56,202	56,479
<i>Payments:</i>				
(202,579)	Payments to employees		(232,395)	(213,972)
(106,441)	Payments for materials and services		(197,747)	(155,805)
(13,899)	Borrowing costs		(15,848)	(14,958)
(395)	Bonds, deposits and retentions refunded		–	(23)
(104,618)	Other (includes EPA levy)		(56,253)	(105,121)
166,759	Net cash flows from operating activities	G1-1a	148,732	108,060
Cash flows from investing activities				
<i>Receipts:</i>				
99,232	Sale of investments		259,406	336,750
–	Proceeds from sale of IPPE		8,784	7,037
<i>Payments:</i>				
–	Purchase of investments		(408,524)	(170,230)
(224,990)	Payments for IPPE		(133,114)	(227,511)
–	Purchase of intangible assets		(13,140)	(9,136)
–	Deferred debtors and advances made		(294)	27
(125,758)	Net cash flows from investing activities		(286,882)	(63,063)
Cash flows from financing activities				
<i>Receipts:</i>				
50,000	Proceeds from borrowings		174,618	50,000
<i>Payments:</i>				
(44,782)	Repayment of borrowings		(62,808)	(46,569)
–	Principal component of lease payments		(247)	(191)
5,218	Net cash flows from financing activities		111,563	3,240
46,219	Net change in cash and cash equivalents		(26,587)	48,237
37,877	Plus: cash and cash equivalents – beginning of period		92,296	44,059
84,096	Cash and cash equivalents at end of year	C1-1	65,709	92,296

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

Central Coast Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	14
B1 Functions or activities	14
B1-1 Functions or activities – income, expenses and assets	14
B1-2 Components of functions or activities	15
B2 Sources of income	16
B2-1 Rates and annual charges	16
B2-2 User charges and fees	17
B2-3 Other revenue	18
B2-4 Grants and contributions	19
B2-5 Interest and investment income	22
B2-6 Other income	22
B3 Costs of providing services	23
B3-1 Employee benefits and on-costs	23
B3-2 Materials and services	24
B3-3 Borrowing costs	25
B3-4 Depreciation, amortisation and impairment of non-financial assets	25
B3-5 Other expenses	26
B4 Gains or losses	27
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	27
B5 Performance against budget	28
B5-1 Material budget variations	28
C Financial position	30
C1 Assets we manage	30
C1-1 Cash and cash equivalents	30
C1-2 Financial investments	30
C1-3 Restricted cash, cash equivalents and investments	31
C1-4 Receivables	33
C1-5 Inventories	34
C1-6 Contract assets and Contract cost assets	34
C1-7 Non-current assets classified as held for sale	34
C1-8 Infrastructure, property, plant and equipment	35
C1-9 Intangible assets	39
C2 Leasing activities	40
C2-1 Council as a lessee	40
C2-2 Council as a lessor	42
C3 Liabilities of Council	44
C3-1 Payables	44
C3-2 Contract Liabilities	45
C3-3 Borrowings	46
C3-4 Employee benefit provisions	48

Central Coast Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C3-5 Provisions	48
C4 Reserves	51
C4-1 Nature and purpose of reserves	51
D Council structure	52
D1 Results by fund	52
D1-1 Income Statement by fund	52
D1-2 Statement of Financial Position by fund	53
D1-3 Details of internal loans	54
D2 Interests in other entities	55
D2-1 Subsidiaries	55
D2-1 Unconsolidated structured entities	n/a
E Risks and accounting uncertainties	57
E1-1 Risks relating to financial instruments held	57
E2-1 Fair value measurement	60
E3-1 Contingencies	69
F People and relationships	72
F1 Related party disclosures	72
F1-1 Key management personnel (KMP)	72
F1-2 Councillor and Mayoral fees and associated expenses	74
F1-3 Other related parties	75
F2 Other relationships	76
F2-1 Audit fees	76
G Other matters	77
G1-1 Statement of Cash Flows information	77
G2-1 Commitments	78
G3-1 Events occurring after the reporting date	79
G4 Changes from prior year statements	79
G4-1 Changes in accounting policy	79
G4-2 Correction of errors	81
G5 Statement of developer contributions as at 30 June 2021	83
G5-1 Summary of developer contributions	83
G5-2 Developer contributions by plan	84
G5-3 Contributions not under plans	92
G6 Statement of performance measures	93
G6-1 Statement of performance measures – consolidated results	93
G6-2 Statement of performance measures by fund	94

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 February 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

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 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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

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

COVID-19 Impact

The COVID-19 pandemic continues to impact the community where Council operates. This pandemic declared a global pandemic by the World Health Organisation on 11 March 2020, has had a financial impact for Council in the financial year ended 30 June 2021 which has impacted the comparability of some line items and amounts reported in this financial report.

COVID-19 has caused disruption to council's business practices with a number of staff working remotely from home away from the main administration buildings and other council facilities. Whilst this has caused some inconvenience it has not resulted in significant additional cost or significant reduced costs for Council.

The impacts on Council's financial performance and financial position are outlined below.

- Additional costs (although not material), in conjunction with public health order activities (e.g. cleaning, inventory purchases of face masks and hand sanitiser and other health and safety initiatives) have been incurred.

continued on next page ...

Page 11 of 95

A1-1 Basis of preparation (continued)

- User charges and fee income including child care, holiday parks and swimming centres recovered as restrictions were lifted in 2020-21.
- Employee leave entitlements increased due to a reduction in leave taken due to COVID-19.

These Financial Statements reflect the financial impact of the Covid-19 pandemic to date, incorporating the above measures to the extent incurred, along with additional impacts to income collections resulting from financial hardship. Estimates of expected credit losses in respect of receivables have been updated to reflect expected impacts on debt collection.

No material changes have been noted in asset values.

Going Concern

The Financial Statements have been prepared on a going concern basis, which assumes Council will be able to meet its debts and other financial obligations as they fall due.

Since disclosing Council's serious financial situation on 6 October 2020, Council has achieved the following:

- Obtained \$150M in bank loans - which has returned Council to a positive unrestricted cash and investment position;
- Reduced staff numbers through an organisational restructure and redundancy program;
- Implemented strategies to reduce materials and contracts expenditure;
- Placed Council-identified underperforming assets for sale;
- Applied for a one-off 15% Special Rate Variation (SRV)

Council's forecast ten year long term financial plan is based on an expectation of receiving the one-off 15% SRV, (13% + 2% standard rate peg) which would be applied in 2021-2022 and remaining permanently in the rate base. IPART has approved this increase for three years through to 30 June 2024 during which time Council will seek to extend the SRV to ensure its recovery program continues.

Compliance with Legislation and other Requirements

Council came to the view in October 2020 that monies received by the Water Supply Authority under the Water Management Act is within the scope of s.409(3) of the Local Government Act and are therefore externally restricted by s.409(3)(a) of that Act. This means Council accessed restricted funds during 2020-2021 without the approval of Council (for internal restrictions) or the Minister (for external restrictions), as required by the *Local Government Act 1993*.

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

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

- general purpose operations
- water service
- sewerage service
- drainage
- domestic waste
- committees established under the *Local Government Act 1993 (NSW)* S355

The Trust Fund

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

Trust monies and other assets held by Council in its capacity as a Trustee and not considered to be under the control of Council have been excluded from these financial statements.

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

A1-1 Basis of preparation (continued)

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services are services received by Council from individuals or other entities without charge or for consideration significantly less than the fair value of those services. These may include:

- Committees with volunteer members,
- Volunteers at art galleries or museums,
- Library volunteers,
- Childcare volunteers,
- Outdoor space volunteers, and
- Volunteers at special Council events.

Volunteer services will only be recognised when:

- such services would be purchased if they had not been donated, and
- the fair value of those services can be reliably measured.

Council has recognised the cost and associated income of volunteer services in relation to Council's Art Gallery and Theatre as Other Income and Other Expenses in Notes B2-3 and B3-2 respectively.

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.

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

New accounting standards adopted during the year

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

- 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 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

None of these Standards had a significant impact on Council's reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020 Restated	2021	2020 Restated	2021	2020	2021	2020 Restated
\$ '000										
Functions or activities										
Responsible	360,527	353,713	457,043	462,682	(96,516)	(108,969)	105,512	50,732	7,420,533	7,044,786
Liveable	35,625	28,049	88,560	91,271	(52,935)	(63,222)	14,824	8,371	454,472	549,504
Belonging	4,418	3,573	18,187	19,851	(13,769)	(16,278)	55	169	29,051	28,673
Smart	15,669	10,805	25,089	21,267	(9,420)	(10,462)	2,813	997	39,802	40,226
Green	3,642	4,591	21,482	20,088	(17,840)	(15,497)	2,906	4,146	24,087	32,319
General Purpose Income	203,491	191,776	-	-	203,491	191,776	-	-	-	-
Total functions and activities	623,372	592,507	610,361	615,159	13,011	(22,652)	126,110	64,415	7,967,945	7,695,508

B1-2 Components of functions or activities

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

Responsible

- Governance
- Partnerships - Plans into practice
- Communicate with community
- Engage with community
- Serve the community
- Delivering essential Infrastructure (Roads, Carparks, Energy, Water, Telecommunications)

Liveable

- Public transport connections
- Plans transport management options
- Shared pathways
- Signage, public facilities, amenities, playgrounds, public areas
- Waterways, wharves, jetties, boat ramps and ocean baths
- Sport, leisure, recreational facilities, open space
- Healthcare
- Learning and knowledge
- Community facilities
- Heritage
- Land use planning
- Environmental
- Housing

Belonging

- Community spirit
- Connect people
- Inclusion and well being
- Social and health issues
- Community safety
- Activate places
- Events
- Sporting, cultural, festivals
- Arts

Smart

- Economic development
- CBD, town centres
- Tourism
- Innovation and futures

Green

- Natural areas
- Biodiversity
- Water quality
- Litter and landfill
- Renewable energy
- Protection of environment

B2 Sources of income**B2-1 Rates and annual charges**

\$ '000	2021	2020
Ordinary rates		
Residential	148,957	145,920
Farmland	785	779
Mining	755	943
Business	21,030	20,311
Less: pensioner rebates (State Government funded)	(2,206)	(2,230)
Less: pensioner rebates (Council funded)	(1,806)	(1,826)
Rates levied to ratepayers	167,515	163,897
Pensioner rate subsidies received	2,209	2,243
Total ordinary rates	169,724	166,140
Special rates		
Town improvement	1,319	1,328
Parking	190	186
Tourism / business development	936	914
Rates levied to ratepayers	2,445	2,428
Total special rates	2,445	2,428
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	75,168	72,464
Water supply services	12,774	12,396
Drainage	15,006	14,325
Sewerage services	55,236	53,152
Waste management services (non-domestic)	3,471	3,607
Section 611 charges	122	184
Liquid trade waste	453	461
Less: pensioner rebates (State Government funded)	(3,328)	(3,349)
Less: pensioner rebates (Council funded)	(3,085)	(3,102)
Annual charges levied	155,817	150,138
Pensioner subsidies received:		
– Water	1,238	1,004
– Sewerage	1,272	994
– Domestic waste management	1,231	1,242
Total annual charges	159,558	153,378
Total rates and annual charges	331,727	321,946

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	2021	2020
User charges		
Water supply services	55,862	55,871
Sewerage services	16,228	15,468
Waste management services (other)	13	36
Liquid trade waste	2,104	2,043
COVID-19 waivers and refunds	-	(41)
Total user charges	74,207	73,377
Fees		
Building services – other	2,088	1,939
Development applications	3,608	2,908
Inspection services	724	551
Private works – section 67	430	469
Registration fees	116	137
Regulatory/statutory fees	258	189
Rezoning fees	181	82
Section 10.7 certificates (EP&A Act)	1,059	809
Other	379	275
Section 603 certificates	826	606
Town planning	295	234
Aerodrome	23	28
Camping ground	759	416
Child care	6,951	5,183
Companion animals	791	307
Engineering design fees	1,215	409
Holiday parks	11,583	9,077
On site sewer management (OSSM)	514	479
Parking fees	419	562
Parks and recreation	791	455
Sewerage Connection Income	580	345
Swimming centres	4,101	3,297
Theatres	367	772
Tipping fees	20,970	18,397
Transport for NSW works (state roads not controlled by Council)	5,040	5,479
Other	1,697	1,690
Water connection fees	1,062	1,008
Total user charges and fees	141,034	129,480
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	37	20
User charges and fees recognised at a point in time	140,997	129,440
Total user charges and fees	141,034	129,460

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	2021	2020
Fines – parking	1,960	2,647
Fines – other	645	229
Event revenue	1,703	1,248
Landfill sale of scrap metal	1,220	1,025
Sales – general	1,471	777
Insurance claims recoveries	878	24
Diesel rebate	834	609
Legal fees recovery – other	669	244
Recreation	526	280
Cemetery income	448	333
Landfill gas royalty payment	439	401
Arts centre	28	98
Section 355 Committee income	229	228
Other	1,817	1,718
COVID-19 waivers and refunds	(200)	(568)
Total other revenue	12,667	9,293
Timing of revenue recognition for other revenue		
Other revenue recognised over time	–	–
Other revenue recognised at a point in time	12,667	9,293
Total other revenue	12,667	9,293

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.

Central Coast Council | Notes to the Financial Statements 30 June 2021

B2-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)				
Current year allocation				
Financial assistance – general component	10,247	10,706	–	–
Financial assistance – local roads component	2,178	2,204	–	–
Payment in advance - future year allocation ¹				
Financial assistance – general component	10,961	11,337	–	–
Financial assistance – local roads component	2,338	2,341	–	–
Amount recognised as income during current year	25,724	26,588	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Aged and disabled	24	23	–	1
Bushfire and emergency services	3,473	4,625	522	256
Child care	863	2,027	81	24
Community care	–	9	–	–
Employment and training programs	108	118	–	–
Environmental programs	2,352	1,526	1,347	971
Health services	21	33	–	–
Heritage and cultural	95	86	–	–
Library	893	856	631	61
LIRS subsidy	599	733	–	–
Recreational facilities	56	448	7,368	8,531
Roads and bridges	–	–	15,842	10,632
Security equipment (CCTV)	–	–	–	5
Sewerage (excl. section 64 contributions)	–	–	200	132
Somersby Industrial Park	–	–	420	–
Street lighting	986	986	–	–
Transport (roads to recovery)	–	–	2,772	2,772
Transport for NSW contributions (regional roads, block grant)	3,772	3,939	–	–
Transport (other roads and bridges funding)	120	119	2,133	723
Vehicle contributions by employees	2,626	2,007	–	–
Water / Sewer Infrastructure	–	–	5,816	2,788
Water supplies (excl. section 64 contributions)	–	–	134	73
Youth services	78	39	–	–
Other	618	274	434	2,313
Total special purpose grants and non-developer contributions – cash	16,684	17,848	37,700	29,282
Non-cash contributions				
Other	–	–	27,908	17,052
Total other contributions – non-cash	–	–	27,908	17,052
Total special purpose grants and non-developer contributions (tied)	16,684	17,848	65,608	46,334
Total grants and non-developer contributions	42,408	44,436	65,608	46,334
Comprising:				
– Commonwealth funding	26,851	27,282	12,536	12,614
– State funding	3,111	8,899	28,465	15,618
– Other funding	12,446	8,255	24,607	18,102
	42,408	44,436	65,608	46,334

(1) \$13,299M of the 2021 - 2022 Financial Assistance Grant from Commonwealth Government was received by Council in June 2021 and hence is reported as 2020 - 2021 income although it relates to 2021 - 2022 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:	G5				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	371	54
S 7.12 – fixed development consent levies		–	–	1,628	2,470
S 64 – water supply contributions		–	–	3,392	3,429
S 64 – sewerage service contributions		–	–	3,010	3,639
Other developer contributions		–	–	206	320
S 7.11 – stormwater contributions		–	–	1,153	1,424
S 7.11 – roadworks		–	–	2,489	2,094
S 7.11 – open space		–	–	3,283	4,430
S 7.11 – community facilities		–	–	2,039	2,213
Total developer contributions – cash		–	–	17,571	20,073
Non-cash contributions					
S 7.11 – contributions towards amenities/services		–	–	–	241
S 7.12 – fixed development consent levies		–	–	145	–
S 7.11 - drainage assets		–	–	251	171
S 64 – water supply contributions		–	–	127	82
Total developer contributions non-cash		–	–	523	494
Total developer contributions	G5	–	–	18,094	20,567
Total contributions		–	–	18,094	20,567
Total grants and contributions		42,408	44,436	83,702	66,901
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		13,490	10,624	2,254	2,352
Grants and contributions recognised at a point in time		28,918	33,812	81,448	64,549
Total grants and contributions		42,408	44,436	83,702	66,901

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
Grants				
Unspent funds at 1 July	3,770	2,345	7,990	8,869
Add: Funds received and not recognised as revenue in the current year	2,607	2,628	7,509	3,639
Less: Funds received in prior year but revenue recognised and funds spent in current year	(2,154)	(1,203)	(4,763)	(4,518)
Unspent funds at 30 June	4,223	3,770	10,736	7,990

Various capital grants unspent and held as a restriction at year end.

Most significant include Climate Change Fund (Water Supply Authority) \$2.4M, Woy Woy Wharf development \$1.3M, Glenrock Pde roadworks \$0.8M, Stronger Community Fund grants \$0.5M and Regional playspace at Sun Valley Reserve, Green Point \$0.4M.

Contributions

Unspent funds at 1 July	511	522	194,085	189,981
Add: contributions received and not recognised as revenue in the current year	191	63	-	16,128
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(212)	(74)	(31,710)	(12,024)
Unspent contributions at 30 June	490	511	162,375	194,085

Various developer contributions unspent and held as a restriction at year end.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include differing performance obligations within AASB 15, for example, event milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

B2-4 Grants and contributions (continued)

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	821	1,671
– Cash and investments	4,508	8,547
Fair value adjustments		
– Movements in investments (other)	561	2,476
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	–	27
Other	3	6
Total interest and investment income	5,893	12,727

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			
Other lease income			
Properties not held for investment		4,752	4,966
Room/Facility Hire		3,178	2,615
Outdoor space		260	118
Other		25	25
Total Other lease income		8,215	7,724
Total rental income	C2-2	8,215	7,724
Total other income		8,215	7,724

B3 Costs of providing services**B3-1 Employee benefits and on-costs**

\$ '000	2021	2020
Salaries and wages	154,398	180,017
Employee termination costs	15,870	490
Employee leave entitlements	37,806	31,168
Superannuation	18,898	19,749
Workers Compensation	3,005	3,790
Fringe benefit tax (FBT)	353	405
Payroll tax	2,592	2,610
Other	-	648
Total employee costs	232,922	238,877
Less: capitalised costs	(10,306)	(17,995)
Total employee costs expensed	222,616	220,882

Accounting policy

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

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.

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020 Restated
Raw materials and consumables		27,639	26,461
Contractor and consultancy costs		31,445	29,619
Contract costs Garbage collection		30,050	30,287
Contract costs Green waste processing		5,147	4,392
Contract costs Corporate systems		1,364	3,643
Contract costs Agency hire		3,106	9,658
Contract costs Roads		7,568	11,529
Audit Fees	F2-1	781	371
Previously other expenses:			
Advertising		667	1,125
Bank charges		1,469	1,386
Commissions		4,709	3,374
Computer software charges		17,394	13,373
Election expenses		177	–
Councillor and Mayoral fees and associated expenses	F1-2	459	593
Electricity and heating		12,570	12,400
Events and promotions		1,585	1,843
Gas charges		368	490
Insurance		3,906	4,814
Licences		1,576	787
Planning NSW development application fees		498	443
Postage		1,230	1,088
Printing and stationery		746	1,249
Street lighting		4,910	4,371
Subscriptions and publications		769	236
Telephone and communications		1,475	2,785
Tip rehabilitation provision adjustment		(2,002)	3,235
Travel expenses		41	45
Training costs		942	1,767
Valuer general fees		917	888
Vehicle registrations		770	801
Other expenses		2,943	2,402
Legal expenses:			
– Legal expenses: planning and development		2	254
– Legal expenses: other		763	577
Expenses from Peppercorn leases		73	194
Expenses from short-term leases		187	418
Expenses from leases of low value assets		1,631	1,691
Total materials and services		167,875	178,589

Accounting policy

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

Computer software charges

In April 2021, the International Financial Reporting Standards Interpretations Committee issued a final agenda decision where configuration or customisation costs in a cloud computing arrangement are to be treated as period costs instead of capitalising such costs as intangible assets as was the case prior to this decision. For the financial year ended 30 June 2020 costs totalling \$2.858M have been adjusted to computer software charges.

Central Coast Council | Notes to the Financial Statements 30 June 2021

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
Interest on leases		125	76
Interest on loans		15,097	15,024
Interest on other debts		2	45
Amortisation of discounts and premiums			
- Floating Rate Notes		294	-
Remediation liabilities	C3-5	1,190	1,005
Other liabilities		-	1
Total borrowing costs expensed		16,708	16,151

Accounting policy

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

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

\$ '000	Notes	2021	2020 Restated
Depreciation and amortisation			
Plant and equipment		8,187	7,811
Office equipment		2,742	2,569
Furniture and fittings		1,377	1,130
Land improvements (depreciable)		1,847	1,903
Infrastructure:	C1-8		
- Buildings – specialised		13,731	11,769
- Other structures		2,135	1,601
- Roads		36,369	36,464
- Bridges		618	679
- Footpaths		2,532	2,659
- Stormwater drainage		14,569	15,858
- Water supply network		24,401	27,017
- Sewerage network		32,748	35,204
- Swimming pools		346	215
- Other open space/recreational assets		4,992	4,120
- Other infrastructure		1,537	1,346
Other assets:			
- Library books		810	770
- Other		173	73
Reinstatement, rehabilitation and restoration assets:			
- Tip assets	C3-4,11(a)	2,694	1,745
Right of use assets	C2-1	290	226
Intangible assets	C1-9	2,362	1,907
Total depreciation and amortisation costs		154,460	155,066
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-8		
- Sewerage network		7,843	-
Total impairment costs charged to Income Statement (IPPE)		7,843	-
Total depreciation, amortisation and impairment for non-financial assets		162,303	155,066

Accounting policy**Depreciation and amortisation**

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

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

Intangible assets amortisation

For the financial year ended 30 June 2020, amortisation charges have reduced by \$2.288M applicable to previously capitalised customisation costs in a cloud computing arrangement.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
User charges and fees		80	–
Other		132	404
Impairment of receivables	C1-4	212	404
Other			
Contributions/levies to other levels of government			
– NSW Fire and rescue levy		3,150	2,821
– NSW rural fire service levy		2,108	1,477
– Waste levy		27,831	29,893
– Holiday Park levy		608	439
– NSW State emergency services levy		661	528
Donations, Contributions and assistance to other organisations (Section 356)			
– The Art House		1,016	1,075
– Wyong Town Centre		–	30
– Surf Life Saving Clubs		214	213
– Gosford Town Centre		(30)	60
– Stronger communities fund		(3)	383
– Community grants		(86)	1,671
– Other contributions and donations		400	546
Total other		35,869	39,136
Total other expenses		36,081	39,540

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		<u>(639)</u>	<u>(3,510)</u>
Gain (or loss) on disposal		<u>(639)</u>	<u>(3,510)</u>
Gain (or loss) on disposal of plant and equipment			
Proceeds from disposal – plant and equipment	C1-8	5,754	3,058
Less: carrying amount of plant and equipment assets sold/written off		<u>(4,008)</u>	<u>(2,991)</u>
Gain (or loss) on disposal		<u>1,746</u>	<u>67</u>
Gain (or loss) on disposal of infrastructure assets			
Proceeds from disposal – infrastructure	C1-8	–	–
Less: carrying amount of infrastructure assets sold/written off		<u>(6,048)</u>	<u>(866)</u>
Gain (or loss) on disposal		<u>(6,048)</u>	<u>(866)</u>
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemptions/maturities – investments	C1-2	259,406	336,750
Less: carrying amount of investments sold/redeemed/matured		<u>(259,406)</u>	<u>(336,750)</u>
Gain (or loss) on disposal		<u>–</u>	<u>–</u>
Gain (or loss) on disposal of land			
Proceeds from disposal – community and operational Land	C1-8	3,030	3,979
Less: carrying amount of community and operational Land assets sold/written off		<u>(2,569)</u>	<u>(2,037)</u>
Gain (or loss) on disposal		<u>461</u>	<u>1,942</u>
Gain (or loss) on disposal of stormwater drainage assets			
Proceeds from disposal – Stormwater Drainage	C1-8	–	–
Less: carrying amount of stormwater drainage assets sold/written off		<u>(35)</u>	<u>(293)</u>
Gain (or loss) on disposal		<u>(35)</u>	<u>(293)</u>
Gain (or loss) on disposal of sewerage network assets			
Proceeds from disposal – Sewerage Network	C1-8	–	–
Less: carrying amount of sewerage network assets sold/written off		<u>(1,385)</u>	<u>(1,258)</u>
Gain (or loss) on disposal		<u>(1,385)</u>	<u>(1,258)</u>
Gain (or loss) on disposal of water supply assets			
Proceeds from disposal – water supply assets	C1-8	–	–
Less: carrying amount of water supply assets assets sold/written off		<u>(994)</u>	<u>(1,004)</u>
Gain (or loss) on disposal		<u>(994)</u>	<u>(1,004)</u>
Gain (or loss) on disposal of other assets			
Proceeds from disposal – Other assets	C1-8	–	–
Less: carrying amount of other assets sold/written off		<u>(158)</u>	<u>(9)</u>
Gain (or loss) on disposal		<u>(158)</u>	<u>(9)</u>
Net gain (or loss) on disposal of assets		<u>(7,052)</u>	<u>(4,931)</u>

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 27 July 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, the impact of COVID 19 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				
Other revenues	9,017	12,667	3,650	40% F
Favourable variance due to additional National Rugby League games at Central Coast Stadium, successful claim for diesel fuel back-payments, insurance recoveries and increased sales of recycled scrap metals at Council's Waste Management facilities.				
Operating grants and contributions	47,512	42,408	(5,104)	(11)% U
Unfavourable variance due to bio-certification scheme income that was expected but not received during the financial year. This was partially offset by additional grants funds received throughout the year for Environmental Management and Bushfire Prevention programs and operating contributions received for Child Care services from Federal and State Governments in relation to COVID19.				
Capital grants and contributions	39,287	83,702	44,415	113% F
Favourable variance through an increase in infrastructure, water and sewer and open space and recreation grants. Unbudgeted contributed and dedicated roads and drainage infrastructure assets of \$27.9M were recognised during the year.				
Interest and investment revenue	10,340	5,893	(4,447)	(43)% U
Unfavourable variance due to Council's cash and investment holdings being less than expected due to the financial situation of prior year.				
EXPENSES				
Employee benefits and on-costs	200,862	222,616	(21,754)	(11)% U
Unfavourable variance relates to organisational restructure costs and a reduction in labour recovered from capital works projects.				
Borrowing costs	15,038	16,708	(1,670)	(11)% U
Unfavourable variance due to increased borrowings as a result of Council's unapproved use of restricted funds.				
Depreciation, amortisation and impairment of non-financial assets	141,732	162,303	(20,571)	(15)% U
Unfavourable variance due to sewerage network assets impairment and increased capitalisation of completed projects.				
Other expenses	42,932	36,081	6,851	16% F
Favourables variance due to reduced EPA Waste Management Levy resulting from a decrease in waste tonnages received at Council's Waste Management facilities.				
Net losses from disposal of assets	-	7,052	(7,052)	∞ U
Net losses from the disposal of assets relates to the write down and disposal of roads, stormwater drainage, sewer, water and open space and recreation assets that were not forecast in the 2020-21 original budget.				

Central Coast Council | Notes to the Financial Statements 30 June 2021

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Cash flows from investing activities	(125,758)	(286,882)	(161,124)	128% U
Variance due to increased investments following receipt of \$150M bank loans.				
Cash flows from financing activities	5,218	111,563	106,345	2,038% F
Variance due to additional loans funds of \$150M.				

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	35,527	12,422
Deposits at call	30,182	79,874
Total cash and cash equivalents	65,709	92,296

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
Financial assets at fair value through the profit and loss				
Government and semi-government bonds	–	56,978	–	19,077
NCD's, FRN's	38,657	153,319	9,018	10,125
Total	38,657	210,297	9,018	29,202
Debt securities at amortised cost				
Long term deposits	126,137	45,000	157,192	75,000
Total	126,137	45,000	157,192	75,000
Total financial investments	164,794	255,297	166,210	104,202
Total cash assets, cash equivalents and investments	230,503	255,297	258,506	104,202

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

C1-2 Financial investments (continued)

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

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

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

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 FRN's and NCD's in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	230,503	255,297	258,506	104,202
attributable to:				
External restrictions ¹	146,162	255,297	317,203	104,202
Internal restrictions ¹	93,994	–	111,698	–
Unrestricted ²	(9,653)	–	(170,395)	–
	230,503	255,297	258,506	104,202

(1) Council will restrict funds to either meet external statutory obligations, such as those relating to grant funding or developer contributions, or in order to set aside funding for future commitments. Restricted assets that are internally developed by Council to cover commitments or obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover these obligations (despite there being no legislative requirement) are known as internally restricted assets.

(2) The reported negative unrestricted balance of \$9.653M is the net amount of Council's unapproved use of restricted funds across Council's operating funds and is the difference between the sum of cash and investments reported by Fund Note D1-2 and that reported in Note C1-3.

Central Coast Council | Notes to the Financial Statements 30 June 2021

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

\$ '000	2021	2020
Details of restrictions		
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	99,614	93,434
Developer contributions – water	1,666	27,529
Developer contributions – sewer	19,510	20,032
Developer contributions – drainage	34,655	34,583
Developer contributions – VPA – general	2,713	2,679
Developer contributions – VPA – water	1,053	1,045
Developer contributions – VPA – sewer	495	491
Developer contributions – VPA - drainage	1,369	1,359
Developer contributions – bonus provisions	5,452	5,407
Developer Contributions – Sec 94A Levy	17,678	17,526
Specific purpose unexpended grants – general	12,834	8,184
Specific purpose unexpended grants – water	2,255	2,550
Specific purpose unexpended grants - sewer	–	153
Specific purpose unexpended grants - drainage	9	873
Cemeteries	733	666
Contributions to works including COSS	6,587	6,539
Crown land	1,346	1,881
Domestic waste management	88,636	86,184
Gosford CBD special rate levies	1,076	1,142
Holiday parks	15,663	11,429
Self insurance claims – general	5,667	6,519
Self insurance claims – water	1,087	1,208
Self insurance claims – sewer	2,164	2,027
Stormwater management	755	766
Tourism levies	2,830	3,278
Water Supply Authority - other	74,966	83,198
Other External Restrictions	646	723
Total external restrictions	401,459	421,405
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Carbon emission reserve	–	322
Davistown Wetlands	1,436	1,436
Drainage Licence Fee	552	491
Emergency services levy	339	432
Employees leave entitlement	10,987	12,554
Employment generating projects	3,155	3,155
Property development	5,251	15,251
Regional Library	11,570	11,570
Revolving energy	–	253
Section 355/advances/deposits	594	620
Tip replacement/rehabilitation	35,054	33,907
Waste disposal facility	24,831	25,489
Other restrictions	225	6,218
Total internal restrictions	93,994	111,698
Total restrictions	495,453	533,103

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

C1-4 Receivables

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Rates	7,381	–	9,950	–
Interest and extra charges	2,141	–	2,736	–
User charges and fees	8,465	2,827	19,839	3,034
Accrued revenues				
– User charges and fees	12,468	–	13,650	–
– Government subsidies	2,346	–	2,182	–
– Other income accruals	3,134	–	1,211	–
Government grants and subsidies	5,223	–	4,791	–
Net GST receivable	2,408	–	5,005	–
Waste management annual charge	3,635	–	4,519	–
Drainage annual charge	1,512	–	2,636	–
Water annual charge	1,068	–	2,082	–
Sewerage annual charge	5,004	–	9,886	–
Other debtors	9,568	557	5,161	734
Total	64,353	3,384	83,648	3,768
Less: provision of impairment				
Sewerage annual charges	(6)	–	(6)	–
User charges and fees	(62)	–	(414)	–
Other debtors	(1,787)	–	(2,074)	–
Total provision for impairment – receivables	(1,855)	–	(2,494)	–
Total net receivables	62,498	3,384	81,154	3,768

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Opening impairment allowance	2,494	2,394
Impairment loss recognised during the year	–	525
Amounts written off as uncollectible	(639)	(425)
Balance at the end of the year	1,855	2,494

Accounting policy

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

Impairment

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1. When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. Credit losses are measured at the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are beyond the applicable statute of limitations period, whichever occurs first. None of the receivables that have been written off are subject to enforcement activity.

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	1,403	-	1,646	-
Total inventories at cost	1,403	-	1,646	-
Total inventories	1,403	-	1,646	-

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.

C1-6 Contract assets and Contract cost assets

Nil

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Non-current assets held for sale				
Land	37,815	-	-	-
Buildings	6,543	-	-	-
Total non-current assets classified as held for sale	44,358	-	-	-

Details of assets held for sale

Non-current assets held for sale comprises 33 parcels of land, the Gosford Administration building and the Oasis Youth Centre. These assets have been deemed excess to Council's operational requirements and were available for sale and actively marketed as at 30 June 2021.

The assets will be sold on the open market and are expected to be settled during the financial year ended 30 June 2022.

Accounting policy

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

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	223,948	–	223,948	146,933	–	–	–	(189,851)	(16,466)	–	164,564	–	164,564
Plant and equipment	105,440	(47,371)	58,069	560	(4,008)	(8,187)	–	2,551	823	–	103,656	(53,848)	49,808
Office equipment	24,549	(14,812)	9,737	–	(1)	(2,742)	–	681	–	–	17,686	(10,011)	7,675
Furniture and fittings	22,477	(13,256)	9,221	–	(158)	(1,377)	–	1,614	–	–	14,866	(5,566)	9,300
Land:													
– Operational land	443,343	–	443,343	–	(2,337)	–	–	7	(37,815)	82,591	485,789	–	485,789
– Crown and Community land	422,992	–	422,992	207	(232)	–	–	128	–	1,393	424,488	–	424,488
– Land under roads (post 30/6/08)	1,586	–	1,586	–	–	–	–	–	–	563	2,149	–	2,149
Land improvements – depreciable	46,153	(17,830)	28,323	–	–	(1,847)	–	3,768	–	–	49,921	(19,677)	30,244
Infrastructure:													
– Buildings – specialised	805,452	(333,817)	471,635	361	(639)	(13,731)	–	13,778	(7,378)	(17,620)	791,990	(345,584)	446,406
– Other structures	44,156	(13,639)	30,517	–	(17)	(2,135)	–	7,131	(690)	–	48,724	(13,918)	34,806
– Roads	2,042,041	(655,907)	1,386,134	6,958	(5,957)	(36,369)	–	37,203	6,923	32,981	2,043,454	(615,581)	1,427,873
– Bridges	57,126	(20,021)	37,105	–	(75)	(618)	–	129	–	1,365	62,004	(24,098)	37,906
– Footpaths	129,223	(30,111)	99,112	1,846	–	(2,532)	–	10,403	–	34,219	233,503	(90,455)	143,048
– Bulk earthworks (non-depreciable)	382,751	–	382,751	486	–	–	–	242	4,686	(34,126)	354,039	–	354,039
– Stormwater drainage	1,514,849	(484,217)	1,030,632	9,931	(35)	(14,569)	–	9,951	–	56,292	1,556,754	(464,552)	1,092,202
– Water supply network	1,871,510	(827,658)	1,043,852	–	(994)	(24,401)	–	33,696	7	98,958	2,088,896	(937,778)	1,151,118
– Sewerage network	2,352,227	(937,012)	1,415,215	–	(1,385)	(32,748)	(7,843)	43,435	690	(82,693)	2,219,720	(885,049)	1,334,671
– Swimming pools	11,215	(6,078)	5,137	–	–	(346)	–	118	13	–	11,373	(6,451)	4,922
– Other open space/recreational assets	120,017	(42,679)	77,338	5,162	–	(4,992)	–	14,660	–	–	139,839	(47,671)	92,168
– Other infrastructure	48,508	(19,570)	28,938	167	–	(1,537)	–	6,029	(6,756)	–	42,520	(15,679)	26,841
Other assets:													
– Library books	8,260	(6,073)	2,187	–	–	(810)	–	509	–	–	4,126	(2,240)	1,886
– Other	1,957	(1,099)	858	2,134	–	(173)	–	2,061	(4,686)	1,005	7,126	(5,927)	1,199
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	39,743	(19,590)	20,153	1,760	–	(2,694)	–	1,757	–	–	43,260	(22,284)	20,976
Total infrastructure, property, plant and equipment	10,719,523	(3,490,740)	7,228,783	176,505	(15,838)	(151,808)	(7,843)	–	(60,649)	174,928	10,910,447	(3,566,369)	7,344,078

continued on next page ...

Page 35 of 95

Central Coast Council | Notes to the Financial Statements 30 June 2021

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	237,238	–	237,238	243,416	–	–	(234,245)	(22,461)	–	223,948	–	223,948
Plant and equipment	100,253	(50,403)	49,850	–	(2,991)	(7,811)	19,537	(516)	–	105,440	(47,371)	58,069
Office equipment	18,885	(14,470)	4,415	–	–	(2,569)	7,966	(75)	–	24,549	(14,812)	9,737
Furniture and fittings	18,847	(12,139)	6,708	–	–	(1,130)	3,665	(22)	–	22,477	(13,256)	9,221
Land:												
– Operational land	430,967	–	430,967	–	(2,032)	–	14,390	18	–	443,343	–	443,343
– Crown and Community land	383,795	–	383,795	111	(5)	–	308	(579)	39,362	422,992	–	422,992
– Land under roads (post 30/6/08)	1,586	–	1,586	–	–	–	–	–	–	1,586	–	1,586
Land improvements – depreciable	41,415	(15,927)	25,488	–	–	(1,903)	4,177	561	–	46,153	(17,830)	28,323
Infrastructure:												
– Buildings – specialised	800,422	(329,723)	470,699	–	(3,510)	(11,769)	16,757	351	(893)	805,452	(333,817)	471,635
– Other structures	36,343	(11,909)	24,434	–	(7)	(1,601)	7,449	242	–	44,156	(13,639)	30,517
– Roads	1,974,503	(619,648)	1,354,855	9,603	(670)	(36,464)	58,806	4	–	2,042,041	(655,907)	1,386,134
– Bridges	54,431	(19,414)	35,017	–	(38)	(679)	2,805	–	–	57,126	(20,021)	37,105
– Footpaths	117,288	(27,452)	89,836	1,857	–	(2,659)	10,078	–	–	129,223	(30,111)	99,112
– Other road assets (including bulk earthworks)	5	–	5	–	–	–	–	(5)	–	–	–	–
– Bulk earthworks (non-depreciable)	377,894	–	377,894	1,027	(70)	–	3,900	–	–	382,751	–	382,751
– Stormwater drainage	1,489,091	(468,579)	1,020,512	590	(293)	(15,858)	25,681	–	–	1,514,849	(484,217)	1,030,632
– Water supply network	1,837,899	(796,305)	1,041,594	1,053	(1,004)	(27,017)	19,503	682	9,041	1,871,510	(827,658)	1,043,852
– Sewerage network	2,311,202	(897,357)	1,413,845	2,688	(1,258)	(35,204)	21,887	600	12,657	2,352,227	(937,012)	1,415,215
– Swimming pools	8,685	(5,063)	3,622	–	(7)	(215)	1,471	266	–	11,215	(6,078)	5,137
– Other open space/recreational assets	111,351	(38,639)	72,712	–	–	(4,120)	8,994	(248)	–	120,017	(42,679)	77,338
– Other infrastructure	42,831	(18,380)	24,451	–	(80)	(1,346)	5,913	–	–	48,508	(19,570)	28,938
Other assets:												
– Library books	17,930	(15,805)	2,125	–	(1)	(770)	833	–	–	8,260	(6,073)	2,187
– Other	1,833	(1,026)	807	–	–	(73)	124	–	–	1,957	(1,099)	858
Reinstatement, rehabilitation and restoration assets (refer Note 15):												
– Tip assets	34,345	(17,846)	16,499	5,398	–	(1,745)	1	–	–	39,743	(19,590)	20,153
Total infrastructure, property, plant and equipment	10,449,039	(3,360,085)	7,088,954	265,743	(11,966)	(152,933)	–	(21,182)	60,167	10,719,523	(3,490,740)	7,228,783

continued on next page ...

Page 36 of 95

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 12	Playground equipment	10 to 50
Office furniture	5 to 30	Benches, seats etc.	10 to 50
Computer equipment	2 to 26		
Vehicles	2 to 10	Buildings	6 to 170
Heavy plant/road making equipment	5 to 50		
Other plant and equipment	2 to 40		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	15 to 200	Drains	120
Bores	20 to 30	Culverts	120
Reticulation pipes	60 to 100	Flood control structures	80
Transportation assets		Other infrastructure assets	
Sealed roads: surface	12 to 100	Swimming pools	5 to 100
Sealed roads: structure	80 to 160	Other open space/recreational assets	5 to 100
Unsealed roads	30	Other infrastructure	10 to 109
Bridges	80 to 100		
Road pavements	40 to 80		
Kerb, gutter and footpaths	30 to 100		

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

Revaluation model

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

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

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

Land under roads

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

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

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

C1-9 Intangible assets

Intangible assets

\$ '000	2021	2020 Restated
Software		
Opening values at 1 July		
Gross book value	18,284	9,148
Accumulated amortisation	(11,055)	(9,148)
Net book value – opening balance	7,229	–
Movements for the year		
Development costs	13,140	9,136
Amortisation charges	(2,362)	(1,907)
Gross book value written off	(11,294)	–
Accumulated amortisation charges written off	11,294	–
Closing values at 30 June		
Gross book value	20,130	18,284
Accumulated amortisation	(2,123)	(11,055)
Total software – net book value	18,007	7,229
Other		
Drainage easements		
Opening values at 1 July		
Gross book value	1,703	1,703
Net book value – opening balance	1,703	1,703
Closing values at 30 June		
Gross book value	1,703	1,703
Total Drainage easements – net book value	1,703	1,703
Total intangible assets – net book value	19,710	8,932

Accounting policy

IT development and software

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

Drainage Easements

Easements (the right of access over land) are recognised as intangible assets.

Easements are determined to have indefinite lives, as there is no finite period over which their use is fully consumed. They convey a right to the Council to enable it to gain access to its infrastructure assets over an indefinite period of time. Unlike the infrastructure assets themselves, which are consumed over a finite period and undergo replacement to enable continuity of service, an easement can exist continuously throughout this period and beyond, and thus may never need to be released. Easements are only derecognised when a management decision has been made to relocate the relevant infrastructure asset and the need for the easement no longer exists. Since easements are viewed as having an indefinite life, they are not amortised, however, they are tested for impairment.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings to support some of its operational activities. The leases are generally between 3 and 50 years with one containing a renewal option to allow Council to renew the non-cancellable lease term at their discretion. A number of leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations; the extension options are at Council's discretion. At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

(a) Right of use assets

\$ '000	Plant and Equipment	Land and Buildings	Total
2021			
Opening balance at 1 July	21	1,783	1,804
Depreciation charge	(8)	(282)	(290)
Balance at 30 June	13	2,470	2,483
2020			
Adoption of AASB 16 at 1 July 2019	28	1,338	1,366
Additions to right-of-use assets	–	663	663
Depreciation charge	(7)	(218)	(225)
Balance at 30 June	21	1,783	1,804

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	241	2,320	287	1,552
Total lease liabilities	241	2,320	287	1,552

C2-1 Council as a lessee (continued)

(c) Lease liabilities

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	241	1,464	856	2,561	2,561
2020					
Cash flows	287	726	826	1,839	1,839

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	125	76
Depreciation of right of use assets	290	226
Expenses relating to short-term leases	187	418
Expenses relating to low-value leases	1,631	1,691
Expenses relating to Peppercorn leases	73	194
	2,306	2,605

(e) Statement of Cash Flows

Total cash outflow for leases	1,891	2,433
	1,891	2,433

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

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

- libraries
- child care centres
- youth centres
- boat ramps

The leases are generally between 10 and 99 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases. None of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

C2-1 Council as a lessee (continued)

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	2021	2020
Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of recreational activities, the table below relates to operating leases on assets disclosed in C1-8.		
Properties not held for investment	4,752	4,966
Room / Facility hire	3,178	2,615
Outdoor space	260	118
Other	25	25
Total income relating to operating leases for Council assets	8,215	7,724

C2-2 Council as a lessor (continued)

\$ '000	2021	2020
Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
< 1 year	2,928	3,137
1–2 years	2,510	2,690
2–3 years	2,149	2,278
3–4 years	1,655	2,002
4–5 years	1,302	1,488
> 5 years	7,296	9,126
Total undiscounted lease payments to be received	17,840	20,721

Accounting policy

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

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

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

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

C3 Liabilities of Council**C3-1 Payables**

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services	24,058	-	29,230	-
Prepaid rates and annual charges	15,026	-	13,443	-
Accrued expenses:				
– Salaries and wages	2,969	-	7,472	-
– Other expenditure accruals	16,035	-	32,267	-
Security bonds, deposits and retentions	4,718	-	4,635	-
Developer bonds	6,430	-	6,273	-
Overpayments	1,513	-	670	-
Other payables	388	-	163	-
Payments received in advance	2,916	973	2,795	1,067
Other income received in advance	-	5,793	-	6,314
Total payables	74,053	6,766	96,948	7,381

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

\$ '000	2021	2020
Payables – overpayments, security bonds, deposits and retentions	26,040	25,115
Total payables	26,040	25,115

Accounting policy

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

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

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)	8,634	2,254	5,638	2,352
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	4,210	-	3,770	-
Unexpended capital contributions (to construct Council controlled assets)	(i)	170	-	705	-
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	476	-	511	-
Total grants and contributions received in advance		13,490	2,254	10,624	2,352
User fees and charges received in advance:					
Upfront fees – leisure centre	(iii)	37	-	20	-
Total user fees and charges received in advance		37	-	20	-
Total contract liabilities		13,527	2,254	10,644	2,352

Notes

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

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

(iii) Upfront membership fees for Council's leisure centres do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

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)	5,504	6,436
Operating grants (received prior to performance obligation being satisfied)	1,508	1,202
Capital contributions (to construct Council controlled assets)	8	28
Operating contributions (received prior to performance obligation being satisfied)	212	53
User fees and charges received in advance:		
Upfront fees – leisure centre	20	21
Total revenue recognised that was included in the contract liability balance at the beginning of the period	7,252	7,740

Changes in contract liabilities

During the financial year Council received a \$3.7M grant for Local Roads and Community Infrastructure to be spent during the financial year ended 30 June 2022.

Accounting policy

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

C3-3 Borrowings

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Loans – secured ¹	40,554	307,674	44,790	191,798
Total borrowings	40,554	307,674	44,790	191,798

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	
Loans – secured	236,588	111,640	–	–	–	–	348,228
Lease liability (Note C2-1b)	1,839	(247)	–	–	–	969	2,561
Total liabilities from financing activities	238,427	111,393	–	–	–	969	350,789

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	
Loans – secured	233,157	3,431	–	–	–	–	236,588
Lease liability (Note C2-1b)	–	–	–	–	1,839	–	1,839
Total liabilities from financing activities	233,157	3,431	–	–	1,839	–	238,427

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities	500	500
Credit cards/purchase cards	1,240	1,240
Master lease facilities	1,850	2,000
Total financing arrangements	3,590	3,740
Drawn facilities		
– Credit cards/purchase cards	50	73
– Master lease facilities	1,000	–
Total drawn financing arrangements	1,050	73
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	1,190	1,167
– Master lease facilities	850	2,000
Total undrawn financing arrangements	2,540	3,667

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loans are secured over future cash flows of the Council
Lease liabilities are secured by the underlying leased assets.

C3-3 Borrowings (continued)

Bank overdrafts

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

Accounting policy

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

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

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

C3-4 Employee benefit provisions

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Annual leave	17,411	–	17,231	–
Sick leave	6,129	–	9,465	–
Long service leave	27,624	3,144	30,069	2,900
Other leave	1,328	–	1,247	–
Total employee benefit provisions	52,492	3,144	58,012	2,900

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

\$ '000	2021	2020
Provisions – employees benefits	29,468	31,454
	29,468	31,454

Description of and movements in non-employee benefit provisions**Accounting policy**

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021		2020	
	Current	Non-Current	Current	Non-Current
Self insurance – workers compensation	1,741	7,177	2,301	7,453
Self insurance – public liability	495	–	885	–
Self insurance – other	15	–	84	–
Payroll tax	437	–	518	21
Other	662	–	573	–
Asset remediation/restoration	2,937	68,127	2,397	69,222
Total provisions	6,287	75,304	6,758	76,696

continued on next page ...

Page 48 of 95

C3-5 Provisions (continued)

Movements in provisions

\$ '000	Other provisions			Net carrying amount
	Self insurance	Asset remediation	Payroll Tax and Other	
2021				
At beginning of year	10,723	71,619	1,112	83,454
Changes to provision:				
– Amounts capitalised	–	1,760	–	1,760
– Revised discount rate	–	(624)	–	(624)
– Revised costs	–	(1,378)	–	(1,378)
Unwinding of discount	–	1,190	–	1,190
Additional provisions	3,422	–	3,117	6,539
Amounts used (payments)	(4,717)	(1,503)	(3,130)	(9,350)
Total other provisions at end of year	9,428	71,064	1,099	81,591
2020				
At beginning of year	9,465	63,305	2,595	75,365
– Amounts capitalised	–	5,397	–	5,397
– Revised discount rate	–	188	–	188
– Revised costs	–	3,047	–	3,047
Unwinding of discount	–	1,005	–	1,005
Additional provisions	4,741	–	2,643	7,384
Amounts used (payments)	(3,483)	(1,323)	(4,126)	(8,932)
Total other provisions at end of year	10,723	71,619	1,112	83,454

Nature and purpose of provisions

Asset remediation

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

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Payroll tax and other

To recognise liabilities for miscellaneous employee provisions not relating to leave entitlements and outstanding payroll tax arising from Council's water, sewer, cemetery and parking station activities.

Accounting policy

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

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

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

Asset remediation - tips

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

C3-5 Provisions (continued)

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

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

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.

Self Insurance Provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council being a self insurer for Workers Compensation Claims.

Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria as set out in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:

- Claims escalation of 2.5% in 2021/2022, 2.25% in 2022/2023 and 2.0% per annum thereafter. A bond yield of between -0.030% and 3.762% per annum over a 50 year period.
- All monetary amounts for past Workers Compensation claims were indexed to bring them to 'standardised' values at 30 June 2021.
- Workers Compensation claim payments projected into the future by the adopted actuarial model are in 'standardised' values as at 30 June 2021.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2021 and was performed by David A Zaman Pty Ltd. Director David Zaman, BSc, FIA, FIAA, MBA.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water, sewer, drainage and domestic waste. 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, sewer, drainage and domestic waste columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	Drainage 2021	Domestic Waste 2021	General 2021	Water 2021	Sewer 2021
Income from continuing operations					
Rates and annual charges	15,008	74,163	175,762	11,930	54,866
User charges and fees	–	10	63,862	57,636	19,525
Interest and investment revenue	29	112	3,187	315	2,250
Other revenues	–	3	12,598	7	59
Grants and contributions provided for operating purposes	242	–	41,701	3	462
Grants and contributions provided for capital purposes	11,967	–	59,070	8,398	4,267
Other income	–	–	8,215	–	–
Total income from continuing operations	27,246	74,288	364,395	78,289	81,429
Expenses from continuing operations					
Employee benefits and on-costs	1,465	410	185,987	16,877	17,877
Borrowing costs	568	–	1,798	9,559	4,783
Materials and services	7,059	51,774	46,235	32,174	30,634
Depreciation, amortisation and impairment of non-financial assets	14,567	–	81,902	24,783	41,051
Other expenses	–	15,675	20,404	2	–
Net losses from the disposal of assets	35	–	4,638	994	1,385
Total expenses from continuing operations	23,694	67,859	340,964	84,389	95,730
Operating result from continuing operations	3,552	6,429	23,431	(6,100)	(14,301)
Net operating result for the year	3,552	6,429	23,431	(6,100)	(14,301)
Net operating result attributable to each council fund	3,552	6,429	23,431	(6,100)	(14,301)
Net operating result for the year before grants and contributions provided for capital purposes	(8,415)	6,429	(35,639)	(14,498)	(18,568)

Central Coast Council | Notes to the Financial Statements 30 June 2021

D1-2 Statement of Financial Position by fund

\$ '000	Drainage 2021	Domestic Waste 2021	General 2021	Water 2021	Sewer 2021
ASSETS					
Current assets					
Cash and cash equivalents	11	6,443	49,889	65	9,301
Investments	61	89,455	22,987	1,232	51,059
Receivables	1,613	3,786	56,653	20,673	9,544
Inventories	-	-	1,403	-	-
Other	-	-	3,386	112	110
Non-current assets classified as held for sale	-	-	44,358	-	-
Total current assets	1,685	99,684	178,676	22,082	70,014
Non-current assets					
Investments	95	-	175,921	547	78,734
Receivables	1	-	21,738	230	10,453
Infrastructure, property, plant and equipment	1,120,289	-	3,563,077	1,270,053	1,390,659
Intangible assets	1,703	-	18,007	-	-
Right of use assets	-	-	2,483	-	-
Other	-	-	623	-	-
Total non-current assets	1,122,088	-	3,781,849	1,270,830	1,479,846
TOTAL ASSETS	1,123,773	99,684	3,960,525	1,292,912	1,549,860
LIABILITIES					
Current liabilities					
Payables	891	6,319	52,098	4,487	2,451
Income received in advance	-	-	2,846	4,888	73
Contract liabilities	109	-	11,118	2,300	-
Borrowings	28,331	-	12,738	18,309	10,947
Lease liabilities	-	-	241	-	-
Employee benefit provisions	74	291	43,489	4,552	4,086
Provisions	-	-	4,545	511	1,231
Total current liabilities	29,405	6,610	127,075	35,047	18,788
Non-current liabilities					
Income received in advance	1,260	-	4,501	-	1,005
Contract liabilities	-	-	2,254	-	-
Lease liabilities	-	-	2,320	-	-
Borrowings	8,118	-	153,370	137,345	37,879
Employee benefit provisions	4	-	2,764	189	187
Provisions	-	-	73,073	851	1,380
Total non-current liabilities	9,382	-	238,282	138,385	40,451
TOTAL LIABILITIES	38,787	6,610	365,357	173,432	59,239
Net assets	1,084,986	93,074	3,595,168	1,119,480	1,490,621
EQUITY					
Accumulated surplus	1,024,787	93,074	3,405,775	950,828	1,481,983
Revaluation reserves	60,199	-	189,393	168,652	8,638
Total equity	1,084,986	93,074	3,595,168	1,119,480	1,490,621

D1-3 Details of internal loans

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

	Council ID / Ref 2013 GF-WF	Council ID / Ref 2015 SF-WF	Council ID / Ref 2015 GF-WF
Details of individual internal loans			
Borrower (by purpose)	Water Fund	Water Fund	Water Fund
Lender (by purpose)	General Fund	Sewer Fund	General Fund
Date of Minister's approval	N/A	27/05/2015	N/A
Date raised	30/06/2013	27/05/2015	31/05/2015
Term years	20	20	20
Dates of maturity	30/06/2033	21/02/2035	26/05/2035
Rate of interest (%)	5.72	5.72	5.72
Amount originally raised	20,000,000	10,000,000	10,000,000
Total repaid during year (principal and interest)	1,687,831	845,585	844,916
Principal outstanding at end of year	14,581,503	8,012,588	8,101,690

	Council ID / Ref 2020 GF-DF	Council ID / Ref 2021 GF-DF	Council ID / Ref 2021 GF-SF
Details of individual internal loans			
Borrower (by purpose)	Drainage Fund	Drainage Fund	Sewer Fund
Lender (by purpose)	General Fund	General Fund	General Fund
Date of Minister's approval	N/A	N/A	N/A
Date raised	30/06/2020	30/06/2021	30/06/2021
Term years	1	1	1
Dates of maturity	30/06/2021	30/06/2022	30/06/2022
Rate of interest (%)	Nil	Nil	Nil
Amount originally raised	22,960,000	27,425,427	687,798
Total repaid during year (principal and interest)	22,960,000	0	0
Principal outstanding at end of year (\$'000)	Nil	27,425,427	687,798

D2 Interests in other entities

D2-1 Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 128 using the equity method and the accounting policy notes below.

Name of Operation/Entity	Principal activity				
The Art House, Wyong Shire Performing Arts and Conference Centre Limited	Operations undertaken - Performing Arts Place of business - 19-21 Margaret Street, Wyong				
		Ownership 2021	Ownership 2020	Voting rights 2021	Voting rights 2020
Interests in Subsidiary					
Council's interest in Subsidiary		100%	100%	100%	100%

The nature of risks associated with Council's interests in the Subsidiary

The Art House is managed by an independent Incorporated Association with Council as a board member via a funding agreement with Council. The Art House delivers its services through a formal agreement with Council. This provides The Art House with the required autonomy and sector peer involvement to service the creative, media and business sectors as well as deliver a creative entertainment program for local, regional and national markets. Its performance is monitored via clear Key Performance Indicators (KPIs). Business Plan targets are reported to Council as required.

Council provided financial support of \$1.016M during the financial year (\$1.0M indexed per annum for ten years from 2015/16 onwards).

Reporting dates of Subsidiary

The Art House prepares audited financial statements on a calendar year basis.

Summarised financial information for the Subsidiary

\$ '000	2021	2020
Summarised statement of comprehensive income		
Revenue	2,245	2,309
Expenses	(1,876)	(2,391)
Profit/(loss) for the period	369	(82)
Total comprehensive income	369	(82)
Summarised statement of financial position		
Current assets	1,448	391
Non-current assets	38	221
Total assets	1,486	612
Current liabilities	839	287
Non-current liabilities	24	71
Total liabilities	863	358
Net assets	623	254

D2-1 Subsidiaries (continued)

\$ '000	2021	2020
Summarised statement of cash flows		
Cash flows from operating activities	906	(163)
Cash flows from investing activities	(45)	-
Cash flows from financing activities	(12)	-
Net increase (decrease) in cash and cash equivalents	849	(163)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

The risks associated with the financial instruments held are:

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

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash 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	4,858	3,627
Impact of a 10% movement in price of investments		
– Equity / Income Statement	48,580	36,271

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

(b) Credit risk

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	1	16,580	940	640	439	18,600
2020						
Gross carrying amount	173	23,790	3,928	897	285	29,073

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 due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	25,187	12,483	1,354	1,595	8,518	49,137
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	21.78%	3.78%
ECL provision	-	-	-	-	1,855	1,855
2020						
Gross carrying amount	5,539	33,094	1,514	5,535	12,662	58,344
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	19.70%	4.28%
ECL provision	-	-	-	-	2,494	2,494

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

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2021							
Payables	0.00%	11,149	44,910	43	9	56,111	56,111
Borrowings	3.25%	–	51,984	209,348	145,617	406,949	348,228
Total financial liabilities		11,149	96,894	209,391	145,626	463,060	404,339
2020							
Payables	0.00%	10,908	69,730	61	11	80,710	80,710
Borrowings	5.70%	–	57,862	111,521	141,660	311,043	236,588
Total financial liabilities		10,908	127,592	111,582	141,671	391,753	317,298

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

During the reporting period Council has also measured the following assets at fair value on a non-recurring basis:

- Non-current assets classified as held for sale

Where the carrying value of a non-current asset held for sale was higher than its fair value, the asset was written down to fair value.

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

Central Coast Council | Notes to the Financial Statements 30 June 2021

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy							
		Level 1 Quoted prices in active mkt		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
At fair value through profit or loss		248,954	38,220	-	-	-	-	248,954	38,220
Total financial assets		248,954	38,220	-	-	-	-	248,954	38,220
Infrastructure, property, plant and equipment									
Plant and equipment	C1-8	-	-	-	-	49,808	58,069	49,808	58,069
Office equipment		-	-	-	-	7,675	9,737	7,675	9,737
Furniture and fittings		-	-	-	-	9,300	9,221	9,300	9,221
Operational land		-	-	485,789	443,343	-	-	485,789	443,343
Crown and Community land		-	-	-	-	424,488	422,992	424,488	422,992
Land under Roads		-	-	-	-	2,149	1,586	2,149	1,586
Land improvements – depreciable		-	-	-	-	30,244	28,323	30,244	28,323
Buildings – specialised		-	-	-	-	446,406	471,635	446,406	471,635
Other structures		-	-	-	-	34,806	30,517	34,806	30,517
Roads		-	-	-	-	1,427,873	1,386,134	1,427,873	1,386,134
Bridges		-	-	-	-	37,906	37,105	37,906	37,105
Footpaths		-	-	-	-	143,048	99,112	143,048	99,112
Bulk earthworks – non depreciable		-	-	-	-	354,039	382,751	354,039	382,751
Stormwater drainage		-	-	-	-	1,092,202	1,030,632	1,092,202	1,030,632
Water supply network		-	-	-	-	1,151,118	1,043,852	1,151,118	1,043,852
Sewerage network		-	-	-	-	1,334,671	1,415,215	1,334,671	1,415,215
Swimming pools		-	-	-	-	4,922	5,137	4,922	5,137
Other open space/recreational assets		-	-	-	-	92,168	77,338	92,168	77,338
Other infrastructure		-	-	-	-	26,841	28,938	26,841	28,938
Library books		-	-	-	-	1,886	2,187	1,886	2,187
Other		-	-	-	-	1,199	858	1,199	858
Tip assets		-	-	-	-	20,976	20,153	20,976	20,153
Total infrastructure, property, plant and equipment	C1-8	-	-	485,789	443,343	6,693,725	6,561,492	7,179,514	7,004,835
Non-recurring fair value measurements									
Non-current assets held for sale									
Land	C1-7	-	-	37,815	-	-	-	37,815	-
Buildings		-	-	-	-	6,543	-	6,543	-
Total non-recurring fair value measurements		-	-	37,815	-	6,543	-	44,358	-

continued on next page ...

Page 61 of 95

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 based on the valuation techniques employed by the former Councils.

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment, furniture and fittings assets are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- plant and equipment
 - o Major plant items – tractors, excavators, street sweepers, tippers, rollers, forklifts, backhoes, beach cleaners and weed harvester
 - o Minor plant items – generators, mowers, trailers, chainsaws, wood chippers and power hand tools
 - o Fleet vehicles – trucks, commercial vehicles and passenger vehicles
- office equipment – computer hardware, communications equipment, digital cameras, photocopiers
- furniture and fittings – work stations, storage cabinets, CCTV, air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

Council reviews the value of these assets based on the gross replacement cost of similar assets.

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

Operational land

This asset class is comprised of all Council's land classified as Operational Land under the *Local Government Act 1993*. Council's accounting policy is to value the freehold land at market value basis.

Council engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. The land was valued using level 2 inputs that would be taken into account by buyers and sellers in setting the price, including but not limited to dimensions, land use and zoning, exposure to traffic and topography.

The fair value of operational land was reviewed for the year ended 30 June 2021 and an adjustment was recognised in the financial statements to ensure the carrying values of these assets materially reflect fair value.

Crown and Community land

Community Land assets are comprised of Council owned land classified as Community Land under the *Local Government Act 1993*. Crown land is under the care and management of Council on behalf of the Crown.

Council's accounting policy is to value Crown and Community land based on the unimproved land values provided by the Valuer General or an average unit rate based on the land values for similar properties (land use, land size, shape and location).

These are considered level 2 observable inputs.

Crown and Community land have been valued at 30 June 2020 using the VG valuations published on 1 July 2019.

Land under roads

Land under roads consists of land under roadways and road reserves including land under footpaths, nature strips and median strips as per AASB 1051. Council has elected not to recognise as an asset land under roads acquired before 1 July 2008.

Land under roads acquired since 1 July 2008 has been recognised in accordance with AASB 116 Property, Plant and Equipment. Where Council has acquired land under roads it is recognised at cost where the cost represents fair value. Where the land under roads is dedicated or acquired at nominal value the land is recognised at its fair value.

E2-1 Fair value measurement (continued)

Land under roads has been valued at 30 June 2020 using the Englobo method (which is a discounted method) and VG valuations published on 1 July 2019. This asset class is classified as Level 2 as significant inputs used are observable.

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

Land improvements

This asset class is comprised of landscaping, estuary protection works, access works, water features and paved public areas.

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

Buildings – specialised

It is Council's accounting policy to value buildings for which a market exists using the best estimate of the price reasonably obtainable in the market at the date of valuation. Where there is no depth in market the buildings will be determined on the depreciated current replacement cost basis.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting). The buildings and site improvements will be physically inspected and measured.

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

Council engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account Council's asset management practices.

Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other outputs (such as estimates of residual value, useful life, asset condition and componentisation including the split between short and long life components) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, this asset class has been valued utilising Level 3 inputs.

Other structures

This asset class is comprised of shade shelters, retaining walls, playground equipment, fencing, fountains, sea walls and structures which did not meet the definition of a building and are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items.

The replacement cost approach will be utilised to value other structures. Unobservable Level 3 inputs used include useful life, asset condition and pattern of consumption.

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

Roads

This asset class is comprised of the road carriageway, car parks, and other road related assets. Council's roads are separated into segments for inspection and valuation and componentised into the surface, sub-base, base and associated earthworks. Other road related assets include bus shelters, footpaths, guard rails, speed humps, kerb and gutter, medians, pedestrian refuges and roundabouts.

Council engaged Morrison Low to value all Roads Infrastructure assets at 30 June 2021. The gross replacement cost for each asset was calculated using the Modern Engineering Equivalent Replacement Asset (MEERA) approach.

Unit rates were developed for each road classification and traffic volume, based on data available including the cost to construct similar assets from actual contract rates and industry unit rates. Some of the other significant inputs are remaining useful life, pattern of consumption, dimensions and road classification.

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

Bridges

This asset class is comprised of road and foot bridges.

Council engaged Morrison Low to value all bridges at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach.

Bridges are assessed by physical inspection in accordance with Roads and Maritime Services guidelines. Condition information is updated as changes are observed through regular inspections.

E2-1 Fair value measurement (continued)

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

Footpaths

This asset class is comprised of pedestrian walkways and cycle ways (shared paths).

Council engaged Morrison Low to value all footpaths as at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach.

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

Bulk earthworks (non-depreciable)

This asset class contains the formation costs for roads and buildings. Buildings and sporting facilities are recognised and valued at cost and Council assumes that the carrying amount reflects the fair value of these assets.

This asset class has been recognised as non-depreciable as it is not expected that bulk earthworks will need to be renewed during the normal operational use of the assets.

Bulk earthworks were revalued as part of the valuation of Roads, Bridges and Transport assets by Morrison Low at 30 June 2021.

Stormwater drainage

The Stormwater drainage asset class consists of Council's pits, pipes, detention basins, open drains, culverts, floodgates, wetlands, headwalls and gross pollutant traps.

The valuation of this asset class uses the cost assets approach. Council engaged Morrison Low to value all Stormwater Drainage assets at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach.

Significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption.

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

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

Water supply network

This asset class is comprised of water treatment plants, water pump stations, reservoirs, water mains, tunnels, dams, weirs and water meters.

Council engaged external consultants GHD, to undertake the valuation of all water supply infrastructure assets at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach. Significant inputs considered in the valuation of these assets are remaining useful life, asset condition, unit rates and pattern of consumption.

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

Sewerage network

This asset class is comprised of sewer treatment plants, sewer pump stations, sewer vacuum systems and sewer mains.

Council engaged external consultants GHD, to undertake the valuation of all sewerage network assets at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach. Significant inputs considered in the valuation of these assets are remaining useful life, asset condition, unit rates and pattern of consumption.

There have been no other changes to the valuation process during the reporting period.

Swimming pools

Assets within this class are comprised of ocean baths, swimming pools and associated structures.

The gross replacement cost approach will be utilised to value this asset class. This approach estimates the gross replacement cost based on MEERA techniques. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition.

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

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

E2-1 Fair value measurement (continued)

Other open space/recreational assets

This asset class is comprised of life guard towers, tennis courts, athletics tracks, picnic shelters, playground equipment, skate parks, fencing and sporting facilities.

This asset class will be valued using the gross replacement cost approach based on MEERA techniques.

Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition. Asset conditions are determined by field inspections using ratings of 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Library books

Assets included in this asset class consist of library books, journals, magazines, CDs and DVDs which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. There are no major variances between the fair value and carrying amount of these assets and these assets are disclosed at fair value in the notes.

Whilst these assets are recognised at cost with supporting supplier invoices (observable input) the remaining significant inputs (useful life, pattern of consumption and asset condition) are unobservable and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

Other assets

Other assets include miscellaneous assets which are recognised and valued at cost including the Heritage Collection which comprises artwork and sculptures. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items.

The replacement cost or insured value approach will be utilised to value other assets. Significant unobservable inputs considered in the valuation of these assets are useful life, pattern of consumption and asset condition and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

Tip asset

This asset class includes the tip cells at Council's Waste Facilities which is recognised and valued at cost.

Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item.

Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	Cost approach	Pattern of consumption, useful life and residual value
Crown and Community land	Land values obtained from the NSW Valuer-General	Discount rates relating to restrictions over use
Land under Roads	Cost approach	Discount rates relating to restrictions over use
Land improvements	Cost approach	Pattern of consumption, useful life and residual value
Buildings	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	Cost approach	Useful life, pattern of consumption and asset condition
Roads	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bridges	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Footpaths	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bulk earthworks	Cost approach	Useful life, pattern of consumption and asset condition
Stormwater drainage	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Water supply network	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Sewerage network	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Swimming pools	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Open space / recreational	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Other infrastructure	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Library books	Cost approach	Useful life, pattern of consumption and asset condition
Other	Cost approach	Useful life, pattern of consumption and asset condition
Tip assets	Cost approach	Pattern of consumption and useful life

continued on next page ...

Page 66 of 95

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		Crown and Community land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	58,069	49,850	9,737	4,415	9,221	6,708	422,992	383,795
Transfers from/(to) another asset class	823	(515)	-	(75)	-	(22)	-	(579)
Purchases (GBV)	3,111	19,536	681	7,966	1,614	3,665	335	419
Disposals (WDV)	(4,008)	(2,991)	(1)	-	(158)	-	(232)	(5)
Depreciation and impairment	(8,187)	(7,811)	(2,742)	(2,569)	(1,377)	(1,130)	-	-
Revaluation increments to Equity (ARR)	-	-	-	-	-	-	1,393	39,362
Closing balance	49,808	58,069	7,675	9,737	9,300	9,221	424,488	422,992

\$ '000	Land under Roads		Tip assets		Land improvements		Buildings	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	1,586	1,586	20,153	16,499	28,323	25,488	471,634	470,699
Transfers from/(to) another asset class	-	-	-	-	-	561	(7,378)	352
Purchases (GBV)	-	-	3,517	5,399	3,768	4,177	14,140	16,755
Disposals (WDV)	-	-	-	-	-	-	(639)	(3,510)
Depreciation and impairment	-	-	(2,694)	(1,745)	(1,847)	(1,903)	(13,731)	(11,769)
Revaluation increments to Equity (ARR)	563	-	-	-	-	-	(17,620)	(893)
Closing balance	2,149	1,586	20,976	20,153	30,244	28,323	446,406	471,634

\$ '000	Other structures		Roads		Bridges		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	30,517	24,434	1,386,134	1,354,860	37,105	35,017	99,112	89,836
Transfers from/(to) another asset class	(690)	243	6,923	-	-	-	-	-
Purchases (GBV)	7,131	7,448	44,161	68,408	129	2,805	12,249	11,935
Disposals (WDV)	(17)	(7)	(5,957)	(670)	(75)	(38)	-	-
Depreciation and impairment	(2,135)	(1,601)	(36,369)	(36,464)	(618)	(679)	(2,532)	(2,659)
Revaluation increments to Equity (ARR)	-	-	32,981	-	1,365	-	34,219	-
Closing balance	34,806	30,517	1,427,873	1,386,134	37,906	37,105	143,048	99,112

Central Coast Council | Notes to the Financial Statements 30 June 2021

E2-1 Fair value measurement (continued)

\$ '000	Bulk earthworks		Stormwater drainage		Water supply network		Sewerage network	
	2021	2020	2021	2020	2021	2020 Restated	2021	2020 Restated
Opening balance	382,751	377,894	1,030,632	1,020,512	1,043,853	1,041,594	1,415,214	1,413,845
Transfers from/(to) another asset class	4,686	-	-	-	6	682	691	600
Purchases (GBV)	728	4,927	19,882	26,271	33,696	20,557	43,435	24,574
Disposals (WDV)	-	(70)	(35)	(293)	(994)	(1,004)	(1,385)	(1,258)
Depreciation and impairment	-	-	(14,569)	(15,858)	(24,401)	(27,017)	(32,748)	(35,204)
Revaluation decrements to Income Statement	-	-	-	-	-	-	(7,843)	-
Revaluation increments to Equity (ARR)	(34,126)	-	56,292	-	98,958	9,041	(82,693)	12,657
Closing balance	354,039	382,751	1,092,202	1,030,632	1,151,118	1,043,853	1,334,671	1,415,214

\$ '000	Swimming pools		Open space / recreational		Other infrastructure		Library books	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	5,137	3,622	77,338	72,712	28,938	24,451	2,187	2,125
Transfers from/(to) another asset class	13	266	-	(248)	(6,756)	-	-	-
Purchases (GBV)	118	1,471	19,822	8,994	6,196	5,913	509	833
Disposals (WDV)	-	(7)	-	-	-	(80)	-	(1)
Depreciation and impairment	(346)	(215)	(4,992)	(4,120)	(1,537)	(1,346)	(810)	(770)
Closing balance	4,922	5,137	92,168	77,338	26,841	28,938	1,886	2,187

\$ '000	Other		Total	
	2021	2020	2021	2020 Restated
Opening balance	858	807	6,561,491	6,420,749
Transfers from/(to) another asset class	-	-	(1,682)	1,265
Purchases (GBV)	4,195	124	219,417	242,177
Disposals (WDV)	-	-	(13,501)	(9,934)
Depreciation and impairment	(173)	(73)	(151,808)	(152,933)
Revaluation decrements to Income Statement	-	-	(7,843)	-
Revaluation increments to Equity (ARR)	1,005	-	92,337	60,167
Closing balance	5,885	858	6,698,411	6,561,491

Highest and best use

The following non-financial assets of Council are being utilised for purposes that do not generate commercial revenues:

Community based assets

Council undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based on meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the *Local Government Act 1993*.

Futhermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the "highest and best use" of those assets to Council.

E3-1 Contingencies

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

CONTINGENT LIABILITIES

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay future service employer contributions and past service employer contributions to the 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 lifetime of a typical new entrant is calculated. The current standard employer contribution rates are:

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to fund the deficit of assets to accrued liabilities. It is estimated that there are \$1,779,700 past service contributions remaining.

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.

E3-1 Contingencies (continued)

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 \$2,840,977. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$2,424,953.

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 other accumulation accounts and reserves in both assets and liabilities.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Contaminated lands

Council is required by law to remediate its contaminated sites. The projected costs associated with this remediation are provided for within the financial statements at Note C3-5 and are based on certain estimates and assumptions. Prior to remediation works being carried out, monitoring works are required to manage site risks while post remediation there is a period of validation to ensure that the remediation has been successful. These costs are included within the projections provided for within the financial statements at Note C3-5. Post remediation and validation, Council will continue to monitor each site for at least an additional 10 years. This monitoring will vary between each site and cannot be reliably estimate at this time

E3-1 Contingencies (continued)

however may approximate \$911,170. This estimate is based on the former landfill sites actual monitoring costs for 2020-21 of \$91,117 multiplied by 10 years.

Waste Remediation

In 2018-2019 Council made notifications to the NSW Environmental Protection Authority (NSW EPA) under Section 60 of the *Contaminated Land Management Act 1997* for six retired landfill sites. In March 2020 Council was advised that three of these sites (Hylton Moore Oval, Frost Reserve and Adcock Park) are significant enough to warrant regulation under the *Contaminated Land Management Act 1997*. In August 2020 the NSW EPA approved Council's Voluntary Management Proposals for each of these three sites. In 2020-2021 the community consultation plans and site management plans were completed and the detailed site investigation stage commenced. The estimated cost to undertake the detailed site investigations and their review by NSW EPA accredited contaminated site auditor across all three sites is an additional \$663,150 and this has been fully provided for within the financial statements at Note C3-5. At this stage there is no reliable way to estimate the cost of any further remediation activities that may be required at these sites.

Legal Expenses

The Council is a party to a number of legal proceedings in various jurisdictions. All known costs have been recognised, however as the various legal proceedings are still in progress, it is not possible to estimate the ultimate financial impact. For example, legal costs that the Council may be awarded, or ordered to pay; and other financial penalties that may be imposed, subject to the powers of the Court or Tribunal in the relevant jurisdiction.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

Key management personnel (KMP) of Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. KMP include the following positions: Councillors, Administrator, Interim Administrator, Chief Executive Officer and Executive Leadership Team members.

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	3,329	4,308
Other long-term benefits	387	346
Termination benefits	776	445
Total	4,492	5,099

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 delivering a public service objective (e.g. rates and annual charges, water usage, access to library services or Council leisure centres by KMP) will not be disclosed.

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2021						
Supply of apprentices and support services	1	25	-	7 days	-	-
Insurance services	2	3,227	-	7 days	-	-
2020						
Supply of apprentices and support services	1	459	6	7 days	-	-
Insurance services	2	109	58	7 days	-	-

1 On 1 October 2019 Council entered into a new 3 year contract with Central Coast Group Training Limited, a company which is controlled by a member of the KMP of Council. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable based on 7 day terms for the duration of the contract.

2 The Council paid for insurance services during the year from Statewide Mutual, a company which has a member of Councils KMP as an elected Board Member. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms.

Central Coast Council | Notes to the Financial Statements 30 June 2021

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	39	89
Councillors' fees	175	456
Councillors' expenses (including Mayor)	36	48
Interim Administrator /Administrator fee	209	-
Total	459	593

F1-3 Other related parties

\$ '000	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
2021						
Funding and in-kind support services 2020	1	1,016	-	Funding and support services provided in line with the funding agreement	-	-
Funding and in-kind support services	1	1,075	-	Funding and support services provided in line with the funding agreement	-	-
1	The former Wyong Shire Council entered into a funding and service level agreement with The Art House, Wyong Shire Performing Arts and Conference Centre Limited in 2016 to provide funding and in-kind services.					

F2 Other relationships

F2-1 Audit fees

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

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements ¹

	670	281
Total Auditor-General remuneration	670	281

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements

	100	-
Remuneration for audit and other assurance services	100	-

(ii) Non-assurance services

Other services

	11	90
Total audit fees	781	371

(1) Total disclosed in 2021 relates to the 2020 external audit

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 Restated
Net operating result from Income Statement	13,011	(22,652)
Adjust for non-cash items:		
Depreciation, amortisation and impairment	154,460	155,066
Net losses/(gains) on disposal of assets	7,052	4,931
Non-cash capital grants and contributions	(27,268)	(17,052)
Adoption of AASB 15/1058	-	(14,412)
Voluntary change in accounting policy	-	(10,467)
Investments classified as 'at fair value'	(561)	(2,476)
- Interest-free advances made by Council (deferred debtors)	294	-
Decrements from revaluations direct to P&L	7,843	-
Interest on all fair value adjusted interest free advances made by Council	-	(27)
Unwinding of discount rates on reinstatement provisions	566	1,193
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	19,679	(12,806)
Increase/(decrease) in provision for impairment of receivables	(639)	100
Decrease/(increase) in inventories	243	(255)
Decrease/(increase) in other current assets	2,482	(896)
Increase/(decrease) in payables	(5,172)	(1,500)
Increase/(decrease) in other accrued expenses payable	(20,735)	5,428
Increase/(decrease) in other liabilities	2,397	(114)
Increase/(decrease) in contract liabilities	2,785	12,996
Increase/(decrease) in provision for employee benefits	(5,276)	4,108
Increase/(decrease) in other provisions	(2,429)	6,895
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	148,732	108,060

(b) Non-cash investing and financing activities

Other dedications	27,098	17,052
Total non-cash investing and financing activities	27,098	17,052

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	338	2,289
Land and buildings	1,254	10,900
Technology	674	5,264
Tip assets	8,118	1,187
Stormwater Management infrastructure	159	406
Open Space infrastructure	1,283	3,372
Road infrastructure	2,480	4,641
Sewerage and water infrastructure	13,488	41,294
Total commitments	27,794	69,353
These expenditures are payable as follows:		
Within the next year	27,794	69,353
Sources for funding of capital commitments:		
Unrestricted general funds	10,589	69,353
Unexpended grants and contributions	9,846	-
Externally restricted reserves	7,359	-
Total sources of funding	27,794	69,353

Details of capital commitments

Major projects to continue next year include:

- * Annual water main renewal program
- * Buttoderry Waste Management Facility - Cell 4.4
- * Water treatment plant major upgrade - Mardi
- * Water and sewer infrastructure reinforcements - Gosford CBD
- * Critical sewer main rehabilitation - reticulation system
- * Water and sewer infrastructure - Warnervale town centre
- * Peninsula Leisure Centre - Air handling system upgrade
- * Serwe pump station upgrade - Clarke Road, Noraville
- * Del Monte Place road upgrade - Copacabana

G3-1 Events occurring after the reporting date

As at the date of this report, Council has:

- received funds totalling \$43.0M relating to the sale of assets disclosed in Note C1-7 'Non-current assets classified as held for sale'
- exchanged contracts for further sales, also disclosed in Note C1-7, totalling \$9.5M.

On 17 May 2021, IPART approved a temporary special variation (SV) of 15% for three years to 30 June 2024. On 7 February 2022, Council resolved to apply to IPART to maintain this SV for a further seven years (from 1 July 2024 to 30 June 2031). As at the date of this report IPART is yet to provide a final determination.

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Voluntary changes in accounting policies

Nature of changes in accounting policies

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Council's accounting policy has historically been to capitalise some or all costs related to cloud computing arrangements as intangible assets in the Statement of Financial Position. The adoption of this agenda decision is a change in the Council's accounting policy and has resulted in a reclassification of these intangible assets as an expense in the Income Statement, impacting both the current and prior periods presented.

Management judgement was applied in determining which applications are not controlled by the Council.

The accounting policy change identified above has been applied by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the accounting policy changes. The impact on each line item is shown in the tables below.

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

Statement of Financial Position

\$ '000	As Previously Reported 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019 ¹
Infrastructure, property, plant and equipment	7,077,104	(10,467)	7,066,637
Intangibles	11,727	(10,024)	1,703
Total assets	7,646,770	(20,491)	7,626,279
Net assets	7,180,928	(20,491)	7,160,437
Accumulated surplus	6,989,141	(20,491)	6,968,650
Total equity	7,180,928	(20,491)	7,160,437

(1) Updated for the impact of the change in accounting policy. Refer to Note G4-2 below for the restated amounts at 30 June 2019 as they appear in the primary financial statements.

Central Coast Council | Notes to the Financial Statements 30 June 2021

G4-1 Changes in accounting policy (continued)

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

Statement of Financial Position

\$ '000	As Previously Reported 30 June, 2020	Impact Increase/ (decrease)	Restated Amount 30 June, 2020 ¹
Intangible assets	29,993	(20,491)	9,502
Total assets	7,704,964	(20,491)	7,684,473
Net assets	7,204,846	(20,491)	7,184,355
Accumulated Surplus	6,952,892	(20,491)	6,932,401
Total equity	7,204,846	(20,491)	7,184,355

(1) Updated for the impact of the change in accounting policy. Refer to Note G4-2 below for the restated amounts at 30 June 2020 as they appear in the primary financial statements.

Income Statement

\$ '000	As Previously Reported 30 June, 2020	Impact Increase/ (decrease)	Restated Amount 30 June, 2020 ¹
Depreciation and amortisation	157,109	(2,288)	154,821
Materials and services	175,731	2,858	178,589
Total expenses from continuing operations	614,344	570	614,914
Net operating result from continuing operations	(21,837)	(570)	(22,407)

(1) Updated for the impact of the change in accounting policy. Refer to Note G4-2 below for the restated amounts at 30 June 2020 as they appear in the primary financial statements.

Statement of Comprehensive Income

\$ '000	As Previously Reported 30 June, 2020	Impact Increase/ (decrease)	Restated Amount 30 June, 2020 ¹
Net operating result from continuing operations	(21,837)	(570)	(22,407)
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	60,167	–	60,167
Other comprehensive income	60,167	–	60,167
Total comprehensive income for the year	38,330	(570)	37,760

(1) Updated for the impact of the change in accounting policy. Refer to Note G4-2 below for the restated amounts at 30 June 2020 as they appear in the primary financial statements.

G4-2 Correction of errors

Nature of prior-period error

During the water and sewer assets revaluation process at 30 June 2021, it was determined that a number of water and sewer pipeline assets had not been previously recorded in Council's fixed asset register. The valuation of these assets totalled \$19.94M with a written down book value at 30 June 2021 of \$11.36M.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

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

Statement of Financial Position

\$ '000	As Previously Reported 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	7,066,637	11,850	7,078,487
Total assets	7,626,279	11,850	7,638,129
Net assets	7,160,437	11,850	7,172,287
Accumulated surplus	6,968,650	11,850	6,980,500
Total equity	7,160,437	11,850	7,172,287

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

Statement of Financial Position

\$ '000	As Previously Reported 30 June, 2020	Impact Increase/ (decrease)	Restated Amount 30 June, 2020
Infrastructure, property, plant and equipment	7,217,178	11,850	7,229,028
Total assets	7,684,473	11,850	7,696,323
Net assets	7,184,355	11,850	7,196,205
Accumulated surplus	6,932,401	11,850	6,944,251
Total equity	7,184,355	11,850	7,196,205

Income Statement

\$ '000	As Previously Reported 30 June, 2020	Impact Increase/ (decrease)	Restated Amount 30 June, 2020
Total income from continuing operations	592,507	–	592,507
Depreciation and amortisation	154,821	245	155,066
Total expenses from continuing operations	614,914	245	615,159

G4-2 Correction of errors (continued)

Statement of Comprehensive Income

\$ '000	As Previously Reported 30 June, 2020	Impact Increase/ (decrease)	Restated Amount 30 June, 2020
Net operating result for the year	(22,407)	(245)	(22,652)
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	60,167	-	60,167
Other comprehensive income	60,167	-	60,167
Total comprehensive income for the year	37,760	(245)	37,515

G5 Statement of developer contributions as at 30 June 2021

G5-1 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	23,002	518	-	203	(1,150)	-	22,573	-
Roads	14,357	2,157	-	200	(97)	72	16,689	(183)
Parking	5,445	6	-	59	(48)	77	5,539	-
Open space	13,438	2,113	-	231	(1,290)	(342)	14,150	(841)
Community facilities	26,176	1,797	-	246	-	193	28,412	(747)
Other	443	205	-	4	(170)	-	482	-
Drainage Capital	6,756	348	-	82	(219)	-	6,967	-
Drainage Land	3,132	80	-	38	(52)	-	3,198	-
Storm Water/Flood Mitigation	1,692	208	-	21	(4)	-	1,917	-
Roads Capital	5,626	324	-	68	(116)	-	5,902	-
Roads Land	86	2	-	2	(7)	-	83	-
Open Space Land	7,299	508	-	90	(160)	-	7,737	-
Open Space Embellishment	1,851	562	-	23	(741)	-	1,695	-
Community Capital	7,907	233	-	94	(430)	-	7,804	-
Community Land	435	10	-	6	(1)	-	450	-
Recreation	2,497	100	-	29	(129)	-	2,497	-
Footpaths	699	47	-	10	(32)	-	724	-
Environment Protection	818	15	-	10	(5)	-	838	-
Towncentre Improvements	1,383	309	-	16	(96)	-	1,612	-
Car Parking Administration	71	-	-	1	-	-	72	-
S7.11 contributions – under a plan	123,113	9,542	-	1,433	(4,747)	-	129,341	(1,771)
S7.12 levies – under a plan	17,526	1,628	-	191	(1,668)	-	17,677	-
Total S7.11 and S7.12 revenue under plans	140,639	11,170	-	1,624	(6,415)	-	147,018	(1,771)
S7.11 not under plans	4,903	-	-	65	(38)	-	4,930	-
S7.4 planning agreements	5,575	-	-	55	-	-	5,630	1,771
S64 contributions - Water	27,529	3,392	-	226	(29,482)	-	1,665	-
S64 contributions - Sewer	20,031	3,010	-	284	(3,816)	-	19,509	-
Total contributions	198,677	17,572	-	2,254	(39,751)	-	178,752	-

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.

G5-1 Summary of developer contributions (continued)

Under the *Local Government Act 1993*, Council levies S64 contributions for Water and Sewer Infrastructure assets. These contributions are outlined in the relevant Development Servicing Plans (DSPs) and in accordance with the *Water Management Act 2000*.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 5 - WEST NARARA								
Drainage Capital	999	4	-	12	(25)	-	990	-
Drainage Land	123	-	-	2	(3)	-	122	-
Roads Capital	261	1	-	3	(7)	-	258	-
Open Space Land	424	2	-	5	(5)	-	426	-
Community Capital	384	-	-	5	(12)	-	377	-
Recreation	202	2	-	2	(12)	-	194	-
Total	2,393	9	-	29	(64)	-	2,367	-
CONTRIBUTION PLAN NUMBER 7 - NIAGARA PARK								
Drainage Capital	307	-	-	4	(9)	-	302	-
Roads Capital	62	-	-	1	(4)	-	59	-
Open Space Land	41	-	-	-	-	-	41	-
Community Capital	107	-	-	1	(10)	-	98	-
Recreation	33	-	-	-	-	-	33	-
Total	550	-	-	6	(23)	-	533	-

continued on next page ...

Page 84 of 95

Central Coast Council | Notes to the Financial Statements 30 June 2021

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 8 - LISAROW								
Drainage Capital	568	6	-	7	(18)	-	563	-
Drainage Land	850	12	-	10	(22)	-	850	-
Roads Capital	593	20	-	7	(10)	-	610	-
Open Space Land	141	6	-	3	(7)	-	143	-
Community Capital	3,211	10	-	37	(106)	-	3,152	-
Recreation	223	2	-	3	(19)	-	209	-
Total	5,586	56	-	67	(182)	-	5,527	-
CONTRIBUTION PLAN NUMBER 16 - KINCUMBER								
Drainage Capital	424	-	-	5	(6)	-	423	-
Drainage Land	57	-	-	1	(5)	-	53	-
Roads Capital	514	-	-	5	(16)	-	503	-
Open Space Land	552	-	-	7	(30)	-	529	-
Total	1,547	-	-	18	(57)	-	1,508	-
CONTRIBUTION PLAN NUMBER 21 - KARIONG								
Drainage Capital	381	41	-	5	(39)	-	388	-
Roads Capital	31	19	-	-	(2)	-	48	-
Open Space Land	1,013	16	-	12	(2)	-	1,039	-
Community Capital	511	13	-	6	(209)	-	321	-
Total	1,936	89	-	23	(252)	-	1,796	-
CONTRIBUTION PLAN NUMBER 23 - SPRINGFIELD								
Drainage Capital	41	4	-	-	(1)	-	44	-
Drainage Land	35	1	-	-	(1)	-	35	-
Roads Capital	343	33	-	5	(8)	-	373	-
Open Space Land	471	63	-	6	(11)	-	529	-
Total	890	101	-	11	(21)	-	981	-

continued on next page ...

Page 85 of 95

Central Coast Council | Notes to the Financial Statements 30 June 2021

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 31 - PENINSULA								
Drainage Capital	2,885	173	-	35	(70)	-	3,023	-
Drainage Land	1,695	44	-	21	(12)	-	1,748	-
Roads Capital	392	64	-	5	(35)	-	426	-
Open Space Land	3,072	192	-	38	(88)	-	3,214	-
Community Land	435	10	-	6	(1)	-	450	-
Open Space Embellishment	866	534	-	10	(678)	-	732	-
Community Capital	1,686	164	-	21	(20)	-	1,851	-
Total	11,031	1,181	-	136	(904)	-	11,444	-
CONTRIBUTION PLAN NUMBER 36 - ERINA VALLEY								
Other	30	-	-	1	(2)	-	29	-
Total	30	-	-	1	(2)	-	29	-
CONTRIBUTION PLAN NUMBER 42 - ERINA								
Drainage Capital	1,151	120	-	14	(51)	-	1,234	-
Drainage Land	372	23	-	4	(9)	-	390	-
Roads Capital	416	103	-	5	-	-	524	-
Roads Land	86	2	-	2	(7)	-	83	-
Open Space Land	1,166	227	-	15	(2)	-	1,406	-
Community Capital	1,118	17	-	13	(66)	-	1,082	-
Recreation	1,374	61	-	16	(93)	-	1,358	-
Total	5,683	553	-	69	(228)	-	6,077	-
CONTRIBUTION PLAN NUMBER 43 - EAST GOSFORD (PARTIALLY REPEALED)								
Roads Capital	294	12	-	4	(1)	-	309	-
Open Space Embellishment	805	14	-	10	(36)	-	793	-
Footpaths	269	18	-	3	(15)	-	275	-
Total	1,368	44	-	17	(52)	-	1,377	-

continued on next page ...

Page 86 of 95

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 47A - TERRIGAL								
	1,692	208	-	21	(4)	-	1,917	-
	7	9	-	-	(20)	-	(4)	-
	298	24	-	4	(8)	-	318	-
	1,383	309	-	16	(96)	-	1,612	-
Total	3,380	550	-	41	(128)	-	3,843	-
CONTRIBUTION PLAN NUMBER 48 - AVOCA								
	138	-	-	2	(6)	-	134	-
	39	-	-	1	(2)	-	38	-
Total	177	-	-	3	(8)	-	172	-
CONTRIBUTION PLAN NUMBER 49 - NORTH GOSFORD								
	419	2	-	4	(15)	-	410	-
	2	5	-	-	-	-	7	-
	93	5	-	2	(7)	-	93	-
Total	514	12	-	6	(22)	-	510	-
CONTRIBUTION PLAN NUMBER 52 - SPRINGFIELD / ERINA CREEK								
	6	-	-	-	-	-	6	-
Total	6	-	-	-	-	-	6	-
CONTRIBUTION PLAN NUMBER 57 - JOHN WHITEWAY DRIVE (REPEALED)								
	49	4	-	1	-	-	54	-
Total	49	4	-	1	-	-	54	-
CONTRIBUTION PLAN NUMBER 58 - ERINA FAIR								
	957	18	-	11	(18)	-	968	-
Total	957	18	-	11	(18)	-	968	-
CONTRIBUTION PLAN NUMBER 67 - WOY WOY PARKING								
	1,368	-	-	16	(30)	-	1,354	-
Total	1,368	-	-	16	(30)	-	1,354	-

continued on next page ...

Central Coast Council | Notes to the Financial Statements 30 June 2021

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 68 - UMINA PARKING								
Parking	452	-	-	6	(4)	-	454	-
Total	452	-	-	6	(4)	-	454	-
CONTRIBUTION PLAN NUMBER 69 - TERRIGAL PARKING								
Parking	1,532	-	-	19	(7)	-	1,544	-
Car Parking Administration	71	-	-	1	-	-	72	-
Total	1,603	-	-	20	(7)	-	1,616	-
CONTRIBUTION PLAN NUMBER 70 - EAST GOSFORD PARKING								
Parking	223	6	-	3	(5)	-	227	-
Total	223	6	-	3	(5)	-	227	-
CONTRIBUTION PLAN NUMBER 71 - CAR PARKING AVOCA BEACH								
Parking	5	-	-	-	-	-	5	-
Total	5	-	-	-	-	-	5	-
CONTRIBUTION PLAN NUMBER 72 - ETTALONG CAR PARKING								
Parking	118	-	-	1	(2)	-	117	-
Total	118	-	-	1	(2)	-	117	-
CONTRIBUTION PLAN NUMBER 98 - BENSVILLE								
Roads Capital	7	-	-	-	(3)	-	4	-
Open Space Embellishment	33	-	-	1	(1)	-	33	-
Total	40	-	-	1	(4)	-	37	-
CONTRIBUTION PLAN NUMBER 164 - GOSFORD								
Roads Capital	1,701	50	-	21	(12)	-	1,760	-
Community Capital	890	29	-	11	(7)	-	923	-
Recreation	665	35	-	8	(5)	-	703	-
Environment Protection	818	15	-	10	(5)	-	838	-
Total	4,074	129	-	50	(29)	-	4,224	-

continued on next page ...

Page 88 of 95

Central Coast Council | Notes to the Financial Statements 30 June 2021

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 1 - WYONG								
Drainage	2,122	-	-	16	-	-	2,138	-
Roads	881	20	-	34	1,646	-	2,581	-
Parking	1,729	-	-	13	-	-	1,742	-
Open space	2,792	107	-	24	-	-	2,923	-
Community facilities	2,441	154	-	23	-	-	2,618	500
Other	53	-	-	-	-	-	53	-
Total	10,018	281	-	110	1,646	-	12,055	500
CONTRIBUTION PLAN NUMBER 2 - SOUTHERN LAKES								
Drainage	1,313	5	-	10	-	-	1,328	-
Roads	929	3	-	7	-	-	939	-
Open space	2,420	457	-	23	-	-	2,900	325
Community facilities	1,623	382	-	19	-	-	2,024	599
Other	3	56	-	-	(56)	-	3	-
Total	6,288	903	-	59	(56)	-	7,194	924
CONTRIBUTION PLAN NUMBER 3 - THE ENTRANCE								
Drainage	5	-	-	-	-	-	5	-
Roads	3,683	240	-	28	(97)	-	3,854	-
Parking	11	-	-	1	-	77	89	-
Open space	1,688	135	-	15	-	108	1,946	-
Community facilities	642	199	-	11	-	33	885	(1,146)
Total	6,029	574	-	55	(97)	218	6,779	(1,146)
CONTRIBUTION PLAN NUMBER 5 - OURIMBAH								
Roads	261	2	-	2	-	-	265	-
Open space	108	14	-	1	(34)	105	194	-
Community facilities	1,938	12	-	16	-	135	2,101	-
Other	1	1	-	-	(1)	-	1	-
Total	2,308	29	-	19	(35)	240	2,561	-

continued on next page ...

Page 89 of 95

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 6 - TOUKLEY								
Drainage	4	2	-	-	-	-	6	-
Roads	16	-	-	-	-	-	16	-
Parking	7	-	-	-	-	-	7	-
Open space	1,017	91	-	8	-	-	1,116	106
Community facilities	1,901	92	-	15	-	-	2,008	-
Total	2,945	185	-	23	-	-	3,153	106
CONTRIBUTION PLAN NUMBER 7 - GOROKAN								
Roads	77	-	-	6	-	-	83	-
Open space	643	126	-	11	(382)	499	897	183
Community facilities	582	106	-	5	-	36	729	-
Other	3	17	-	-	(17)	-	3	-
Total	1,305	249	-	22	(399)	535	1,712	183
CONTRIBUTION PLAN NUMBER 8 - SAN REMO								
Drainage	358	-	-	2	-	-	360	-
Roads	355	16	-	9	-	-	380	-
Open space	1,515	50	-	15	(322)	-	1,258	-
Community facilities	2	42	-	-	-	-	44	-
Other	3	6	-	-	(6)	-	3	-
Total	2,233	114	-	26	(328)	-	2,045	-
CONTRIBUTION PLAN NUMBER 9 - BUDGEWOI								
Roads	14	-	-	-	-	72	86	(183)
Open space	403	66	-	4	-	-	473	-
Community facilities	925	55	-	15	-	-	995	1,146
Other	1	9	-	-	(8)	-	2	-
Total	1,343	130	-	19	(8)	72	1,556	963

continued on next page ...

Page 90 of 95

Central Coast Council | Notes to the Financial Statements 30 June 2021

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER - 13								
SHIRE WIDE								
	968	213	-	10	-	-	1,191	-
Open space								
Community facilities	72	163	-	-	-	(135)	100	(3,301)
Other	13	31	-	1	(31)	-	14	-
Total	1,053	407	-	11	(31)	(135)	1,305	(3,301)
CONTRIBUTION PLAN NUMBER 15 - NORTHERN DISTRICTS								
Roads	2,142	45	-	16	-	-	2,203	-
Open space	838	77	-	10	(505)	432	852	-
Community facilities	2,560	65	-	21	-	124	2,770	-
Other	4	9	-	-	(9)	-	4	-
Total	5,544	196	-	47	(514)	556	5,829	-
CONTRIBUTION PLAN NUMBER 17 - WARNERVALE DISTRICT								
Drainage	19,200	511	-	175	(1,150)	-	18,736	-
Roads	5,999	1,831	-	98	(1,646)	-	6,282	-
Open space	1,046	777	-	110	(47)	(1,486)	400	(1,455)
Community facilities	13,490	527	-	121	-	-	14,138	1,455
Other	332	76	-	2	(40)	-	370	-
Total	40,067	3,722	-	506	(2,883)	(1,486)	39,926	-
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER GCIP								
Towncentre Improvements	13,548	1,023	-	161	(685)	-	14,047	-
Total	13,548	1,023	-	161	(685)	-	14,047	-
CONTRIBUTION PLAN NUMBER WYONG								
Other	3,978	605	-	30	(983)	-	3,630	-
Total	3,978	605	-	30	(983)	-	3,630	-

Central Coast Council | Notes to the Financial Statements 30 June 2021

G5-3 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					
GOSFORD CITY IMPROVEMENT & ERINA PARKING								
Parking	2,905	-	-	35	(6)	-	2,934	-
Roads Capital	518	-	-	6	(4)	-	520	-
Open Space Land	610	-	-	13	(24)	-	599	-
Open Space Embellishment	259	-	-	3	(4)	-	258	-
Community Capital	529	-	-	7	-	-	536	-
Environment Protection	82	-	-	1	-	-	83	-
Total	4,903	-	-	65	(38)	-	4,930	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(56,145)	(10.37)%	(16.65)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	541,383			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	498,975	79.83%	81.13%	> 60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	625,085			
3. Unrestricted current ratio				
Current assets less all external restrictions	160,766	2.27x	(0.32)x	> 1.50x
Current liabilities less specific purpose liabilities	70,889			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	115,023	1.44x	1.33x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	79,763			
5. Rates, annual charges and interest outstanding percentage				
Rates, annual charges and interest outstanding	20,735	5.69%	9.01%	< 5.00%
Rates, annual charges and interest collectible	364,351			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	236,846	5.03 mths	7.26 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	47,108			

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	2021	2020 Restated	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses	(8.42)%	(14.92)%	(19.33)%	(25.94)%	(12.23)%	(16.45)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ^{1,2}							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	75.72%	77.41%	89.27%	92.12%	94.19%	90.06%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.05x	(1.93)x	No liabilities	111.59x	(0.22)x	(20.28)x	> 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}	1.96x	5.02x	0.96x	0.42x	1.14x	2.83x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges and interest outstanding percentage							
Rates, annual charges and interest outstanding	4.89%	6.77%	9.27%	17.44%	8.36%	17.21%	< 5.00%
Rates, annual charges and interest collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.13 mths	4.97 mths	0.17 mths	3.78 mths	10.79 mths	28.61 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

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

(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 interest in joint ventures and associates using the equity method.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Coast Council

To the Administrator of Central Coast Council

Qualified Opinion

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

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report:

- 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 Qualified Opinion

Carrying values of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets

As disclosed in Note C1-8, the Council recognised \$5.5 billion of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position as at 30 June 2021.

In the 'Statement by the Administrator and Management', Council certified they were unable to provide sufficient evidence to support the carrying values of these assets in the Statement of Financial Position as at 30 June 2021. This is because the asset data used by Council to value these assets could not be reconciled by Council to its financial records prior to the valuation. The asset data was sourced from a non-financial system that did not include financial information or reference data that could be used to identify assets in Council's fixed asset register.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets in the Statement of Financial Position and related notes as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment for non-financial assets expense' in the Income Statement or Statement of Comprehensive Income for the year ended 30 June 2021
- determine the impacts on the 'Operating performance' and 'Debt service cover' ratios in Note G6-1 'Statement of Performance Measures - consolidated' and Note G6-2 'Statement of Performance Measures - by fund'.

Consequently, I was unable to provide an opinion that the affected amounts were materially correct.

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 qualified audit opinion.

Emphasis of Matter – Compliance with the *Local Government Act 1993*

I draw attention to Note A1-1 'Basis of Preparation', where the Council reported it has accessed restricted funds without the required approvals. Such unapproved use does not comply with sections 409 and 410 of the *Local Government Act 1993*.

My opinion is not modified in respect of this matter.

Other Information

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

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, I have separately expressed an opinion on the:

- special purpose financial statements and Special Schedule - Permissible income for general rates of the Council as required by the *Local Government Act 1993*
- general purpose financial statements of the Central Coast Council Water Supply Authority as required by the *Government Sector Audit Act 1983*.

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. As described in the Basis for Qualified Opinion section above, I was unable to obtain sufficient appropriate evidence to:

- support the carrying values of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets in the Statement of Financial Position and related notes as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment for non-financial assets expense' in the Income Statement or Statement of Comprehensive Income for the year ended 30 June 2021
- determine the impacts on the 'Operating performance' and 'Debt service cover' ratios in Note G6-1 'Statement of Performance Measures - consolidated' and Note G6-2 'Statement of Performance Measures - by fund'.

Accordingly, I am unable to conclude whether or not the other information is materially misstated with respect to these matters.

The Administrator's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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.



David Daniels
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 February 2022
SYDNEY



Mr Rik Hart
 Administrator
 Central Coast Council
 2 Hely Street
 WYONG NSW 2259

Contact: David Daniels
 Phone no: 02 9275 7103
 Our ref: D2201218/1710

28 February 2022

Dear Administrator

**Report on the Conduct of the Audit
 for the year ended 30 June 2021
 Central Coast Council**

I have audited the general purpose financial statements (GPFS) of the Central Coast 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 a modified opinion on the Council's GPFS, for the matters noted below.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements.

Modification to the opinion in the Independent Auditor's Report

Carrying values of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets

As disclosed in Note C1-8, the Council recognised \$5.5 billion of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position as at 30 June 2021.

In the 'Statement by the Administrator and Management', Council certified they were unable to provide sufficient evidence to support the carrying values of these assets in the Statement of Financial Position as at 30 June 2021. This is because the asset data used by Council to value these assets could not be reconciled by Council to its financial records prior to the valuation. The asset data was sourced from a non-financial system that did not include financial information or reference data that could be used to identify assets in Council's fixed asset register.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply network and sewerage network assets in the Statement of Financial Position and related notes as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment for non-financial assets expense' in the Income Statement or Statement of Comprehensive Income for the year ended 30 June 2021
- determine the impacts on the 'Operating performance' and Debt service cover' ratios in Note G6-1 'Statement of Performance Measures - consolidated' and Note G6-2 'Statement of Performance Measures - by fund'.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Refer to the Independent Auditor's report on the GPFS.

Compliance with legislative requirements

Breach of the *Local Government Act 1993*

The Council has certified it has accessed restricted funds for purposes other than their intended use without the required approvals during the year ended 30 June 2021. Such unapproved use does not comply with sections 409 and 410 of the *Local Government Act 1993*.

Refer to the Independent Auditor's Report on the GPFS.

High risk matters

The following high risk matters of governance interest were identified during my audit. High risk matters have high consequences and are likely to occur.

Risk assessment	Matter
High	<p>Spending of restricted funds for unrestricted purposes (repeat issue)</p> <p>Similar to last year, we noted the Council spent restricted funds for unrestricted purposes between July 2020 and November 2020, without the appropriate approvals under the LG Act. Because the Council pools its restricted funds within a common bank account, it is not clear which category of restricted funds has been inappropriately spent.</p>
High	<p>Framework and documentation outlining the Council's understanding of restrictions (repeat issue)</p> <p>Similar to last year, we noted there is no policy document or framework setting out legislative and operational requirements for each category of externally restricted funds. We also identified instances where the Council was unclear of the basis for a restriction.</p>
High	<p>Valuation of Infrastructure, Property, Plant and Equipment (repeat issue)</p> <p>The fair value of water and sewer network assets initially disclosed in the financial statements was incorrect, as it was based on a draft valuation report. This required material adjustments to the GPFS, SPFS and WSA financial statements.</p> <p>These asset classes are also subject to the limitation of scope outlined above. Refer to 'Modification to the opinion in the Independent Auditor's Report' above.</p> <p>Council could not reconcile the asset data used to value IPPE assets to its financial records prior to the valuation. The asset data was sourced from a non-financial system that did not include financial information or reference data that could be used to identify assets in Council's fixed asset register. This resulted in a limitation of scope on our audits. Refer to 'Modification to the opinion in the Independent Auditor's Report' above.</p>

 High **Fair value assessment of Infrastructure, Property, Plant and Equipment asset classes not subject to comprehensive revaluations (repeat issue)**

Council's initial fair value assessment of operational land did not consider relevant market value movements in 2020-21. This led to the incorrect conclusion that the market value of operational land had not materially moved since the last valuation in 2018.

Following audit queries, Council reperformed its operational land fair value assessment and recognised a \$85.8 million increase in the fair value of operation land at 30 June 2021.

 High **Quality and timeliness of financial reporting (repeat issue)**

The financial statements were submitted for audit earlier than last year. However, the financial statements required significant amendments to correct material monetary misstatements and disclosure deficiencies. The submitted financial statements did not:

- include complete and accurate IPPE revaluation results
- consider the IFRIC 'Software as a Service' (SaaS) agenda decision published in April 2021
- correctly account for the fair value of operational land
- correctly account for newly found assets.

Similar to last year, there was no documented evidence of timely quality review of the financial statements and associated supporting workpapers.

 High **Reconciliations of key accounts and sub-ledgers (repeat issue)**

The Council maintains several information systems for processing revenue transactions. Each day, the sub-ledger systems interface with the general ledger to transfer and update revenue data. Similar to last year, we identified:

- reconciliations were not performed between the general ledger and sub-ledger systems to ensure all transactions are reflected correctly in the general ledger
- the interface transfer often requires manual intervention to ensure the transfer occurs. There is no audit trail, or evidence of review of changes made to these transfers.

Also, similar to last year, some monthly key account reconciliations were not prepared and reviewed on a timely basis.

 High **Long outstanding internal audit recommendations**

There are a significant number of internal audit findings that remain unresolved. Almost a quarter of these, relate to calendar years 2018 and 2019.

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	331.7	321.9	↑ 3.0
Grants and contributions revenue	126.1	111.3	↑ 13.3
Operating result from continuing operations	13.0	(22.7)	↑ 157
Net operating result before capital grants and contributions	(70.7)	(89.6)	↑ 21.1

* The 2020 comparatives have been restated to correct a prior period error and as a result of a change in accounting policy. (See Note G4 of the financial statements)

The Council's operating result from continuing operations of \$13.0 million was \$35.7 million higher than the 2019-20 result. This includes depreciation and amortisation expense of \$162.3 million, which is impacted by the qualification referred to above at '[Modification to the opinion in the Independent Auditor's Report](#)'. The operating result is impacted by:

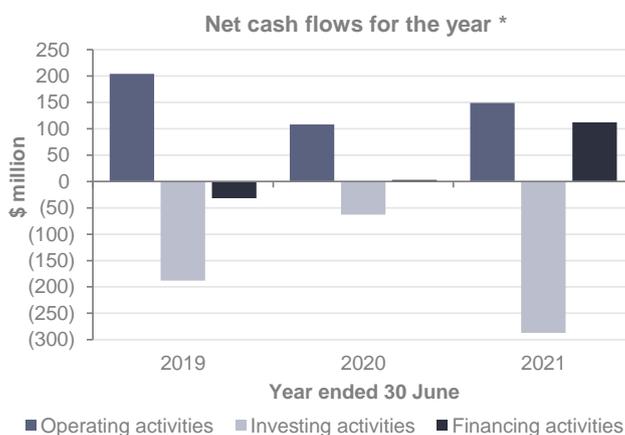
- a \$9.8 million (3.0 per cent) increase in rates and annual charges revenue
- a \$11.6 million (8.9 per cent) increase in user charges and fees revenue
- a \$16.8 million (25.1 per cent) increase in grants and contributions provided for capital purposes
- a \$7.3 million (4.7 per cent) increase in depreciation and amortisation expense
- a \$10.7 million (6.0 per cent) reduction in materials and contracts expense
- employee benefits and on-costs of \$222.6 million remaining similar to 2019-20 (\$220.9 million).

The net operating result before capital grants and contributions (\$70.7 million deficit) was \$18.9 million higher than the 2019-20 result.

Grants and contributions revenue (\$126.1 million) increased by \$14.8 million (13.3 per cent) in 2020-21, mainly due to an increase in capital grants and contributions received during the year.

STATEMENT OF CASH FLOWS

Cash and cash equivalents and current investment balances decreased from \$258.5 million to \$230.5 million at 30 June 2021. Net cash provided by operating activities increased in the current year.



* The 2020 comparatives have been restated to correct a prior period error and as a result of a change in accounting policy. Notes G4-1 and G4-2 of the GPFS provide details of the prior period error and change in accounting policy.

FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	485.8	362.7	External restrictions are balances restricted for a specific use due to legislative or contractual obligations. Internal restrictions are balances restricted for a specific use by way of a Council resolution.
Restricted cash and investments:			Total restrictions (both external and internal) exceeded total cash, cash equivalents and investments as at both 30 June 2021 and 30 June 2020. This is because the Council has breached sections 409 and 410 of the LG Act during the years ended 30 June 2021 and 30 June 2020 by accessing restricted funds without the required approvals.
• External restrictions	401.5	421.4	
• Internal restrictions	94.0	111.7	

Debt

The Council has bank overdraft facilities of \$0.5 million which remained unused as at 30 June 2021.

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 and Environment.

Operating performance ratio

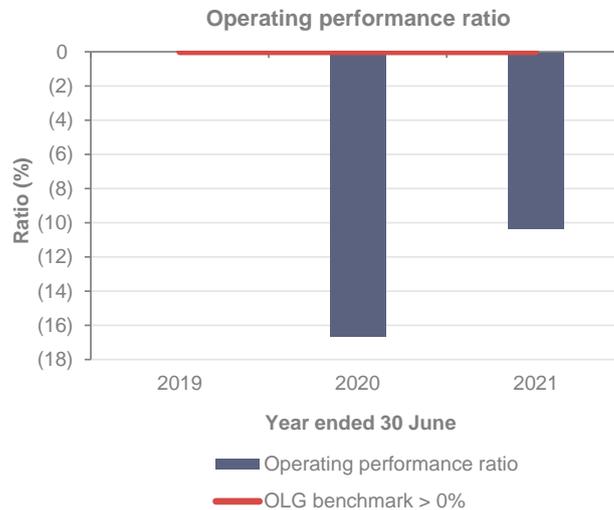
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

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

This ratio is subject to the qualification referred to at [Significant audit issues and observations](#).

The operating performance ratio for 2019 was zero (rounded).

The 2020 ratio was restated to correct a prior period error and for a change in accounting policy.



Own source operating revenue ratio

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

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

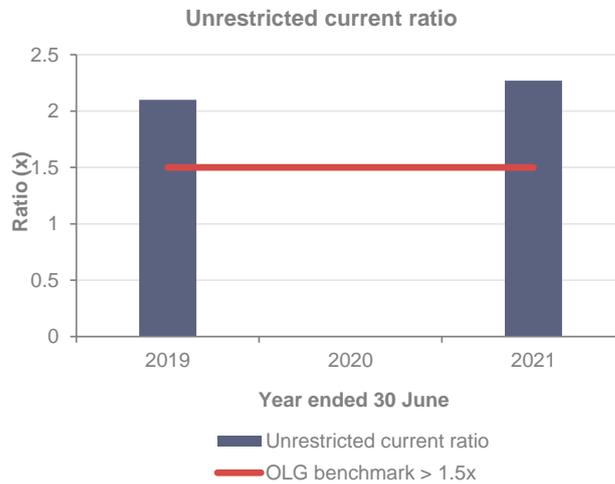


Unrestricted current ratio

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

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

Note the unrestricted current ratio for 2020 was zero (rounded).



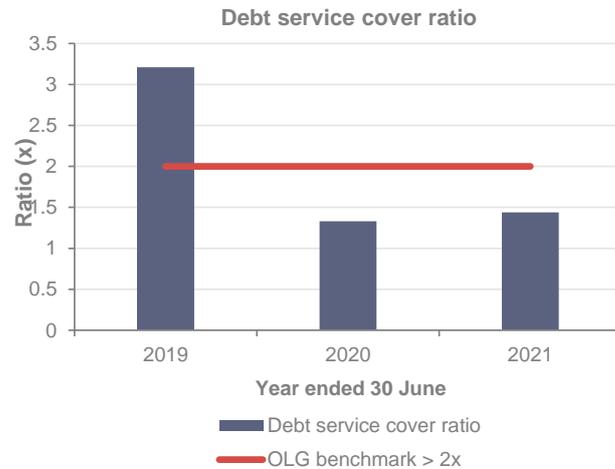
Debt service cover ratio

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

This ratio is subject to the qualification referred to at [Significant audit issues and observations](#).

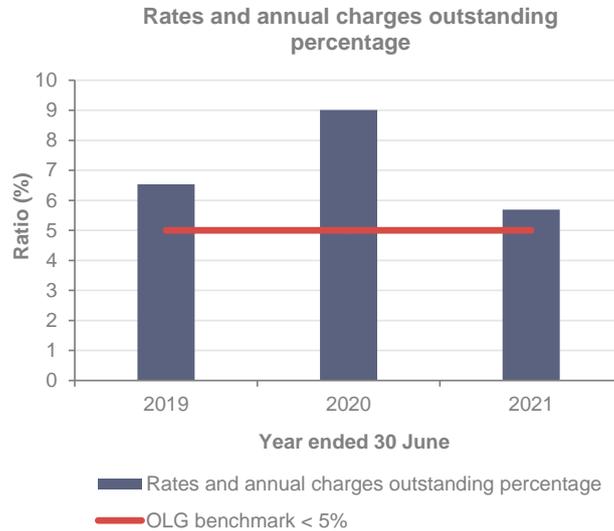
The 2020 ratio was restated to correct a prior period error and for a change in accounting policy.



Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.

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

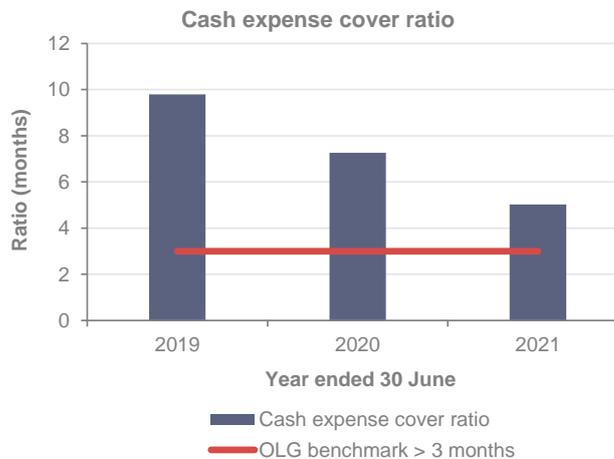


Cash expense cover ratio

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

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

The 2020 ratio was restated to correct a prior period error and for a change in accounting policy.



Infrastructure, property, plant and equipment renewals

Asset additions were \$176.5 million in 2020–21, compared to \$265.7 million in the prior year. Of this amount, \$7.0 million was spent on roads, \$9.9 million on stormwater drainage and \$5.2 million on other open space and recreational assets.

The Council did not separately disclose asset renewals in the GPFS.

As noted above, the Independent Auditor's Opinion is modified as Council was unable to provide sufficient evidence to support the carrying values of roads, bridges, footpaths, bulk earthworks, stormwater drainage, water network and sewer network assets. As a result, I was unable to obtain sufficient appropriate audit evidence to demonstrate that these asset classes were complete, existed and measured at fair value. Refer to [Significant audit issues and observations](#).

Legislative compliance

My audit procedures identified non-compliance with legislative requirements and a material deficiency in the Council's accounting records or financial statements that will be reported in the Management Letter and to the Minister for Local Government. Refer to [Significant audit issues and observations](#).

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements, except for roads, bridges, footpaths, bulk earthworks, stormwater drainage, water network and sewer network assets, where Council was unable to provide sufficient evidence to support the carrying values of these assets.
- staff provided all accounting records and information relevant to the audit, except for roads, bridges, footpaths, bulk earthworks, stormwater drainage, water network and sewer network assets, where Council was unable to provide sufficient evidence to support the carrying values of these assets.



David Daniels
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: David Farmer, Chief Executive Officer
Carl Millington, Chair of Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning, Industry and Environment



Special Purpose Statements

Central Coast Council

1 July 2020 to 30 June 2021

Central Coast Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Administrator and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Income Statement – Drainage	6
Income Statement – Holiday Parks	7
Income Statement – Leisure Centres	8
Income Statement – Child Care	9
Income Statement – Commercial Waste	10
Income Statement – Building Certification	11
Statement of Financial Position of water supply business activity	12
Statement of Financial Position of sewerage business activity	13
Statement of Financial Position – Drainage	14
Statement of Financial Position – Holiday Parks	15
Statement of Financial Position – Leisure Centres	16
Statement of Financial Position – Child Care	17
Statement of Financial Position – Commercial Waste	18
Statement of Financial Position – Building Certification	19
Note – Significant Accounting Policies	20
Auditor's Report on Special Purpose Financial Statements	23

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, **(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), and **(c)** those activities with a turnover of less than \$2 million that Council has formally declared as a business activity (defined as Category 2 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).

Central Coast Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

At 30 June 2021, Council recognised \$1.1B of stormwater drainage assets in the Statement of Financial Position for the Drainage business activity, \$1.2B of water supply network assets in the Statement of Financial Position for the Water Supply business activity and \$1.3B of sewerage network assets in the Statement of Financial Position for the Sewerage business activity.

Council was unable to provide sufficient evidence to the Audit Office, to support the carrying value of these assets on those Statements of Financial Position as at 30 June 2021. This impacts the recorded depreciation expense related to these assets.

Apart from the above, 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,
- accord with Council's accounting and other records, and
- present overhead reallocation charges to 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 12 October 2021.



Rik Hart
Administrator
28 February 2022



David Farmer
Chief Executive Officer
28 February 2022



Natalia Cowley
Responsible Accounting Officer
28 February 2022

Central Coast Council | Income Statement of water supply business activity | For the year ended 30 June 2021

Central Coast Council

Income Statement of water supply business activity
for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	11,930	11,325
User charges	55,803	57,452
Fees	1,833	1,607
Interest	315	1,211
Grants and contributions provided for non-capital purposes	3	17
Other income	7	82
Total income from continuing operations	69,891	71,694
Expenses from continuing operations		
Employee benefits and on-costs	16,877	18,010
Borrowing costs	9,559	11,315
Materials and services	31,192	33,304
Depreciation, amortisation and impairment	24,783	27,198
Water purchase charges	982	464
Loss on sale of assets	994	1,004
Calculated taxation equivalents	646	612
Other expenses	2	2
Total expenses from continuing operations	85,035	91,909
Surplus (deficit) from continuing operations before capital amounts	(15,144)	(20,215)
Grants and contributions provided for capital purposes	8,398	6,117
Surplus (deficit) from continuing operations after capital amounts	(6,746)	(14,098)
Surplus (deficit) from all operations before tax	(6,746)	(14,098)
Surplus (deficit) after tax	(6,746)	(14,098)
Opening accumulated surplus	956,928	964,704
Changes due to AASB 1058 and AASB 15 adoption	-	(2,404)
Prior period adjustment - found assets	-	8,114
Adjustments for amounts unpaid:		
- Taxation equivalent payments	646	612
Closing accumulated surplus	950,828	956,928
Return on capital %	(0.4)%	(0.8)%
Subsidy from Council	24,509	19,039
Calculation of dividend payable:		
Surplus (deficit) after tax	(6,746)	(14,098)
Less: capital grants and contributions (excluding developer contributions)	(8,398)	(6,117)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Central Coast Council | Income Statement of sewerage business activity | For the year ended 30 June 2021

Central Coast Council

Income Statement of sewerage business activity
for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	54,866	52,685
User charges	16,228	15,398
Liquid trade waste charges	2,136	2,180
Fees	1,161	868
Interest	2,250	3,659
Grants and contributions provided for non-capital purposes	462	399
Other income	59	79
Total income from continuing operations	77,162	75,268
Expenses from continuing operations		
Employee benefits and on-costs	17,877	17,577
Borrowing costs	4,783	3,906
Materials and services	30,634	30,492
Depreciation, amortisation and impairment	41,051	35,614
Loss on sale of assets	1,385	1,262
Calculated taxation equivalents	239	227
Other expenses	-	62
Total expenses from continuing operations	95,969	89,140
Surplus (deficit) from continuing operations before capital amounts	(18,807)	(13,872)
Grants and contributions provided for capital purposes	4,267	7,866
Surplus (deficit) from continuing operations after capital amounts	(14,540)	(6,006)
Surplus (deficit) from all operations before tax	(14,540)	(6,006)
Surplus (deficit) after tax	(14,540)	(6,006)
Opening accumulated surplus	1,496,284	1,498,572
Prior period adjustment - found assets	-	3,491
Adjustments for amounts unpaid:		
- Taxation equivalent payments	239	227
Closing accumulated surplus	1,481,983	1,496,284
Return on capital %	(1.0)%	(0.7)%
Subsidy from Council	34,745	23,245
Calculation of dividend payable:		
Surplus (deficit) after tax	(14,540)	(6,006)
Less: capital grants and contributions (excluding developer contributions)	(4,267)	(7,866)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Central Coast Council | Income Statement – Drainage | For the year ended 30 June 2021

Central Coast Council

Income Statement – Drainage

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
Access charges	15,008	14,345
Interest	29	53
Grants and contributions provided for non-capital purposes	242	177
Other income	–	18
Total income from continuing operations	15,279	14,593
Expenses from continuing operations		
Employee benefits and on-costs	1,465	1,969
Borrowing costs	568	635
Materials and services	7,059	10,879
Depreciation, amortisation and impairment	14,567	15,863
Loss on sale of assets	35	293
Calculated taxation equivalents	74	69
Total expenses from continuing operations	23,768	29,708
Surplus (deficit) from continuing operations before capital amounts	(8,489)	(15,115)
Grants and contributions provided for capital purposes	11,967	2,784
Surplus (deficit) from continuing operations after capital amounts	3,478	(12,331)
Surplus (deficit) from all operations before tax	3,478	(12,331)
SURPLUS (DEFICIT) AFTER TAX	3,478	(12,331)
Opening accumulated surplus	1,021,235	1,033,595
Changes due to AASB 1058 and AASB 15 adoption	–	(98)
Adjustments for amounts unpaid:		
– Taxation equivalent payments	74	69
Closing accumulated surplus	1,024,787	1,021,235
Return on capital %	(0.7)%	(1.4)%
Subsidy from Council	24,613	23,862

Central Coast Council | Income Statement – Holiday Parks | For the year ended 30 June 2021

Central Coast Council

Income Statement – Holiday Parks

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	11,583	9,077
Total income from continuing operations	11,583	9,077
Expenses from continuing operations		
Employee benefits and on-costs	181	264
Materials and services	8,239	6,524
Depreciation, amortisation and impairment	676	678
Loss on sale of assets	30	17
Calculated taxation equivalents	285	280
Other expenses	663	472
Total expenses from continuing operations	10,074	8,235
Surplus (deficit) from continuing operations before capital amounts	1,509	842
Surplus (deficit) from continuing operations after capital amounts	1,509	842
Surplus (deficit) from all operations before tax	1,509	842
Less: corporate taxation equivalent [based on result before capital]	(392)	(232)
SURPLUS (DEFICIT) AFTER TAX	1,117	610
Opening accumulated surplus	28,928	26,749
Adjustments for amounts unpaid:		
– Taxation equivalent payments	285	280
– Corporate taxation equivalent	392	232
– Subsidy paid/contribution to operations	1,606	1,057
Closing accumulated surplus	32,328	28,928
Return on capital %	7.5%	4.3%
Subsidy from Council	–	–

Central Coast Council | Income Statement – Leisure Centres | For the year ended 30 June 2021

Central Coast Council

Income Statement – Leisure Centres

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	6,450	5,246
Other income	467	383
Total income from continuing operations	6,917	5,629
Expenses from continuing operations		
Employee benefits and on-costs	6,470	5,922
Materials and services	3,419	3,568
Depreciation, amortisation and impairment	1,485	1,256
Loss on sale of assets	–	653
Calculated taxation equivalents	506	412
Other expenses	–	2
Total expenses from continuing operations	11,880	11,813
Surplus (deficit) from continuing operations before capital amounts	(4,963)	(6,184)
Grants and contributions provided for capital purposes	570	263
Surplus (deficit) from continuing operations after capital amounts	(4,393)	(5,921)
Surplus (deficit) from all operations before tax	(4,393)	(5,921)
SURPLUS (DEFICIT) AFTER TAX	(4,393)	(5,921)
Opening accumulated surplus	38,372	40,686
Adjustments for amounts unpaid:		
– Taxation equivalent payments	506	412
– Subsidy payable/contribution to operations by Council	7,173	3,195
Closing accumulated surplus	41,658	38,372
Return on capital %	(10.2)%	(13.6)%
Subsidy from Council	5,685	6,589

Central Coast Council | Income Statement – Child Care | For the year ended 30 June 2021

Central Coast Council

Income Statement – Child Care

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	6,952	5,188
Grants and contributions provided for non-capital purposes	930	2,130
Other income	11	–
Total income from continuing operations	7,893	7,318
Expenses from continuing operations		
Employee benefits and on-costs	6,873	6,686
Borrowing costs	13	13
Materials and services	2,275	2,148
Depreciation, amortisation and impairment	158	66
Calculated taxation equivalents	350	381
Other expenses	–	70
Total expenses from continuing operations	9,669	9,364
Surplus (deficit) from continuing operations before capital amounts	(1,776)	(2,046)
Grants and contributions provided for capital purposes	81	32
Surplus (deficit) from continuing operations after capital amounts	(1,695)	(2,014)
Surplus (deficit) from all operations before tax	(1,695)	(2,014)
SURPLUS (DEFICIT) AFTER TAX	(1,695)	(2,014)
Opening accumulated surplus	(828)	(617)
Plus/less: other adjustments (prior year subsidy payable by Council)	–	–
Adjustments for amounts unpaid:		
– Taxation equivalent payments	350	381
– Subsidy payable/contribution to operations by Council	8,744	1,422
Closing accumulated surplus	6,571	(828)
Return on capital %	(22.1)%	(259.6)%
Subsidy from Council	1,882	2,040

Central Coast Council | Income Statement – Commercial Waste | For the year ended 30 June 2021

Central Coast Council

Income Statement – Commercial Waste

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
Access charges	4,090	4,055
Interest	2	3
Total income from continuing operations	<u>4,092</u>	<u>4,058</u>
Expenses from continuing operations		
Materials and services	2,321	1,947
Other expenses	2,834	2,153
Total expenses from continuing operations	<u>5,155</u>	<u>4,100</u>
Surplus (deficit) from continuing operations before capital amounts	<u>(1,063)</u>	<u>(42)</u>
Surplus (deficit) from continuing operations after capital amounts	<u>(1,063)</u>	<u>(42)</u>
Surplus (deficit) from all operations before tax	<u>(1,063)</u>	<u>(42)</u>
SURPLUS (DEFICIT) AFTER TAX	<u>(1,063)</u>	<u>(42)</u>
Opening accumulated surplus	549	(243)
Adjustments for amounts unpaid:		
– Subsidy paid/contribution to operations	975	834
Closing accumulated surplus	<u>461</u>	<u>549</u>
Return on capital %	0.0%	0.0%
Subsidy from Council	1,063	42

Central Coast Council | Income Statement – Building Certification | For the year ended 30 June 2021

Central Coast Council

Income Statement – Building Certification

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
Fees	1,960	1,263
Other income	7	10
Total income from continuing operations	1,967	1,273
Expenses from continuing operations		
Employee benefits and on-costs	3,481	3,013
Materials and services	1,153	1,230
Calculated taxation equivalents	99	24
Other expenses	–	1
Total expenses from continuing operations	4,733	4,268
Surplus (deficit) from continuing operations before capital amounts	(2,766)	(2,995)
Surplus (deficit) from continuing operations after capital amounts	(2,766)	(2,995)
Surplus (deficit) from all operations before tax	(2,766)	(2,995)
SURPLUS (DEFICIT) AFTER TAX	(2,766)	(2,995)
Opening accumulated surplus	(1,375)	(611)
Adjustments for amounts unpaid:		
– Taxation equivalent payments	99	24
– Subsidy payable/contribution to operations by Council	2,760	2,207
Closing accumulated surplus	(1,282)	(1,375)
Return on capital %	0.0%	0.0%
Subsidy from Council	2,766	2,995

Central Coast Council | Statement of Financial Position of water supply business activity | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	65	7,378
Investments	1,232	16,027
Receivables	20,673	26,470
Other	112	–
Total current assets	22,082	49,875
Non-current assets		
Investments	547	11,713
Receivables	230	275
Infrastructure, property, plant and equipment	1,270,053	1,147,297
Total non-current assets	1,270,830	1,159,285
Total assets	1,292,912	1,209,160
LIABILITIES		
Current liabilities		
Contract liabilities	2,300	2,596
Provisions	511	649
Payables	4,487	9,262
Income received in advance	4,888	4,241
Borrowings	18,309	30,351
Employee benefit provisions	4,552	4,945
Total current liabilities	35,047	52,044
Non-current liabilities		
Provisions	851	917
Borrowings	137,345	136,675
Employee benefit provisions	189	237
Total non-current liabilities	138,385	137,829
Total liabilities	173,432	189,873
Net assets	1,119,480	1,019,287
EQUITY		
Accumulated surplus	950,828	956,928
Revaluation reserves	168,652	62,359
Total equity	1,119,480	1,019,287

Central Coast Council | Statement of Financial Position of sewerage business activity | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	9,301	44,781
Investments	51,059	92,584
Receivables	9,544	15,503
Other	110	–
Total current assets	70,014	152,868
Non-current assets		
Investments	78,734	4,512
Receivables	10,453	11,065
Infrastructure, property, plant and equipment	1,390,659	1,495,510
Total non-current assets	1,479,846	1,511,087
Total assets	1,549,860	1,663,955
LIABILITIES		
Current liabilities		
Contract liabilities	–	153
Provisions	1,231	766
Payables	2,451	3,119
Income received in advance	73	96
Borrowings	10,947	6,333
Employee benefit provisions	4,086	4,385
Total current liabilities	18,788	14,852
Non-current liabilities		
Provisions	1,380	1,511
Income received in advance	1,005	1,074
Borrowings	37,879	61,944
Employee benefit provisions	187	141
Total non-current liabilities	40,451	64,670
Total liabilities	59,239	79,522
Net assets	1,490,621	1,584,433
EQUITY		
Accumulated surplus	1,481,983	1,496,284
Revaluation reserves	8,638	88,149
Total equity	1,490,621	1,584,433

Central Coast Council | Statement of Financial Position – Drainage | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position – Drainage

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	11	1
Investments	61	3
Receivables	1,613	2,744
Total current assets	1,685	2,748
Non-current assets		
Investments	95	154
Receivables	1	1
Infrastructure, property, plant and equipment	1,120,289	1,054,123
Intangible assets	1,703	1,703
Total non-current assets	1,122,088	1,055,981
Total assets	1,123,773	1,058,729
LIABILITIES		
Current liabilities		
Contract liabilities	109	973
Payables	891	1,574
Borrowings	28,331	25,177
Employee benefit provisions	74	275
Provisions	–	15
Total current liabilities	29,405	28,014
Non-current liabilities		
Income received in advance	1,260	1,393
Borrowings	8,118	7,567
Employee benefit provisions	4	2
Total non-current liabilities	9,382	8,962
Total liabilities	38,787	36,976
NET ASSETS	1,084,986	1,021,753
EQUITY		
Accumulated surplus	1,024,787	1,021,235
Revaluation reserves	60,199	518
Total equity	1,084,986	1,021,753

Central Coast Council | Statement of Financial Position – Holiday Parks | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position – Holiday Parks

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	14,604	11,429
Receivables	162	266
Total current assets	14,766	11,695
Non-current assets		
Infrastructure, property, plant and equipment	20,036	19,506
Total non-current assets	20,036	19,506
Total assets	34,802	31,201
LIABILITIES		
Current liabilities		
Payables	713	856
Income received in advance	1,723	1,395
Employee benefit provisions	38	22
Total current liabilities	2,474	2,273
Non-current liabilities		
Total non-current liabilities	-	-
Total liabilities	2,474	2,273
NET ASSETS	32,328	28,928
EQUITY		
Accumulated surplus	32,328	28,928
Total equity	32,328	28,928

Central Coast Council | Statement of Financial Position – Leisure Centres | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position – Leisure Centres

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	4
Receivables	24	35
Total current assets	24	39
Non-current assets		
Infrastructure, property, plant and equipment	48,473	45,456
Total non-current assets	48,473	45,456
Total assets	48,497	45,495
LIABILITIES		
Current liabilities		
Contract liabilities	37	–
Payables	191	769
Employee benefit provisions	1,061	818
Total current liabilities	1,289	1,587
Non-current liabilities		
Employee benefit provisions	62	48
Total non-current liabilities	62	48
Total liabilities	1,351	1,635
NET ASSETS	47,146	43,860
EQUITY		
Accumulated surplus	41,658	38,372
Revaluation reserves	5,488	5,488
Total equity	47,146	43,860

Central Coast Council | Statement of Financial Position – Child Care | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position – Child Care

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Receivables	171	8
Total current assets	171	8
Non-current assets		
Infrastructure, property, plant and equipment	7,986	783
Total non-current assets	7,986	783
Total assets	8,157	791
LIABILITIES		
Current liabilities		
Contract liabilities	153	61
Payables	223	246
Income received in advance	–	158
Employee benefit provisions	1,142	1,096
Total current liabilities	1,518	1,561
Non-current liabilities		
Employee benefit provisions	68	58
Total non-current liabilities	68	58
Total liabilities	1,586	1,619
NET ASSETS	6,571	(828)
EQUITY		
Accumulated surplus	6,571	(828)
Total equity	6,571	(828)

Central Coast Council | Statement of Financial Position – Commercial Waste | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position – Commercial Waste

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Receivables	690	766
Total current assets	690	766
Non-current assets		
Receivables	–	2
Total non-current assets	–	2
Total assets	690	768
LIABILITIES		
Current liabilities		
Payables	220	210
Income received in advance	9	9
Total current liabilities	229	219
Non-current liabilities		
Total non-current liabilities	–	–
Total liabilities	229	219
NET ASSETS	461	549
EQUITY		
Accumulated surplus	461	549
Total equity	461	549

Central Coast Council | Statement of Financial Position – Building Certification | For the year ended 30 June 2021

Central Coast Council

Statement of Financial Position – Building Certification

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Total current assets	-	-
Non-current assets		
Total non-current assets	-	-
Total assets	-	-
LIABILITIES		
Current liabilities		
Employee benefit provisions	1,242	1,339
Total current liabilities	1,242	1,339
Non-current liabilities		
Employee benefit provisions	40	36
Total non-current liabilities	40	36
Total liabilities	1,282	1,375
NET ASSETS	(1,282)	(1,375)
EQUITY		
Accumulated surplus	(1,282)	(1,375)
Total equity	(1,282)	(1,375)

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

Water catchment, treatment and supply.

b. Sewerage services

Sewerage collection, treatment and disposal.

c. Stormwater drainage services

Provide and maintain stormwater drainage services.

d. Commercial waste management

Collection and disposal of commercial waste.

e. Care and Education

Provision of child care services.

f. Holiday Parks

Provision of holiday parks.

g. Leisure Centres

Provision of leisure centres.

Category 2

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

a. Building Certification

continued on next page ...

Page 20 of 23

Note – Significant Accounting Policies (continued)

Provision of building certification services.

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 (%)

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

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

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

In accordance with the Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities. The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act. Achievement of substantial compliance to the DPIE – Water guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the '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'.

Note – Significant Accounting Policies (continued)

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.

(iii) Dividends

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

A local government water supply and sewerage businesses is permitted to pay annual dividends from their water supply or sewerage business surpluses.

Each dividend must be calculated and approved in accordance with the DPIE - Water guidelines and must not exceed:

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

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to DPIE - Water.

End of Audited Special Purpose Financial Statements.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Central Coast Council

To the Administrator of the Central Coast Council

Qualified Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Drainage
- Holiday Parks
- Leisure Centres
- Child Care
- Commercial Waste
- Building Certification.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, 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 Qualified Opinion

Carrying values of stormwater drainage, water supply network and sewerage network assets

The Council recognised:

- \$1.1 billion of stormwater drainage assets in the Statement of Financial Position for the Drainage declared business activity
- \$1.2 billion of water supply network assets in the Statement of Financial Position for the Water supply business activity
- \$1.3 billion of sewerage network assets in the Statement of Financial Position for the Sewerage business activity.

In the 'Statement by the Administrator and Management', Council certified they were unable to provide sufficient evidence to support the carrying values of these assets in the Statements of Financial Position as at 30 June 2021. This is because the asset data used by Council to value these assets

could not be reconciled by Council to its financial records prior to the valuation. The asset data was sourced from a non-financial system that did not include financial information or reference data that could be used to identify assets in Council's fixed asset register.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of stormwater drainage, water supply network and sewerage network assets in the Statements of Financial Position as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment expense' in the related Income Statements for the year ended 30 June 2021.

Consequently, I was unable to provide an opinion that the affected amounts were materially correct.

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 qualified audit opinion.

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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, I have separately expressed an opinion on the:

- general purpose financial statements and Special Schedule 'Permissible income for general rates' of the Council as required by the *Local Government Act 1993*
- general purpose financial statements of the Central Coast Council Water Supply Authority as required by the *Government Sector Audit Act 1983*.

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. As described in the Basis for Qualified Opinion section above, I was unable to obtain sufficient appropriate evidence to:

- support the carrying values of stormwater drainage, water supply network and sewerage network assets in the Statements of Financial Position as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment expense' in the Income Statements for the year ended 30 June 2021.

Accordingly, I am unable to conclude whether or not the other information is materially misstated with respect to these matters.

The Administrator's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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.



David Daniels
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 February 2022
SYDNEY



Special Schedules

Central Coast Council

1 July 2020 to 30 June 2021

Central Coast Council

Special Schedules

for the year ended 30 June 2021

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2021	4
Independent Auditor's Report	9

Central Coast Council

Permissible income for general rates

\$ '000	Notes	2020/21 Wyong Shire Council	2020/21 Gosford City Council	2020/21 Central Coast Council	2021/22 Central Coast Council
Notional general income calculation ¹					
Last year notional general income yield	a	90,498	80,006	170,504	175,459
Plus or minus adjustments ²	b	333	105	438	474
Notional general income	c = a + b	90,831	80,111	170,942	175,933
Permissible income calculation					
Special variation percentage ³	d	0.00%	0.00%		13.00%
Rate peg percentage	e	2.60%	2.60%		2.00%
Plus special variation amount	h = d x (c + g)	-	-	-	22,871
Plus rate peg amount	i = e x (c + g)	2,362	2,083	4,445	3,519
Sub-total	k = (c + g + i + j)	93,193	82,194	175,387	202,323
Plus (or minus) last year's carry forward total	l	382	841	1,223	480
Less valuation objections claimed in the previous year	m	-	-	-	(9)
Sub-total	n = (l + m)	382	841	1,223	471
Total permissible income	o = k + n	93,575	83,035	176,610	202,794
Less notional general income yield	p	93,056	82,403	175,459	202,333
Catch-up or (excess) result	q = o - p	518	632	1,150	461
Plus income lost due to valuation objections claimed	r	9	-	9	1,378
Less unused catch-up ⁴	s	(168)	(511)	(679)	(445)
Carry forward to next year ⁵	t = q + r + s	359	121	480	1,394

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 (NSW).
- (3) The 'special variation percentage' is inclusive of the rate-peg percentage and where applicable, the Crown land adjustment.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 10 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Central Coast Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

Central Coast Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	1,180	1,180	17,092	7,918	446,406	813,905	29.1%	37.4%	32.8%	0.7%	0.0%	
	Sub-total	1,180	1,180	17,092	7,918	446,406	813,905	29.1%	37.4%	32.8%	0.7%	0.0%	
Other structures	Other structures	244	244	731	98	34,806	48,724	64.3%	18.1%	15.2%	2.1%	0.3%	
	Sub-total	244	244	731	98	34,806	48,724	64.3%	18.1%	15.2%	2.1%	0.3%	
Roads	Sealed roads	33,169	33,169	9,282	8,830	1,002,223	1,347,775	54.2%	27.6%	14.2%	2.5%	1.5%	
	Unsealed roads	–	–	158	151	22,077	31,694	47.4%	42.9%	9.7%	0.0%	0.0%	
	Bridges	2,618	2,618	1,240	1,180	37,903	62,004	9.5%	45.1%	37.4%	7.4%	0.6%	
	Footpaths	3,876	3,876	4,533	4,312	143,052	226,667	10.8%	32.0%	53.9%	3.1%	0.2%	
	Other road assets	7,098	7,098	3,984	3,790	403,572	663,986	8.3%	16.8%	72.9%	1.9%	0.1%	
	Bulk earthworks	–	–	–	–	354,039	349,351	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	46,761	46,761	19,197	18,263	1,962,866	2,681,477	44.0%	22.3%	30.7%	2.2%	0.8%	
Water supply network	Water supply network	70,146	70,146	22,992	16,373	1,151,118	1,887,686	6.6%	43.3%	30.8%	19.3%	0.0%	
	Sub-total	70,146	70,146	22,992	16,373	1,151,118	1,887,686	6.6%	43.3%	30.8%	19.3%	0.0%	
Sewerage network	Sewerage network	23,749	23,749	14,672	21,364	1,334,671	2,386,464	11.3%	64.7%	18.3%	5.5%	0.2%	
	Sub-total	23,749	23,749	14,672	21,364	1,334,671	2,386,464	11.3%	64.7%	18.3%	5.5%	0.2%	
Stormwater drainage	Stormwater drainage	22,520	22,520	8,870	3,561	1,092,202	1,556,754	24.1%	31.7%	42.3%	0.5%	1.4%	
	Sub-total	22,520	22,520	8,870	3,561	1,092,202	1,556,754	24.1%	31.7%	42.3%	0.5%	1.4%	
Open space / recreational assets	Swimming pools	–	–	341	1,182	4,922	11,373	100.0%	0.0%	0.0%	0.0%	0.0%	
	Open Space/Recreational Assets	967	967	2,098	2,633	92,168	139,839	58.1%	26.7%	11.4%	3.6%	0.2%	
	Sub-total	967	967	2,439	3,815	97,090	151,212	61.3%	24.7%	10.5%	3.3%	0.2%	
Other infrastructure assets	Other	1,025	1,025	638	91	26,841	42,520	42.3%	27.1%	18.7%	11.1%	0.8%	
	Sub-total	1,025	1,025	638	91	26,841	42,520	42.3%	27.1%	18.7%	11.1%	0.8%	
	Total – all assets	166,592	166,592	86,631	71,483	6,146,000	9,568,742	24.3%	39.9%	29.2%	6.0%	0.5%	

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

continued on next page ...

Page 4 of 8

Central Coast Council

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

Infrastructure asset condition assessment 'key'

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

Central Coast Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

Central Coast Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 Restated	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	167,916	118.40%	156.41%	>= 100.00%
Depreciation, amortisation and impairment	141,821			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	166,592	2.64%	3.42%	< 2.00%
Net carrying amount of infrastructure assets	6,310,564			
Asset maintenance ratio				
Actual asset maintenance	71,483	82.51%	110.49%	> 100.00%
Required asset maintenance	86,631			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	166,592	1.74%	2.19%	
Gross replacement cost	9,568,742			

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

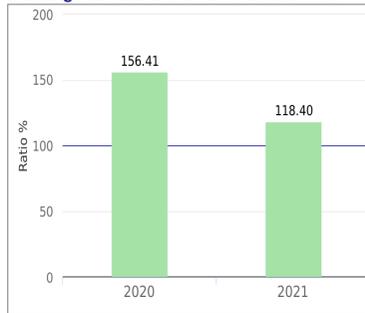
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Central Coast Council | Report on infrastructure assets as at 30 June 2021 | For the year ended 30 June 2021

Central Coast Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
20/21 ratio	118.40%
Council is maintaining its buildings and infrastructure renewals program. A ratio greater than 1:1 indicates that the amount spent on asset renewals exceeds the amount of depreciation. This ratio was adversely impacted by revaluation decrement of sewerage assets in 2020-2021 (\$29.0M).	

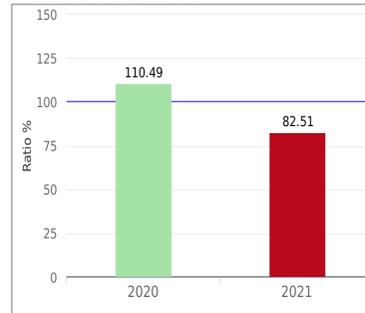
Benchmark: — $\geq 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
20/21 ratio	82.51%
Performance of this ratio fell in 2020-2021 due to the financial situation faced by Council. Council remains committed to maintaining its infrastructure assets at appropriate levels and the result in this ratio should improve in the future.	

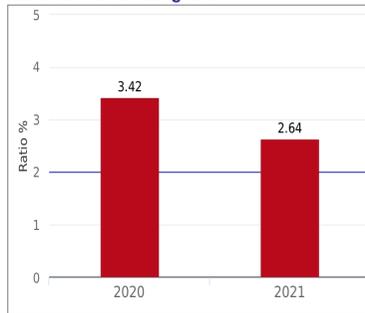
Benchmark: — $> 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
20/21 ratio	2.64%
Council achieved a backlog ratio of 2.70 at the end of the 2020-2021 financial year, which is a decrease from the prior financial year. This is mainly due to reassessment of asset conditions as part of asset revaluations completed during the year. Council will continue to prioritise delivery and maintenance of assets at affordable and satisfactory standards.	

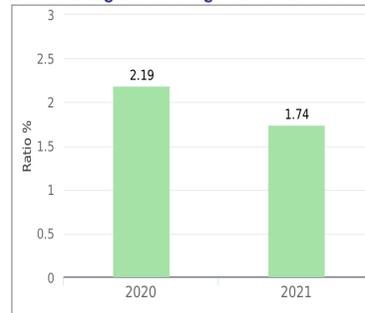
Benchmark: — $< 2.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
20/21 ratio	1.74%
This is the estimated cost to return those assets currently rated as less than excellent condition to an excellent condition. As Council has yet not completed community consultation to determine the agreed service levels, this estimate is equal to the cost to bring to satisfactory.	

Central Coast 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	218.56%	232.90%	0.00%	76.51%	0.00%	55.40%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	1.90%	2.36%	6.09%	4.63%	1.78%	5.17%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	68.92%	106.02%	71.21%	83.31%	145.61%	175.59%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.37%	1.63%	3.72%	2.60%	1.00%	3.12%	
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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Central Coast Council

To the Administrator of Central Coast Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Central Coast 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 Administrator is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements, and Special Schedule 'Report on infrastructure assets as at 30 June 2021' of the Council, and the general purpose financial statements of the Central Coast Council Water Supply Authority.

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, I have separately expressed an opinion on the

- general purpose financial statements and the special purpose financial statements of the Council as required by the *Local Government Act 1993*
- general purpose financial statements of the Central Coast Council Water Supply Authority as required by the *Government Sector Audit Act 1983*.

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



David Daniels

Delegate of the Auditor-General for New South Wales

28 February 2022
SYDNEY



Financial Reports Water Supply Authority

Central Coast Council

1 July 2020 to 30 June 2021

Central Coast Council - Water Supply Authority

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by the Administrator and Chief Executive Officer	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
On the Financial Statements	54

Overview

Central Coast Council Water Supply Authority has its principal place of business at :

2 Hely Sreet, Wyong NSW 2259
49 Mann Street, Gosford NSW 2250

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

Central Coast Council - Water Supply Authority

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by the Administrator and Chief Executive Officer

At 30 June 2021, the Authority recognised \$3.6B of stormwater drainage assets, water supply network assets and sewerage network assets in note C1-5 of the Financial Statements. The Authority was unable to provide sufficient evidence to the Audit Office, to support the carrying value of these assets on the Statement of Financial Position as at 30 June 2021. This impacts the recorded depreciation expense related to these assets in note B2-4.

Apart from the above, the attached General Purpose Financial Statements have been prepared in accordance with:

- the Australian Accounting Standards and professional pronouncements

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

- present fairly the Central Coast Council Water Supply Authority's operating result and financial position for the year
- accord with Central Coast Council Water Supply Authority'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 12 October 2021.



Rik Hart
Administrator
28 February 2022



David Farmer
Chief Executive Officer
28 February 2022



Natalia Cowley
Responsible Accounting Officer
28 February 2022

Central Coast Council - Water Supply Authority | Income Statement | For the year ended 30 June 2021

Central Coast Council - Water Supply Authority

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
Income from continuing operations				
84,957		B1-1	81,804	78,370
80,212		B1-2	77,161	77,507
109		B1-3	65	179
357		B1-4	708	593
27,363		B1-4	24,630	16,765
4,712		B1-5	2,125	4,370
197,710			186,493	177,784
Expenses from continuing operations				
31,895		B2-1	36,218	37,267
60,039		B2-2	69,866	75,441
13,091		B2-3	14,439	15,302
76,159		B2-4	80,399	78,920
-		B2-5	3	64
-		B3-1	2,413	2,559
181,184			203,338	209,553
16,526			(16,845)	(31,769)
(10,836)			(41,475)	(48,534)

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

Central Coast Council - Water Supply Authority | Statement of Comprehensive Income | For the year ended 30 June 2021

Central Coast Council - Water Supply Authority

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
Net operating result for the year – from Income Statement		(16,845)	(31,769)
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain / (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	86,459	24,459
Total items which will not be reclassified subsequently to the operating result		86,459	24,459
Total comprehensive income for the year attributable to Central Coast Council Water Supply Authority		69,614	(7,310)

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

Central Coast Council - Water Supply Authority | Statement of Financial Position | For the year ended 30 June 2021

Central Coast Council - Water Supply Authority

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	9,377	52,160	12,788
Investments	C1-2	52,352	108,614	167,935
Receivables	C1-4	31,435	44,181	39,005
Other		222	161	-
Total current assets		93,386	205,116	219,728
Non-current assets				
Investments	C1-2	79,376	16,377	15,041
Receivables	C1-4	3,067	3,328	3,406
Infrastructure, property, plant and equipment	C1-5	3,781,003	3,696,934	3,688,612
Intangible Assets	C1-6	1,703	1,703	1,703
Total non-current assets		3,865,149	3,718,342	3,708,762
Total assets		3,958,535	3,923,458	3,928,490
LIABILITIES				
Current liabilities				
Payables	C2-1	12,717	18,215	37,913
Income received in advance	C2-1	71	76	137
Contract liabilities	C2-2	2,409	3,721	-
Borrowings	C2-3	57,191	61,486	43,105
Employee benefit provisions	C2-4	8,713	9,496	9,347
Provisions	C2-5	1,759	1,538	1,363
Total current liabilities		82,860	94,532	91,865
Non-current liabilities				
Income received in advance	C2-1	2,266	2,467	2,513
Borrowings	C2-3	175,725	198,173	196,071
Employee benefit provisions	C2-4	379	380	217
Provisions	C2-5	2,214	2,429	2,534
Total non-current liabilities		180,584	203,449	201,335
Total liabilities		263,444	297,981	293,200
Net assets		3,695,091	3,625,477	3,635,290
EQUITY				
Accumulated surplus	C3-1	3,457,606	3,474,451	3,508,723
IPPE revaluation reserve	C3-1	237,485	151,026	126,567
Equity interest		3,695,091	3,625,477	3,635,290
Total equity		3,695,091	3,625,477	3,635,290

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

Central Coast Council - Water Supply Authority | Statement of Changes in Equity | For the year ended 30 June 2021

Central Coast Council - Water Supply Authority

Statement of Changes in Equity for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
					Restated	Restated	Restated
Opening balance at 1 July		3,474,451	151,026	3,625,477	3,496,873	126,567	3,623,440
Correction of prior period errors	F4-1	-	-	-	11,850	-	11,850
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(2,503)	-	(2,503)
Restated opening balance		3,474,451	151,026	3,625,477	3,506,220	126,567	3,632,787
Net operating result for the year		(16,845)	-	(16,845)	(31,524)	-	(31,524)
Correction of prior period errors	F4-1	-	-	-	(245)	-	(245)
Restated net operating result for the period		(16,845)	-	(16,845)	(31,769)	-	(31,769)
Other comprehensive income							
Gain / (loss) on revaluation of infrastructure, property, plant and equipment	C1-5	-	86,459	86,459	-	24,459	24,459
Other comprehensive income		-	86,459	86,459	-	24,459	24,459
Total comprehensive income		(16,845)	86,459	69,614	(31,769)	24,459	(7,310)
Closing balance at 30 June		3,457,606	237,485	3,695,091	3,474,451	151,026	3,625,477

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

Central Coast Council - Water Supply Authority | Statement of Cash Flows | For the year ended 30 June 2021

Central Coast Council - Water Supply Authority

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
84,207	Rates and annual charges		82,439	78,986
79,954	User charges and fees		82,571	73,217
7,476	Investment and interest revenue received		1,117	4,451
28,115	Grants and contributions		14,095	14,246
–	Bonds, deposits and retention amounts received		–	13
346	Other		7,106	–
<i>Payments:</i>				
(32,350)	Employee benefits and on-costs		(36,982)	(36,955)
(56,991)	Materials and services		(69,928)	(23,793)
(14,903)	Borrowing costs		(14,439)	(15,302)
–	Bonds, deposits and retention amounts refunded		(3)	–
(1,797)	Other		(6,137)	(72,947)
94,057	Net cash flows from operating activities	F1-1a	59,839	21,916
Cash flows from investing activities				
<i>Receipts:</i>				
54,025	Sale of investment securities		10,790	131,307
374	Deferred debtors receipts		–	–
<i>Payments:</i>				
–	Purchase of investment securities		(17,525)	(73,322)
–	Acquisition of term deposits		(2)	–
(90,844)	Purchase of infrastructure, property, plant and equipment		(70,491)	(61,012)
(36,445)	Net cash flows from investing activities		(77,228)	(3,027)
Cash flows from financing activities				
<i>Receipts:</i>				
10,000	Proceeds from borrowings		19,809	39,453
<i>Payments:</i>				
(38,980)	Repayment of borrowings		(45,203)	(18,970)
(28,980)	Net cash flows from financing activities		(25,394)	20,483
28,632	Net change in cash and cash equivalents		(42,783)	39,372
29,573	Plus: cash and cash equivalents – beginning of period		52,160	12,788
58,205	Cash and cash equivalents at end of year	C1-1	9,377	52,160
142,566	plus: Investments on hand at end of year	C1-2	131,728	124,991
200,771	Total cash, cash equivalents and investments		141,105	177,151

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

Central Coast Council - Water Supply Authority

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	14
B1 Sources of income	14
B1-1 Rates and annual charges	14
B1-2 User charges and fees	14
B1-3 Other revenue	15
B1-4 Grants and contributions	16
B1-5 Interest and investment income	18
B2 Costs of providing services	19
B2-1 Employee benefits and on-costs	19
B2-2 Materials and services	20
B2-3 Borrowing costs	20
B2-4 Depreciation, amortisation and impairment of non-financial assets	21
B2-5 Other expenses	22
B3 Gains or losses	22
B3-1 Gain or loss from the disposal, replacement and de-recognition of assets	22
C Financial position	23
C1 Assets we manage	23
C1-1 Cash and cash equivalents	23
C1-2 Financial investments	23
C1-3 Restricted cash, cash equivalents and investments	25
C1-4 Receivables	26
C1-5 Infrastructure, property, plant and equipment	27
C1-6 Intangible assets	30
C2 Liabilities of Council	31
C2-1 Payables	31
C2-2 Contract Liabilities	32
C2-3 Borrowings	32
C2-4 Employee benefit provisions	34
C2-5 Provisions	35
C3 Reserves	37
C3-1 Nature and purpose of reserves	37
D Risks and accounting uncertainties	38
D1-1 Risks relating to financial instruments held	38
D2-1 Fair value measurement	41
D3-1 Contingencies	47
E People and relationships	48
E1 Related party disclosures	48
E1-1 Key management personnel (KMP)	48
E2 Other relationships	49

Central Coast Council - Water Supply Authority**Contents for the notes to the Financial Statements for the year ended 30 June 2021**

E2-1 Audit fees	49
F Other matters	50
F1-1 Statement of Cash Flows information	50
F2-1 Commitments	51
F3-1 Events occurring after the reporting date	52
F4 Changes from prior year statements	52
F4-1 Correction of errors	52

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Central Coast Council Water Supply Authority (CCCWSA) on 28 February 2022.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations.

Central Coast Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes, under the *Water Management Act 2000*. CCCWSA controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within Central Coast Council local government area and these functions have been consolidated in these financial statements.

CCCWSA is a not for profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CCCWSA'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 CCCWSA and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note D2
- (ii) employee benefit provisions – refer Note C2-4

Significant judgements in applying the Central Coast Council Water Supply Authority's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B1-2 – B1-4.

COVID-19 Impact

The COVID-19 pandemic continues to impact the community where CCCWSA operates. This pandemic has had a financial impact for CCCWSA in the financial year ended 30 June 2020 which has impacted the comparability of some line items and amounts reported in this financial report.

COVID-19 has caused disruption to CCCWSA's business practices with a number of staff working remotely from home away from the main administration buildings and other CCCWSA facilities. Whilst this has caused some inconvenience it has not resulted in significant additional cost.

The impact on CCCWSA's financial performance and financial position was restricted to a decrease in developer contributions.

Additional costs (although not material), in conjunction with public health activities (e.g. cleaning, inventory purchases and other health and safety initiatives) have also been incurred.

A1-1 Basis of preparation (continued)

The financial difficulty experienced by many ratepayers led to a higher than normal level of outstanding collections for the financial year.

No material changes have been noted in asset values.

Going Concern

The Financial Statements have been prepared on a going concern basis, which assumes CCCWSA will be able to meet its debts and other financial obligations as they fall due.

Since disclosing Council's serious financial situation on 6 October 2020, Council has achieved the following:

- Obtained \$150M in bank loans - which has returned Council to a positive unrestricted cash and investment position;
- Reduced staff numbers through an organisational restructure and redundancy program;
- Implemented strategies to reduce materials and contracts expenditure;
- Placed CCCWSA-identified in underperforming assets for sale;
- Applied for a one-off 15% Special Rate Variation (SRV)

Council's forecast ten year long term financial plan is based on an expectation of receiving a one-off 15% Special Rate Variation (SRV), (13% + 2% standard rate peg) which would be applied in 2021-2022 and remaining permanently in the rate base. IPART has approved this increase for three years through to 30 June 2024 during which time Council will seek to extend the SRV to ensure its recovery program continues.

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.

CCCWSA's Statement of Cash Flows is not grossed up for GST.

Volunteer services

Volunteer services are services received from individuals or other entities without charge or for consideration significantly less than the fair value of those services. These may include:

- Committees with volunteer members,
- Outdoor space volunteers, and
- Volunteers at special Council events.

Volunteer services will only be recognised when:

- such services would be purchased if they had not been donated, and
- the fair value of those services can be reliably measured.

CCCWSA has not received the benefit of volunteer services throughout the reporting period.

Monies and other assets received by Central Coast Council Water Supply Authority

The Consolidated Fund

These Financial Statements represent the consolidation of Water, Sewerage and Drainage funds.

The notional cash and investment assets of CCCWSA are represented in practice by an equity interest in the general cash and investment assets of Central Coast Council as a whole and all investment assets and bank accounts are held in the name of Central Coast Council.

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.

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

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

A1-1 Basis of preparation (continued)

New and amended standards adopted by Central Coast Council Water Supply Authority

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

- 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 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

None of these Standards had a significant impact on Council's reported position or performance.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B Financial Performance**B1 Sources of income****B1-1 Rates and annual charges**

\$ '000	2021	2020
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Water supply services	12,774	12,415
Sewerage services	55,236	53,343
Drainage	15,008	14,345
Other	-	14
Liquid trade waste	453	461
Less: pensioner rebates (State Government funded)	(2,099)	(2,115)
Less: pensioner rebates (CCCWSA funded)	(2,078)	(2,091)
Annual charges levied	79,294	76,372
Pensioner subsidies received:		
– Water	1,238	1,004
– Sewerage	1,272	994
Total annual charges	81,804	78,370
Total rates and annual charges	81,804	78,370

Accounting policy

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

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

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

B1-2 User charges and fees

\$ '000	2021	2020
User charges		
Water supply services	55,834	57,351
Sewerage services	16,228	15,468
Liquid trade waste	2,104	2,212
Total specific user charges	74,166	75,031

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B1-2 User charges and fees (continued)

\$ '000	2021	2020
Other user charges and fees		
Building services – other	336	209
Inspection services	94	243
Regulatory/ statutory fees	312	241
Registration fees	5	7
Water connection fees	1,062	1,008
Sewer connection fees	587	350
Sewer diagrams	379	275
Special water meter reading fees	32	18
Water carters licence fees	79	51
Other	109	74
Total fees and charges – other	2,248	1,776

Total user charges and fees

77,161	77,507
---------------	---------------

Timing of revenue recognition for user charges and fees

User charges and fees recognised at a point in time

77,161	77,507
--------	--------

Total user charges and fees

77,161	77,507
---------------	---------------

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. There is no material obligation for CCCWSA in relation to refunds or returns.

Where an upfront fee is charged such as joining fees, the fee is recognised on a straight-line basis over the expected life to which the fee relates.

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

B1-3 Other revenue

\$ '000	2021	2020
Sales – general	25	73
Property rents	–	25
Other supply/ services	40	81
Total other revenue	65	179

Timing of revenue recognition for other revenue

Other revenue recognised at a point in time

65	179
----	-----

Total other revenue

65	179
-----------	------------

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.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B1-4 Grants and contributions

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Drainage / environment	-	-	505	599
Environmental programs	207	127	97	-
LIRS subsidy	387	446	-	-
Water / sewer infrastructure	-	-	5,816	2,788
Other specific grants	13	20	-	-
Sewerage (excl. section 64 contributions)	-	-	200	132
Water supplies (excl. section 64 contributions)	-	-	134	73
Other contributions	101	-	14	98
Total special purpose grants and non-developer contributions – cash	708	593	6,766	3,690
Non-cash contributions				
Other	-	-	9,931	4,330
Total other contributions – non-cash	-	-	9,931	4,330
Total special purpose grants and non-developer contributions (tied)	708	593	16,697	8,020
Total grants and non-developer contributions	708	593	16,697	8,020
Comprising:				
- Commonwealth funding	101	-	10,186	599
- State funding	607	593	6,511	2,788
- Other funding	-	-	-	4,633
	708	593	16,697	8,020
Developer contributions				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 64 – water supply contributions	-	-	3,392	3,429
S 64 – sewerage service contributions	-	-	3,010	3,639
S 7.11 – drainage assets	-	-	1,153	1,424
Total developer contributions – cash	-	-	7,555	8,492
Non-cash contributions				
S 64 – water supply contributions	-	-	127	82
S 7.11 – stormwater contributions	-	-	251	171
Total developer contributions non-cash	-	-	378	253
Total developer contributions	-	-	7,933	8,745
Total contributions	-	-	7,933	8,745
Total grants and contributions	708	593	24,630	16,765
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised at a point in time	708	593	24,630	16,765
Total grants and contributions	708	593	24,630	16,765

continued on next page ...

Page 16 of 54

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B1-4 Grants and contributions (continued)**Unspent grants and contributions**

Certain grants and contributions are obtained by CCCWSA on condition that they be spent in a specified manner:

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	72	3	3,504	2,352
Add: Funds received and not recognised as revenue in the current year	9	72	-	1,152
Less: Funds received in prior year but revenue recognised and funds spent in current year	(72)	(3)	(1,249)	-
Unspent funds at 30 June	9	72	2,255	3,504

Capital grant unspent and held as a restriction at year end relates to the Climate Change Fund.

Contributions

Unspent funds at 1 July	-	-	86,099	91,245
Add: contributions received and not recognised as revenue in the current year	-	-	7,517	4,632
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(34,447)	(9,778)
Unspent contributions at 30 June	-	-	59,169	86,099

Various developer contributions unspent and held as a restriction at year end.

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

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

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

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

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

Capital grants

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

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

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

B1-4 Grants and contributions (continued)

Developer contributions

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

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

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

Other grants and contributions

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

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

B1-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue annual charges	445	884
– Cash and investments	1,677	3,480
Other	3	6
Total interest and investment income	2,125	4,370

Accounting policy

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B2 Costs of providing services**B2-1 Employee benefits and on-costs**

\$ '000	2021	2020
Salaries and wages	27,322	32,037
Employee termination costs	1,676	121
Employee leave entitlements	5,487	4,295
Superannuation	2,411	2,489
Payroll tax	2,577	2,595
Workers Compensation	343	615
Total employee costs	39,816	42,152
Less: capitalised costs	(3,598)	(4,885)
Total employee costs expensed	36,218	37,267

Accounting policy

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

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

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.

CCCWSA 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 CCCWSA 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 D3-1 for more information.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B2-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		9,575	10,491
Contractor and consultancy costs		9,478	10,045
Audit Fees	E2-1	-	12
Agency Hire		661	1,696
Previously other expenses:			
Administration support		28,361	28,946
Advertising		13	20
Computer software charges		631	220
Electricity and heating		9,214	8,947
Gas charges		125	91
Insurance		77	192
Licences		503	404
Plant hire		4,975	7,782
Printing and stationery		13	31
Subscriptions and publications		18	13
Telephone and communications		6	22
Tipping fees		4,407	5,773
Training costs (other than salaries and wages)		18	22
Water purchases		1,398	586
Other expenses		393	148
Total materials and services		69,866	75,441
Total materials and services		69,866	75,441

Accounting policy

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

B2-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on loans	14,430	15,277
Other debts	9	25
Total interest bearing liability costs expensed	14,439	15,302
Total borrowing costs expensed	14,439	15,302

Accounting policy

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B2-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020 Restated
Depreciation and amortisation			
Plant and equipment		27	41
Office equipment		32	35
Furniture and fittings		13	13
Land improvements (depreciable)		14	14
Infrastructure:	C1-5		
– Buildings – specialised		704	683
– Other structures		53	54
– Roads		1	1
– Stormwater drainage		14,561	15,858
– Water supply network		24,401	27,017
– Sewerage network		32,745	35,204
Other assets:			
– Other		5	–
Total gross depreciation and amortisation costs		72,556	78,920
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-5		
– Sewerage network		7,843	–
Total impairment costs charged to Income Statement (IPPE)		7,843	–
Total depreciation, amortisation and impairment for non-financial assets		80,399	78,920

Accounting policy**Depreciation and amortisation**

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

Impairment of non-financial assets

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

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

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

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

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

B2-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		3	64
Total impairment of receivables	C1-4	3	64
Total other expenses		3	64

Accounting policy

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

Impairment expenses are recognised when identified.

B3 Gains or losses**B3-1 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		-	-
Less: carrying amount of property assets sold/written off		-	(4)
Gain (or loss) on disposal		-	(4)
Gain (or loss) on disposal of infrastructure			
	C1-5		
Proceeds from disposal – infrastructure		-	-
Less: carrying amount of infrastructure assets sold/written off		(2,413)	(2,555)
Gain (or loss) on disposal		(2,413)	(2,555)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		10,790	131,307
Less: carrying amount of investments sold/redeemed/matured		(10,790)	(131,307)
Gain (or loss) on disposal		-	-
Net gain (or loss) on disposal of assets		(2,413)	(2,559)

Accounting policy

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2021	2020
Cash and cash equivalents		
Cash-equivalent assets		
– Deposits at call	9,377	52,160
Total cash and cash equivalents	9,377	52,160

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
Financial assets at fair value through the profit and loss				
Government and semi-government bonds	–	17,715	–	2,998
NCD's, FRN's	12,019	47,670	5,890	1,591
Total	12,019	65,385	5,890	4,589
Debt securities at amortised cost				
Long term deposits	40,333	13,991	102,724	11,788
Total	40,333	13,991	102,724	11,788
Total financial investments	52,352	79,376	108,614	16,377
Total cash assets, cash equivalents and investments	61,729	79,376	160,774	16,377

Accounting policy

Financial instruments are recognised initially on the date that the CCCWSA 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, CCCWSA classifies its financial assets into the following categories – those measured at:

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

continued on next page ...

Page 23 of 54

C1-2 Financial investments (continued)

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

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

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

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.

CCCWSA's financial assets measured at fair value through profit or loss comprise investments in FRN's and NCD's in the Statement of Financial Position.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	61,729	79,376	160,774	16,377
attributable to:				
External restrictions	25,214	39,193	75,618	16,377
Internal restrictions	1,732	–	1,958	–
Unrestricted	34,783	40,183	83,198	–
	61,729	79,376	160,774	16,377

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

Details of restrictions

External restrictions

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

Developer contributions – water fund	1,665	27,529
Developer contributions – sewer fund	19,510	20,032
Developer contributions – drainage	34,655	34,583
Developer contributions – VPA – water	1,053	1,045
Developer contributions – VPA – sewer	495	491
Developer contributions - VPA - drainage	1,369	1,359
Specific purpose unexpended grants (recognised as revenue) – water fund	2,255	2,550
Specific purpose unexpended grants (recognised as revenue) – sewer fund	–	153
Specific purpose unexpended grants (recognised as revenue) – drainage fund	9	873
Water fund	45	45
Drainage	100	100
Self insurance – sewer	2,164	2,027
Self insurance – water	1,087	1,208
External restrictions	64,407	91,995
Total external restrictions	64,407	91,995

Internal restrictions

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

Employee leave entitlement – water	924	1,026
Employees leave entitlement – drainage	794	55
Employee leave entitlement – sewer	14	877
Total internal restrictions	1,732	1,958
Total restrictions	66,139	93,953

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C1-4 Receivables

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Interest and extra charges	836	–	1,177	–
User charges and fees	7,668	2,827	13,122	3,034
Accrued revenues				
– User charges and fees	12,420	–	13,255	–
– Government grants and subsidies	2,824	–	2,182	–
– Other income accruals	–	–	36	–
Drainage annual charges	1,512	–	2,636	–
Sewerage annual charges	5,004	–	9,692	–
Water annual charges	1,068	–	2,082	–
Other debtors	157	240	60	294
Total	31,489	3,067	44,242	3,328
Less: provision of impairment				
Rates and annual charges	(6)	–	–	–
User charges and fees	–	–	(45)	–
Other debtors	(48)	–	(16)	–
Total provision for impairment – receivables	(54)	–	(61)	–
Total net receivables	31,435	3,067	44,181	3,328

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	61	–
Movement through provision	(6)	–
+ new provisions recognised during the year	–	61
Balance at the end of the year	55	61

Accounting policy

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

Impairment

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

When estimating ECL, CCCWSA 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 CCCWSA's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for annual charges debtors, CCCWSA takes into account that unpaid annual charges represent a charge against the rateable property that will be recovered when the property is next sold.

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

CCCWSA writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are beyond the applicable statute of limitations period, whichever occurs first.

Where CCCWSA 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.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C1-5 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 new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	92,192	–	92,192	64,792	–	–	–	(87,932)	5,004	–	74,056	–	74,056
Plant and equipment	1,320	(1,126)	194	–	–	(27)	–	–	–	–	1,320	(1,153)	167
Office equipment	196	(149)	47	–	–	(32)	–	71	–	–	173	(87)	86
Furniture and fittings	866	(749)	117	–	–	(13)	–	–	–	–	183	(79)	104
Land:													
– Operational land	68,946	–	68,946	–	–	–	–	–	–	13,698	82,644	–	82,644
– Crown and Community land	12,249	–	12,249	–	–	–	–	–	–	161	12,410	–	12,410
Land improvements – depreciable	146	(14)	132	–	–	(14)	–	516	–	–	662	(28)	634
Infrastructure:													
– Buildings – specialised	51,689	(19,624)	32,065	–	–	(704)	–	219	–	–	51,909	(20,329)	31,580
– Other structures	1,716	(460)	1,256	–	–	(53)	–	–	–	–	1,716	(513)	1,203
– Roads	42	(21)	21	–	–	(1)	–	–	–	(20)	–	–	–
– Bulk earthworks (non-depreciable)	16	–	16	–	–	–	–	–	–	(16)	–	–	–
– Stormwater drainage	1,514,849	(484,217)	1,030,632	9,929	(34)	(14,561)	–	9,862	–	56,374	1,556,754	(464,552)	1,092,202
– Water supply network	1,871,510	(827,658)	1,043,852	–	(994)	(24,401)	–	33,696	7	98,991	2,088,896	(937,778)	1,151,118
– Sewerage network	2,352,227	(937,012)	1,415,215	–	(1,385)	(32,745)	(7,843)	43,435	723	(82,729)	2,219,720	(885,049)	1,334,671
Other assets:													
– Other	–	–	–	–	–	(5)	–	133	–	–	133	(5)	128
Total infrastructure, property, plant and equipment	5,967,964	(2,271,030)	3,696,934	74,721	(2,413)	(72,556)	(7,843)	–	5,734	86,459	6,090,576	(2,309,573)	3,781,003

continued on next page ...

Page 27 of 54

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C1-5 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 Restated	Net carrying amount Restated	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment Restated	Net carrying amount Restated
\$ '000												
Capital work in progress	101,799	–	101,799	65,485	–	–	(69,334)	(5,759)	–	92,192	–	92,192
Plant and equipment	1,133	(1,085)	48	–	–	(41)	187	–	–	1,320	(1,126)	194
Office equipment	609	(600)	9	–	–	(35)	72	–	–	196	(149)	47
Furniture and fittings	854	(731)	123	–	–	(13)	7	–	–	866	(749)	117
Land:												
– Operational land	70,793	–	70,793	–	–	–	–	(1,847)	–	68,946	–	68,946
– Crown and Community land	7,351	–	7,351	–	–	–	290	1,847	2,761	12,249	–	12,249
Land improvements – depreciable	–	–	–	–	–	(14)	146	–	–	146	(14)	132
Infrastructure:												
– Buildings – specialised	50,167	(18,960)	31,207	–	(4)	(683)	1,544	–	–	51,689	(19,624)	32,065
– Other structures	1,699	(406)	1,293	–	–	(54)	17	–	–	1,716	(460)	1,256
– Roads	42	(20)	22	–	–	(1)	–	–	–	42	(21)	21
– Bulk earthworks (non-depreciable)	16	–	16	–	–	–	–	–	–	16	–	16
– Stormwater drainage	1,489,091	(468,579)	1,020,512	590	(293)	(15,858)	25,681	–	–	1,514,849	(484,217)	1,030,632
– Water supply network	1,837,899	(796,305)	1,041,594	1,053	(1,004)	(27,017)	19,503	682	9,041	1,871,510	(827,658)	1,043,852
– Sewerage network	2,311,202	(897,357)	1,413,845	2,688	(1,258)	(35,204)	21,887	600	12,657	2,352,227	(937,012)	1,415,215
Total infrastructure, property, plant and equipment	5,872,655	(2,184,043)	3,688,612	69,816	(2,559)	(78,920)	–	(4,477)	24,459	5,967,964	(2,271,030)	3,696,934

continued on next page ...

Page 28 of 54

C1-5 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Buildings	Years
Office furniture	10 to 15	Buildings	6 to 170
Other plant and equipment	8 to 15		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	15 to 200	Drains	120
Bores	20 to 30	Culverts	120
Reticulation pipes	60 to 100	Flood control structures	80
Transportation assets			
Bridges	15 to 100		

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

Revaluation model

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

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

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C1-6 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Drainage Easements		
Opening values at 1 July		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
Net book value – opening balance	1,703	1,703
Closing values at 30 June		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
Total drainage easements – net book value	1,703	1,703

Accounting policy**Drainage easements**

Easements (the right of access over land) are recognised as intangible assets.

Easements are determined to have indefinite lives, as there is no finite period over which their use is fully consumed. They convey a right to CCCWSA to enable it to gain access to its infrastructure assets over an indefinite period of time. Unlike the infrastructure assets themselves, which are consumed over a finite period and undergo replacement to enable continuity of service, an easement can exist continuously throughout this period and beyond, and thus may never need to be released. Easements are only derecognised when a management decision has been made to relocate the relevant infrastructure asset and the need for the easement no longer exists. Since easements are viewed as having an indefinite life, they are not amortised, however, they are tested for impairment.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C2 Liabilities of Council**C2-1 Payables**

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid annual charges	4,891	-	4,262	-
Goods and services – operating expenditure	3,855	-	3,917	-
Accrued expenses:				
– Salaries and wages	20	-	-	-
– Other expenditure accruals	3,666	-	9,748	-
Security bonds, deposits and retentions	285	-	288	-
Payments received in advance	71	2,266	76	2,467
Total payables	12,788	2,266	18,291	2,467

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

\$ '000	2021	2020
Payables – overpayments, security bonds, deposits and retentions	4,548	3,560
Total payables	4,548	3,560

Accounting policy

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

Payables

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C2-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Funds to construct CCCWSA controlled assets	(i)	2,255	-	3,504	-
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	(ii)	9	-	72	-
Unexpended capital contributions (to construct CCCWSA controlled assets)	(i)	145	-	145	-
Total grants received in advance		2,409	-	3,721	-
Total contract liabilities		2,409	-	3,721	-

Notes

(i) CCCWSA has received funding to construct assets including environmental and other infrastructure. The funds received are under an enforceable contract which require CCCWSA to construct an identified asset which will be under CCCWSA's control on completion. The revenue is recognised as CCCWSA 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:		
Funds to construct CCCWSA controlled assets	1,249	3
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	72	3
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,321	6

Significant changes in contract liabilities

There was no significant change to contract liabilities aside from the current year recognised revenue noted above.

Accounting policy

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

C2-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured	27,816	154,304	37,334	175,490
Loans – unsecured	29,375	21,421	24,152	22,683
Total borrowings	57,191	175,725	61,486	198,173

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C2-3 Borrowings (continued)**(a) Changes in liabilities arising from financing activities**

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	212,824	(30,704)	–	–	–	–	182,120
Loan – unsecured	46,835	3,961	–	–	–	–	50,796
Total liabilities from financing activities	259,659	(26,743)	–	–	–	–	232,916

	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	214,173	(1,349)	–	–	–	–	212,824
Loan – unsecured	25,003	21,832	–	–	–	–	46,835
Total liabilities from financing activities	239,176	20,483	–	–	–	–	259,659

(b) Financing arrangements**Additional financing arrangements information****Breaches and defaults**

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

Security over loans

Loans are secured over future cash flows of CCWSA.

Accounting policy

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

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

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C2-4 Employee benefit provisions

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Annual leave	3,008	–	2,761	–
Sick leave	1,019	–	1,379	–
Long service leave	4,302	379	5,046	380
Other leave	384	–	310	–
Total employee benefit provisions	8,713	379	9,496	380

Current employee benefit provisions not expected 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	4,649	4,904
	4,649	4,904

Description of and movements in non-employee benefit provisions**Accounting policy**

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

C2-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Self insurance – workers compensation	1,037	2,214	827	2,408
Self insurance – public liability	106	–	64	–
Self insurance – other	–	–	21	–
Payroll tax	437	–	518	21
Other	179	–	108	–
Sub-total – other provisions	1,759	2,214	1,538	2,429
Total provisions	1,759	2,214	1,538	2,429

Movements in provisions

\$ '000	Other provisions		Net carrying amount
	Self insurance	Other (Payroll Tax)	
2021			
At beginning of year	3,320	647	3,967
Additional provisions	358	2,656	3,014
Amounts used (payments)	(321)	(2,686)	(3,007)
Total other provisions at end of year	3,357	617	3,974
2020			
At beginning of year	2,952	945	3,897
Additional provisions	–	2,649	2,649
Amounts used (payments)	–	(2,947)	(2,947)
Other	368	–	368
Total other provisions at end of year	3,320	647	3,967

Nature and purpose of provisions**Self-insurance**

To recognise liabilities for outstanding claims (uninsured losses) arising from CCCWSA's decision to undertake self-insurance for certain risks faced.

Payroll tax and other

To recognise liabilities for miscellaneous employee provisions not relating to leave entitlements and outstanding payroll tax arising from CCWSA's water and sewer activities.

Accounting policy

Provisions are recognised when CCCWSA 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.

Self-insurance

CCCWSA 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. CCCWSA also maintains cash and investments to meet expected future claims; refer to Note C1-3.

Self Insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of CCCWSA being a self-insurer for Workers Compensation claims. Public Liability and Professional Indemnity claims are expensed as they meet the recognition criteria as set out in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

C2-5 Provisions (continued)

Specific uncertainties relating to the final costs and the assumptions made in determining Provisions for Self Insurance include:

- Claims escalation of 2.5% in 2021/2022, 2.25% in 2022/2023 and 2.0% per annum thereafter. A bond yield of between -0.030% and 3.762% per annum over a 50 year period.
- All monetary amounts for past Workers Compensation claims were indexed to bring them to 'standardised' values at 30 June 2021.
- Workers Compensation claim payments projected into the future by the adopted actuarial model are in 'standardised' values as at 30 June 2021.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2021 and was performed by David A Zaman Pty Ltd. Director David Zaman, BSc, FIA, FIAA, MBA.

C3 Reserves

C3-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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

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

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

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

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

The risks associated with the financial instruments held are:

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

CCCWSA manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. CCCWSA also seeks advice from independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on the result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,411	1,771
Impact of a 10% movement in price of investments		
– Equity / Income Statement	14,111	17,709

(b) Credit risk

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

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

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

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

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

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

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

D1-1 Risks relating to financial instruments held (continued)

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

Credit risk profile**Receivables – annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	1	6,622	391	398	173	7,585
2020						
Gross carrying amount	166	13,275	653	409	101	14,604

Receivables - non annual charges

CCCWSA applies the simplified approach for non-annual charges debtors 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-annual charges debtors 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	15,793	6,908	363	242	3,666	26,972
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.50%	0.20%
ECL provision	-	-	-	-	55	55
2020						
Gross carrying amount	3,381	16,340	577	5,005	7,663	32,966
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.79%	0.18%
ECL provision	-	-	-	-	61	61

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk; that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. CCCWSA manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon in extenuating circumstances.

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

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows. The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	285	7,541	–	–	7,826	7,826
Loans and advances	4.94%	–	37,112	95,022	105,523	237,657	187,733
Total financial liabilities		285	44,653	95,022	105,523	245,483	195,559
2020							
Trade/other payables	0.00%	288	36,625	–	–	36,913	13,953
Loans and advances	5.77%	–	50,548	109,067	147,839	307,454	259,659
Total financial liabilities		288	87,173	109,067	147,839	344,367	273,612

D2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

	Fair value measurement hierarchy								
	Level 1 Quoted prices in active mkts		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total		
	2021	2020	2021	2020	2021	2020	2021	2020	
\$ '000						Restated		Restated	
	Notes								
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
At fair value through profit or loss		77,404	10,479	–	–	–	–	77,404	10,479
Total financial assets		77,404	10,479	–	–	–	–	77,404	10,479
Infrastructure, property, plant and equipment									
Plant and equipment		–	–	–	–	167	194	167	194
Office equipment		–	–	–	–	86	47	86	47
Furniture and fittings		–	–	–	–	104	117	104	117
Crown and Community land		–	–	–	–	12,410	12,249	12,410	12,249
Operational land		–	–	82,644	68,946	–	–	82,644	68,946
Land improvements - depreciable		–	–	–	–	634	132	634	132
Buildings – specialised		–	–	–	–	31,580	32,065	31,580	32,065
Other structures		–	–	–	–	1,203	1,256	1,203	1,256
Roads		–	–	–	–	–	21	–	21
Bulk earthworks (non depreciable)		–	–	–	–	–	16	–	16
Stormwater drainage		–	–	–	–	1,092,202	1,030,632	1,092,202	1,030,632
Water supply network		–	–	–	–	1,151,118	1,043,852	1,151,118	1,043,852
Sewerage network		–	–	–	–	1,334,671	1,415,215	1,334,671	1,415,215
Other assets		–	–	–	–	128	–	128	–
Total infrastructure, property, plant and equipment	C1-5	–	–	82,644	68,946	3,624,303	3,535,796	3,706,947	3,604,742

Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

D2-1 Fair value measurement (continued)

Valuation techniques

Where CCCWSA is unable to derive fair valuations using quoted market prices of identical assets (ie. Level 1 inputs), or observable inputs (Level 2 inputs), it utilises unobservable inputs (Level 3 inputs).

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

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment and furniture and fittings

Plant and equipment, office equipment and furniture and fittings assets are recognised and valued at cost. CCCWSA assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- plant and equipment
 - o Major plant items – tractors, excavators, street sweepers, tippers, rollers, forklifts, backhoes, beach cleaners
 - o Minor plant items – generators, mowers, weed harvester, trailers, chainsaws, wood chippers, power hand tools
 - o Fleet vehicles – trucks, commercial vehicles and passenger vehicles
- office equipment – computer hardware, communications equipment, digital cameras, photocopiers
- furniture and fittings – work stations, storage cabinets, CCTV, air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

CCCWSA reviews the value of these assets based on the gross replacement cost of similar assets.

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

Operational land

This asset class is comprised of all CCCWSA's land classified as operational land under the *Local Government Act 1993*. CCCWSA's accounting policy is to value the freehold land on a market value basis.

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. The land was valued using level 2 inputs that would be taken into account by buyers and sellers in setting the price, including but not limited to dimensions, land use and zoning, exposure to traffic and topography.

The fair value of operational land was reviewed for the year ended 30 June 2021 and an adjustment was recognised in the financial statements to ensure the carrying values of these assets materially reflect fair value.

Crown and Community land

Community Land assets are comprised of CCCWSA owned land classified as Community Land under the Local Government Act 1993. Crown land is under the care and management of CCCWSA on behalf of the Crown.

CCCWSA accounting policy is to value Crown and Community land based on the unimproved land values provided by the Valuer General or an average unit rate based on the land values for similar properties (land use, land size, shape and location).

These are considered level 2 observable inputs.

Crown and Community land have been valued at 30 June 2021 using the VG valuations published on 1 July 2020.

Buildings – specialised

It is CCCWSA's accounting policy to value buildings for which a market exists using the best estimate of the price reasonably obtainable in the market at the date of valuation. Where there is no depth in market the buildings will be determined on the depreciated current replacement cost basis.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting

D2-1 Fair value measurement (continued)

equipment, and general lighting). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

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

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value all buildings in 2018. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account CCCWSA's asset management practices.

Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other outputs (such as estimates of residual value, useful life, asset condition and componentisation including the split between short and long life components) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, this asset class has been valued utilising Level 3 inputs.

Other structures

This asset class is comprised of fencing and structures which did not meet the definition of a building and are recognised and valued at cost. CCCWSA assumes that the carrying amount reflects the fair value of the assets due to the nature of the items.

The replacement cost approach will be utilised to value other structures. Unobservable Level 3 inputs used include useful life, asset condition and pattern of consumption.

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

Stormwater drainage

The Stormwater drainage asset class consists of CCCWSA's pits, pipes, detention basins, open drains, culverts, floodgates, wetlands, headwalls and gross pollutant traps.

CCCWSA engaged Morrison Low to value all stormwater drainage assets as at 30 June 2021. The approach used the cost assets approach. Replacement cost was assessed using the Modern Engineering Equivalent Replacement Asset (MEERA) approach.

Significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption.

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

Water supply network

This asset class is comprised of water treatment plants, water pump stations, reservoirs, water mains, tunnels, dams, weirs and water meters.

Council engaged the external consulting company GHD, to undertake the valuation of all water supply infrastructure assets at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach.

Significant inputs considered in the valuation of these assets are remaining useful life, asset condition, unit rates and pattern of consumption.

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

Sewerage network

This asset class is comprised of sewer treatment plants, sewer pump stations, sewer vacuum systems and sewer mains.

Council engaged the external consulting company GHD, to undertake the valuation of all sewerage network assets at 30 June 2021. The gross replacement cost for each asset was calculated using the MEERA approach.

Significant inputs considered in the valuation of these assets are remaining useful life, asset condition, unit rates and pattern of consumption.

There have been no other changes to the valuation process during the reporting period.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

D2-1 Fair value measurement (continued)**Fair value measurements using significant unobservable inputs (level 3)****Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.**

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

\$ '000	Fair value (30/6/21) 2021	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	167	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	86	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	104	Cost approach	Pattern of consumption, useful life and residual value
Crown and Community land	12,410	Land values obtained from the NSW Valuer-General	Discount rates relating to restrictions over use
Land improvements - depreciable	634	Cost approach	Pattern of consumption, useful life and residual value
Buildings specialised	31,580	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	1,203	Cost approach	Useful life, pattern of consumption and asset condition
Stormwater drainage	1,092,202	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Water supply network	1,151,118	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Sewerage network	1,334,671	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives
Other assets	128	Cost approach	Current replacement cost of modern equivalent asset, asset condition and remaining lives

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

D2-1 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		Crown and Community land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	194	50	47	9	117	123	12,249	7,351
Transfers from/(to) another asset class	-	-	-	-	-	-	-	2,137
Purchases (GBV)	-	185	71	73	-	7	-	-
Depreciation and impairment	(27)	(41)	(32)	(35)	(13)	(13)	-	-
Revaluation increments / (decrements) to equity (ARR)	-	-	-	-	-	-	161	2,761
Closing balance	167	194	86	47	104	117	12,410	12,249

\$ '000	Buildings specialised		Other structures		Roads		Bulk earthworks	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	32,065	31,207	1,256	1,293	21	22	16	16
Purchases (GBV)	219	1,545	-	17	-	-	-	-
Disposals (WDV)	-	(4)	-	-	-	-	-	-
Depreciation and impairment	(704)	(683)	(53)	(54)	(1)	(1)	-	-
Revaluation increments / (decrements) to equity (ARR)	-	-	-	-	(20)	-	(16)	-
Closing balance	31,580	32,065	1,203	1,256	-	21	-	16

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Other assets	
	2021	2020	2021	2020 Restated	2021	2020 Restated	2021	2020
Opening balance	1,030,632	1,020,512	1,043,853	1,041,594	1,415,214	1,413,845	-	-
Transfers from/(to) another asset class	-	-	(27)	682	724	600	-	-
Purchases (GBV)	19,791	26,271	33,696	20,557	43,435	24,574	133	-
Disposals (WDV)	(34)	(293)	(994)	(1,004)	(1,385)	(1,258)	-	-
Depreciation and impairment	(14,561)	(15,858)	(24,401)	(27,017)	(40,588)	(35,204)	(5)	-
Revaluation increments / (decrements) to equity (ARR)	56,374	-	98,991	9,041	(82,729)	12,657	-	-
Closing balance	1,092,202	1,030,632	1,151,118	1,043,853	1,334,671	1,415,214	128	-

\$ '000	Land improvement - depreciable		Total	
	2021	2020	2021	2020
Opening balance	132	-	3,535,796	3,516,022
Transfers from/(to) another asset class	-	-	697	3,419
Purchases (GBV)	516	146	97,861	73,375
Disposals (WDV)	-	-	(2,413)	(2,559)
Depreciation and impairment	(14)	(14)	(80,399)	(78,920)
Revaluation increments / (decrements) to equity (ARR)	-	-	72,761	24,459
Closing balance	634	132	3,624,303	3,535,796

continued on next page ...

Page 45 of 54

D2-1 Fair value measurement (continued)

Highest and best use

The following non-financial assets of CCCWSA are being utilised at other than their highest and best use:

Community based assets

CCCWSA undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Crown land under CCCWSA's care and control as well as CCCWSA - owned land that has been classified as community land under the provisions of the Local Government Act 1993.

Furthermore, CCCWSA has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to CCCWSA.

D3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

Defined benefit superannuation contribution plans

Council, on behalf of CCCWSA 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*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

Employer contributions paid to the defined benefit section of the Scheme during 2020-21 were recognised as an expense. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

The position is monitored annually and the actuary has estimated that, as at 30 June 2021, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit.

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

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

Key management personnel (KMP) of Central Coast Council Water Supply Authority (CCCWSA) are those persons having the authority and responsibility for planning, directing and controlling the activities of the CCCWSA, directly or indirectly. KMP include the following positions Councillors, Administrator, Interim Administrator, Chief Executive Officer and Executive Leadership Team members.

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,091	1,198
Other long-term benefits	55	56
Termination benefits	131	133
Total	1,277	1,387

Other transactions with KMP and their related parties

CCCWSA has determined that there were no transactions between KMP and CCCWSA.

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

E2 Other relationships**E2-1 Audit fees**

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

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

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Audit and review of financial statements

-	12
---	----

Remuneration for audit and other assurance services

-	12
---	----

Total remuneration of non NSW Auditor-General audit firms

-	12
---	----

Total audit fees

-	12
---	----

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

F Other matters**F1-1 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	(16,845)	(31,769)
Adjust for non-cash items:		
Depreciation and amortisation	72,556	78,675
Net losses/(gains) on disposal of assets	2,413	2,559
Non-cash capital grants and contributions	(11,280)	(4,330)
Adoption of AASB 15/1058	-	(2,503)
Revaluation decrements / impairments of IPP&E direct to P&L	7,843	-
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	13,014	(5,159)
Increase/(decrease) in provision for impairment of receivables	(7)	61
Decrease/(increase) in other current assets	(61)	(161)
Increase/(decrease) in payables	(62)	(1,549)
Increase/(decrease) in other accrued expenses payable	(6,062)	6,222
Increase/(decrease) in other liabilities	420	(24,478)
Increase/(decrease) in contract liabilities	(1,312)	3,721
Increase/(decrease) in provision for employee benefits	(784)	312
Increase/(decrease) in other provisions	6	70
Net cash provided from operating activities from the Statement of Cash Flows	59,839	21,671

(b) Non-cash investing and financing activities

Other dedications	9,931	4,330
Total non-cash investing and financing activities	9,931	4,330

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

F2-1 Commitments

Capital commitments (exclusive of GST)

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

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

Property, plant and equipment

Other – Stormwater Management	159	406
Infrastructure	13,488	41,229
Total commitments	13,647	41,635

These expenditures are payable as follows:

Within the next year	13,647	41,635
Total payable	13,647	41,635

Details of capital commitments

Major projects include:

- Annual water main renewal program
- Water treatment plant major upgrade - Mardi
- Water and sewer infrastructure reinforcements - Gosford CBD
- Water and sewer infrastructure - Warnervale Town Centre
- Critical sewer main rehabilitation - reticulation system
- Sewer pump station upgrade - Clarke Road, Noraville

F3-1 Events occurring after the reporting date

On 10 September 2021, Council submitted a pricing proposal to IPART for water, sewerage and stormwater drainage prices for a 4 year determination period from 1 July 2022 to 30 June 2026. As at the date of this report IPART is yet to provide a final determination.

F4 Changes from prior year statements

F4-1 Correction of errors

Nature of prior-period error

During the water and sewer assets revaluation process at 30 June 2021, it was determined that a number of water and sewer pipeline assets had not been previously recorded in Council's fixed asset register. The valuation of these assets totalled \$19.94M with a written down book value at 30 June 2021 of \$11.36M.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Current assets	219,728	–	219,728
Infrastructure, property, plant and equipment	3,676,762	11,850	3,688,612
Other non-current assets	20,150	–	20,150
Total assets	3,916,640	11,850	3,928,490
Current liabilities	91,865	–	91,865
Non-current liabilities	201,335	–	201,335
Total liabilities	293,200	–	293,200
Accumulated surplus	3,496,873	11,850	3,508,723
Revaluation reserves	126,567	–	126,567
Total equity	3,623,440	11,850	3,635,290

Central Coast Council - Water Supply Authority | Notes to the Financial Statements 30 June 2021

F4-1 Correction of errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Current assets	205,116	–	205,116
Infrastructure, property, plant and equipment	3,685,329	11,850	3,697,179
Other non-current assets	21,408	–	21,408
Total assets	3,911,853	11,850	3,923,703
Current liabilities	94,532	–	94,532
Non-current liabilities	203,449	–	203,449
Total liabilities	297,881	–	297,881
Accumulated surplus	3,462,846	11,850	3,474,696
Revaluation reserves	151,026	–	151,026
Total equity	3,613,972	11,850	3,625,822

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Total income from continuing operations	177,784	–	177,784
Depreciation and amortisation	78,675	245	78,920
Materials and services	75,441	–	75,441
Other expenses from continuing operations	55,192	–	55,192
Total expenses from continuing operations	209,308	245	209,553
Net operating result for the year	(31,524)	(245)	(31,769)

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net operating result for the year	(31,524)	(245)	(31,769)
Gain on revaluation of infrastructure, property, plant and equipment	24,459	–	24,459
Other comprehensive income	24,459	–	24,459
Total comprehensive income for the year	(7,065)	(245)	(7,310)



INDEPENDENT AUDITOR'S REPORT

Central Coast Council Water Supply Authority

To the Treasurer, Minister for Lands and Water, and the Administrator for Central Coast Council Water Supply Authority

Qualified Opinion

I have audited the accompanying financial statements of the Central Coast Council Water Supply Authority (the Authority), which comprises the Statement by the Administrator and Chief Executive Officer, 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 the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section, the financial statements:

- have been prepared in accordance with Australian Accounting Standards
- presents fairly the Authority's financial position, financial performance and cash flows.

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

Basis for Qualified Opinion

Carrying values of stormwater drainage, water supply network and sewerage network assets

The Authority recognised \$3.6 billion of stormwater drainage, water supply network and sewerage network assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position as at 30 June 2021.

In the 'Statement by the Administrator and Chief Executive Officer', the Authority certified they were unable to provide sufficient evidence to support the carrying values of these assets in the Statement of Financial Position as at 30 June 2021. This is because the asset data used by the Authority to value these assets could not be reconciled by the Authority to its financial records prior to the valuation. The asset data was sourced from a non-financial system that did not include financial information or reference data that could be used to identify assets in the Authority's fixed asset register.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of stormwater drainage, water supply network and sewerage network assets in the Statements of Financial Position and related notes as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment for non-financial assets expense' in the Income Statement or Statement of Comprehensive Income for the year ended 30 June 2021.

Consequently, I was unable to provide an opinion that the affected amounts were materially correct.

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 Authority 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 public sector agencies
- 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 qualified audit opinion.

Other Information

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

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.

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. As described in the Basis for Qualified Opinion section above, I was unable to obtain sufficient appropriate evidence to:

- support the carrying values of stormwater drainage, water supply network and sewerage network assets in the Statement of Financial Position and related notes as at 30 June 2021
- determine the impact on 'Depreciation, amortisation and impairment for non-financial assets expense' in the Income Statement or Statement of Comprehensive Income for the year ended 30 June 2021.

Accordingly, I am unable to conclude whether or not the other information is materially misstated with respect to these matters.

The Administrator's Responsibilities for the Financial Statements

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

In preparing the financial statements, the Administrator is responsible for assessing the Authority'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 Authority 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.



David Daniels
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 February 2022
SYDNEY



Item No: 2.3
Title: Council's Asset Sales Program
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2020/03104 - D15064388
Author: Joe O'Connor, Commercial Property Manager
Manager: Jamie Barclay, Unit Manager Development and Property
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on Council's Asset Sales Program.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 2/03/2022.

Summary

Council is continuing the path to financial recovery and sustainability with further actions implemented from the adopted Business Recovery Plan. Part of the significant steps being undertaken, include the sale of Council assets which are underperforming or surplus to Council's current and future needs. This process is crucial to deliver a much-needed boost to Council's financial position and provide confidence to our lenders that Council operations can continue sustainably, and loans serviced.

Given the importance for transparency with the community, an update report is provided here which confirms recent land sales. It is noted that a previous report detailing the sale methodology and procedure was tabled at ARIC meeting of 24 June 2021.

Report

As of the writing of this report (2 March 2022) Council has completed contracts on \$50,738,775 worth of land sales with a further settlement due to occur on 9 March 2022, bringing the current total to \$54,738,775. The details of the sales have been noted in *Table 1* below.

To date, Council has openly reported on its sales at its meetings of 23 November 2021 and 14 December 2021, with a further report due on 22 March 2022.

These reports are on the public record for the community to review at <https://centralcoast.infocouncil.biz/>

2.3 Council's Asset Sales Program (contd)

Property Address	Lot/DP	Settlement Date	Valuation Price	Sale Price (ex GST)
18 Dunvegan St, Mannering Park	154/DP218427	1/06/2021	\$240,000	\$240,000
44 Springall Ave, Wyongah	210/DP26178	2/06/2021	\$325,000	\$420,000
6 Wyndora Ave, San Remo	10/DP1207459	4/06/2021	\$280,000	\$280,000
165 Main Rd, Toukley	3/DP22986	4/06/2021	\$530,000	\$660,000
9 Thompson St, Long Jetty	21/1/DP13225	4/06/2021	\$475,000	\$475,000
3 Bounty Cl Tuggerah	2073/DP1052715	21/06/2021	\$652,088	\$652,000
1a Lucca Road, Wyong	24/DP1220033	19/07/2021	\$2,500,000	\$4,850,000
11-23 Wyong Road, Tuggerah	Lots 15-21 DP 25373	11/11/2021	\$130,000	\$130,000
Warner Industrial Park - 225 Sparks Road and 671, 689, 701, 725, 749, 781, 791, 811 Hue Hue Road, Jiliby, 2259	Lots 15, 16, 17, 18, 19, 25 and 26 in DP 259530, Lots 4, 6, 7 and 8 in DP 239704	10/12/2021	\$19,500,000	\$27,031,775
2 Woongarra Rd, Woongarra	1/DP1275060	21/02/2022	\$14,000,000	\$16,000,000
15-23 Hely St Wyong	PT 1 – 5 Sec1 DP 3136	9/03/2022	\$4,000,000	\$4,000,000
TOTAL VALUE		As of 09/03/2022	\$42,632,088	\$54,738,775

Table 1 – Details of current sales

Attachments

Nil.



Item No: 4.3
Title: Validation of 2020/21 Operational Plan Deliverables - Final Report February 2022
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15062131
Author: Kelly Drover, Meeting Support Officer
Manager: Edward Hock, Unit Manager Governance Risk and Legal
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report provided by Centium on Validation of 2020/21 Operational Plan Deliverables – Final Report February 2022.*
- 2 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 1/03/2022.

Summary

The purpose of this report is to provide the Committee with the Validation of 2020/21 Operational Plan Deliverables – Final Report 2022.

Report

Centium was engaged to deliver an independent validation of 35 “Responsible” themed actions and measures within Council’s 2020/21 Operational Plan. This audit was undertaken as part of Council’s 2021/2022 Internal Audit Program.

The Validation of 2020/21 Operational Plan Deliverables – Final Report 2022 is provided to the Audit, Risk and Improvement Committee for their information.

Attachments

1   FINAL Report - Operational Plan Validation (February 2022) D15061889



**Validation of 2020/21 Operational
Plan Deliverables**
draft internal audit report

centium



Central Coast Council

Final February 2022; Draft December 2021

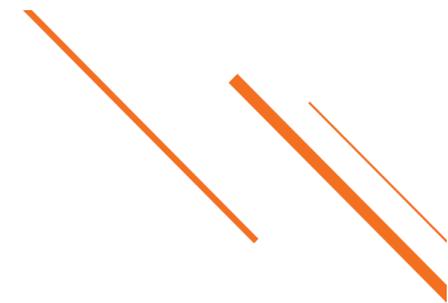


TABLE OF CONTENTS

EXECUTIVE SUMMARY.....3
 Summary4
 Summary of key observations.....7

OBSERVATIONS & OPPORTUNITIES FOR IMPROVEMENT.....8
 Audit Validation results.....9
 Operational Plan Trend Analysis12

APPENDICES.....14
 Appendix 1 – Risk Definitions15
 Appendix 2 – Terms of Reference18
 Appendix 3 – Detailed Results.....19
 Appendix 4 – Key Contacts.....31
 Appendix 5 – Opportunities for Improvement.....33
 Appendix 6 – Disclaimers35



executive summary

executive summary 4

Summary

Centium was engaged to deliver an independent validation of 35 “Responsible” themed actions and measures within Council’s 2020/21 Operational Plan. This audit was undertaken as part of Council’s 2021/2022 Internal Audit Program.

This report details our findings as well as opportunities for improvement.

Please see Appendix 2 for the full terms of reference.

Positive Controls / Observations

The audit noted numerous examples of delivery towards Operational Plan measures. While not always complete, this is an achievement given COVID-19 constraints environment and the financial challenges faced by Council.

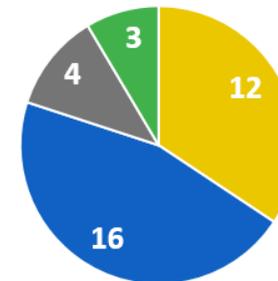
Meetings with Directors verified support and commitment to achieving Operational Plan measures.

The Corporate Planning and Reporting team demonstrated experience and competence in managing Council’s Integrated Planning and Reporting requirements.

Responsible Officers were forthcoming in providing relevant documentation to validate the status of their sampled 2020/21 Operational Plan measures.

The “Your Voice Our Coast” online hub provides opportunities for the community to provide input and direction to projects and initiatives, including potential future Operational Plans.

Independent Validation Results



Legend:
Completed Work is completed / target achieved
Active Multi-year project or is still underway
Delayed Work is behind schedule / target has not been achieved
Inactive Work is on hold until further notice or there has been a change in priority and it will not be delivered

Please see Appendix 3 for the Detailed Results from the validation of each measure within the scope of this review.

executive summary 5**Summary of key findings**

The audit identified opportunities to improve both the Operational Plan and related monitoring systems / processes moving forward.

Specifically, extant Operational Plan Measures did not always have a clear connection to the Delivery Program and/or their target was unclear.

The review also observed that Status Categories could be further refined in consultation with key stakeholders. This would ensure that the most accurate status category is applied by Operational Measure owners at required reporting periods.

Analysis over three Operational Plan periods further identified trends that can be used to support the design of future Operational Plan measures.

Overall engagement rating

Our overall control effectiveness rating is Effective, using the rating table at **Appendix 1**.

No findings were made in this report. However a number of Opportunities for Improvement were raised, which have not been risk rated. These Opportunities should be considered by Council in light of its other priorities and business objectives.

Conclusion

As noted above, results from the validation audit identified that 16 (46%) of the sampled 2020/21 Operational Plan measures have been completed.

Operational Plan measures that have not been assessed as completed are either active (i.e. 9%), delayed or behind schedule (i.e. 34%) or inactive / on hold (i.e. 11%).

While all information obtained throughout the conduct of this review was provided electronically, the documentation was sufficient and appropriate to independently validate the status of each Operational Measure.

Acknowledgement

We would like to acknowledge all parties who contributed to the observations and findings within this audit. **Key stakeholders are listed at Appendix 4.**

executive summary 6

Report clearance

This report and the contents herein were discussed with the Project Sponsor and the key stakeholders.



Penny Corkill
Director Risk & Assurance, Centium
February 2022

executive summary 7

Summary of key observations

#	Observation
1	Status Measures and comments provided by Operational Plan Measure owners were not always consistent with audit validation results.
2	Incomplete measures do not appear in the 2021/22 Operational Plan.
3	Two Operational Plan Measures do not have a clear connection to the Delivery Program.
4	The target for one Operational Measure is unclear.
5	There are a number of repeated Operational Plan Measures across the 2019/20, 2020/21 and 2021/22 Operational Plans.



**observations &
opportunities for
improvement**

findings & audit recommendations 9

Audit Validation results

1. Status measures

Status Measures and comments provided by Operational Plan Measure owners were not always consistent with audit validation results.

For each 2020/21 “Responsible” themed action and measure in the sample, evidence was requested from the owner, to support the end of financial year status and commentary provided.

A review of the supporting documentation for seven (20%) of the 35 sampled Operational Plan Measures identified a different end of financial year status to that provided.

Specifically:

- Six measures with an end of financial year status of “Completed” were found to be “Delayed” as the evidence provided suggested that the target has not been achieved (see References 1, 3, 4, 9, 30 and 32)
- One measure with an end of financial year status of “Delayed” was assessed to have a correct status of “Inactive” as the measures had been assessed as “On Hold” within the Revised Delivery Program and Operational Plan 2020/21 (see Reference 8).

We acknowledge that these differences may be due to the variety of Status categories available and confusion regarding the most appropriate category given other challenges faced by Council.

Further, the use of “Active” as a status measure did not always reflect progress, in particular for multi-year projects (by contrast the Operational Plan Measures relate to a financial year). Audit validated three Operational Plan Measures as “Active” as evidence was provided to demonstrate that each project is still underway. However, it would be equally applicable to attribute a “Delayed” status as the target date of 30 June 2021 was not achieved (see References 22, 23 and 28).

Please see Appendix 3 – Detailed results for Responsible Theme Operational Plan Measures in Scope (total 35) and the results from the Audit Validation.

Opportunities for Improvement:

1. Consult with key stakeholders involved within the IP&R process to consider possible changes to Status Categories to assist in the accuracy of quarterly and end of financial year reporting of Operational Plan Measures.
2. Consider the implementation of both targets and timelines for multi-year project Operational Plan Measures to assist in the definition of the target to be achieved.

findings & audit recommendations 10**2. Incomplete measures**

Incomplete measures do not appear in the 2021/22 Operational Plan.

Results from a review of supporting documentation identified 19 (54%) of the 35 sampled Operational Plan Measures were not completed by the end of the financial year.

Further, 11 (31%) of the measures do not appear in the next Operational Plan (see References 1, 3, 4, 5, 6, 13, 20, 24, 25, 27 and 28). As such, it is unclear as to whether these measures will continue to be monitored and completed in due course. This may have budget implications for Council if costs associated with the completion of outstanding projects are not considered.

Audit noted that design and adoption timing for the 2021/22 Operational Plan meant that some 2020/21 Operational Plan measures were assessed as on track. Council anticipates that these targets will be achieved by the end of the financial year.

Opportunities for Improvement:

- 3.** Develop internal processes to ensure that incomplete measures which remain active at the conclusion of an Operational Plan are monitored and completed in due course.

3. Connection to Delivery Program

A review of the 2020/21 "Responsible" themed actions and measures identified that two measures (6%) do not have a clear connection to Council's Delivery Program.

These anomalies are outlined in the following table:

Ref	Delivery Program	Operational Plan Measure	Target
3	Provide beautiful well-tended places of rest available for the community and families	Number of ash interments in Council's Cemeteries	109 ash interments
4		Number of burials in Council's Cemeteries	260 burials

As can be seen above, the connection is not clear – the actual numbers of ash interments and burials are not likely to impact the provision of a beautiful well-tended place of rest for the community and families.

Audit also noted that specific targets for ash interments and burials are highly dependent on factors outside Council's control (i.e. number of requests). A better measure might have been the percentage of requests accommodated.

Audit acknowledges these measures have not been repeated in the 2021/22 Operational Plan.

findings & audit recommendations 11

For noting only. No Opportunity for improvement raised as both measures are not included in the 2021/22 Operational Plan

4. Measure clarity

A review of the 2020/21 “Responsible” themed actions and measures identified one measure (i.e. 3%) that does not have a clear target to assess status at the end of the financial year.

These anomalies are outlined in the following table:

Ref	Delivery Program	Operational Plan Measure	Target
18	Ensure compliance with the statutory requirement and promote transparency and accountability	Number of Environment Protection License non-compliances	Reduction in Number

As noted above, the target is not clear as the “number” assumed from the previous financial year has not been defined. A more appropriate target for this 2020/21 measure might have been “less than 3% non-compliance”.

Audit acknowledges this measure has not been repeated in the 2021/22 Operational Plan.

For information only. No Opportunity for improvement raised as the measure has not been included in the 2021/22 Operational Plan.

findings & audit recommendations 12

Operational Plan Trend Analysis**5. Repeated Operational Plan Measures
2019/20, 2020/21 and 2021/22**

A comparison of the 2020/21 “Responsible” themed actions and measures was undertaken against both the 2019/20 and 2021/22 Operational Plans.

The comparison identified that seven 2020/21 responsible theme measures were included in both the 2019/20 and 2021/22 Operational Plans.

The repeated Operational Plan measures are noted in the table below:

Ref	Operational Plan Measure	19/20 Target	20/21 Target	2021/22 Target
21	Complete Council's Integrated Planning and Reporting (IP&R) requirements including; quarterly reporting against the Operational Plan 2020/21, development of the Operational Plan 2021/22, development of the Annual Report 2019-20	n/a	30/6/21	30/6/22
22	Prepare a draft Central Coast Housing Strategy	June 2020	30/6/21	30/6/22

Ref	Operational Plan Measure	19/20 Target	20/21 Target	2021/22 Target
29	Percentage of Infrastructure Services (roads and drainage) capital expenditure projects completed within scope and budget annually	90%	90%	90%
30	Kilometres of drainage infrastructure constructed each year (subject to historic funding levels)	4km	2.7km	4.1km
31	Kilometres of road pavement to be renewed each year	20km	15km	10km
32	Kilometres of road resurfacing to be renewed each year	90km	20km	26km
35	Percentage of waste bins collected on the scheduled date	100%	>99%	>99% (green)

This comparison provides for the following observations:

- Six Operational Plan Measures are “Business as usual”. Although these measures can be “completed” when the target is met (or “delayed” where the target is not met), the measure itself will continue to apply (subject to funding) beyond the Operational Plan (i.e. References 21, 29, 30, 31, 32, 35).

findings & audit recommendations 13

- One Operational Plan measure has continually been re-raised as if has not been completed or implemented (i.e. Reference 22)

Opportunities for Improvement:

4. Consider repeated Operational Plan measures and determine whether "Business and Usual" Operational Plan Measures are appropriate for future Operational Plans.



appendices

appendices 15

Appendix 1 – Risk Definitions

The following control effectiveness definitions used throughout this report.

Effectiveness Rating	Definitions
Effective	Controls are functioning effectively
Partly Effective	Some risk exposures were found
Ineffective	Existing controls are ineffective

appendices 16

Central Coast Council Risk Tables

Consequence Table					
	Work, Health & Safety/ Public	Natural Environment	Regulatory/ Compliance	Reputation	Financial
Catastrophic	One(1) or more deaths, serious disability or long term ill health	Widespread contamination and environmental damage which cannot be reversed in the short to medium term.	Breach of legal, regulatory requirement or duty; prosecution; custodial sentence;		> \$15,000,000
Major	Serious injury (Major surgery > two (2) months admission or long term illness	Significant environmental damage which can be reversed in the medium term.	Breach of legal, regulatory requirement or duty; likely fines, prosecution and/ or litigation		\$2,000,000 to \$15,000,000
Moderate	Significant injury one (1) to two (2) months absence	Moderate impact on the environment which can be addressed in the short term.	Breach of legal, regulatory requirement or duty; enforcement action or prohibition notices imposed	Substantial customer/community dissatisfaction State coverage. Reputation recoverable in the long term.	\$500,000 to \$2,000,000
Minor	First aid or medical attention required no long lasting effects several days off work	Minor damage to the environment which is recoverable in the short term.	Non-compliance of legal, regulatory requirement or duty; monitoring by external regulator	Expressed customer/community dissatisfaction local coverage. Reputation recoverable in the medium term.	\$50,000 to \$500,000
Insignificant	First aid needed. No absence.	Insignificant damage to the environment, can be cleaned up immediately by local crews.	Non-compliance of legal, regulatory requirement or duty; investigation, not reportable.	May cause some public concern	\$10,000 to \$50,000

appendices 17

Likelihood Table			
	Probability	Indicative frequency (Whole of Life)	Descriptor (Project)
Almost certain	> 85%	Once a year or more frequently	Almost certain to occur
Likely	50 - 85%	Once every 2 years	More than an even chance of occurring
Possible	21 - 49%	Once every 5 years	Could occur periodically
Unlikely	5 - 20%	Once every 10 years	It is possible for the event to occur, but it is unlikely to happen.
Rare	< 5%	Once every 20 years	Event that may occur very seldom and the chances of it happening are considered exceptionally remote

Level of Risk Table					
	A	B	C	D	E
Consequence					
	Catastrophic	Major	Moderate	Minor	Insignificant
Almost certain	25	23	20	16	11
Likely	24	21	17	12	7
Possible	22	18	13	8	4
Unlikely	19	14	9	5	2
Rare	15	10	6	3	1

Risk Rating & Action			
Hazard Score	Risk Level	Risk Acceptability	Immediate Action / Notification
23 to 25	Extreme	Intolerable	Immediate action required by Senior Management
17 to 22	High	Unacceptable	Senior Management attention required
8 to 16	Medium	Acceptable with continuous review only when either Reputation or Financial Consequence are the highest rated risk. Otherwise unacceptable.	Manage with consistent monitoring and action when required.
1 to 7	Low	Acceptable with periodic review	Manage by routine procedures

appendices 18

Appendix 2 – Terms of Reference

Rationale and Objectives

It is important that deliverables reported in Council's Operational Plan can be validated to ensure transparent reporting to the community on what has been achieved.

The "Responsible" themes of the Operational Plan include:

- Good governance and great partnerships
- Delivering essential infrastructure
- Balanced and sustainable development

The objective of this review is to validate the outcomes of 2020/21 Operational Plan actions and measures assigned to each "Responsible" theme.

Audit Scope:

The review will consider all 35 "Responsible" themed actions and measures within the 2020/21 Operational plan. A sample will be selected for validation and will ensure coverage across various directorates and responsible units, as well as a variety of outcomes (i.e. completed, inactive, moved to next financial year and delayed).

Other matters that may be observed and assessed through the course of this review will be documented in the report, including for example, any trends, patterns and recurring themes, as well as opportunities for improvement.

Audits are conducted to conform with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

appendices 19

Appendix 3 – Detailed Results

The below table outlines all Responsible theme Operational Plan measures in scope (total 35) and the results from the Audit Validation:

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
1	Leisure Recreation and Community Facilities	G.02.2020/21	Develop a coordinated approach towards implementation and ongoing management of security measures across Council's facilities / assets	Implement Year 1 recommendations from the CCTV strategy	30/06/21	Completed	CCTV strategy finalised and Year 1 recommendations being implemented including finalisation of audit and inclusion of CCTV in Council's asset management system. However no specific CCTV staff have been recruited to fully drive the strategy implementation	Delayed - Evidence was provided to support partial implementation of recommendations from the finalised CCTV Strategy due to the impact of Council's financial challenges. Further work is required to approve the CCTV Policy and Code of Practice. This measure is not captured in the 2021/22 Operational Plan.	Delayed - Work is behind schedule / target has not been achieved
2	Leisure Recreation and Community Facilities	G.03.2020/21	Maintain good governance practice for Council's leasing and licencing portfolio.	Percentage of all leases and licences commencing due diligence process within a week of the original request	100%	Completed	100% target met. Community leases due diligence completed within the one week target timeframe	Completed - Evidence was provided to support the approved Leasing and Licencing Policy in August 2020. Evidence was also provided to support the commencement of the due diligence process within a week of the original request for a sample of six leases, following the policy approval.	Completed - Work is completed / target achieved
3	Business Enterprise	G.05.2020/21	Provide beautiful well-tended places of rest available for the community and families	Number of ash interments in Council's Cemeteries	109 ash interments	Completed	The Target for the financial year has been achieved	Delayed - Evidence was provided to support 102 ash interments in Council's cemeteries during 2020/21. The volume of ash interments during 2020/21 did not meet the target of 109.	Delayed - Work is behind schedule / target has not been achieved

appendices 20

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
4	Business Enterprise	G.06.2020/21	Provide beautiful well-tended places of rest available for the community and families	Number of burials in Council's Cemeteries	260 burials	Completed	The Target for the financial year has been achieved	Delayed - Evidence was provided to support 251 burials in Council's cemeteries during 2020/21. The volume of burials during 2020/21 did not meet the target of 260.	Delayed - Work is behind schedule / target has not been achieved
5	Business Enterprise	H.07.2020/21	Structural remediation plan	Undertake structural remediation plans for Gosford City Carpark	30/06/21	Delayed	The Structural remediation project was paused this year as it is not urgent works that need to be undertaken. The work will commence in the 2021/22 financial year	Delayed - Evidence was provided to support the redistribution of funds in Q1 and Q2 through a Budget Adjustment Request as the project was placed on hold due to required savings targets. This measure is not captured in the 2021/22 operational plan.	Delayed - Work is behind schedule / target has not been achieved
6	Business Enterprise	H.08.2020/21	Structural remediation plan	Undertake Structural remediation plans for Terrigal Wilson Carpark	30/06/21	Delayed	The Structural remediation project was paused this year as it is not urgent works that need to be undertaken. The work will commence in the 2021/22 financial year	Delayed - Evidence was provided to support the redistribution of funds in Q1 and Q2 through a Budget Adjustment Request as the project was placed on hold due to required savings targets. This measure is not captured in the 2021/22 operational plan.	Delayed - Work is behind schedule / target has not been achieved
7	Business Enterprise	H.09.2020/21	Increased utilisation of parking station	Implement pricing strategy for Gosford City Carpark	30/06/21	Completed	The Gosford City Carpark pricing strategy has been implemented as part of the 2021/22 fees and charges	Completed - Evidence was provided to support the approved Gosford City Carpark Pricing Strategy through Council resolution 188/21 (29 June 2021).	Completed - Work is completed / target achieved

appendices 21

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
8	Business Enterprise	H.10.2020/21	Better visibility of parking availability in Gosford	Integrate the available spaces at Gosford City Carpark into the Park Spot App	30/06/21	Delayed	The project was delayed due to Councils financial situation and is scheduled for the 2021/22 FY.	Inactive - Evidence was provided to support the status of this action as "On Hold" within the Revised Delivery Program and Operational Plan 2020/21. Discussions with key stakeholders confirmed the action has not progressed but may in the near future and the measure is repeated in the 2021/22 Operational Plan.	Inactive - Work is on hold until further notice or there has been a change in priority and it will not be delivered
9	Business Enterprise	H.11.2020/21	Better visibility of parking availability in Terrigal	Integrate the available spaces at Terrigal, Wilson Road Carpark into the Park Spot App	30/06/21	Completed	The car park tracking system has been installed and linked to the parking app.	Delayed - Evidence was provided to support the status of this action as "Delayed" rather than "Completed" as initially reported. The car park tracking system did not reach practical completion and the integration of the API data to the available app prior to the end of the financial year due to delays caused by COVID-19 lock down and restrictions for both NSW and VIC.	Delayed - Work is behind schedule / target has not been achieved
10	Business Enterprise	H.12.2020/21	Optimise the usage of the Baker Street Car Park for visitors to the Gosford City Centre	Average Occupancy rates for business hours - Monday to Friday	60%	Delayed	COVID-19 has caused a drop in demand for carparking within the Gosford CBD and this has resulted in lower occupancy than targeted for this financial year.	Delayed - Evidence was provided to support dashboard reporting to support the occupancy rates throughout 2020/21. The target of 60% occupancy was not met due to the impacts from COVID-19.	Delayed - Work is behind schedule / target has not been achieved
11	Economic Development and Property	H.13.2020/21	Create car park options and solutions for the Central Coast	Continue implementation of Central Coast Carpark Study	30/06/21	Completed	The Central Coast Carpark Study and Implementation Plan adopted by Council in April 2021.	Completed - Evidence was provided to support the approved Central Coast Car Parking Study and Implementation Plan through Council resolution 98/21 (13 April 2021).	Completed - Work is completed / target achieved

appendices 22

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
12	Governance and Risk	G.07.2020/21	An Enterprise Risk Management Framework for Central Coast Council that is consistent with ISO 31000 - 2009 Risk management – principles and Office of Local Government guidelines	Maintain and improve the Enterprise Risk Management framework	30/06/21	Completed	An Enterprise Risk Management Framework consistent with AS ISO 31000 2018 is in place. A supporting work program is also in place and is being followed. The risk register has been updated to reflect the new organisational structure. A risk Committee has been established made up of ELT and SME's from WHS, Insurance & Environment	Completed - Evidence was provided to support the Enterprise Risk Management Framework with a supporting work program. The introduction of the Risk Committee, which met for the first time in June 2021, appears to be an improvement.	Completed - Work is completed / target achieved
13	Governance and Risk	G.08.2020/21	Community confidence that Central Coast Council is managed in the community's best interests	Provide a professional development program for the Mayor and Councillors as required by the Local Government Act	30/06/21	Inactive	This is currently on hold due to the suspension of Central Coast Council Councillors.	Inactive - We were advised that this action is currently on hold due to the suspension of Councillors. Evidence was provided to support the Councillor Induction and Professional Development Program applicable prior to the suspension. This measure is not captured in the 2021/22 Operational Plan.	Inactive - Work is on hold until further notice or there has been a change in priority and it will not be delivered
14	Governance and Risk	G.10.2020/21	Ensure compliance with the statutory requirement and promote transparency and accountability	Number of non-compliances with legislative compliance requirements	0	Completed	For the last Financial year there were 102 items recorded, of these only six have not been actioned. It is expected that this number (six) will be lower following further discussion with the relevant areas who may not have entered the required details into the Legislative Compliance Register.	Completed - Evidence was provided to support the status of actions within the Legislative Compliance Register, as well as one overdue action for 2020/21.	Completed - Work is completed / target achieved

appendices 23

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
15	Governance and Risk	G.12.2020/21	Support Councillors in effective decision making and promote transparency and accountability	Percentage of Council resolutions actioned within agreed timeframes	90%	Delayed	17% of actions were open and overdue at the end of Q4. 77% of council resolutions were actioned within agreed timeframes.	Delayed - Evidence was provided to support the EOFY comments regarding the percentage of Council resolutions actioned within agreed timeframes within the quarter.	Delayed - Work is behind schedule / target has not been achieved
16	Governance and Risk	G.13.2020/21	Support Councillors in effective decision making and promote transparency and accountability	Percentage of Council matters considered in confidential session	<5%	Completed	No items were considered in confidential session this quarter.	Completed - Evidence was provided to support the comment that zero items were considered in confidential session in Quarter 4. However 24 confidential items were discussed throughout the financial year.	Completed - Work is completed / target achieved
17	Environmental Compliance and Systems	G.09.2020/21	An Environmental Management System for Central Coast Council that is consistent with AS/NZ ISO 14001:2016	Maintain and improve the environmental management system	30/06/21	Completed	EMS System development continues in line with Operational Plan target. It is noted that a number of amendments to the 2020/22 EMS Audit Plan have been made in response to Council's financial recovery process.	Completed - Evidence was provided to support the ongoing maintenance and improvement of the environmental management system, such as actions in response to the August 2020 external audit report.	Completed - Work is completed / target achieved
18	Environmental Compliance and Systems	G.11.2020/21	Ensure compliance with the statutory requirement and promote transparency and accountability	Number of Environment Protection License non-compliances	Reduction in Number	Completed	All licence non-compliances reported to the EPA within the required timeframes.	Completed - Evidence was provided to support reporting of pollution incidents and monitoring of compliance with EPA timeframes. Documentation provided demonstrated a reduction in non-compliance in comparison to 2019/20.	Completed - Work is completed / target achieved

appendices 24

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
19	Environmental Management	I.01.2020/21	Complete Flood Studies and Floodplain Risk Management Plans in consultation with the community.	The following Studies and Plans are due to be completed: <ul style="list-style-type: none"> • Lake Macquarie Overland Flood Study • Wallarah Creek floodplain risk management study and plan • Ourimbah Creek floodplain risk management study and plan • Wyong River floodplain risk management study and plan • Coastal Lagoons Flood Study Review, • Killarney Vale / Long Jetty floodplain risk management study and plan • Brisbane Water Catchment Overland Flood Studies. 	30/06/21	Completed	The studies were all completed as planned. Flood mapping databases are being updated utilising the new information and the studies are being loaded on to the website.	Completed - Evidence was provided to support the completion of Floodplain Risk Management Plans and Studies.	Completed - Work is completed / target achieved
20	Strategic Planning	G.04.2020/21	Build Council and community capacity to manage disaster	Adopt and Implement of the Disaster Resilience Strategy	31/12/21	Inactive	Due Council's financial recovery process this project has been put on hold, and will be reconsidered as part of the Delivery Program for 2022-23 to 2024-25	Inactive - Confirmed with the Unit Manager and the Director that this action is Inactive and has been put on hold due to Council's financial recovery process. However, the design and implementation of a Disaster Resilience Strategy will be considered as part of Council's next Delivery Program.	Inactive - Work is on hold until further notice or there has been a change in priority and it will not be delivered

appendices 25

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
21	Strategic Planning	G.14.2020/21	Meet legislative and business requirements	Complete Council's Integrated Planning and Reporting (IP&R) requirements including: quarterly reporting against the Operational Plan 2020/21, development of the Operational Plan 2021/22, development of the Annual Report 2019-20	30/06/21	Completed	All activities required under the IP&R framework for the 2020/21 financial year have been completed.	Completed - Evidence was provided to support completion of all activities required under the Integrated and Reporting framework for the 2020/21 financial year.	Completed - Work is completed / target achieved
22	Strategic Planning	I.02.2020/21	Comprehensive Local Environment Plan	Prepare a draft Central Coast Housing Strategy	30/06/21	Active	To be continued into 2021/22. Consultants (Hills PDA) contract has been extended to enable the delivery of the strategy by June 2022	Active - Confirmed with the Unit Manager and the Director that limited work was performed for this action during 2020/21 due to resourcing constraints. Evidence was provided to support the inclusion of the action in the 2021/22 Operational Plan.	Active - Multi-year project or is still underway
23	Strategic Planning	I.03.2020/21	Comprehensive Local Environment Plan	Prepare a Central Coast Employment Land Audit and Strategy	30/06/21	Active	Project will recommence in 2021/22. Contract variation may be required to update audit results, and assess implications of recent planning reforms for employment reforms and exempt and complying development	Active - We confirmed with the Unit Manager and the Director that limited work was performed for this action during 2020/21 due to resourcing constraints. Evidence was provided to support the inclusion of the action in the 2021/22 Operational Plan.	Active - Multi-year project or is still underway

appendices 26

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
24	Strategic Planning	1.04.2020/21	Comprehensive Local Environment Plan	Develop a Heritage Strategy by December 2020	30/06/21	Delayed	Relates to 1.05.2020/21 and 1.06.2020/21 Completion of final Heritage Strategy and Action Plan deferred to 2022 or 2023 given resource and budget constraints	Delayed - Confirmed with the Unit Manager and the Director that this action is not yet complete and is not captured in the 2021/22 Operational Plan. However, the Heritage Strategy is part of the comprehensive Local Environment Plan and will be considered as part of Council's next Delivery Program.	Delayed - Work is behind schedule / target has not been achieved
25	Strategic Planning	1.05.2020/21	Comprehensive Local Environment Plan	Develop a Heritage Action Plan by December 2020	30/06/21	Delayed	Gap Analysis finalised. Recommendations will form part of 1.04.2020/21	Delayed - Confirmed with the Unit Manager and the Director that this action is not yet complete and is not captured in the 2021/22 Operational Plan. However, the Heritage Action Plan is part of the comprehensive Local Environment Plan and will be considered as part of Council's next Delivery Program.	Delayed - Work is behind schedule / target has not been achieved
26	Strategic Planning	1.06.2020/21	Comprehensive Local Environment Plan	Commence Heritage Review including new heritage nominations for the Comprehensive Local Environmental Plan	31/12/21	Completed	Nomination, conservation and landscape framework finalised Recommendations will form part of 1.04.2020/21	Completed - Evidence was provided to support the completed Central Coast Heritage Study Review (Nominations Assessment) and the Central Coast Gap Analysis and Action Plan.	Completed - Work is completed / target achieved

appendices 27

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
27	Strategic Planning	I.07.2020/21	Improved social and economic opportunities in the rural areas of the central coast	Prepare and deliver a draft Rural Lands Audit and Strategy to Council for the Central Coast Region	30/06/21	Inactive	Due Council's financial recovery process this project has been put on hold, and will be reconsidered as part of the Delivery Program for 2022-23 to 2024-25	Inactive - Confirmed with the Unit Manager and the Director that this action is Inactive and has been put on hold due to Council's financial recovery process. However, the design and implementation of Rural Lands Audit and Strategy will be considered as part of Council's next Delivery Program.	Inactive - Work is on hold until further notice or there has been a change in priority and it will not be delivered
28	Strategic Planning	I.08.2020/21	Enable sustainable urban development that values energy efficiency, heritage, local character, the environment, transport, safety and liveability.	Commence development of a Landscape Design Guideline	30/06/21	Active	Project progressing in line with project plan and remains on track	Active - Confirmed with the Unit Manager and the Director that this action is not yet complete and is not captured in the 2021/22 Operational Plan. However, the Landscape Design Guideline will be considered as part of Council's next Delivery Program.	Active - Multi-year project or is still underway
29	Engineering Services	H.06.2020/21	Capital expenditure projects are completed as planned	Percentage of Infrastructure Services (roads and drainage) capital expenditure projects completed within scope and budget annually	90%	Completed	313 projects were originally planned for construction in the 2020/21 financial year, however the total number of projects was significantly reduced to support Council's financial recovery. Based on the reduced capital works budget, 145 projects were confirmed for completion with the remainder deferred to future financial years. Of the remaining projects, 138 were completed and seven (7) were deferred to allow further design and consultation or due to contractor availability as	Completed - Evidence was provided to support the completion of 138 projects out of a total of 145 projects, representing a 95% completion rate. Evidence was also provided to support the achievement of the completed projects within the agreed budget.	Completed - Work is completed / target achieved

appendices 28

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
							follows: • Malinya Shared Path – delayed due to design changes and deferred due to changes in procurement arising from the restructure however work will be incorporated into planned work in 2021/22. • Magenta Shared Path – deferred due to design changes and delays in receiving Environmental Approvals however work will be incorporated into planned work in 2021/22. • St Huberts Island Bridge - deferred due to design changes and further consultation however work will be incorporated into planned work in 2021/22. • Little Wobby Wharf - deferred due to design changes and further consultation however work will be incorporated into planned work in 2021/22. • Woy Woy Road / Banyo Close Traffic Safety – deferred due to delays in obtaining grant variation approval • Crossingham Block 3 Road Renewal – deferred due to contractor availability and wet weather • Norman Street Reseal – deferred due to a change in road treatment		

appendices 29

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
30	Roads and Drainage Infrastructure	H.01.2020/21	Expansion and upgrade of the drainage network across the Central Coast to reduce flooding, improve stormwater management, and maintain accessibility around the Central Coast	Kilometres of drainage infrastructure constructed each year (subject to historic funding levels)	2.7km	Completed	During the 2020/21 financial year, Council constructed 2.55 kilometres of drainage infrastructure.	Delayed - Evidence was provided to support the construction of 2.55km of drainage infrastructure throughout 2020/21.	Delayed - Work is behind schedule / target has not been achieved
31	Roads and Drainage Infrastructure	H.02.2020/21	Region wide improvement to road pavement condition to ensure long term sustainability of the road network and to support economic growth	Kilometres of road pavement to be renewed each year	15km	Completed	During the 2020/21 financial year, Council renewed 17.5 kilometres of road pavement.	Completed - Evidence was provided to support the rehabilitation of 122,504 square metres of pavement that is divided by the average road width (7 metres) to calculate the length of road pavement renewed, 17.5 kilometres	Completed - Work is completed / target achieved
32	Roads and Drainage Infrastructure	H.03.2020/21	Region wide improvement to road surface condition to ensure long term sustainability of the road network and to support economic growth	Kilometres of road resurfacing to be renewed each year	20km	Completed	During the 2020/21 financial year, Council resurfaced 19.1 kilometres of road pavement. While this is slightly below the target, pavement renewal has exceeded the target by 2.5 kilometres.	Delayed - Evidence was provided to support the resurfacing of 133,458 square metres of pavement that is divided by the average road width (7 metres) to calculate the length of road pavement resurfaced, 19 kilometres.	Delayed - Work is behind schedule / target has not been achieved

appendices 30

Ref	Unit	Operational Plan ID.	Delivery Program	Operational Plan	Target	EOFY Status	EOFY Comment	Audit Validation	Validation Status
33	Roads and Drainage Infrastructure	H.04.2020/21	Region wide improvements to bus stop infrastructure to improve access to public transport and ensure legislative compliance.	Number of bus stops upgraded to meet Disability Discrimination Act (DDA) compliance each year	23	Completed	During the 2020/21 financial year, Council upgraded 23 bus stops.	Completed - Evidence was provided to support a sample of Bus Stop upgrades performed during 2020/21.	Completed - Work is completed / target achieved
34	Roads and Drainage Infrastructure	H.05.2020/21	Region wide improvements to kerb and gutter infrastructure to improve access to public transport and ensure legislative compliance.	Kilometres of kerb and gutter constructed each year	5.5km	Completed	During the 2020/21 financial year, Council constructed 6.5 kilometres of kerb and gutter.	Completed - Evidence was provided to support the construction of 6.5 kilometres of kerb and gutter infrastructure throughout 2020/21.	Completed - Work is completed / target achieved
35	Waste and Resource Recovery	G.01.2020/21	Provide a reliable, safe, cost effective and environmentally responsible domestic waste collection to the Central Coast region	Percentage of waste bins collected on the scheduled date	>99%	Completed	Council delivered its domestic waste collection services in accord with agreed levels of service, including >99.8% of services delivered on the scheduled day, and no disruption to service delivery due to COVID-19.	Completed - Evidence was provided to support 99.83% of domestic waste bins were collected up on the residents designated collection day throughout the 2020/21 financial year.	Completed - Work is completed / target achieved

appendices 31

Appendix 4 – Key Contacts

Client Team Contacts

Name	Position	Involvement
Edward Hock	Unit Manager Governance and Legal Counsel	Fieldwork, Agreed Management Action Workshop
Tina Baker	Former Chief Internal Auditor	Planning, Fieldwork
Scott Cox	Former Director Environment and Planning	Planning, Fieldwork
David Milliken	Unit Manager Strategic Planning	Planning, Fieldwork
Sharon McLaren	Section Manager Corporate Planning and Reporting	Planning, Fieldwork
Julie Vaughan	Former Director Community and Recreation Services	Fieldwork
Phil Cantillon	Unit Manager Leisure Beach Safety and Community Facilities	Fieldwork
Natalia Cowley	Director Corporate Affairs	Fieldwork
Jamie Barclay	Unit Manager Economic Development and Property	Fieldwork
Luke Sulkowski	Unit Manager Environmental Management	Fieldwork

appendices 32

Name	Position	Involvement
Boris Bolgoff	Director Infrastructure Services	Fieldwork
Jeanette Williams	Unit Manager Engineering Services	Fieldwork
Jay Spare	Unit Manager Roads and Drainage Infrastructure	Fieldwork
Andrew Pearce	Unit Manager Waste and Resource recovery	Fieldwork

Centium Team Contacts

Name	Position	Involvement
Penny Corkill	Director Risk & Assurance	Planning, Peer Review, Quality Assurance & Approval
Kelsey McNaughton	Senior Auditor	Planning, Fieldwork, Reporting

appendices 33

Appendix 5 – Opportunities for Improvement

Ref.	Opportunity for Improvement	Risk Rating	Management Response(s)	Responsible Officer(s)	Target Implementation Date(s)
Audit Validation Results					
1	Consult with key stakeholders involved within the IP&R process to consider possible changes to Status Categories to assist in the accuracy of quarterly and end of financial year reporting of Operational Plan Measures.	n/a	Agree	Sharon McLaren	By 30 September 2022. This timeframe will allow CPR to discuss with stakeholders, determine and implement an appropriate approach, then analyse the success of the new approach.
2	Consider the implementation of both targets and timelines for multi-year project Operational Plan Measures to assist in the definition of the target to be achieved.	n/a	Agree	Sharon McLaren	This is an ongoing improvement. Initial target date is 30 September 2022, then should be checked in at 30 December 2022 and finally 30 September 2023.
3	Develop internal processes to ensure that incomplete measures which remain active at the conclusion of an Operational Plan are monitored and completed in due course.	n/a	Some-what agree. With those that are Delayed this should be the case. With those actions that have been placed On-Hold. This is usually due to circumstances that are controlled, but due to the	Sharon McLaren	30 September 2022

appendices 34

Ref.	Opportunity for Improvement	Risk Rating	Management Response(s)	Responsible Officer(s)	Target Implementation Date(s)
			environment an affirmative timeframe cannot be confirmed. The approach should be that CPR monitor these, but are updated to reflect the circumstances		
Operational Plan Trend Analysis					
4	Consider repeated Operational Plan measures and determine whether "Business and Usual" Operational Plan Measures are appropriate for future Operational Plans.	n/a	Some-what agree. Some BAU measures are appropriate, but how this is displayed and monitored through the reporting process needs to be considered.	Sharon McLaren	30 June 2023. Continued improvements are being made to the entire corporate planning and reporting process. This timeframe allows us to implement improvements, monitor and review the success of these improvements and then determine and implement new improvements.

appendices 35

Appendix 6 – Disclaimers

This report is prepared on the basis of the following:

- **Management Responsibility:** Management is responsible for establishing and maintaining an effective system of internal control over its operations and financial reporting. This includes without limitation, systems designed to assure the achievement of its control objectives and compliance with applicable laws and regulations.
- **Limitations:** The matters raised in this report are only those that came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- **Fraud:** There is an unavoidable risk in any assurance project that fraud or irregularity may not be detected due to the limitations noted above. Our report therefore should not be relied upon to disclose fraudulent activities.
- **Recommendations:** Centium is not responsible for whether, or the manner in which, any recommendations made in this report are implemented. Your entity should assess our recommendations for their full commercial and operational impact before implementing them.
- **Confidentiality:** This report is confidential, has been prepared solely for the use by your entity and ownership of the report and any attachments lies with your entity.
- **Third Party Responsibility:** This report should not be quoted in whole or in part without our written consent. We disclaim any assumption of responsibility for any reliance on this report to any person other than management of the entity or for any purpose other than which it was prepared.
- **Information Requests – Costs:** Costs of information requests under any “*freedom of information*” legislation such as the NSW Government Information (Public Access) Act, the Commonwealth Freedom of Information Act or subpoenas arising from actions taken by individuals or groups as a result of this report will be passed on to you.



centium.com.au | exceeding your expectations

© Copyright Centium 2022



Use the below link to follow us on LinkedIn!

<https://www.linkedin.com/company/the-centium-group/>



Item No: 6.1
Title: Governance Lighthouse Report as at 31 December 2021
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15029870
Author: Zoie Magann, Meeting Support Officer
Manager: Edward Hock, Unit Manager Governance Risk and Legal
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the Governance Lighthouse report as at 31 December 2021.*
- 2 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 24/02/2022.

Summary

The purpose of this report is to provide the Committee with the Governance Lighthouse report as at 31 December 2021 (end of Q2), for their information.

Report

The Governance Lighthouse report is updated at the end of each quarter in accordance with the Council resolution of 27 July 2020 and provided to the Audit, Risk and Improvement Committee prior to reporting to Council.

The Governance report was created to report against measures using the structure of the NSW Audit Office Governance Lighthouse. As well as quantitative information, the report includes commentary to provide context. It covers eight principles and 17 key governance components.

The Governance Lighthouse report for Q2 2021-22 is Attachment 1.

Attachments

1   Governance Lighthouse Report Card - Q2 2021-22 D15056712

Governance Report Card - Central Coast Council

This quarterly report is based upon the Governance Lighthouse. (NSW Audit Office). It covers eight principles and 17 key governance components.

Report date: Quarter 2 - 2021/2022

General Comments:

Quarter ending 31 December 2021

During Q2, activities included ongoing transition away from former management-level staff, and change to a consolidated Unit of Governance and Legal Counsel.

Recruitment of a replacement Section Manager Governance and Civic Support remains a priority. Recruitment of a Senior Governance Officer has also commenced.

Ongoing development of the organisation's strategic risk profile is encouraging, as is ownership by Council's ERM of the fraud and corruption prevention framework.

A significant increase in customer complaints is likely reflective of a return in community mobility, following the previous reduction in Q1. This reasoning is supported by the complaint types relating to pot holes, mowing and public trees.



Governance Report Card - Central Coast Council

Light house principle:

Stakeholder rights

Measure: Number of Code of Conduct complaints
 Reporting cycle: Quarterly
 Current as at: 31-Dec-21
 Data provided by: Office of the Internal Ombudsman

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Trend
# complaints (total)	5	9	4	9	7	4	↓
% Upheld	40%	0%	0%	11%	0%	0	↓
# complaints (Clrs + CEO)	2	4	0	3	1	0	↓
% Upheld	50%	0%	N/A	0%	0%	N/A	↓

Commentary:

Some Q2 complaints for 2021/22 are still under investigation and therefore the percentage of upheld matters may not be entirely accurate as no outcome has been determined yet. The suspension of Councillors has resulted in fewer complaints over all.

Governance Report Card - Central Coast Council

Measure: % of Tier 1 customer complaints resolved at first point of contact
 Reporting cycle: Quarterly
 Current as at: 31-Dec-21

Data provided by: Section Manager Customer Service

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Total 21/22
Number of complaints	97	97	99	84	43	83	↑
% resolved at fpoc	100%	100%	100%	100%	100%	99%	↓

Commentary: There has been an almost doubling of community complaints from Q1 to Q2, back in line with the numbers received in the previous quarters. As the Q1 reduction related to reduced community mobility due to COVID lock downs, the increase can be attributed to greater mobility during this period. This is evidenced by 30% increase in complaints related to pot holes, mowing and public trees. However, comparing community complaints in Q2 to the previous fiscal year there is a 14% reduction from 2022 to 2021.

There was one request for a community complaint review in December which resulted in the first point of contact resolution dropping to 99% this quarter. This is being handled by the Internal Ombudsman.

Governance Report Card - Central Coast Council

Light house principle:**Risk management**

Measure: Number of GIPA applications and % of reviews
Reporting cycle: Quarterly
Current as at: 31-Dec-21 Data provided by: GIPA team

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Trend
GIPA applications	31	28	28	36	27	34	↑
Number of reviews	2	2	6	1	4	2	↓
Informal information requests	450	247	305	341	307	319	↑
Average days to complete	40	45	50	40	50	45	↓

Commentary:

A GIPA application is a formal application under the Government Information (Public Access) Act. A review under that Act is a formal request by an applicant or third party to review the decision made. The review can be conducted by another staff member or the Office of the Information and Privacy Commissioner.

An Informal information request is a request for information held by Council. There is no statutory timeframe for completing these requests. Council has a self-determined target that 90% of informal requests are completed within 45 days.

Opportunities exist to improve proactive and informal access to information protocols to reduce the impact of formal GIPA requests on the organisation. This project-based work will be commenced within the financial year 21/22.

Governance Report Card - Central Coast Council

Measure:
 Reporting cycle:
 Current as at:

Risk profile against Council's Enterprise Risk Management Framework
 Quarterly
 31-Dec-21

Data provided by: Enterprise Risk Manager

Total number of operational risks	
Total number of Extreme risks	1
Total number of High risks	13
Total number of Medium risks	97
Total number of Low risks	112

Risk by Type	
Asset	31
Business	50
Fraud and Corruption	28
Governance	23
HR	4
IM	2
Legal	11
Operational	52
Resources	6
WHS	16

Commentary:

Of the 20 highest risks currently identified: three are asset related, seven are business related, one is governance related, none are human resources related, six are related to operations, one is WHS related, one is related to legal activities and one is fraud and corruption related.

The controlled risk heat map is below.

Governance Report Card - Central Coast Council

		Central Coast Council Risk Management Heat Map				
		CONSEQUENCE				
LIKELIHOOD	Almost Certain	Catastrophic	Major	Moderate	Minor	Insignificant
		0	1	1	1	0
	Likely	0	2	4	6	1
	Possible	5	0	17	28	8
	Unlikely	5	14	17	61	10
	Rare	1	9	17	10	5

Governance Report Card - Central Coast Council

Light house principle: Remuneration

Measure: Council determines Councillor remuneration annually by 30 June
 Reporting cycle: Annual
 Current as at: 31-Dec-21
 Data provided by: Unit Manager Governance and Legal Counsel

	17/18	18/19	19/20	20/21	21/22	22/23
Date resolved	23/10/2017	26/06/2018	10/06/2019	13/07/2020	N/A	N/A
In time	No*	Yes	Yes	No**	N/A	N/A

Commentary: Council is required to determine the Remuneration for Councillors each year prior to 30 June. This is based upon the annual determination made by the Local Government Remuneration Tribunal.

Submissions are currently being sought by the Local Government Remuneration Tribunal for the 2022 annual determination. In the absence of an elected body, it is not considered necessary or appropriate to make submissions (which would be due 11 February 2022).

Governance Report Card - Central Coast Council

Light house principle: Disclosure

Measure: % of annual disclosures completed within statutory timeframes
 Reporting cycle: Annual
 Current as at: 31-Dec-21
 Data provided by: Unit Manager Governance and Legal Counsel

	17/18	18/19	19/20	20/21	21/22
% completed by 30 Sep (staff)	97%	96%	100%	100%	TBD
% completed by 30 Sep (CIRs)	100%	100%	100%	53%	TBD
% completed by 30 Sep (Admin)	NA	NA	NA	NA	TBD
% completed by 30 Sep (ARIC)	NA	NA	100%	100%	TBD

Commentary:

Returns for the period of 2020/21 were tabled at the Ordinary Council Meeting held on 26 October 2021, as previously advised at the ARIC meeting held 7 December 2021.

Redacted Returns are published to Council's website in accordance with the requirements of the Government Information (Public Access) Act and the Information and Privacy Commission's Guideline 1.

Updated Returns for Council's Chief Executive Officer and Acting Director Environment and Planning were reported to the Ordinary Council Meeting held on 25 January 2022, as both Designated Persons became aware of a new interest that must be disclosed (in accordance with clauses 4.8 to 4.27 of Council's Code of Conduct).

Governance Report Card - Central Coast Council

Light house principle: Corporate reporting

Measure: Financial statements completed within timeframes
 Reporting cycle: Annual
 Current as at: 31-Dec-21

Data provided by: Unit Manager Finance

	16/17	17/18	18/19	19/20	20/21	21/22
Date resolved	26/03/2018	10/12/2018	9/03/2020	27/04/2021	TBA	TBA

Commentary: The legislated deadline for the finalisation of the Financial Statements is 31 October each year. However, the Office of Local Government grants extensions where there are valid reasons why that timeframe cannot be met.

Financial year ended 30 June 2021

We have requested and have received approval from the OLG to defer lodgement of the 30 June 2021 Financial Statements to 28 February 2022. This is because the audit of the 2019-202 financial reports did not conclude until 10 May 2021 and significant planning and interim work was delayed until June 2021. This has impacted timeframes for completion of the audit of 2020-2021 Financial Reports by the legislated deadline of 31 October 2021. Notification of the extension was tabled at the 14 December 2021 Ordinary Council Meeting.

Governance Report Card - Central Coast Council

Measure: Management Actions identified as part of audits completed by risk rating
Reporting cycle: Quarterly
Current as at: 31-Dec-21
Data provided by: Unit Manager Governance and Legal Counsel

	Extreme	High	Medium	Low	Total	Date
2020/2021	0	73	63	16		
IT General Controls	0	7	14	7	28	Mar-21 NSW Audit Office
Water Quality and Supply Mgmt	0	8	9	3	20	Dec-20 Internal Audit
Purchase cards	0	13	7	2	22	Nov-20 Internal Audit
Payroll	0	2	4	0	6	Nov-20 Internal Audit
Contractors, Temps, Labour Hire	0	13	3	0	16	Oct-20 Internal Audit
Contract Management	0	6	6	0	12	Jun-20 Internal Audit
Leadership Allowance and Expense	0	11	6	1	18	Sep-20 Internal Audit
Complaints Management	0	11	5	1	17	Pending Internal Audit
IT Governance	0	2	9	2	13	Sep-20 Internal Audit
2019/2020	0	42	54	15		
Procurement of IT Goods	0	11	1	0	12	Jul-19 Internal Audit
NHV Accreditation (2017/18)	0	3	4	1	8	Jul-19 Internal Audit
Cash Management (Waste Services)	0	11	3	0	14	Jul-19 Internal Audit
Seniors Centres	0	11	6	0	17	Sep-19 Internal Audit
Cash Management (Library Service)	0	2	4	0	6	Oct-19 Internal Audit
Interim Audit 30/6/19	0	0	16	7	23	Jan-20 NSW Audit Office
Final Audit 30/6/19	0	2	9	3	14	Mar-20 NSW Audit Office
Infrastructure contributions	NA	NA	NA	NA	*13	Mar-20 NSW Audit Office
Councillor Expenses and Facilities	0	2	11	4	17	Apr-20 Internal Audit
2018/19	0	20	10	0		

Commentary:

Work has commenced on synthesising the Internal Audit tracker, to strip away non-Audit related findings and recommendations. Initial analysis detailed that some 65% of management actions in the IA tracker were from external consultant reports, rather than from Audit findings. The weight of recommendations was a driver of disengagement with the Internal Audit function. Following completion of the review, it is proposed to adopt a risk-based approach to the remaining findings and actions, with a focus on critical findings and high-risk/value actions. An element of risk acceptance for the balance of the findings would be considered appropriate for a period thereafter.

There were no audits completed in Q2 2021-22, so the statistics remain as previously reported.

Governance Report Card - Central Coast Council

Light house principle:

Ethics

Measure: No instances of failure to meet legislative deadlines
 Reporting cycle: Quarterly
 Current as at: 31-Dec-21

Data provided by: Meeting Support Officers

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Trend
# of missed deadlines	2	3	0	1	0	1	↑

Commentary:

On 2 July 2020 a Legislative Compliance Policy (Operational) was adopted. From 1 July 2020 a Legislative Compliance Register was established and implemented.

There were a total of 23 items due in Q2 21/22 and one instance of failure to meet legislative reporting deadlines. The outstanding item is the electronic lodgement of Grants Commission General Data Return. This is yet to be completed as Finance is waiting on data from the Environmental Management Unit. The Return is expected to be completed by the end of February 2022.

It appears there were also two items completed late.

There are ongoing issues with ensuring each area of Council is recording the completion of the legislative requirements in the register. Staff continue to follow up with responsible staff about completion of reporting items, and update the register as required.

Governance Report Card - Central Coast Council

Light house principle: Structure

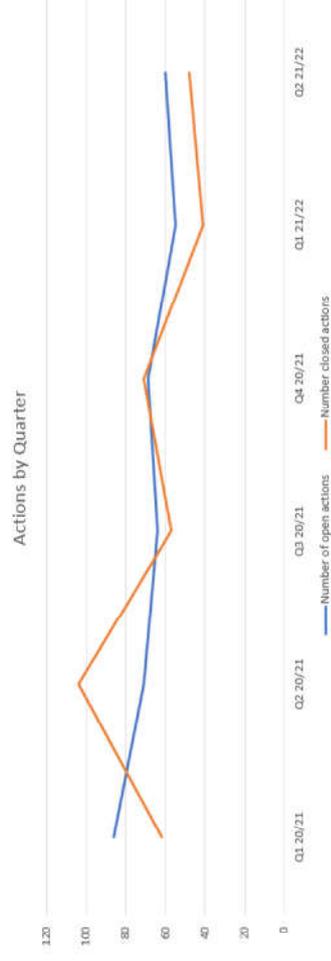
Measure: # of Council actions completed
 Reporting cycle: Quarterly
 Current as at: 31-Dec-21
 Data provided by: Meeting Support Officers

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Trend
Number of open actions (at end of quarter)	86	71	64	69	55	60	↑
Number closed actions (during quarter)	62	104	57	71	41	48	↑
Open and overdue (at end of quarter)	14	14	5	3	3	13	↑

Commentary: Open and overdue actions are as at the end of each quarter. Closed actions are those completed during the quarter.

The increase in overdue actions for Q2 largely relate to actions from the Council meeting held 14 December 2021 that weren't completed before Council shutdown commenced on 24 December 2021.

Fortnightly updates on outstanding Council actions are provided by the Unit Manager Governance and Legal Counsel to the Executive Leadership Team every fortnight.



Governance Report Card - Central Coast Council

Measure: % of items considered in Confidential Session of Council
 Reporting cycle: Quarterly
 Current as at: 31-Dec-21

Data provided by: Meeting Support Officers

	Q1 20/21	Q2 20/21	Q3 20/21	Q4 20/21	Q1 21/22	Q2 21/22	Trend
Total number of items	90	150	100	106	120*	56	→
% in closed session	2%	10%	6%	1%	<1%	0%	→

Commentary: In Q2 2021/22 there were no items considered in Confidential Session of Council.

There continues to be a focus on providing as much as practicable in open sessions of Council by using Confidential attachments.

There is a significant variance in the total number of items from previous quarters to Q2 2021/22. It is expected this may be due to an error with previous calculations. The data for Q2 2021/22 was acquired by using InfoCouncil (Council's meeting software) to generate a list of reports that went to Council meetings in Q2 (1 October 2021 - 31 December 2021). The total does not include any Procedural Items such as Disclosures of Interest or Confirmation of Previous Minutes. It is unclear how the figures prior to Q2 2021/22 were calculated to reflect the significantly higher amounts.

Given the low risk associated with this discrepancy it is not proposed to amend reporting of the above figures. Focus will instead be on ensuring future figures are calculated using the correct method.

Governance Report Card - Central Coast Council

Light house principle: Management oversight

Measure: % of actions delivered against Community Strategic Plan
 Reporting cycle: Annual
 Current as at: 31-Dec-21 Data provided by: Unit Manager, Strategic Planning

	18/19	19/20	20/21	21/22
Actions due to be completed	157	147	23	5
Number of actions completed	121	109	72	61

Commentary: The majority of actions for 2020-21 have been completed. Those that are still underway are multi-year actions. While the remaining relate to KPIs that were unable to be met due COVID-19 restrictions. Q2 results for 2021-22 shows good progress, with 5 out of 66 actions completed and 44 are on track for delivery by the end of the financial year. The remaining 17 are delayed, but again, these are mainly KPIs that are impacted by COVID-19 restrictions. Q2 results will be reported to the 22 February Council meeting.



Item No: 7.1
Title: Complaints and Compliments Q2 2021-22
Department: Corporate Affairs

9 March 2022 Audit, Risk and Improvement Committee Meeting

Reference: F2021/00030 - D15029806
Author: Ellen Suarez, Section Manager Customer Service
Manager: Sue Ledingham, Unit Manager Communications Marketing and Customer Engagement
Executive: Natalia Cowley, Director Corporate Affairs and Chief Financial Officer

Recommendation

- 1 *That the Committee note the report on Complaints and Compliments Q2 2021-22.*
- 2 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

The information provided in this report is current as at 9/02/2022.

Summary

This is the second quarter report following the new format which provides more trends, graphical information, and analysis with the detailed data in the attached Data Report. To date no feedback has been received from the Committee regarding the change to the report.

COVID19 and the end to the lockdown on the Central Coast on 10 October 2021 played a significant part in the increasing number and type of feedback received in the Q2 2021/22. Increased mobility of the community has resulted in Community Complaints returning to pre-Q1 report figures of 2020-21. However, Staff Complaints and Compliments have remained stable compared to pre-Q1 figures.

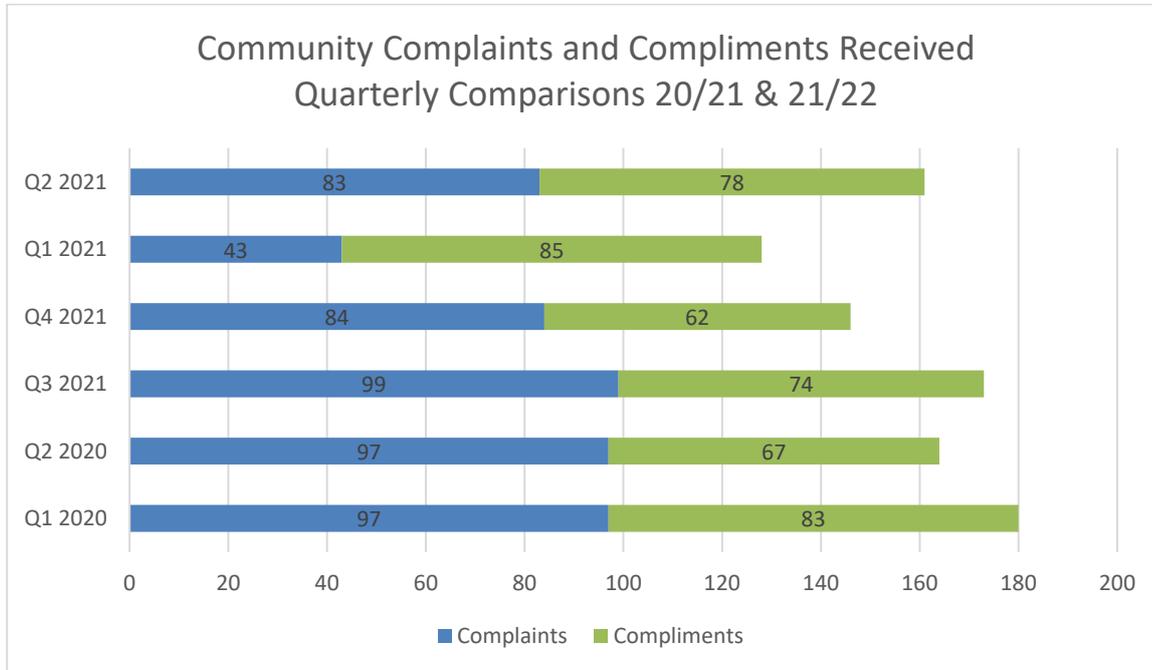
Report

As recommended in the Centium Internal Audit Report - Complaints Management, a new report format is being trialed to provide more visual representation of feedback from the community. This is using the Customer Experience ethos of simple and easy to understand and asking for feedback to make improvements. Feedback on the new report style is encouraged and welcomed. For detailed analysis, see attached Q2 Complaints and Compliments Data Report.

7.1 Complaints and Compliments Q2 2021-22 (contd)

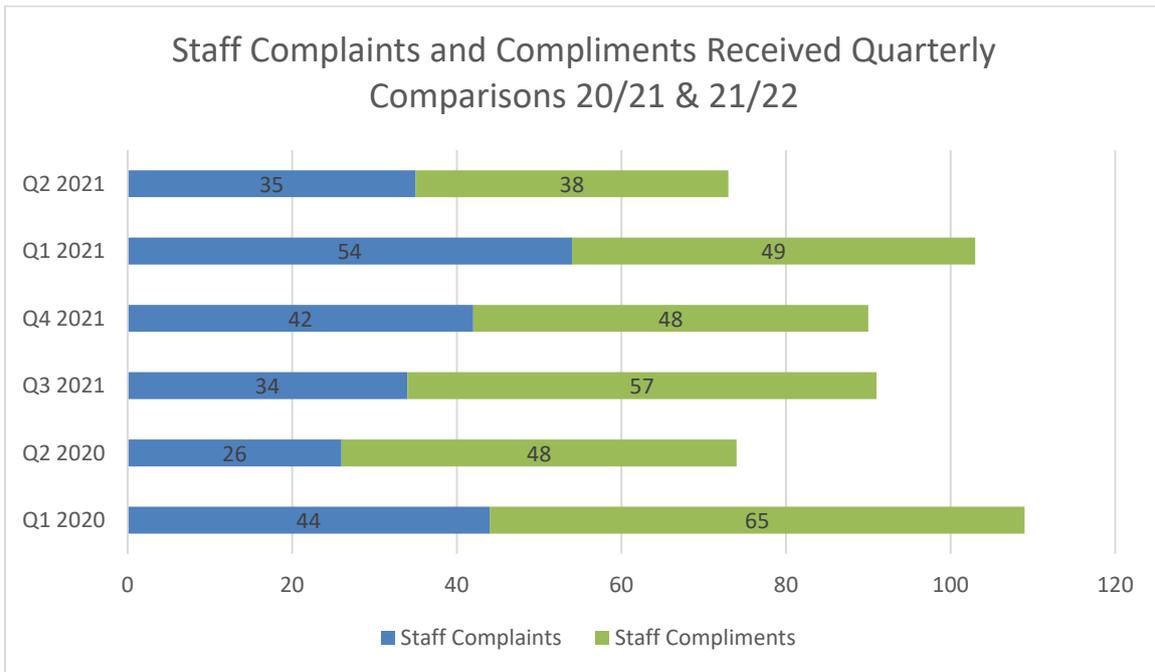
Community Complaints and Compliments refer to issues/comments raised by customers related to Quality of Work, Level of Service, Response Time, Council Decision, Value of Fees and Charges, and General Feedback, not an individual. Staff Complaints and Compliments relate to issues/comments raised by customers that are specific to a staff member eg driving, behaviour etc

Graphical Illustration of trends (Complaints/Compliments)



Community Complaints are up 93% comparing Q2 21/22 to Q1 21/22, as expected due to greater mobility of customers from October to December 2021 after COVID lockdowns and restrictions were easing. This is evidenced by an average 30% increase in general service requests for Roads and Footpaths, Mowing, and Parks and Reserves over the previous quarter.

However, comparing Community Complaints from Q2 21/22 to Q2 20/21 the number is down by 14%.



Staff Complaints are down 35% comparing Q2 21/22 to Q1 21/22 and up 23% comparing Q2 21/22 to Q2 20/21. During Q2 last year the community focus was on the financial crisis.

Complaint and Compliment Summary

Feedback	Total Number Received	Resolved within SLA
Community Complaints	83	65%
Staff Complaints	35	56%
Compliments	116	67%

Feedback resolved within designated timeframes have dropped from last quarter; down 12% in Community Complaints, 13% in Staff Complaints but only down 1% in Compliments.

A changeover within the leadership team has meant that some complaints related to staff were not finalised within the timeframe. A greater focus on meeting the designated timeframes is a key focus for Quarter 3, noting some of complaints have been complex and required more time to review.

Opportunities Identified

From October to December 2021, 35 staff complaints were received, and the Internal Ombudsman (IO) has identified the following key issues that were raised by customers along with the actions taken to mitigate and resolve.

7.1 Complaints and Compliments Q2 2021-22 (contd)

Issue	No.	Actions Taken
Covid-19 Health Order noncompliance complaints <ul style="list-style-type: none"> • Mask wearing • QR Code check in 	0	<ul style="list-style-type: none"> • Health orders eased 15 December. • Continued messaging by CEO, Management and HR reminding staff of their obligations.
Driving Complaints <ul style="list-style-type: none"> • Speeding • Erratic driving • Road rage 	11	<ul style="list-style-type: none"> • IO Office referred to the relevant Director to manage directly with staff. • 3 separate complaints were received regarding the same Council Officer across 2 weeks. These complaints were referred to HR to address.
Disrespectful conduct <ul style="list-style-type: none"> • Phone • Face to Face 	19	<ul style="list-style-type: none"> • IO Office referred to the relevant Director to manage directly with staff.

Improvement Program

The Online Customer Service Centre (CX Portal) continues to see significant growth as a convenient way for customers to report service requests, and feedback including complaints and compliments. There was an average 117% increase in the use of the portal to report complaints and compliments over the same period last year. A full breakdown of channel use can be found in the attached data report.

The Customer Effort Score (CES) survey was implemented as a feedback measure of the Customer Portal to review customer ease of use and satisfaction. To date, the survey has received 354 responses with 62% of customers stating it was moderately or extremely easy to use and 74% stating they are likely or very likely to use the portal again.

In Q2 there were 72 Service Requests identified with the 'Significant Issue' flag with CX related to the increase in rates or the potential of a further rate rise. This is down 76% from the 304 Service Requests recorded in the previous quarter. This flag allows for quick reporting on issues that come in as Service Requests that do not automatically come under a complaint.

The revised Complaints and Feedback Management Policy and Unreasonable Complainant Policy are both available on Council's website after endorsement by Council in November. The internal procedures document is available to all staff via CHIP (staff intranet), along with updated templates and guides. Training by the Customer Feedback and Improvement Officer on the revised policy and procedure is now complete with all Directorate staff who manage the complaints and compliments within Council.

External Complaints Management

The Centium Internal Audit Report - Complaints Management identified several recommendations to improve the effective management of external customer complaints about service delivery and staff conduct. Most of the recommendations are now complete with two areas that will remain ongoing.

Recommendation	Action
1. Reconfigure one central reporting inbox, telephone number, online form, and mailing address.	Complete
2. Include clear directions into the Complaints and Compliments procedure registering all feedback into CX.	Complete
3. Provide training on new complaints procedure.	Complete
4. Expand complaints management role to include quality assurance and improved reporting.	Ongoing
5. Establish library of complaints templates.	Complete
6. Unit Managers and Directors to quality assure community and staff complaints before being sent to customers.	Ongoing
7. Establish live tracking of complaints reporting in CX.	Complete
14. Adopt comprehensive complaints report format.	Complete
17. Update Complaint and Feedback Management procedure to include additional detail based on other recommendations within report.	Complete

Attachments

[1](#)  Q2 Complaints and Compliments Data 1 October to 31 December 2021 

D15036056

Q2 Complaints and Compliments 1 October 2021 – 31 December 2021

The below is the data report of the complaints and compliments as registered in CX system for the second quarter period 1 October 2021 to 31 December 2021.

Feedback is captured in Council's Customer Experience (CX) system.

Complaints and Compliments are categorised at a high level as follows:

- Council Decision
- General Feedback
- Level of Service
- Quality of Work
- Response Time
- Value of Fees and Charges
- Staff Performance

Complaints and Compliments from CX system 1 October – 31 December 2021

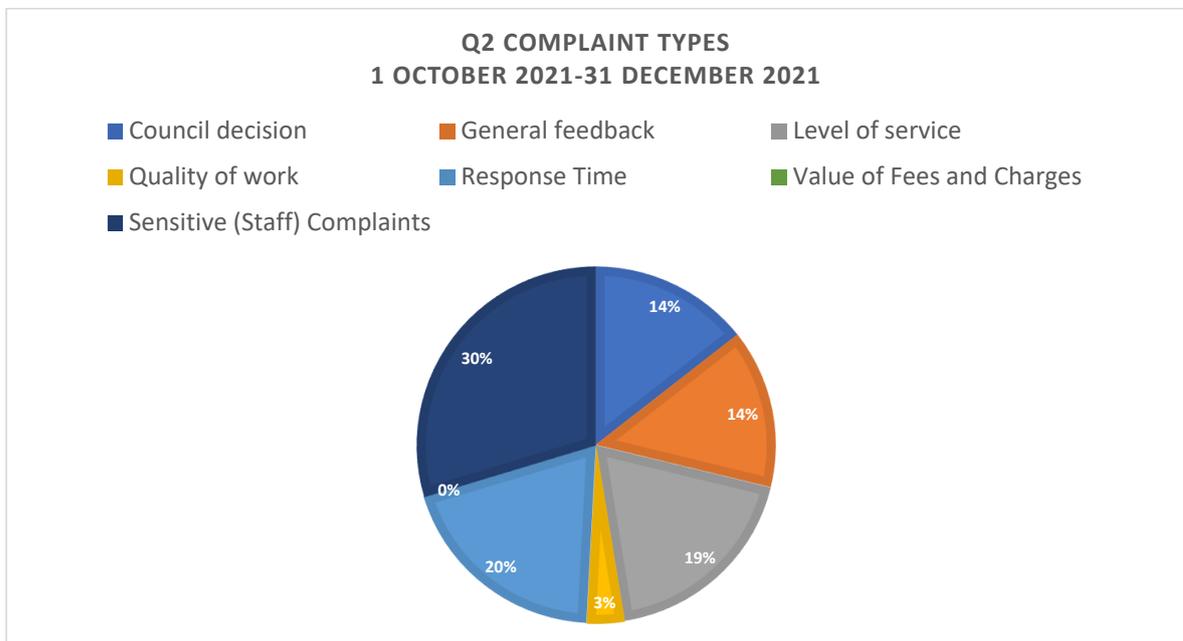
LIST BY COMPLAINT TYPES	No	LIST BY COMPLIMENT TYPES	No
Council Decision	17	Council Decision	0
General Feedback	17	General Feedback	34
Level of Service	22		
Quality of Work	4	Quality of Work	29
Response Time	23	Response Time	15
Value of Fees and Charges	0	Value of Fees and charges	0
Sensitive (staff) Complaints	35	Staff Performance	38
Total Exc Sensitive	83	Total	116

The key difference between Community Complaints and Compliments and Staff Complaints and Compliments is that Community refers to how Council deals with a situation while Staff relates to how an individual relates to a situation.

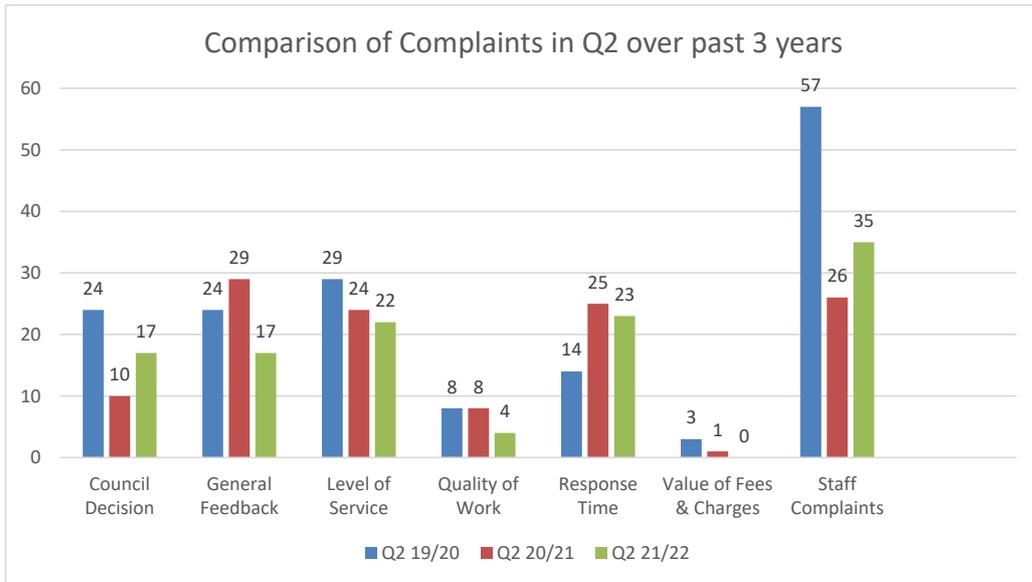


Complaint Types

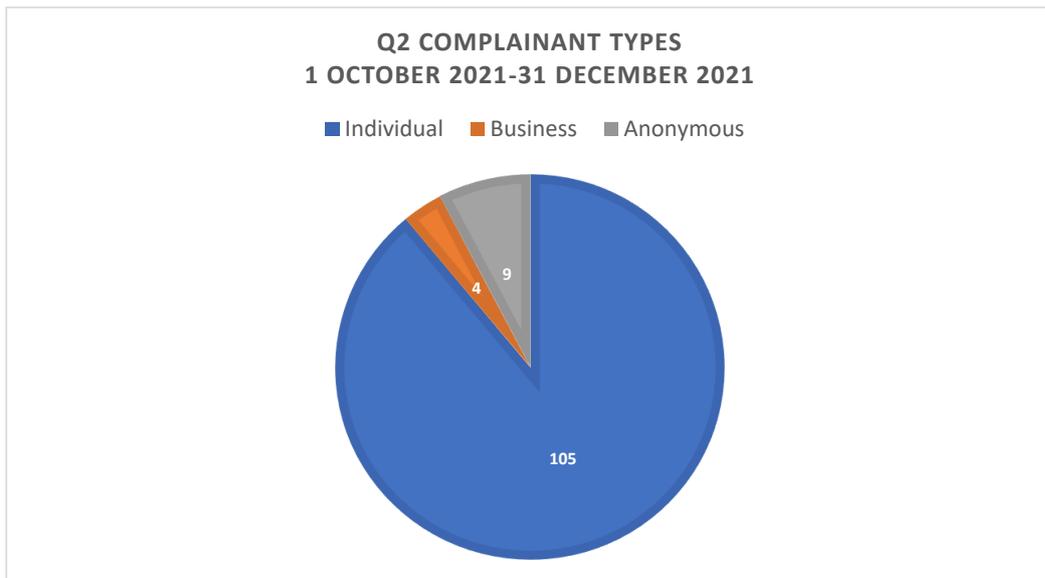
- On average in the second quarter 2021/22, 39 complaints were received per month (incl sensitive complaints). There was a 14% reduction in community complaints from the same time last year however there was a 35% increase in staff complaints



The following compares complaints received over the same quarter in different financial years and showed a decrease in all categories except Council Decision and Staff Complaints from the same quarter last year.



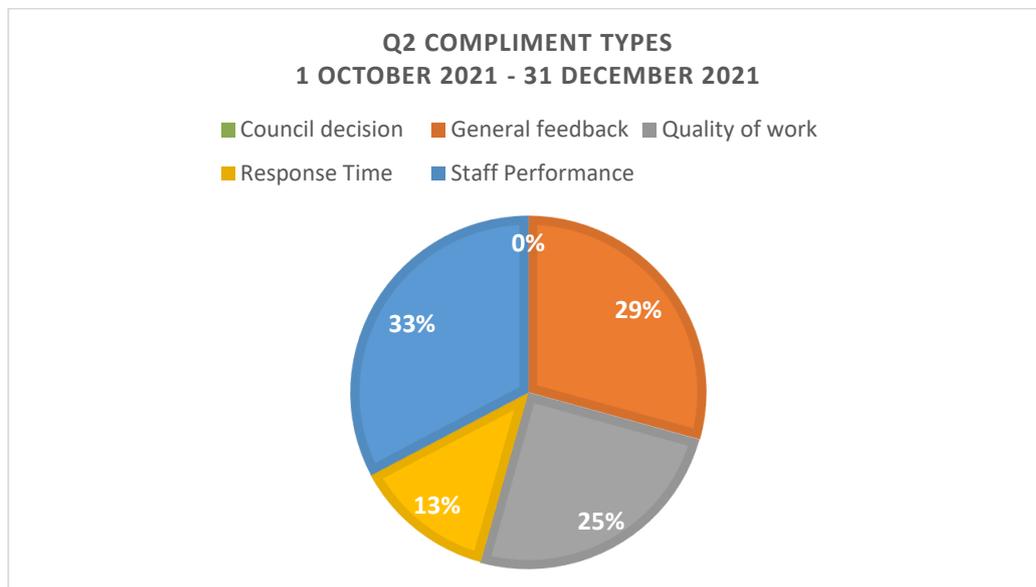
The following shows complainant types and numbers received from individuals, businesses and anonymous or guest users and indicates overwhelming that most complaints come from individuals.



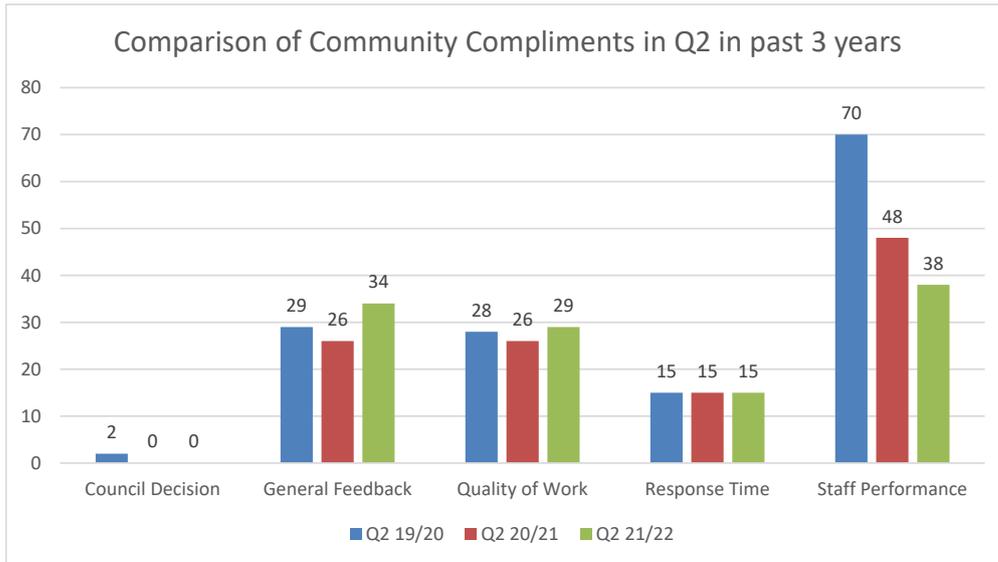


Compliment Types

There was no significant change in the number of compliments received overall compared to the same quarter in the previous financial year, however there was a 21% decrease in staff compliments (staff performance).



The following compares compliments received over the same quarter in different financial years showing a downward trend in staff compliments.



Community Complaints Received by Directorate Q2 2021/2022

Community Complaints by Directorate	Received	Completed within SLA
Environment & Planning	26	65%
Community & Recreation Services	15	79%
Infrastructure Services	12	73%
Water & Sewer	4	50%
CEO	2	50%
Corporate Affairs	14	70%
Excludes Staff Complaints		AVG 65%

Community Compliments Received by Directorate Q2 2021/2022

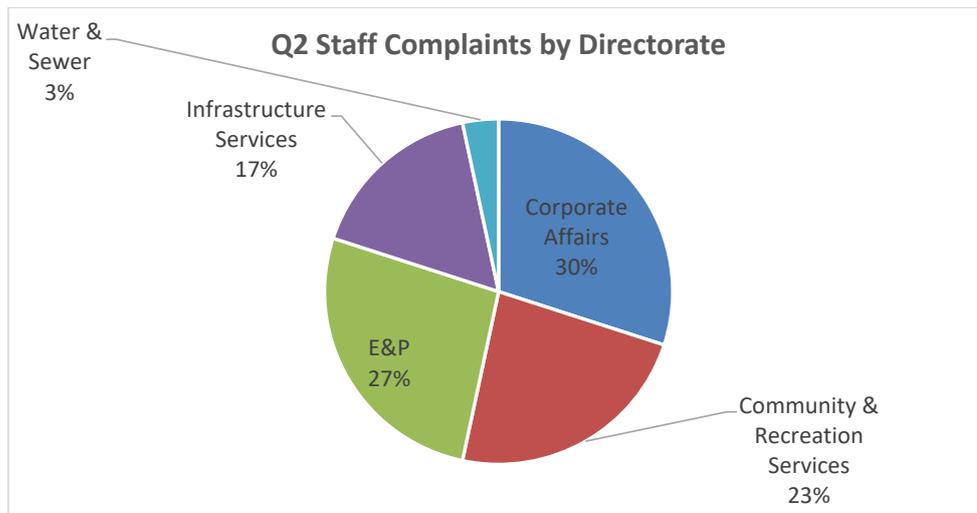
Community Compliments by Directorate	Received	Completed within SLA
Environment & Planning	18	22%
Community & Recreation Services	30	80%
Infrastructure Services	29	72%
Water & Sewer	19	89%
Corporate Affairs	15	73%
Includes Staff Compliments		Avg 67%

Staff Complaints Received by Directorate Q2 2021/2022

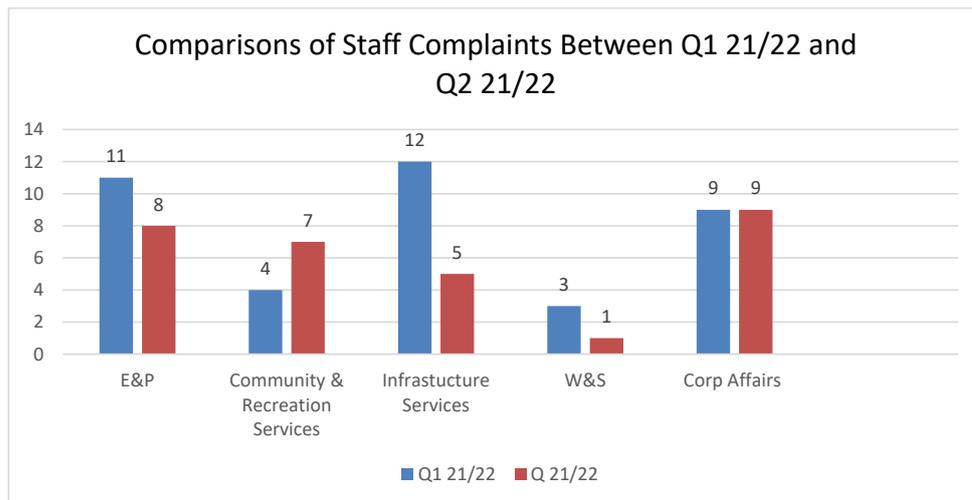
Staff Complaints by Directorate	Received	Completed within SLA
Environment & Planning	8	67%
Community & Recreation Services	7	50%
Infrastructure Services	5	0%
Water & Sewer	1	100%
Corporate Affairs	9	63%
Staff not identified	4	NA
Complaint Review	1	
		Avg 56%



The following graph shows a breakdown of the percentage of staff complaints received by Directorate.



The following graph compares staff complaints by Directorate from the first quarter in the current financial year (21/22) to the second quarter in the current financial year (21/22). This is to provide a relevant comparison for Directorates.



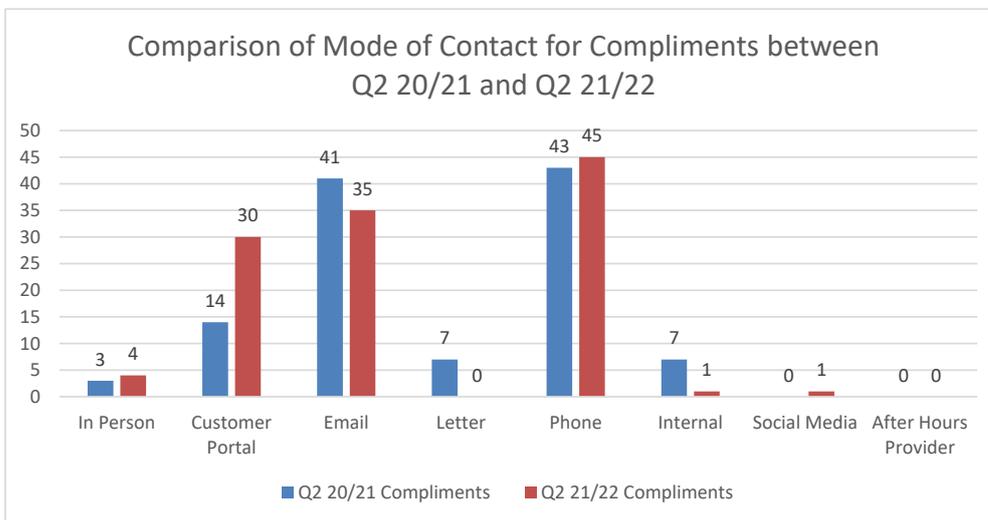
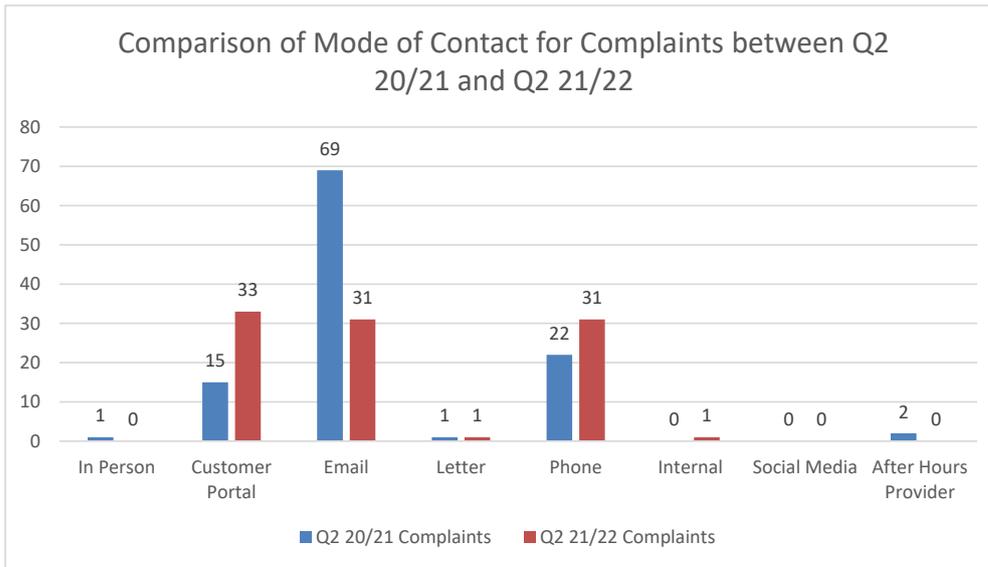
Mode of Contact

The number of **complaints** received via the Customer Portal doubled from the same time last year while those received by email halved.

The number of **Compliments** also doubled in the portal while emails remained consistent with last year. Phone was however the most popular mode of contact for customers providing **compliments**.

Mode of Contact Q2 2021/22

Mode of Contact 1 October – 31 December 2021			
COMPLAINTS (incl. staff complaints)	No	COMPLIMENTS	No
In Person	0	In Person	4
Customer Portal	36	Customer Portal	30
Email	39	Email	35
Letter	0	Letter	0
Phone	41	Phone	45
Mayor's Office	0	Council Event	0
Internal	1	Internal	1
Social Media	1	Social Media	1
After Hours Provider	0	After Hours Provider	0
TOTAL	118	TOTAL	116





Trends

The following graphs indicate trends in community feedback and staff feedback from the first quarter in the last financial year up until the second quarter of the current financial year.

