



Central
Coast
Council

Financial Reports

Central Coast Council

1 July 2019 to 30 June 2020

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General Purpose Financial Statements

Central Coast Council

1 July 2019 to 30 June 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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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

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

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

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 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Interim Administrator/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Central Coast Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

At 30 June 2020, Central Coast Council recognised \$1.52B of roads and transport assets in Note 10 of the Financial Statements. Council was unable to provide sufficient evidence to audit to support the carrying value of these assets recorded in the Financial Statements as at 30 June 2020.

Apart from the issue raised above, the attached General Purpose Financial Statements have been prepared in accordance with:

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

Apart from the issue raised above, to the best of our knowledge and belief, these statements:

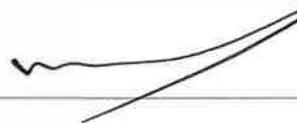
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

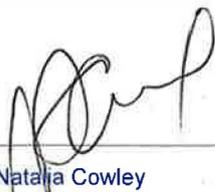
Signed in accordance with a resolution of Council made on 30 April 2021



Dick Persson
Interim Administrator
30 April 2021



David Farmer
Chief Executive Officer
30 April 2021



Natalia Cowley
Responsible Accounting Officer
30 April 2021

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
324,099	Rates and annual charges	3a	321,946	362,706
143,844	User charges and fees	3b	129,480	133,925
8,507	Other revenues	3c	9,293	17,373
39,344	Grants and contributions provided for operating purposes	3d,3e	44,436	40,618
52,419	Grants and contributions provided for capital purposes	3d,3e	66,901	67,523
14,416	Interest and investment income	4	12,727	15,106
1,492	Net gains from the disposal of assets	6	–	–
6,089	Rental income	13e	7,724	–
590,210	Total income from continuing operations		592,507	637,251
Expenses from continuing operations				
202,249	Employee benefits and on-costs	5a	220,882	198,785
16,836	Borrowing costs	5b	16,151	18,909
100,677	Materials and contracts	5c	119,094	118,648
138,953	Depreciation and amortisation	5d	157,109	145,649
97,666	Other expenses	5e	96,177	89,836
–	Net losses from the disposal of assets	6	4,931	3,027
556,381	Total expenses from continuing operations		614,344	574,854
33,829	Operating result from continuing operations		(21,837)	62,397
33,829	Net operating result for the year		(21,837)	62,397
33,829	Net operating result attributable to council		(21,837)	62,397
(18,590)	Net operating result for the year before grants and contributions provided for capital purposes		(88,738)	(5,126)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		(21,837)	62,397
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	10	60,167	41,849
Total items which will not be reclassified subsequent to operating result		60,167	41,849
Total other comprehensive income for the year		60,167	41,849
Total comprehensive income for the year		38,330	104,246
Total comprehensive income attributable to Council		38,330	104,246

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	92,296	44,059
Investments	7(b)	166,210	340,739
Receivables	8	81,154	68,807
Inventories	9a	1,646	1,391
Other	9b	6,459	5,481
Total current assets		347,765	460,477
Non-current assets			
Investments	7(b)	104,202	93,717
Receivables	8	3,768	3,409
Infrastructure, property, plant and equipment	10	7,217,178	7,077,104
Intangible Assets	11	29,993	11,727
Right of use assets	13a	1,804	–
Other	9b	254	336
Total non-current assets		7,357,199	7,186,293
Total assets		7,704,964	7,646,770
LIABILITIES			
Current liabilities			
Payables	14	94,153	89,056
Income received in advance	14	2,795	3,994
Contract liabilities	12	10,644	–
Lease liabilities	13b	287	–
Borrowings	14	44,790	47,753
Provisions	15	64,770	66,418
Total current liabilities		217,439	207,221
Non-current liabilities			
Income received in advance	14	7,381	7,465
Contract liabilities	12	2,352	–
Lease liabilities	13b	1,552	–
Borrowings	14	191,798	185,404
Provisions	15	79,596	65,752
Total non-current liabilities		282,679	258,621
Total liabilities		500,118	465,842
Net assets		7,204,846	7,180,928
EQUITY			
Accumulated surplus	16	6,952,892	6,989,141
Revaluation reserves	16	251,954	191,787
Council interest		7,204,846	7,180,928
Total equity		7,204,846	7,180,928

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		6,989,141	191,787	7,180,928	6,926,744	149,938	7,076,682
Changes due to AASB 1058 and AASB 15 adoption	16	(14,412)	–	(14,412)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
Restated opening balance		6,974,729	191,787	7,166,516	6,926,744	149,938	7,076,682
Net operating result for the year		(21,837)	–	(21,837)	62,397	–	62,397
Other comprehensive income							
– Gain / (loss) on revaluation of infrastructure, property, plant and equipment	10	–	60,167	60,167	–	41,849	41,849
Total comprehensive income		(21,837)	60,167	38,330	62,397	41,849	104,246
Equity – balance at end of the reporting period		6,952,892	251,954	7,204,846	6,989,141	191,787	7,180,928

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
325,074	Rates and annual charges		321,075	361,262
145,913	User charges and fees		119,666	159,019
15,887	Investment and interest revenue received		10,274	20,195
95,964	Grants and contributions		90,445	94,933
23,323	Other		56,479	41,452
Payments:				
(209,120)	Employee benefits and on-costs		(213,972)	(201,639)
(97,903)	Materials and contracts		(142,480)	(114,972)
(15,514)	Borrowing costs		(14,958)	(15,200)
–	Bonds, deposits and retention amounts refunded		(23)	(5,246)
(105,322)	Other		(105,121)	(135,554)
178,302	Net cash provided (or used in) operating activities	17b	121,385	204,250
Cash flows from investing activities				
Receipts:				
115,186	Sale of investment securities		336,750	281,453
–	Sale of infrastructure, property, plant and equipment		7,037	2,092
Payments:				
(13,967)	Purchase of investment securities		(170,230)	(298,706)
(235,621)	Purchase of infrastructure, property, plant and equipment		(227,511)	(169,619)
–	Purchase of intangible assets		(22,461)	(3,233)
–	Deferred debtors and advances made		27	24
(134,402)	Net cash provided (or used in) investing activities		(76,388)	(187,989)
Cash flows from financing activities				
Receipts:				
30,000	Proceeds from borrowings and advances		50,000	–
Payments:				
(46,464)	Repayment of borrowings and advances		(46,569)	(31,704)
–	Lease liabilities (principal repayments)		(191)	–
(16,464)	Net cash flow provided (used in) financing activities		3,240	(31,704)
27,436	Net increase/(decrease) in cash and cash equivalents		48,237	(15,443)
57,206	Plus: cash and cash equivalents – beginning of period	17a	44,059	59,502
84,642	Cash and cash equivalents – end of the year	17a	92,296	44,059
269,983	plus: Investments on hand – end of year	7(b)	270,412	434,456
354,625	Total cash, cash equivalents and investments		362,708	478,515

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30 April 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

- Income statement
- Statement of cash flows
- Note 22 – Material budget variations

(a) Historical cost convention

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

(b) 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) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated asset remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

COVID-19 Impact

The COVID-19 pandemic continues to impact the community where Council operates. This pandemic has had a financial impact for Council 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 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

The impacts on Council's financial performance and financial position are outlined below and expanded in Note 22 - Material Budget Variations:

- Decrease in user charges and fees,
- Decrease in developer contributions,
- Increase in government grants

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.

The financial difficulty experienced by many ratepayers led to a higher than normal level of outstanding collections for the financial year. This is a timing issue as such debts are enforceable debts linked to the rateable property.

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. If approved by IPART, this SRV will ensure an additional, ongoing \$22.9M in income. If not approved by IPART, Council will have to undertake a further organisational restructure to the amount of \$22.9M – which has the potential to materially change the scale of Council's operations.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

- General purpose operations
- Water Supply, Sewer, Drainage and Domestic Waste funds
- Committees established under the *Local Government Act 1993 (NSW) S355*

(b) The Trust Fund

In accordance with the provisions of *Section 411 of the Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 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 3(c) and 5(e) 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 2020 reporting period.

CCC 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 CCC 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 CCC's future financial statements, financial position, financial performance or cash flows.

CCC's assessment of the impact of these new standards and interpretations relevant to them, is set out below:

- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 2018-5 *Amendments to Australian Accounting Standards - Deferral of AASB 1059*
- AASB 2019-2 *Amendments to Australian Accounting Standards - Implementation of AASB 1059*

AASB 1059 provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. This standard requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet. A control approach is used to assess the service concession arrangements in place.

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

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 15 *Revenue from contracts with customers and associated amending standards.*
- AASB 16 *Leases*

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- AASB 1058 *Income of Not-for-profit entities*

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(a). Council functions/activities – financial information

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Responsible	353,713	378,488	461,867	434,454	(108,154)	(55,966)	50,732	42,870	7,054,242	7,477,471
Liveable	28,049	34,672	91,271	81,978	(63,222)	(47,306)	8,371	12,204	549,504	114,806
Belonging	3,573	4,659	19,851	19,070	(16,278)	(14,411)	169	363	28,673	1,019
Smart	10,805	12,849	21,267	20,024	(10,462)	(7,175)	997	1,519	40,226	36,584
Green	4,591	3,278	20,088	19,328	(15,497)	(16,050)	4,146	2,570	32,319	16,890
General Purpose Income	191,776	203,305	–	–	191,776	203,305	–	–	–	–
Total functions and activities	592,507	637,251	614,344	574,854	(21,837)	62,397	64,415	59,526	7,704,964	7,646,770

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	145,920	142,973
Farmland	779	762
Mining	943	922
Business	20,311	19,708
Less: pensioner rebates (State Government funded)	(2,230)	(2,259)
Less: pensioner rebates (Council funded)	(1,826)	(1,850)
Rates levied to ratepayers	163,897	160,256
Pensioner rate subsidies received	2,243	2,241
Total ordinary rates	166,140	162,497
Special rates		
Town improvement	1,328	1,329
Parking	186	190
Tourism / business development	914	1,499
Rates levied to ratepayers	2,428	3,018
Total special rates	2,428	3,018
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	72,464	69,561
Water supply services	12,396	26,400
Drainage	14,325	17,791
Sewerage services	53,152	82,217
Waste management services (non-domestic)	3,607	3,621
Section 611 charges	184	122
Liquid trade waste	461	429
Less: pensioner rebates (State Government funded)	(3,349)	(3,624)
Less: pensioner rebates (Council funded)	(3,102)	(2,966)
Annual charges levied	150,138	193,551
Pensioner subsidies received:		
– Water	1,004	1,214
– Sewerage	994	1,196
– Domestic waste management	1,242	1,230
Total annual charges	153,378	197,191
TOTAL RATES AND ANNUAL CHARGES	321,946	362,706

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

2019 accounting policy

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

\$ '000	2020	2019
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	55,871	60,947
Sewerage services	15,468	2,611
Waste management services (non-domestic)	36	36
Liquid trade waste	2,043	2,369
COVID-19 waivers and refunds	(41)	–
Total specific user charges	73,377	65,963
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	1,939	2,132
Inspection services	551	829
Private works – section 67	469	99
Regulatory/statutory fees	189	67
Registration fees	137	209
Section 10.7 certificates (EP&A Act)	809	847
Section 603 certificates	606	607
Town planning	234	303
Development applications	2,908	4,151
Rezoning fees	82	109
Other	275	343
Total fees and charges – statutory/regulatory	8,199	9,696

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	28	49
Camping ground	416	740
Child care	5,183	6,422
Community centres	–	1,846
Companion animals	307	368
Facilities Hire Income	–	334
Restoration charges	–	188
On site sewer management (OSSM)	479	475
Parking fees	562	810
Parks and recreation	455	658
Engineering design fees	409	562
RMS works (state roads not controlled by Council)	5,479	7,236
Holiday parks	9,077	10,105
Swimming centres	3,297	5,552
Theatres	772	652
Tipping fees	18,397	19,713
Water connection fees	1,008	776
Other	1,690	1,214
Sewerage Connection Income	345	566
Total fees and charges – other	47,904	58,266
TOTAL USER CHARGES AND FEES	129,480	133,925

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided. The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

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

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

2019 accounting policy

User charges and fees are recognised as revenue when the service has been provided.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(c) Other revenues		
Fines – parking	2,647	2,498
Fines – other	229	375
Event revenue	1,248	1,753
Diesel rebate	609	319
Landfill sale of scrap metal	1,025	1,019
Insurance claims recoveries	24	580
Legal fees recovery – other	244	203
Property rents	–	5,820
Arts centre	98	269
Cemetery income	333	316
Sales – general	777	953
Landfill gas royalty payment	401	598
Recreation	280	319
Section 355 Committee income	228	370
Other (includes volunteer services)	1,718	1,981
COVID-19 waivers and refunds	(568)	–
TOTAL OTHER REVENUE	9,293	17,373

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	10,706	10,436	–	–
Financial assistance – local roads component	2,204	2,186	–	–
Payment in advance - future year allocation				
Financial assistance – general component	11,337	10,819	–	–
Financial assistance – local roads component	2,341	2,268	–	–
Total general purpose	26,588	25,709	–	–
Specific purpose				
Aged and disabled	23	23	1	10
Bushfire and emergency services	4,182	2,184	256	241
Child care	376	384	24	–
Community care	9	118	–	661
Employment and training programs	118	30	–	–
Environmental programs	1,526	1,815	971	198
Library	856	731	61	211
Health services	33	44	–	–
Heritage and cultural	86	61	–	495
LIRS subsidy	733	882	–	–
Transport (roads to recovery)	–	–	2,772	1,979
Recreational facilities	438	1,102	8,164	11,256
Roads and bridges	–	–	10,602	8,663
Security equipment (CCTV)	–	–	5	155
Somersby Industrial Park	–	–	–	1,259
Street lighting	986	966	–	–
Transport (other roads and bridges funding)	119	118	695	45
Water / Sewer Infrastructure	–	–	2,788	–
Youth services	39	131	–	–
Other	71	55	1,893	–
Total specific purpose	9,595	8,644	28,232	25,173
Total grants	36,183	34,353	28,232	25,173
Grant revenue is attributable to:				
– Commonwealth funding	27,282	26,319	12,614	13,453
– State funding	8,899	8,033	15,618	11,699
– Other funding	2	1	–	21
	36,183	34,353	28,232	25,173

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	54	69
S 7.12 – fixed development consent levies		–	–	2,470	2,675
S 64 – water supply contributions		–	–	3,429	3,456
S 64 – sewerage service contributions		–	–	3,639	4,254
Other developer contributions		–	–	320	286
S 7.11 – stormwater contributions		–	–	1,424	1,344
S 7.11 – roadworks		–	–	2,094	2,639
S 7.11 – open space		–	–	4,430	3,433
S 7.11 – community facilities		–	–	2,213	1,778
Total developer contributions – cash		–	–	20,073	19,934
Non-cash contributions					
S 7.11 – contributions towards amenities/services		–	–	241	21
S 7.11 - drainage assets		–	–	171	443
S 64 – sewerage service contributions		–	–	–	18
S 64 – water supply contributions		–	–	82	2
Total developer contributions non-cash		–	–	494	484
Total developer contributions	26	–	–	20,567	20,418
Other contributions:					
Cash contributions					
Bushfire services		443	–	–	–
Business development		–	–	–	2,036
Childcare		1,651	–	–	–
Paving		–	–	30	273
Recreation and culture		10	39	367	575
RMS contributions (regional roads, block grant)		3,939	3,821	–	–
Sewerage (excl. section 64 contributions)		–	–	132	271
Roadworks		–	16	28	243
Vehicle contributions by employees		2,007	2,106	–	–
Water supplies (excl. section 64 contributions)		–	–	73	196
Other		203	283	420	265
Total other contributions – cash		8,253	6,265	1,050	3,859
Non-cash contributions					
Other		–	–	17,052	18,073
Total other contributions – non-cash		–	–	17,052	18,073
Total other contributions		8,253	6,265	18,102	21,932
Total contributions		8,253	6,265	38,669	42,350
TOTAL GRANTS AND CONTRIBUTIONS		44,436	40,618	66,901	67,523

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement but include differing performance obligations within AASB 15 e.g. 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's 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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

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

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*.

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

Unexpended at the close of the previous reporting period	2,345	4,462
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,387
Add: operating grants received for the provision of goods and services in a future period	2,628	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(3,504)
Less: operating grants received in a previous reporting period now spent and recognised as income	(1,203)	–
Unexpended and held as externally restricted assets (operating grants)	3,770	2,345

Top grants include Bushfire resilience/recovery \$1.2M, Better Waste and Recycling \$0.9M and Environmental Restoration fund \$0.3M plus various operating grants unspent and held as a restriction at year end.

Capital grants

Unexpended at the close of the previous reporting period	8,869	4,608
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	5,576
Add: capital grants received for the provision of goods and services in a future period	3,639	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(1,315)
Less: capital grants received in a previous reporting period now spent and recognised as income	(4,518)	–
Unexpended and held as externally restricted assets (capital grants)	7,990	8,869

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

Unexpended at the close of the previous reporting period	190,503	176,904
Add: contributions recognised as income in the current period but not yet spent	–	26,727
Add: contributions received for the provision of goods and services in a future period	16,191	–
Less: contributions recognised in a previous reporting period now spent	(12,098)	(13,128)
Unexpended and held as externally restricted assets (contributions)	194,596	190,503

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB 15 2020	AASB 1058 2020
(g) Disaggregation of material revenue streams		
The following shows the revenue recognition pattern for the material revenue streams of Council.		
Revenue recognition at a point in time		
Rates and annual charges	–	321,946
Financial assistance grants	–	26,588
User charges and fees	–	119,590
Grant revenue and non-developer contributions	–	51,883
Developer contributions	–	20,567
Fines	–	2,876
	<u>–</u>	<u>543,450</u>
Revenue recognised over time		
Grant and contributions revenue	7,179	–
Grants and contributions to acquire or construct Council controlled assets	–	25,687
User charges and fees	9,890	–
	<u>17,069</u>	<u>25,687</u>

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	1,671	1,895
– Cash and investments	8,547	13,178
Fair value adjustments		
– Movements in investments (other)	2,476	–
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	27	24
Other	6	9
Total Interest and investment income	<u>12,727</u>	<u>15,106</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	547	580
General Council cash and investments	4,421	6,669
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,408	3,131
– Section 64	1,452	1,742
Domestic waste management operations	2,899	2,984
Total interest and investment revenue	<u>12,727</u>	<u>15,106</u>

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	180,017	157,663
Employee termination costs	490	272
Travel expenses	–	45
Employee leave entitlements (ELE)	31,168	26,206
Superannuation	19,749	17,969
Workers Compensation	3,790	3,859
Fringe benefit tax (FBT)	405	245
Payroll tax	2,610	2,148
Training costs (other than salaries and wages)	–	2,100
Uniforms and Protective clothing	–	1,302
Other	648	809
Total employee costs	238,877	212,618
Less: capitalised costs	(17,995)	(13,833)
TOTAL EMPLOYEE COSTS EXPENSED	220,882	198,785

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		76	–
Interest on loans		15,024	17,104
Interest on other debts		45	70
Total interest bearing liability costs		15,145	17,174
Total interest bearing liability costs expensed		15,145	17,174
(ii) Other borrowing costs			
Remediation liabilities	15	1,005	1,730
Other liabilities		1	5
Total other borrowing costs		1,006	1,735
TOTAL BORROWING COSTS EXPENSED		16,151	18,909

Accounting policy for borrowing costs

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	26,461	14,400
Contractor and consultancy costs	29,619	41,370
Contract costs Garbage collection	30,287	29,916
Contract costs Green waste processing	4,392	4,094
Contract costs Corporate systems	3,643	4,298
Contract costs Agency hire	9,658	8,979
Contract costs Roads	11,529	12,301
Auditors remuneration ²	371	429
Legal expenses:		
– Legal expenses: planning and development	254	297
– Legal expenses: other	577	790
Expenses from Peppercorn leases (2020 only)	194	–
Expenses from short-term leases (2020 only)	418	–
Expenses from leases of low value assets (2020 only)	1,691	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	1,774
TOTAL MATERIALS AND CONTRACTS	119,094	118,648

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Office Equipment	–	788
Computers	–	933
Other	–	53
	–	1,774

2. Auditor remuneration

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	281	373
Remuneration for audit and other assurance services	281	373

Total Auditor-General remuneration

	281	373
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Non NSW Auditor-General audit firms**(ii) Non-assurance services**

Other services	90	56
Remuneration for non-assurance services	90	56

Total remuneration of non NSW Auditor-General audit firms

	90	56
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Total Auditor remuneration

	371	429
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		7,811	7,341
Office equipment		2,569	1,747
Furniture and fittings		1,130	1,034
Land improvements (depreciable)		1,903	1,410
Infrastructure:	10		
– Buildings – specialised		11,769	11,376
– Other structures		1,601	1,233
– Roads		36,464	33,481
– Bridges		679	612
– Footpaths		2,659	2,268
– Stormwater drainage		15,858	15,458
– Water supply network		26,833	26,034
– Sewerage network		35,143	34,402
– Swimming pools		215	227
– Other open space/recreational assets		4,120	3,315
– Other infrastructure		1,346	1,163
Other assets:			
– Library books		770	810
– Other		73	89
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10	1,745	1,745
Right of use assets	13	226	–
Intangible assets	11	4,195	1,904
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>157,109</u>	<u>145,649</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets, Note 11 for intangible assets and Note 13 for right of use assets.

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are 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 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). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

Revaluation decrement of IPP&E

Where the carrying value of a class of assets has been reduced as a result of a revaluation, the revaluation decrement is firstly offset against the amount in the revaluation reserve account, with the excess to be recognised in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	1,125	1,521
Training costs	1,767	–
Travel expenses	45	–
Bad and doubtful debts	404	1,279
Bank charges	1,386	1,339
Commissions	3,374	2,905
Computer software charges	10,515	8,657
Contributions/levies to other levels of government		
– Holiday Park levy	439	485
– NSW Fire and rescue levy	2,821	2,571
– NSW rural fire service levy	1,477	1,175
– NSW State emergency services levy	528	455
– Waste levy	29,893	29,140
Councillor expenses – mayoral fee	89	86
Councillor expenses – councillors' fees	456	453
Councillors' expenses (incl. mayor) – other (excluding fees above)	48	86
Donations, Contributions and assistance to other organisations (Section 356)		
– The Art House	1,075	1,057
– Toukley Town Centre	–	220
– Wyong Town Centre	30	114
– Surf Life Saving Clubs	213	208
– Gosford Town Centre	60	256
– Stronger communities fund	383	576
– Community grants	1,671	1,706
– Other contributions and donations	546	381
Electricity and heating	12,400	12,652
Events and promotions	1,843	1,477
Gas charges	490	330
Insurance	4,814	4,330
Licences	787	654
Planning NSW development application fees	443	563
Postage	1,088	1,227
Printing and stationery	1,249	1,047
Private works	–	422
Property rent	–	1,000
Street lighting	4,371	5,679
Subscriptions and publications	236	455
Telephone and communications	2,785	2,672
Tip rehabilitation provision adjustment	3,235	(1,830)
Valuer general fees	888	797
Vehicle registrations	801	807
Other	2,402	2,884
Total other expenses	96,177	89,836
TOTAL OTHER EXPENSES	96,177	89,836

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Buildings			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(3,510)	(160)
Net gain/(loss) on disposal		(3,510)	(160)
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		3,058	2,092
Less: carrying amount of plant and equipment assets sold/written off		(2,991)	(1,916)
Net gain/(loss) on disposal		67	176
Infrastructure assets			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(866)	(24)
Net gain/(loss) on disposal		(866)	(24)
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		336,750	281,453
Less: carrying amount of investments sold/redeemed/matured		(336,750)	(281,453)
Net gain/(loss) on disposal		–	–
Land			
	10		
Proceeds from disposal – community and operational Land		3,979	–
Less: carrying amount of community and operational Land assets sold/written off		(2,037)	–
Net gain/(loss) on disposal		1,942	–
Stormwater drainage			
	10		
Proceeds from disposal – Stormwater Drainage		–	–
Less: carrying amount of stormwater drainage assets sold/written off		(293)	(627)
Net gain/(loss) on disposal		(293)	(627)
Sewerage network assets			
	10		
Proceeds from disposal – Sewerage Network		–	–
Less: carrying amount of sewerage network assets sold/written off		(1,258)	(1,791)
Net gain/(loss) on disposal		(1,258)	(1,791)
Office equipment			
	10		
Proceeds from disposal – Office Equipment		–	–
Less: carrying amount of office equipment assets sold/written off		–	(5)
Net gain/(loss) on disposal		–	(5)
Water supply assets			
	10		
Proceeds from disposal – water supply assets		–	–
Less: carrying amount of water supply assets assets sold/written off		(1,004)	(596)
Net gain/(loss) on disposal		(1,004)	(596)
Other assets			
	10		
Proceeds from disposal – Other assets		–	–
Less: carrying amount of other assets sold/written off		(9)	–
Net gain/(loss) on disposal		(9)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(4,931)	(3,027)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets (continued)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	12,422	18,231
Deposits at call	79,874	25,828
Total cash and cash equivalents	92,296	44,059

Accounting policy for cash and cash equivalents

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.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	9,018	29,202	–	–
b. 'Debt Securities at amortised cost' / 'held to maturity'	157,192	75,000	340,739	93,717
Total Investments	166,210	104,202	340,739	93,717
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	258,506	104,202	384,798	93,717
Financial assets at fair value through the profit and loss				
Government and semi-government bonds	–	19,077	–	–
NCD's, FRN's	9,018	10,125	–	–
Total	9,018	29,202	–	–
Financial assets at amortised cost				
Long term deposits	157,192	75,000	317,989	50,000
NCD's, FRN's (with maturities > 3 months)	–	–	22,750	43,717
Total	157,192	75,000	340,739	93,717

Accounting policy for investments

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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 FRNs and NCDs in the Statement of Financial Position.

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020	2020	2019	2019
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	258,506	104,202	384,798	93,717
attributable to:				
External restrictions	317,203	104,202	313,122	93,717
Internal restrictions	111,698	–	114,697	–
Unrestricted ¹	(170,395)	–	(43,021)	–
	258,506	104,202	384,798	93,717

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.

Council had previously treated and reported unrestricted cash applicable to its water and sewer operations as unrestricted in the General Purpose Financial Statements (refer Note 16(b) 'Correction of errors relating to a previous reporting period') for more detail. This treatment resulted in Council accessing \$212M of restricted monies to fund general expenditure; which was a breach of the Local Government Act.

The reported negative unrestricted balance of \$170.395M is the net amount overspent across all of Council's operating funds and is the difference between the sum of cash and investments reported by Fund in Note 27 and that reported in Note 7(c).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020	2019
Details of restrictions		
External restrictions – other		
Developer contributions – general	93,434	84,287
Developer contributions – water	27,529	38,250
Developer contributions – sewer	20,032	20,917
Developer contributions – drainage	34,583	32,467
Developer contributions – VPA – general	2,679	2,608
Developer contributions – VPA – water	1,045	1,028
Developer contributions – VPA – sewer	491	483
Developer contributions – VPA - drainage	1,359	1,337
Developer contributions – bonus provisions	5,407	5,002
Developer Contributions – Sec 94A Levy	17,526	14,695
Specific purpose unexpended grants – general	8,184	7,755
Specific purpose unexpended grants – water	2,550	2,355
Specific purpose unexpended grants - sewer	153	–
Specific purpose unexpended grants - drainage	873	–
Water supplies	–	48
Specific purpose unexpended grants – waste	–	1,105
Water Supply Authority - other	83,198	93,957
Drainage	–	100
Domestic waste management	86,184	71,133
Stormwater management	766	797
Contributions to works including COSS	6,539	6,336
Holiday parks	11,429	10,168
Cemeteries	666	806
Self insurance claims – general	6,519	5,976
Self insurance claims – water	1,208	798
Tourism levies	3,278	–
Gosford CBD special rate levies	1,142	–
Self insurance claims – sewer	2,027	2,131
Other – Crown land	1,881	1,730
Other External Restrictions	723	570
Total external restrictions	421,405	406,839
Internal restrictions		
Employees leave entitlement	12,554	11,638
Employment generating projects	432	–
Emergency services levy	3,155	–
Carbon emission reserve	322	1,066
Property development	15,251	15,251
Revolving energy	253	253
Section 355/advances/deposits	620	588
Special rates and other restrictions	18,684	24,190
Stronger communities fund	540	2,459
Tip replacement/rehabilitation	33,907	28,355
Waste disposal facility	25,489	30,468
Drainage Licence Fee	491	429
Total internal restrictions	111,698	114,697
TOTAL RESTRICTIONS	533,103	521,536

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates	9,950	–	7,780	–
Interest and extra charges	2,736	–	2,786	–
User charges and fees	19,839	3,034	11,461	3,409
Accrued revenues				
– User charges and fees	13,650	–	16,194	–
– Government subsidies	2,182	–	2,365	–
– Other income accruals	1,211	–	1,037	–
Government grants and subsidies	4,791	–	2,366	–
Net GST receivable	5,005	–	8,021	–
Waste management annual charge	4,519	–	3,838	–
Drainage annual charge	2,636	–	1,374	–
Water annual charge	2,082	–	2,094	–
Sewerage annual charge	9,886	–	7,479	–
Other debtors	5,161	734	4,406	–
Total	83,648	3,768	71,201	3,409
Less: provision of impairment				
Sewerage annual charges	(6)	–	–	–
User charges and fees	(414)	–	(941)	–
Other debtors	(2,074)	–	(1,453)	–
Total provision for impairment – receivables	(2,494)	–	(2,394)	–
TOTAL NET RECEIVABLES	81,154	3,768	68,807	3,409

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year	2,394	1,316
plus new provisions recognised during the year	525	1,159
– amounts already provided for and written off this year	(425)	(81)
Balance at the end of the year	2,494	2,394

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,646	–	1,391	–
Total inventories at cost	1,646	–	1,391	–
<u>TOTAL INVENTORIES</u>	<u>1,646</u>	<u>–</u>	<u>1,391</u>	<u>–</u>
(b) Other assets				
Prepayments	6,459	–	5,481	–
Investment in the Art House	–	254	–	336
<u>TOTAL OTHER ASSETS</u>	<u>6,459</u>	<u>254</u>	<u>5,481</u>	<u>336</u>

Accounting policy for inventories and other assets

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.

Notes to the Financial Statements for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	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 decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
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	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	1,823,426	(790,130)	1,033,296	1,053	(1,004)	(26,833)	19,504	682	–	9,041	1,857,037	(821,298)	1,035,739
– Sewerage network	2,305,734	(895,441)	1,410,293	2,688	(1,258)	(35,143)	21,886	600	–	12,657	2,346,757	(935,034)	1,411,723
– 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	10,429,098	(3,351,994)	7,077,104	265,743	(11,966)	(152,688)	–	(21,182)	(893)	61,060	10,699,580	(3,482,402)	7,217,178

Notes to the Financial Statements for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	249,405	–	249,405	172,913	–	–	–	(181,835)	(3,245)	–	237,238	–	237,238
Plant and equipment	93,248	(47,687)	45,561	–	–	(1,916)	(7,341)	13,546	–	–	100,253	(50,403)	49,850
Office equipment	20,831	(16,330)	4,501	–	–	(5)	(1,747)	1,666	–	–	18,885	(14,470)	4,415
Furniture and fittings	14,874	(11,159)	3,715	–	–	–	(1,034)	4,027	–	–	18,847	(12,139)	6,708
Land:													
– Operational land	467,665	–	467,665	–	122	–	–	–	(36,820)	–	430,967	–	430,967
– Crown and Community land	346,338	–	346,338	–	76	–	–	561	36,820	–	383,795	–	383,795
– Land under roads (post 30/6/08)	1,404	–	1,404	–	182	–	–	–	–	–	1,586	–	1,586
Land improvements – depreciable	33,560	(14,521)	19,039	–	–	(4)	(1,410)	7,863	–	–	41,415	(15,927)	25,488
Infrastructure:													
– Buildings – specialised	783,880	(318,915)	464,965	–	–	(160)	(11,376)	17,270	–	–	800,422	(329,723)	470,699
– Other structures	33,312	(10,896)	22,416	–	–	(20)	(1,233)	3,271	–	–	36,343	(11,909)	24,434
– Roads	1,912,805	(586,167)	1,326,638	–	2,374	–	(33,481)	59,324	–	–	1,974,503	(619,648)	1,354,855
– Bridges	54,366	(18,802)	35,564	–	–	–	(612)	65	–	–	54,431	(19,414)	35,017
– Footpaths	110,412	(25,185)	85,227	–	–	–	(2,268)	6,877	–	–	117,288	(27,452)	89,836
– Other road assets	–	–	–	–	–	–	–	5	–	–	5	–	5
– Bulk earthworks (non-depreciable)	367,233	–	367,233	–	–	–	–	10,661	–	–	377,894	–	377,894
– Stormwater drainage	1,464,883	(453,458)	1,011,425	–	13,527	(627)	(15,458)	11,645	–	–	1,489,091	(468,579)	1,020,512
– Water supply network	1,786,097	(753,582)	1,032,515	–	561	(596)	(26,034)	12,170	(1,626)	16,306	1,823,426	(790,130)	1,033,296
– Sewerage network	2,252,235	(848,600)	1,403,635	–	1,002	(1,791)	(34,402)	14,680	1,626	25,543	2,305,734	(895,441)	1,410,293
– Swimming pools	7,684	(4,836)	2,848	–	–	–	(227)	1,001	–	–	8,685	(5,063)	3,622
– Other open space/recreational assets	97,877	(36,864)	61,013	–	180	–	(3,315)	14,834	–	–	111,351	(38,639)	72,712
– Other infrastructure	41,602	(17,216)	24,386	–	–	–	(1,163)	1,228	–	–	42,831	(18,380)	24,451
Other assets:													
– Library books	16,819	(14,995)	1,824	–	–	–	(810)	1,111	–	–	17,930	(15,805)	2,125
– Other	1,803	(937)	866	–	–	–	(89)	30	–	–	1,833	(1,026)	807
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	34,345	(16,101)	18,244	–	–	–	(1,745)	–	–	–	34,345	(17,846)	16,499
Total Infrastructure, property, plant and equipment	10,192,678	(3,196,251)	6,996,427	172,913	18,024	(5,119)	(143,745)	–	(3,245)	41,849	10,429,098	(3,351,994)	7,077,104

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed on a regular basis as determined by Council, however the carrying amount of assets is assessed 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.

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

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

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

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 40
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 equipment	5 to 50		
Other plant and equipment	2 to 40		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	6 to 122
Bores	15 to 30	Culverts	10 to 160
Reticulation pipes	25 to 256	Flood control structures	6 to 500
Pumps and telemetry	15 to 66		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	5 to 96	Swimming pools	5 to 100
Sealed roads: structure	16 to 180	Other open space/recreational assets	5 to 100
Unsealed roads	20 to 100	Other infrastructure	10 to 109
Bridges	15 to 100		
Road pavements	16 to 125		
Kerb, gutter and footpaths	5 to 116		

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 *Leases*, refer to Note 13.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Opening values at 1 July		
Gross book value	22,011	18,778
Accumulated amortisation	(11,987)	(10,083)
Net book value – opening balance	10,024	8,695
Movements for the year		
– Development costs (transfers from WIP)	22,461	3,233
– Amortisation charges	(4,195)	(1,904)
Closing values at 30 June		
Gross book value	44,472	22,011
Accumulated amortisation	(16,182)	(11,987)
Total software – net book value	28,290	10,024
(b) 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
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>29,993</u>	<u>11,727</u>

Accounting policy for intangible assets**IT development and software**

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets (continued)

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.

Note 12. Contract liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	5,638	2,352
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	3,770	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	705	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	511	–
Total grants received in advance		10,624	2,352
User fees and charges received in advance:			
Upfront fees – leisure centre	(iii)	20	–
Total user fees and charges received in advance		20	–
Total contract liabilities		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 leisure centres and swimming pools 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.

\$ '000	2020
Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	6,436
Operating grants (received prior to performance obligation being satisfied)	1,202
Capital contributions (to construct Council controlled assets)	28
Operating contributions (received prior to performance obligation being satisfied)	53
User Fees and Charges received in advance:	
Upfront fees – leisure centre	21
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	7,740

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract liabilities (continued)

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) 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 and some of them include a renewal option to allow Council to renew the noncancellable 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. 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. No additional amounts have been included in potential future lease payments in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

\$ '000	Plant and Equipment	Land and Buildings	Total
(a) Right of use assets			
Opening balance at 30 June 2019	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	28	1,338	1,366
Additions to right-of-use assets	-	663	663
Depreciation charge	(7)	(218)	(225)
<u>RIGHT OF USE ASSETS</u>	<u>21</u>	<u>1,783</u>	<u>1,804</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	287	1,552
<u>TOTAL LEASE LIABILITIES</u>	<u>287</u>	<u>1,552</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(i) The maturity analysis

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

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

(c) Income Statement

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

Interest on lease liabilities	76
Depreciation of right of use assets	226
Expenses relating to short-term leases	418
Expenses relating to low-value leases	1,691
Expenses relating to Peppercorn leases	194
	2,605

(d) Statement of Cash Flows

Total cash outflow for leases	2,433
	2,433

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
- university
- 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.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use 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.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and Note 19.

(ii) Council as a lessor**(e) 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 as infrastructure, property, plant and equipment in the Statement of Financial Position (refer note 10).

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

\$ '000	2020
(i) Operating lease income	
Properties not held for investment	4,966
Room/Facility Hire	2,615
Outdoor space	118
Other	25
Total income relating to operating leases	7,724
(ii) Operating lease expenses	
Other leased assets	
Community Infrastructure	1,458
Facilities and Asset Management	1,140
Leasing and Property	781
Total expenses relating to operating leases	3,379

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
(iii) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	3,137
1–2 years	2,690
2–3 years	2,278
3–4 years	2,002
4–5 years	1,488
> 5 years	9,126
Total undiscounted contractual lease income receivable	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 then 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates and annual charges	13,443	–	12,150	–
Goods and services – operating expenditure	29,230	–	30,730	–
Accrued expenses:				
– Salaries and wages	7,472	–	4,670	–
– Other expenditure accruals	32,267	–	29,641	–
Security bonds, deposits and retentions	4,635	–	4,658	–
Developer bonds	6,273	–	6,243	–
Overpayments	670	–	428	–
Other	163	–	536	–
Total payables	94,153	–	89,056	–
Income received in advance				
Payments received in advance	2,795	1,067	3,994	7,465
Other	–	6,314	–	–
Total income received in advance	2,795	7,381	3,994	7,465
Borrowings				
Loans – secured ¹	44,790	191,798	47,753	185,404
Total borrowings	44,790	191,798	47,753	185,404
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>141,738</u>	<u>199,179</u>	<u>140,803</u>	<u>192,869</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 21.

\$ '000	2020	2019
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – overpayments, security bonds, deposits and retentions	25,115	21,893
Total payables and borrowings	25,115	21,893

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	233,157	3,431	–	–	–	–	236,588
Lease liabilities	–	–	–	–	1,839	–	1,839
TOTAL	233,157	3,431	–	–	1,839	–	238,427

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	264,861	(31,704)	–	–	–	233,157
TOTAL	264,861	(31,704)	–	–	–	233,157

\$ '000	2020	2019
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	1,240	1,240
Master lease facilities	2,000	2,000
Total financing arrangements	3,740	3,740

Drawn facilities as at balance date:

– Credit cards/purchase cards	73	113
– Lease facilities	–	148
Total drawn financing arrangements	73	261

Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	1,167	1,127
– Lease facilities	2,000	1,852
Total undrawn financing arrangements	3,667	3,479

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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	17,231	–	14,005	–
Sick leave	9,465	–	10,436	–
Long service leave	30,069	2,900	29,484	1,844
Other leave	1,247	–	1,035	–
Sub-total – aggregate employee benefits	58,012	2,900	54,960	1,844
Asset remediation/restoration:				
Asset remediation/restoration (future works)	2,397	69,222	6,473	56,832
Sub-total – asset remediation/restoration	2,397	69,222	6,473	56,832
Other provisions				
Self insurance – workers compensation	2,301	7,453	1,841	7,064
Self insurance – public liability	885	–	530	–
Self insurance – other	84	–	30	–
Payroll tax	518	21	530	12
Other	573	–	2,054	–
Sub-total – other provisions	4,361	7,474	4,985	7,076
<u>TOTAL PROVISIONS</u>	<u>64,770</u>	<u>79,596</u>	<u>66,418</u>	<u>65,752</u>

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	31,454	32,858
	<u>31,454</u>	<u>32,858</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(b) Description of and movements in non-employee benefit provisions

\$ '000	Other provisions			Total
	Self insurance	Asset remediation	Payroll Tax and Other	
2020				
At beginning of year	9,465	63,305	2,595	75,365
Changes to provision:				
– Amounts capitalised	–	5,397	–	5,397
– Revised costs	–	3,047	–	3,047
– Revised discount rate	–	188	–	188
Additional provisions	4,741	–	2,643	7,384
Amounts used (payments)	(3,483)	(1,323)	(4,126)	(8,932)
Unwinding of discount	–	1,005	–	1,005
Total other provisions at end of year	10,723	71,619	1,112	83,454
2019				
At beginning of year	8,377	65,383	1,202	74,962
– Revised costs	–	(5,800)	–	(5,800)
– Revised discount rate	–	3,509	–	3,509
Additional provisions	6,121	461	4,143	10,725
Amounts used (payments)	(5,033)	(1,978)	(2,750)	(9,761)
Unwinding of discount	–	1,730	–	1,730
Total other provisions at end of year	9,465	63,305	2,595	75,365

Nature and purpose of non-employee benefit 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 outstanding payroll tax arising from Council's water, sewer, drainage and cemetery activities.

Accounting policy for provisions

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

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

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

Employee benefits**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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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.

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

Provisions for close-down and restoration, and environmental clean-up costs – tips

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability 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 7(c).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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% per annum for the next three years and Bond Yields of between 1.40% and 3.437% per annum over a 50 year period.

- All monetary amounts for past Workers Compensation Claims were indexed to bring them to "standardised" values at June 2020.

- Workers Compensation Claim payments projected into the future by the adopted actuarial model are in "standardised" values as at June 2020.

The last actuarial assessment of Workers Compensation Claims was undertaken in July 2020 and was performed by David A Zaman Pty Ltd, Director David Zaman, BSc, FIA, FIAA, MBA.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) 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.

(b) Correction of errors relating to a previous reporting period**Nature of prior-period error**

For the financial year ended 30 June 2019 and for prior years since the amalgamation of the former Wyong Shire Council and the former Gosford City Council, Council had incorrectly treated unrestricted monies applicable to the Water Supply Authority (WSA) operating business as unrestricted monies in the General Purpose Financial Statements (GPFS).

Council is of the view 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 2019 - 2020 without the approval of Council (for internal restrictions) or the Minister (for external restrictions), as required by *the Local Government Act 1993*.

The error identified above has been corrected by restating the prior year comparative of the restricted and unrestricted balances in Note 7(c) of the Financial Statements.

The impact on each line item is shown in the table below.

Adjustments to the comparative figures for the year ended 30 June 2019**Note 7(c) Restricted cash, cash equivalents and investments**

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Water Supply Authority - other	–	93,957	93,957
Total external restrictions	312,882	93,957	406,839
Total unrestricted	50,936	(93,957)	(43,021)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(i) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15, Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, when applicable, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees – Council leisure centre

Prior to adopting AASB 15, Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. Council has reviewed its contracts and concluded that if the criteria for recognition over time is not met, then in such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Grants – capital**

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line item of contract liabilities has been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	14,412
– Under AASB 1058	–
Total Contract liabilities	<u>14,412</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes ⁱ
Current liabilities					
Payables	94,153	–	–	94,153	
Income received in advance	2,795	4,301	–	7,096	
Contract liabilities	10,644	(4,301)	(8,695)	(2,352)	(i)
Lease liabilities	287	–	–	287	
Borrowings	44,790	–	–	44,790	
Provisions	64,770	–	–	64,770	
Total current liabilities	217,439	–	(8,695)	208,744	
Contract liabilities	2,352	–	–	2,352	
Total Non-current liabilities	282,679	–	–	282,679	
Net assets	7,204,846	–	8,695	7,213,541	
Equity					
Accumulated surplus	6,952,892	–	8,695	6,961,587	
Revaluation reserves	251,954	–	–	251,954	
Council interest	7,204,846	–	8,695	7,213,541	
Total equity	7,204,846	–	8,695	7,213,541	

(i) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	321,946	–	–	321,946	
User charges and fees	129,480	–	(1)	129,479	(i)
Other revenues	9,293	–	–	9,293	
Grants and contributions provided for operating purposes	44,436	–	1,412	45,848	(i)
Grants and contributions provided for capital purposes	66,901	–	(2,828)	64,073	(i)
Interest and investment income	12,727	–	–	12,727	
Rental income	7,724	–	–	7,724	
Total Income from continuing operations	592,507	–	(1,417)	591,090	
Net operating result for the year	(21,837)	–	(1,417)	(23,254)	
Total comprehensive income	38,330	–	(1,417)	36,913	

(i) Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under the new standards.

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the Statement of Financial Position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$1.366 million at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.7%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	6,226

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	4,510
Less:	
Short-term leases included in commitments note	(192)
Leases for low-value assets included in commitments note	(2,952)
Lease liabilities recognised at 1 July 2019	<u>1,366</u>

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	92,296	44,059
Balance as per the Statement of Cash Flows		92,296	44,059
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(21,837)	62,397
Adjust for non-cash items:			
Depreciation, amortisation and impairment		157,109	145,649
Net losses/(gains) on disposal of assets		4,931	3,027
Non-cash capital grants and contributions		(17,052)	(18,073)
Adoption of AASB 15/1058		(14,412)	–
Investments classified as 'at fair value'		(2,476)	–
Interest on all fair value adjusted interest free advances made by Council		(27)	(24)
Unwinding of discount rates on reinstatement provisions		1,193	5,239
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(12,806)	16,380
Increase/(decrease) in provision for impairment of receivables		100	1,078
Decrease/(increase) in inventories		(255)	40
Decrease/(increase) in other current assets		(896)	(1,730)
Increase/(decrease) in payables		(1,500)	3,636
Increase/(decrease) in accrued interest payable		–	(1,530)
Increase/(decrease) in other accrued expenses payable		5,428	(3,766)
Increase/(decrease) in other liabilities		(114)	(1,010)
Increase/(decrease) in contract liabilities		12,996	–
Increase/(decrease) in provision for employee benefits		4,108	(2,228)
Increase/(decrease) in other provisions		6,895	(4,835)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		121,385	204,250
(c) Non-cash investing and financing activities			
Other dedications		17,052	18,073
Total non-cash investing and financing activities		17,052	18,073

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

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

Interests in Subsidiary	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
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 \$1.075M 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	2020	2019
Summarised statement of comprehensive income		
Revenue	2,309	2,307
Expenses	(2,391)	(2,451)
Profit/(loss) for the period	(82)	(144)
Total comprehensive income	(82)	(144)
Summarised statement of financial position		
Current assets	391	588
Non-current assets	221	145
Total assets	612	733
Current liabilities	287	398
Non-current liabilities	71	–
Total liabilities	358	398
Net assets	254	335

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

\$ '000	2020	2019
Summarised statement of cash flows		
Cash flows from operating activities	(163)	(190)
Net increase (decrease) in cash and cash equivalents	(163)	(190)

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. All controlled entities have a June financial year end.

(b) Unconsolidated structured entities

The following structured entities that were not consolidated but were financially supported by Council are no longer reportable as the funding agreement was terminated by Council as at 30 June 2019:

- Greater Toukley Vision Incorporated
- Wyong Regional Chamber of Commerce Incorporated
- Gosford Central Business District Improvement Incorporated

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	2,289	265
Land and buildings	10,900	4,777
Technology	5,264	12,420
Tip assets	1,187	1,408
Stormwater Management infrastructure	406	1,880
Open Space infrastructure	3,372	4,927
Road infrastructure	4,641	6,483
Sewerage and water infrastructure	41,294	10,150
Total commitments	69,353	42,310

Details of capital commitments

Major projects to continue next year include:

- * Mardi to Warnervale water trunk main preconstruction \$32.9 million
- * Clarke Rd, Noraville sewer pump station upgrade \$7.7 million
- * Information Management and Technology workstream assets \$5.0 million
- * Terrigal boardwalk \$4.7 million
- * Adcock Park West Gosford sporting facility redevelopment \$1.9 million
- * Gosford Regional Library and Innovation Hub \$1.3 million
- * Installation of solar power systems \$0.9 million
- * Central Coast Stadium lighting towers upgrade \$0.9 million
- * Lake Rd and Bryant Drive intersection upgrade \$0.9 million
- * Road Safety improvements \$0.7 million
- * Norah Head masterplan implementation stage 2 \$0.7 million
- * Road preservation program \$0.7 million
- * Central Coast Stadium pitch resurface \$0.7 million
- * Sewer Infrastructure Reinforcements - Gosford CBD \$0.6 million
- * Warnervale Rehabilitation \$0.6 million
- * Local, District and Regional playgrounds \$0.6 million
- * Everglades Catchment drainage renewal stage 3 \$0.6 million
- * Terrigal pool upgrade \$0.4 million
- * Don Small Oval amenities and clubhouse \$0.4 million

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	1,499
Later than one year and not later than 5 years	–	2,453
Later than 5 years	–	2,274
Total non-cancellable operating lease commitments	–	6,226

b. Non-cancellable operating leases include the following assets:

Refer to Note 15 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

Computer equipment - Desktop, monitor and laptop operating leases with Macquarie Leasing. A number of contracts exist and all are due to mature within the next five years.

Conditions relating to operating leases:

All finance agreements are secured only against the leased asset. No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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 life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

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

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

The additional lump sum 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 lump sum contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

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 2020 was \$3.2 million. The last formal valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$1.9 million. Council's expected contribution to the plan for the next annual reporting period is \$3.1 million.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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

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

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

* Plus promotional increases

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

(ii) Statewide 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

Developer Contributions

Council has significant obligations to provide section 7.11 infrastructure across the local government area, and levies fees accordingly. It is possible that funds contributed may be less than the cost of this infrastructure requiring Council to borrow or use general revenue to fund the difference.

These future expenses do not yet qualify as liabilities as at the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans (refer Note 26).

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 15 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 15. 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 however may approximate \$1,127,000. This estimate is based on the former landfill sites actual monitoring costs for 2019-20 of \$112,700 multiplied by 10 years.

Waste Remediation

Council commenced preliminary environmental investigations of six retired landfill sites in 2017/18 and in 2018/19 Council made notifications to the NSW Environmental Protection Authority under Section 60 of the *Contaminated Land Management Act 1997* for each of these sites. In March 2020 Council was advised that three of these sites (Hylton Moore Oval, Frost Reserve and Adcock Park) would require regulation under the *Contaminated Land Management Act 1997*. In August 2020 the NSW EPA approved Councils Voluntary Management Proposals for each of these three sites which requires Council to undertake detailed site investigations and develop remediation action plans during 2020/21. The estimated cost to undertake the detailed site investigations and develop the remediation plans across all three sites is an additional \$801,269 and this has been fully provided for within the financial statements at Note 15. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	92,296	44,059	92,296	44,059
Receivables	84,922	72,216	84,922	72,216
Investments				
– 'Financial assets at amortised cost'	232,192	434,456	232,192	434,456
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	38,220	–	38,220	–
Total financial assets	447,630	550,731	447,630	550,731
Financial liabilities				
Payables	94,153	76,906	94,153	76,906
Loans/advances	236,588	233,157	311,043	299,527
Lease liabilities	1,839	–	1,839	–
Total financial liabilities	332,580	310,063	407,035	376,433

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 manage the cash and investment portfolio with the assistance of independent advisors.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns.
- **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 Council.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(a) Market risk – price risk and interest rate risk

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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	36,271	36,271	(36,271)	(36,271)
Possible impact of a 1% movement in interest rates	3,627	3,627	(3,627)	(3,627)
2019				
Possible impact of a 10% movement in market values	47,852	47,852	(47,852)	(47,852)
Possible impact of a 1% movement in interest rates	4,785	4,785	(4,785)	(4,785)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (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 the business.

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

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

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

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

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	173	23,790	3,928	897	285	29,073
2019						
Gross carrying amount	–	18,063	1,245	2,899	358	22,565

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2020 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
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
2019						
Gross carrying amount	15,747	10,320	6,379	4,029	13,176	49,651
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	18.17%	4.82%
ECL provision	–	–	–	–	2,394	2,394

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows 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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	10,908	69,730	61	11	80,710	80,710
Loans and advances	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
2019							
Trade/other payables	0.00%	10,901	65,908	68	29	76,906	76,906
Loans and advances	6.60%	–	61,747	136,992	125,848	324,587	233,157
Total financial liabilities		10,901	127,655	137,060	125,877	401,493	310,063

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget was adopted by the Council on 11 June 2019 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, the weather, 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 Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so it is able to manage the various variations between actuals versus budget that invariably occur during the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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REVENUES

User charges and fees	143,844	129,480	(14,364)	(10)%	U
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The most significant variances in this category relate to:

Water and Sewer usage charges that were impacted by IPART determination and lower demand in 2019-20 (\$3.1 million)

Leisure and Pools and Child Care Fees and charges were impacted in the fourth quarter of the year due to the closure of facilities and business disruption as a result of COVID19 (\$4.3 million)

Development related fees and charges and tipping fees that did not achieve original budget expectations (\$5.9 million)

These unfavourable variances were partially offset by reduced expenditures and in Child Care by contributions from the Federal and State Governments during COVID19.

Operating grants and contributions	39,344	44,436	5,092	13%	F
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The favourable variance in Operating Grants and Contributions is due to additional grants funds being received throughout the year for Bushfire and Flood events that occurred in 2019-20. (\$3.5 million). Council also received additional environmental and rural fire service grant funds during the year (\$1.1 million). These grants were not included in the original budget, as Council only includes grants and contributions in the original budget if they have been approved at the time that the annual budget is developed each year.

Operating contributions of \$1.7 million were received for Child Care services from Federal and State Governments during COVID19 that were not forecast in the original budget and partially offset the reduced fee revenue received in the fourth quarter of 2019-20.

Capital grants and contributions	52,419	66,901	14,482	28%	F
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The favourable variance in Capital Grants and Contributions is made up of an unfavourable variance in Developer Contributions of \$8.3 million, a favourable variance of \$8.8 million in capital grants and \$14.0 million favourable variance in contributed and donated assets and miscellaneous capital contributions.

Developer Contributions are difficult to forecast as they are subject to external development activity and on top of that in the last quarter of 2019-20 were significantly impacted by COVID19 which resulted in an unfavourable position compared to the original budget forecast.

Additional grant funds were received throughout the year that were not included in the original budget. Council only includes grants and contributions in the original budget if they have been approved at the time that the annual budget is adopted each year and then recognises additional grants received throughout the year in quarterly budget reviews.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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Interest and investment revenue	14,416	12,727	(1,689)	(12)%	U
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Income received from interest on investments was negatively impacted by reductions to the official cash rate (0.75%) by the Reserve Bank of Australia (RBA) following the development of Council's 2019-20 budget, which reduced returns across Council's investment portfolio.

Net gains from disposal of assets	1,492	-	(1,492)	100%	U
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Council recognised \$1.9 million gain on sale from land sales identified for 2019-20, however losses were incurred from the disposal of other infrastructure assets which resulted in a Net Loss from Disposal of Assets in 2019-20.

Rental income	6,089	7,724	1,635	27%	F
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The variance in the Rental Income category relates Community Facilities income of \$1.8 million that was budgeted for in User Charges in the original budget and transferred to Rental Income in a quarterly budget review.

EXPENSES

Materials and contracts	100,677	119,094	(18,417)	(18)%	U
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Forecast expenditure savings targets were not achieved in Materials and Contracts expense across the organisation in 2019-20 which resulted in actual expenditure exceeding the original budget.

Depreciation and amortisation	138,953	157,109	(18,156)	(13)%	U
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The variance in depreciation expense is due to the large number of completed projects that were capitalised throughout the year that resulted in additional depreciation expense that was not forecast in original projections for 2019-20.

In addition, due to a change in Accounting Standards depreciation expense was recognised for Right Of Use Assets that was not included in Council's original 2019-20 budget (\$0.2 million).

Net losses from disposal of assets	-	4,931	(4,931)	∞	U
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Net losses from the disposal of assets relates to the disposal of assets in buildings, sewer, water, sewer, roads and stormwater drainage asset categories that were not forecast in the 2019-20 original budget.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	178,302	121,385	(56,917)	(32)%	U
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The unfavourable cash flow variance from operating activities is due to the variations in Income Statement categories described above.

Cash flows from investing activities	(134,402)	(76,388)	58,014	(43)%	F
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The net positive position in sale/purchase of investment securities (\$65.3 million), underspend in capital works (\$8.1 million), net favourable position of sale of infrastructure (\$7.0 million) was partially offset by purchase of intangible assets (\$22.5 million) that resulted in a favourable comparison to original budget in 2019-20.

Cash flows from financing activities	(16,464)	3,240	19,704	(120)%	F
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The favourable variance in net cash provided from financing activities is because the original budget forecast for external borrowing was \$30 million however \$50 million was drawn down in Q4 2019-20.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

Fair Value Hierarchy

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that Council 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.

(1) Assets and liabilities that have been measured and recognised at fair values

2020	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs
\$ '000						
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
Plant and equipment		12/05/16	–	–	58,069	58,069
Office equipment		12/05/16	–	–	9,737	9,737
Furniture and fittings		12/05/16	–	–	9,221	9,221
Operational land		30/06/18	–	443,343	–	443,343
Crown and Community land		01/07/19	–	422,992	–	422,992
Land under Roads		12/05/16	–	–	1,586	1,586
Land improvements – depreciable		12/05/16	–	–	28,323	28,323
Buildings – specialised		30/06/18	–	–	471,635	471,635
Other structures		12/05/16	–	–	30,517	30,517
Roads		12/05/16	–	–	1,386,134	1,386,134
Bridges		12/05/16	–	–	37,105	37,105
Footpaths		12/05/16	–	–	99,112	99,112
Bulk earthworks – non depreciable		12/05/16	–	–	382,751	382,751
Stormwater drainage		12/05/16	–	–	1,030,632	1,030,632
Water supply network		30/06/16	–	–	1,035,739	1,035,739
Sewerage network		30/06/16	–	–	1,411,723	1,411,723
Swimming pools		12/05/16	–	–	5,137	5,137
Other open space/recreational assets		12/05/16	–	–	77,338	77,338
Other infrastructure		12/05/16	–	–	28,938	28,938
Library books		12/05/16	–	–	2,187	2,187
Other		12/05/16	–	–	858	858
Tip assets		12/05/16	–	–	20,153	20,153
Total infrastructure, property, plant and equipment	10		–	866,335	6,126,895	6,993,230

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000						
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
Plant and equipment		12/05/16	–	–	49,850	49,850
Office equipment		12/05/16	–	–	4,415	4,415
Furniture and fittings		12/05/16	–	–	6,708	6,708
Operational land		30/06/18	–	430,967	–	430,967
Crown and Community land		12/05/16	–	383,795	–	383,795
Land under Roads		12/05/16	–	–	1,586	1,586
Land improvements – depreciable		12/05/16	–	–	25,488	25,488
Buildings – specialised		30/06/18	–	–	470,699	470,699
Other structures		12/05/16	–	–	24,434	24,434
Roads		12/05/16	–	–	1,354,860	1,354,860
Bridges		12/05/16	–	–	35,017	35,017
Footpaths		12/05/16	–	–	89,836	89,836
Bulk earthworks – non depreciable		12/05/16	–	–	377,894	377,894
Stormwater drainage		12/05/16	–	–	1,020,512	1,020,512
Water supply network		30/06/16	–	–	1,033,296	1,033,296
Sewerage network		30/06/16	–	–	1,410,293	1,410,293
Swimming pools		12/05/16	–	–	3,622	3,622
Other open space/recreational assets		12/05/16	–	–	72,712	72,712
Other infrastructure		12/05/16	–	–	24,451	24,451
Library books		12/05/16	–	–	2,125	2,125
Other		12/05/16	–	–	807	807
Tip assets		12/05/16	–	–	16,499	16,499
Total infrastructure, property, plant and equipment	10		–	814,762	6,025,104	6,839,866

Note that capital WIP is not included above since it is carried at cost.

(2) Valuation techniques used to derive level 2 and level 3 fair values

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 (IPP&E)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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.

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

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) where the Valuer General has not provided a land value based on the highest and best use for the land.

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.

Council's accounting policy is to value land under roads using the Englobo method, (which is a discounted method). This asset class is classified as Level 3 as significant inputs used in the Englobo methodology are unobservable.

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.

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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.

Council's accounting policy is to value other structures based on the technical knowledge and experience of engineers and asset management staff. 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, subbase, base and associated earthworks. Other road related assets include bus shelters, footpaths, guard rails, speed humps, kerb and gutter, medians, pedestrian refuges and roundabouts.

The gross replacement cost for each asset will be calculated based on a Modern Engineering Equivalent Replacement Asset (MEERA) approach. The replacement cost, useful lives and asset conditions will be determined by extracting technical information contained in Council's asset management system.

Unit rates will be determined based on data available including the cost to construct similar assets from recent Council projects 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.

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

Bridges

This asset class is comprised of road and foot bridges.

Bridges are inspected and valued using the cost approach. The significant inputs used in valuing bridges included useful life, pattern of consumption and asset condition.

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.

Unit rates will be determined based on internal data available.

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.

Footpaths

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

The assets in this class will be valued using a cost approach and replacement costs (unit rates) and useful lives will be determined using technical knowledge and experience of Council's staff. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition.

The assets in this class are assessed by physical inspection. Condition information is updated as changes are observed through regular inspections.

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.

Bulk earthworks (non-depreciable)

This asset class contains the formation costs for roads, buildings and sporting facilities. 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.

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

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. Replacement cost is assessed 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.

The gross replacement cost approach will be utilised to value the water supply network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset.

Assets have been componentised as per AASB 116 Property, Plant and Equipment.

Based on the technical nature of the assets, Council will engage technical experts as required.

Unobservable Level 3 inputs used include materials used in the construction of the asset, useful life, asset condition, unit rates and pattern of consumption.

Asset values have been indexed using the annual indexation rate from the Rates Reference Manual issued by the Department of Planning, Industry and Environment to reflect changes the gross replacement cost of these infrastructure assets.

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.

The gross replacement cost approach will be utilised to value the sewerage network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would yield an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per AASB 116 Property, Plant and Equipment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Unobservable Level 3 inputs include materials used in the construction of the asset, residual value, useful life, asset condition, unit rates and pattern of consumption.

Asset values have been indexed using the annual indexation rate from the Rates Reference Manual issued by the Department of Planning, Industry and Environment to reflect changes the gross replacement cost of these infrastructure assets.

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.

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

During the year Council transferred assets from the Heritage Collection which comprised of artwork and sculptures which are recognised at cost and valued every 5 years to Other Assets.

The replacement cost 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

(3) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Land under Roads	Tip assets
2019					
Opening balance	45,561	4,501	3,715	1,404	18,244
Purchases (GBV)	13,546	1,666	4,027	182	–
Disposals (WDV)	(1,916)	(5)	–	–	–
Depreciation and impairment	(7,341)	(1,747)	(1,034)	–	(1,745)
Closing balance	49,850	4,415	6,708	1,586	16,499
2020					
Opening balance	49,850	4,415	6,708	1,586	16,499
Transfers from/(to) another asset class	(515)	(75)	(22)	–	–
Purchases (GBV)	19,536	7,966	3,665	–	5,399
Disposals (WDV)	(2,991)	–	–	–	–
Depreciation and impairment	(7,811)	(2,569)	(1,130)	–	(1,745)
Closing balance	58,069	9,737	9,221	1,586	20,153

\$ '000	Land improvements	Buildings	Other structures	Roads	Bridges
2019					
Opening balance	19,039	464,965	22,416	1,326,638	35,564
Purchases (GBV)	7,863	17,270	3,271	61,703	65
Disposals (WDV)	(4)	(160)	(20)	–	–
Depreciation and impairment	(1,410)	(11,376)	(1,233)	(33,481)	(612)
Closing balance	25,488	470,699	24,434	1,354,860	35,017
2020					
Opening balance	25,488	470,699	24,434	1,354,860	35,017
Transfers from/(to) another asset class	561	352	243	–	–
Purchases (GBV)	4,177	16,755	7,448	68,408	2,805
Disposals (WDV)	–	(3,510)	(7)	(670)	(38)
Depreciation and impairment	(1,903)	(11,769)	(1,601)	(36,464)	(679)
Revaluation increments to Equity (ARR)	–	(893)	–	–	–
Closing balance	28,323	471,634	30,517	1,386,134	37,105

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network
2019					
Opening balance	85,227	367,233	1,011,425	1,032,515	1,403,635
Transfers from/(to) another asset class	–	–	–	(1,626)	1,626
Purchases (GBV)	6,877	10,661	25,172	12,732	15,683
Disposals (WDV)	–	–	(627)	(596)	(1,791)
Depreciation and impairment	(2,268)	–	(15,458)	(26,034)	(34,403)
Revaluation increments to Equity (ARR)	–	–	–	16,305	25,543
Closing balance	89,836	377,894	1,020,512	1,033,296	1,410,293
2020					
Opening balance	89,836	377,894	1,020,512	1,033,296	1,410,293
Transfers from/(to) another asset class	–	–	–	682	600
Purchases (GBV)	11,935	4,927	26,271	20,557	24,574
Disposals (WDV)	–	(70)	(293)	(1,004)	(1,258)
Depreciation and impairment	(2,659)	–	(15,858)	(26,833)	(35,143)
Revaluation increments to Equity (ARR)	–	–	–	9,041	12,657
Closing balance	99,112	382,751	1,030,632	1,035,739	1,411,723
2019					
Opening balance			2,848	61,013	24,386
Purchases (GBV)			1,001	15,014	1,228
Depreciation and impairment			(227)	(3,315)	(1,163)
Closing balance			3,622	72,712	24,451
2020					
Opening balance			3,622	72,712	24,451
Transfers from/(to) another asset class			266	(248)	–
Purchases (GBV)			1,471	8,994	5,913
Disposals (WDV)			(7)	–	(80)
Depreciation and impairment			(215)	(4,120)	(1,346)
Closing balance			5,137	77,338	28,938

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Library books	Other	Total
2019			
Opening balance	1,824	866	5,933,019
Transfers from/(to) another asset class	–	28	28
Purchases (GBV)	1,111	–	199,072
Disposals (WDV)	–	–	(5,119)
Depreciation and impairment	(810)	(87)	(143,744)
Revaluation increments to Equity (ARR)	–	–	41,848
Closing balance	2,125	807	6,025,104
2020			
Opening balance	2,125	807	6,025,104
Transfers from/(to) another asset class	–	–	1,844
Purchases (GBV)	833	124	241,758
Disposals (WDV)	(1)	–	(9,929)
Depreciation and impairment	(770)	(73)	(152,688)
Revaluation increments to Equity (ARR)	–	–	20,805
Closing balance	2,187	858	6,126,894

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

b. 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 (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	58,069	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	9,737	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	9,221	Cost approach	Pattern of consumption, useful life and residual value
Land under Roads	1,586	Cost approach	The market value of land varies significantly depending on the location of the land and current market conditions.
Land improvements	28,323	Cost approach	Pattern of consumption, useful life and residual value
Buildings	471,635	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	30,517	Cost approach	Useful life, pattern of consumption and asset condition
Roads	1,386,134	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bridges	37,105	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Footpaths	99,112	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bulk earthworks	382,751	Cost approach	Useful life, pattern of consumption and asset condition
Stormwater drainage	1,030,632	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Water supply network	1,035,739	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Sewerage network	1,411,723	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Swimming pools	5,137	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Open space / recreational	77,338	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Other infrastructure	28,938	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Library books	2,187	Cost approach	Useful life, pattern of consumption and asset condition
Other	858	Cost approach	Useful life, pattern of consumption and asset condition

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Tip assets	20,153	Cost approach	Pattern of consumption and useful life

(4) 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*.

Furthermore, 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.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 24. Related party disclosures

(a) Key management personnel

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, Chief Executive Officer and Executive Leadership Team members.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	4,308	4,371
Other long-term benefits	346	188
Termination benefits	445	–
Total	5,099	4,559

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

(b) 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	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Employee expenses relating to close family members of KMP	1	–	–	Local Government (State) Award 2017	–	–
Asphalt services	2	–	–	7 days	–	–
Supply of apprentices and support services	3	459	6	7 days	–	–
Insurance services	4	109	58	7 days	–	–
2019						
Employee expenses relating to close family members of KMP	1	200	–	Local Government (State) Award 2017	–	–
Asphalt services	2	122	–	7 days	–	–
Supply of apprentices and support services	3	624	16	7 days	–	–

1 Close family members of Council's KMP are employed by the Council under the relevant pay award on an arms length basis. As at June 2020 there were no close family members of KMP employed by Council. As at June 2019 there was one close family member of KMP employed by Council.

2 During FY 2019, Council purchased asphalt and related services from Brisbane Water Bitumen (BWB), a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such suppliers and were due and payable under normal payment terms. Council did not transact with BWB during financial year ended 30 June 2020.

3 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.

4 The Council paid for insurance services during the year from Statewide Mutual, a company which has a member of Council's 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

(c) Other related party transactions

\$ '000	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2020						
Funding and in-kind support services	5	1,075	–	Funding and support services provided in line with the funding agreement	–	–
2019						
Funding and in-kind support services	5	1,100	1	Funding and support services provided in line with the funding agreement	–	–

5 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Events occurring after the reporting date

Council formally noted its serious financial situation and liquidity issues at its meeting held 12 October 2020 with Councillors having been briefed on 6 October 2020. Council was advised that the severe liquidity issue had resulted in an inability to pay staff without the use of restricted funds. On 21 October 2020, the Minister for Local Government advanced Council \$6.2M to meet payroll expenses and gave Notice of Intention to suspend the Council. On 30 October 2020, Central Coast Council was suspended for three months and an Interim Administrator appointed. The Interim Administrator appointed an Acting Chief Executive Officer having terminated the employment of Mr Gary Murphy. On 25 January 2021, the Minister extended the suspension for a further three months to 29 April 2021.

Council resolved to accept secured loans to address the financial situation (11 November 2020 - \$50M and 18 December 2020 - \$100M). Council resolved to apply for a special rate variation on 26 November 2020 and 14 December 2020, which was admitted to IPART for an increase of 15% on 8 February 2021 after being adopted by Council. As part of the same application, Council completed and documented the harmonisation of rates across the two former local government areas.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions

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.

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.

Summary of contributions and levies

\$ '000	as at 30/06/19			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	21,375	1,206	171	421	–	–	23,002	–
Roads	12,139	1,793	241	382	–	43	14,357	(111)
Parking	5,295	35	–	115	–	–	5,445	77
Open space	10,230	3,622	–	441	(105)	(750)	13,438	(1,183)
Community facilities	23,003	1,950	–	500	–	723	26,176	(553)
Other	414	312	–	8	(275)	(16)	443	–
Drainage Capital	6,419	181	–	156	–	–	6,756	–
Drainage Land	3,017	41	–	74	–	–	3,132	–
Storm Water/Flood Mitigation	1,656	(4)	–	40	–	–	1,692	–
Roads Capital	5,230	266	–	130	–	–	5,626	–
Roads Land	84	–	–	2	–	–	86	–
Open Space Land	6,952	187	–	170	(10)	–	7,299	–
Open Space Embellishment	1,349	472	–	39	(9)	–	1,851	–
Community Capital	7,470	252	–	185	–	–	7,907	–
Community Land	415	9	–	11	–	–	435	–
Recreation	2,290	149	–	58	–	–	2,497	–
Footpaths	676	7	–	16	–	–	699	–
Environment Protection	744	54	–	20	–	–	818	–
Towncentre Improvements	1,356	(5)	–	32	–	–	1,383	–
Car Parking Administration	61	8	–	2	–	–	71	–
S7.11 contributions – under a plan	110,175	10,535	412	2,802	(399)	–	123,113	(1,770)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash	Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.12 levies – under a plan	14,695	2,470	–	361	–	–	17,526	–
Total S7.11 and S7.12 revenue under plans	124,870	13,005	412	3,163	(399)	–	140,639	(1,770)
S7.11 not under plans	4,777	–	–	126	–	–	4,903	–
S7.4 planning agreements	5,456	–	–	119	–	–	5,575	1,770
S64 contributions - Water	38,192	3,429	83	827	(14,919)	–	27,529	–
S64 contributions - Sewer	20,917	3,639	–	625	(5,150)	–	20,031	–
Total contributions	194,212	20,073	495	4,860	(20,468)	–	198,677	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER 5 - WEST NARARA

Drainage Capital	976	–	–	23	–	–	999	–
Drainage Land	120	–	–	3	–	–	123	–
Roads Capital	255	–	–	6	–	–	261	–
Open Space Land	414	–	–	10	–	–	424	–
Community Capital	375	–	–	9	–	–	384	–
Recreation	197	–	–	5	–	–	202	–
Total	2,337	–	–	56	–	–	2,393	–

CONTRIBUTION PLAN NUMBER 7 -NIAGARA PARK

Drainage Capital	278	22	–	7	–	–	307	–
Roads Capital	39	22	–	1	–	–	62	–
Open Space Land	23	17	–	1	–	–	41	–
Community Capital	104	–	–	3	–	–	107	–
Recreation	13	19	–	1	–	–	33	–
Total	457	80	–	13	–	–	550	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 8 - LISAROW								
Drainage Capital	555	–	–	13	–	–	568	–
Drainage Land	830	–	–	20	–	–	850	–
Roads Capital	579	–	–	14	–	–	593	–
Open Space Land	138	–	–	3	–	–	141	–
Community Capital	3,135	–	–	76	–	–	3,211	–
Recreation	218	–	–	5	–	–	223	–
Total	5,455	–	–	131	–	–	5,586	–
CONTRIBUTION PLAN NUMBER 16 - KINCUMBER								
Drainage Capital	414	–	–	10	–	–	424	–
Drainage Land	55	–	–	2	–	–	57	–
Roads Capital	502	–	–	12	–	–	514	–
Open Space Land	539	–	–	13	–	–	552	–
Total	1,510	–	–	37	–	–	1,547	–
CONTRIBUTION PLAN NUMBER 21 - KARIONG								
Drainage Capital	372	–	–	9	–	–	381	–
Roads Capital	30	–	–	1	–	–	31	–
Open Space Land	999	–	–	24	(10)	–	1,013	–
Community Capital	499	–	–	12	–	–	511	–
Total	1,900	–	–	46	(10)	–	1,936	–
CONTRIBUTION PLAN NUMBER 23 - SPRINGFIELD								
Drainage Capital	40	–	–	1	–	–	41	–
Drainage Land	34	–	–	1	–	–	35	–
Roads Capital	335	–	–	8	–	–	343	–
Open Space Land	460	–	–	11	–	–	471	–
Total	869	–	–	21	–	–	890	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN NUMBER 31 - PENINSULA								
Drainage Capital	2,660	159	–	66	–	–	2,885	–
Drainage Land	1,615	41	–	39	–	–	1,695	–
Roads Capital	327	57	–	8	–	–	392	–
Open Space Land	2,831	170	–	71	–	–	3,072	–
Community Land	415	9	–	11	–	–	435	–
Open Space Embellishment	391	468	–	16	(9)	–	866	–
Community Capital	1,502	146	–	38	–	–	1,686	–
Total	9,741	1,050	–	249	(9)	–	11,031	–
CONTRIBUTION PLAN NUMBER 36 - ERINA VALLEY								
Other	29	–	–	1	–	–	30	–
Total	29	–	–	1	–	–	30	–
CONTRIBUTION PLAN NUMBER 42 - ERINA								
Drainage Capital	1,124	–	–	27	–	–	1,151	–
Drainage Land	363	–	–	9	–	–	372	–
Roads Capital	406	–	–	10	–	–	416	–
Roads Land	84	–	–	2	–	–	86	–
Open Space Land	1,139	–	–	27	–	–	1,166	–
Community Capital	1,092	–	–	26	–	–	1,118	–
Recreation	1,342	–	–	32	–	–	1,374	–
Total	5,550	–	–	133	–	–	5,683	–
CONTRIBUTION PLAN NUMBER 43 - EAST GOSFORD (PARTIALLY REPEALED)								
Roads Capital	283	4	–	7	–	–	294	–
Open Space Embellishment	782	4	–	19	–	–	805	–
Footpaths	256	7	–	6	–	–	269	–
Total	1,321	15	–	32	–	–	1,368	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 47A - TERRIGAL								
Storm Water/Flood Mitigation	1,656	(4)	–	40	–	–	1,692	–
Open Space Embellishment	7	–	–	–	–	–	7	–
Footpaths	291	–	–	7	–	–	298	–
Towncentre Improvements	1,356	(5)	–	32	–	–	1,383	–
Total	3,310	(9)	–	79	–	–	3,380	–
CONTRIBUTION PLAN NUMBER 48 - AVOCA								
Open Space Embellishment	135	–	–	3	–	–	138	–
Footpaths	38	–	–	1	–	–	39	–
Total	173	–	–	4	–	–	177	–
CONTRIBUTION PLAN NUMBER 49 - NORTH GOSFORD								
Open Space Land	409	–	–	10	–	–	419	–
Open Space Embellishment	2	–	–	–	–	–	2	–
Footpaths	91	–	–	2	–	–	93	–
Total	502	–	–	12	–	–	514	–
CONTRIBUTION PLAN NUMBER 52 - SPRINGFIELD / ERINA CREEK								
Roads Capital	6	–	–	–	–	–	6	–
Total	6	–	–	–	–	–	6	–
CONTRIBUTION PLAN NUMBER 57 - JOHN WHITEWAY DRIVE (REPEALED)								
Roads Capital	48	–	–	1	–	–	49	–
Total	48	–	–	1	–	–	49	–
CONTRIBUTION PLAN NUMBER 58 - ERINA FAIR								
Roads Capital	934	–	–	23	–	–	957	–
Total	934	–	–	23	–	–	957	–
CONTRIBUTION PLAN NUMBER 67 - WOY WOY PARKING								
Parking	1,336	–	–	32	–	–	1,368	–
Total	1,336	–	–	32	–	–	1,368	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN NUMBER 68 - UMINA PARKING								
Parking	441	–	–	11	–	–	452	–
Total	441	–	–	11	–	–	452	–
CONTRIBUTION PLAN NUMBER 69 - TERRIGAL PARKING								
Parking	1,462	35	–	35	–	–	1,532	–
Car Parking Administration	61	8	–	2	–	–	71	–
Total	1,523	43	–	37	–	–	1,603	–
CONTRIBUTION PLAN NUMBER 70 - EAST GOSFORD PARKING								
Parking	218	–	–	5	–	–	223	–
Total	218	–	–	5	–	–	223	–
CONTRIBUTION PLAN NUMBER 71 - CAR PARKING AVOCA BEACH								
Parking	5	–	–	–	–	–	5	–
Total	5	–	–	–	–	–	5	–
CONTRIBUTION PLAN NUMBER 72 - ETTALONG CAR PARKING								
Parking	115	–	–	3	–	–	118	–
Total	115	–	–	3	–	–	118	–
CONTRIBUTION PLAN NUMBER 98 - BENSVILLE								
Roads Capital	7	–	–	–	–	–	7	–
Open Space Embellishment	32	–	–	1	–	–	33	–
Total	39	–	–	1	–	–	40	–
CONTRIBUTION PLAN NUMBER 164 - GOSFORD								
Roads Capital	1,479	183	–	39	–	–	1,701	–
Community Capital	763	106	–	21	–	–	890	–
Recreation	520	130	–	15	–	–	665	–
Environment Protection	744	54	–	20	–	–	818	–
Total	3,506	473	–	95	–	–	4,074	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN NUMBER 1 - WYONG								
Drainage	2,088	–	–	34	–	–	2,122	–
Roads	826	14	–	41	–	–	881	–
Parking	1,701	–	–	28	–	–	1,729	–
Open space	1,696	79	–	49	–	968	2,792	–
Community facilities	2,282	112	–	47	–	–	2,441	500
Other	51	1	–	1	–	–	53	–
Total	8,644	206	–	200	–	968	10,018	500
CONTRIBUTION PLAN NUMBER 2 - SOUTHERN LAKES								
Drainage	1,285	7	–	21	–	–	1,313	–
Roads	914	–	–	15	–	–	929	–
Open space	1,560	521	–	40	–	299	2,420	325
Community facilities	1,156	434	–	33	–	–	1,623	599
Other	2	64	–	1	(64)	–	3	–
Total	4,917	1,026	–	110	(64)	299	6,288	924
CONTRIBUTION PLAN NUMBER 3 - THE ENTRANCE								
Drainage	5	–	–	–	–	–	5	–
Roads	3,416	209	–	58	–	–	3,683	–
Parking	10	–	–	1	–	–	11	77
Open space	1,560	100	–	28	–	–	1,688	108
Community facilities	445	149	–	23	–	25	642	(1,112)
Total	5,436	458	–	110	–	25	6,029	(927)
CONTRIBUTION PLAN NUMBER 5 - OURIMBAH								
Roads	256	1	–	4	–	–	261	–
Open space	77	28	–	3	–	–	108	105
Community facilities	1,882	23	–	33	–	–	1,938	135
Other	1	3	–	–	(3)	–	1	–
Total	2,216	55	–	40	(3)	–	2,308	240

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
CONTRIBUTION PLAN NUMBER 6 - TOUKLEY									
Drainage	4	–	–	–	–	–	4	–	
Roads	16	–	–	–	–	–	16	–	
Parking	7	–	–	–	–	–	7	–	
Open space	845	155	–	17	–	–	1,017	106	
Community facilities	1,714	158	–	29	–	–	1,901	–	
Total	2,586	313	–	46	–	–	2,945	106	
CONTRIBUTION PLAN NUMBER 7 - GOROKAN									
Roads	65	–	–	12	–	–	77	–	
Open space	567	55	–	21	–	–	643	682	
Community facilities	527	45	–	10	–	–	582	36	
Other	3	7	–	–	(7)	–	3	–	
Total	1,162	107	–	43	(7)	–	1,305	718	
CONTRIBUTION PLAN NUMBER 8 - SAN REMO									
Drainage	352	–	–	6	–	–	358	–	
Roads	330	8	–	17	–	–	355	–	
Open space	1,458	26	–	31	–	–	1,515	–	
Community facilities	374	22	–	1	–	(395)	2	–	
Other	3	3	–	–	(3)	–	3	–	
Total	2,517	59	–	55	(3)	(395)	2,233	–	
CONTRIBUTION PLAN NUMBER 9 - BUDGEWOI									
Roads	10	4	–	–	–	–	14	(111)	
Open space	342	55	–	6	–	–	403	–	
Community facilities	273	54	–	33	–	565	925	1,146	
Other	1	5	–	–	(5)	–	1	–	
Total	626	118	–	39	(5)	565	1,343	1,035	

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19			Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER - 13 SHIRE WIDE								
Open space	618	331	–	19	–	–	968	–
Community facilities	110	261	–	1	–	(300)	72	(3,436)
Other	29	50	–	–	(50)	(16)	13	–
Total	757	642	–	20	(50)	(316)	1,053	(3,436)
CONTRIBUTION PLAN NUMBER 15 - NORTHERN DISTRICTS								
Roads	2,028	37	–	34	–	43	2,142	–
Open space	757	61	–	20	–	–	838	432
Community facilities	1,700	51	–	43	–	766	2,560	124
Other	4	7	–	–	(7)	–	4	–
Total	4,489	156	–	97	(7)	809	5,544	556
CONTRIBUTION PLAN NUMBER 17 - WARNERVALE DISTRICT								
Drainage	17,641	1,199	171	360	–	–	19,200	–
Roads	4,278	1,520	241	201	–	–	5,999	–
Open space	750	2,211	–	207	(105)	(2,017)	1,046	(2,941)
Community facilities	12,540	641	–	247	–	62	13,490	1,455
Other	291	172	–	5	(136)	–	332	–
Total	35,500	5,743	412	1,020	(241)	(1,955)	40,067	(1,486)
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER GCIP								
Towncentre Improvements	11,297	1,950	–	301	–	–	13,548	–
Total	11,297	1,950	–	301	–	–	13,548	–
CONTRIBUTION PLAN NUMBER WYONG								
Other	3,398	520	–	60	–	–	3,978	–
Total	3,398	520	–	60	–	–	3,978	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
GOSFORD CITY IMPROVEMENT & ERINA PARKING									
Parking	2,836	–	–	69	–	–	2,905	–	
Roads Capital	507	–	–	11	–	–	518	–	
Open Space Land	584	–	–	26	–	–	610	–	
Open Space Embellishment	253	–	–	6	–	–	259	–	
Community Capital	517	–	–	12	–	–	529	–	
Environment Protection	80	–	–	2	–	–	82	–	
Total	4,777	–	–	126	–	–	4,903	–	

S7.11 Contributions – not under a plan

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	Drainage 2020	Domestic Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund					
Income from continuing operations					
Rates and annual charges	14,345	71,461	172,130	11,325	52,685
User charges and fees	–	34	51,941	59,059	18,446
Interest and investment revenue	53	2,899	4,905	1,211	3,659
Other revenues	18	–	9,114	82	79
Grants and contributions provided for operating purposes	177	–	43,843	17	399
Grants and contributions provided for capital purposes	2,784	–	50,134	6,117	7,866
Rental income	–	–	7,724	–	–
Total income from continuing operations	17,377	74,394	339,791	77,811	83,134
Expenses from continuing operations					
Employee benefits and on-costs	1,969	48	183,278	18,010	17,577
Borrowing costs	635	–	295	11,315	3,906
Materials and contracts	3,876	45,605	41,666	16,028	11,919
Depreciation and amortisation	15,863	–	78,434	27,198	35,614
Other expenses	7,003	13,570	39,227	17,742	18,635
Net losses from the disposal of assets	293	–	2,372	1,004	1,262
Total expenses from continuing operations	29,639	59,223	345,272	91,297	88,913
Operating result from continuing operations	(12,262)	15,171	(5,481)	(13,486)	(5,779)
Net operating result for the year	(12,262)	15,171	(5,481)	(13,486)	(5,779)
Net operating result attributable to each council fund	(12,262)	15,171	(5,481)	(13,486)	(5,779)
Net operating result for the year before grants and contributions provided for capital purposes	(15,046)	15,171	(55,615)	(19,603)	(13,645)

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

(1) General fund refers to all of Council's activities except for its Water, Sewer, Drainage and Domestic Waste activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

\$ '000	Drainage 2020	Domestic Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund					
ASSETS					
Current assets					
Cash and cash equivalents	1	19,028	21,108	7,378	44,781
Investments	3	39,060	18,536	16,027	92,584
Receivables	2,744	4,792	33,374	26,406	15,404
Inventories	–	–	1,646	–	–
Other	–	–	6,296	64	99
Total current assets	2,748	62,880	80,960	49,875	152,868
Non-current assets					
Investments	154	32,356	55,467	11,713	4,512
Receivables	1	–	23,123	275	11,065
Infrastructure, property, plant and equipment	1,054,123	–	3,531,853	1,139,183	1,492,019
Intangible assets	1,703	–	28,290	–	–
Right of use assets	–	–	1,804	–	–
Other	–	–	254	–	–
Total non-current assets	1,055,981	32,356	3,640,791	1,151,171	1,507,596
TOTAL ASSETS	1,058,729	95,236	3,721,751	1,201,046	1,660,464
LIABILITIES					
Current liabilities					
Payables	1,574	8,591	44,386	9,262	3,119
Income received in advance	–	–	2,719	4,241	96
Contract liabilities	973	–	6,922	2,596	153
Borrowings	25,177	–	7,455	30,351	6,333
Lease liabilities	–	–	287	–	–
Provisions	290	–	53,735	5,594	5,151
Total current liabilities	28,014	8,591	115,504	52,044	14,852
Non-current liabilities					
Income received in advance	1,393	–	4,914	–	1,074
Contract liabilities	–	–	2,352	–	–
Lease liabilities	–	–	1,552	–	–
Borrowings	7,567	–	16,308	136,675	61,944
Provisions	2	–	76,788	1,154	1,652
Total non-current liabilities	8,962	–	101,914	137,829	64,670
TOTAL LIABILITIES	36,976	8,591	217,418	189,873	79,522
Net assets	1,021,753	86,645	3,504,333	1,011,173	1,580,942
EQUITY					
Accumulated surplus	1,021,235	86,645	3,403,405	948,814	1,492,793
Revaluation reserves	518	–	100,928	62,359	88,149
Council equity interest	1,021,753	86,645	3,504,333	1,011,173	1,580,942
Total equity	1,021,753	86,645	3,504,333	1,011,173	1,580,942

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

liabilities shown in the water and sewer columns are restricted for use for these activities.

(1) General fund refers to all of Council's activities except for its Water, Sewer, Drainage and Domestic Waste activities which are listed separately.

Details of individual internal loans for the year ended 30 June 2020

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

Details of individual internal loans	Council ID / Ref 2013 GF-WF	Council ID / Ref 2015 SF-WF	Council ID / Ref 2015 GF-WF
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)	1,687,832	843,902	843,258
Principal outstanding at end of year	15,405,601	8,386,394	8,469,931

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

Note: Amounts displayed here are in full dollars

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(86,283)	(16.49)%	(0.37)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	523,130			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	478,694	81.13%	82.11%	>60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	590,031			
3. Unrestricted current ratio ⁴				
Current assets less all external restrictions	(18,947)	(0.32)x	2.10x	>1.50x
Current liabilities less specific purpose liabilities ^{3,4,5}	58,792			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	86,977	1.38x	3.21x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	62,911			
5. Rates, annual charges and interest outstanding percentage				
Rates, annual charges and interest outstanding	31,803	9.01%	6.53%	<5.00%
Rates, annual charges and interest collectible	352,806			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	324,488	7.44	9.80	>3.00
Monthly payments from cash flow of operating and financing activities	43,609	mths	mths	mths

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

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

(3) Refer to Notes 14 and 15.

(4) Refer to Note 14(b) and 15(b) - excludes all payables and provisions not expected to be paid in the next 12 months (including Employee Leave Entitlements ELE).

(5) FY19 comparative has increased from 1.68x to 2.10x due to prior year restriction adjustments (refer Note 16(b)) for more detail.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(14.70)%	(4.84)%	(25.94)%	7.37%	(16.45)%	10.67%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	77.41%	77.20%	92.12%	94.23%	90.06%	92.46%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio ⁴							
Current assets less all external restrictions	(1.93)x	5.61x	111.59x	0.57x	(20.28)x	10.12x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5.39x	29.41x	0.42x	1.19x	2.83x	5.13x	>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	6.77%	2.00%	17.44%	8.96%	17.21%	8.84%	<5.00%
Rates, annual charges and interest collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.15	5.87	3.78	21.63	28.61	301.50	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

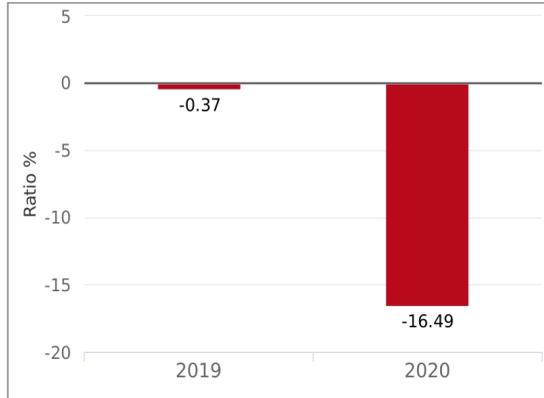
(3) General Indicators refers to all of Council's activities except for its water and sewer activities which are listed separately.

(4) FY19 comparative has increased from 1.02x to 5.61x due to prior year restriction adjustments (refer Note 16(b)) for more detail.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 28(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (16.49)%

Council's operating performance ratio was significantly under the benchmark in 2019-20. This ratio focuses on operating performance and capital grants and contributions and fair value adjustments are excluded. Events including Bushfires, Floods and COVID-19 significantly impacted Council's financial performance in 2019-20. Council will review its operations to look for innovative ways to deliver services, explore potential sources of additional income and savings in expenditure to achieve the benchmark in the future.

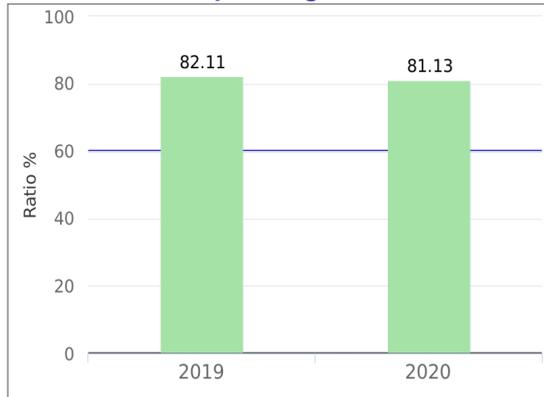
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 81.13%

Council continues to stay above the benchmark of 60% which shows that Council is not heavily reliant on income from grants and contributions to fund its ongoing operations and demonstrates a level of fiscal flexibility if faced with unforeseen events.

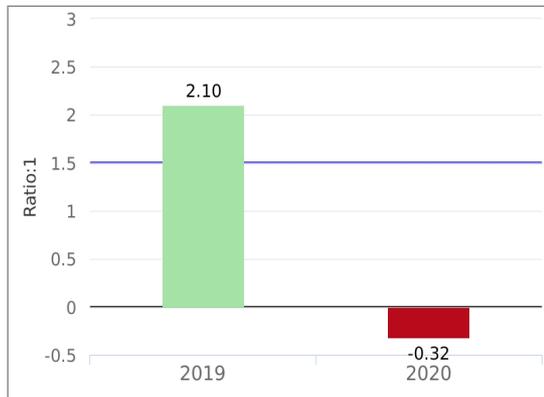
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio (0.32)x

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

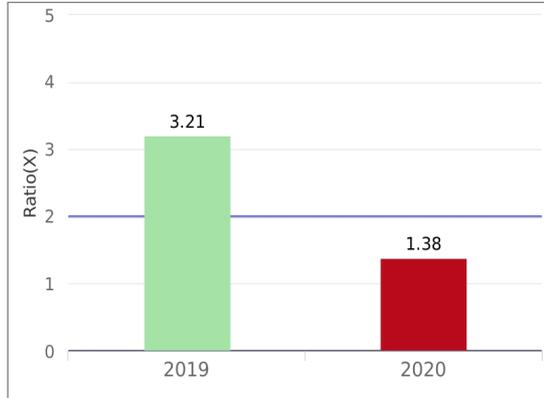
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2020

Note 28(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.38x

Council's debt service ratio fell below the 2.0 benchmark in 2019-20, adversely impacted by Council's operating result and balloon loan repayments that fell due during the year.

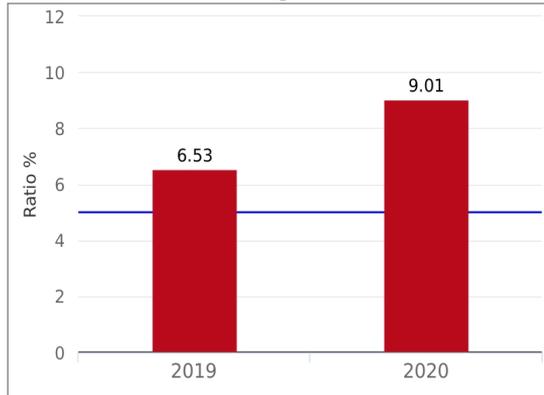
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

5. Rates, annual charges and interest outstanding percentage



Purpose of rates, annual charges and interest outstanding percentage

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

Commentary on 2019/20 result

2019/20 ratio 9.01%

This benchmark is relevant to Councils where the final rate instalment is due for payment on 31 May each year - not Water Supply Authority Councils. Water notices are issued on a quarterly basis throughout the year and are due for payment in the next month. This impacts this ratio, as notices issued at the end of the financial year are due for payment in the following year. In addition, Council did not undertake recovery action on outstanding accounts from mid-March to 30 June 2020 due to COVID-19 which negatively impacted payments to Council.

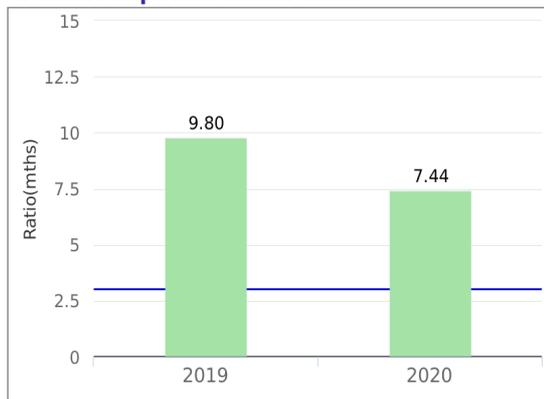
Benchmark: — < 5.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.44 mths

Council's cash coverage ratio continued to sit above the 3.0 month benchmark as at 30 June 2020.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Council information and contact details

Principal place of business

2 Hely Street Wyong, NSW 2259

49 Mann Street Gosford, NSW 2250

Contact details

Mailing Address:

PO Box 20, Wyong NSW 2259

PO Box 21, Gosford NSW 2250

Opening hours:

8:30am - 5:00pm

Monday to Friday

Telephone: 1300 463 954

Internet: www.centralcoast.nsw.gov.au

Email: ask@centralcoast.nsw.gov.au

Officers

CHIEF EXECUTIVE OFFICER

David Farmer

Interim Administrator

Dick Persson

RESPONSIBLE ACCOUNTING OFFICER

Natalia Cowley

PUBLIC OFFICER

Shane Sullivan

AUDITORS

Audit Office of NSW

Level 19, Darling Park Tower 2

201 Sussex Street

Sydney NSW 2000

Other information

ABN: 73 149 644 003



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Central Coast Council

To the Interim 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 the Interim Administrator and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, 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 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 2020, 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

Valuation of roads, bridges and footpath assets

As disclosed in Note 10, the Council recognised \$1.4 billion of roads, \$37.1 million of bridges and \$99.1 million of footpath assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2020. In the Statement by the Interim Administrator and Management, the Council certified that they were unable to provide sufficient evidence to support the carrying value of these assets. This is because the last valuation of these assets was in the year ended 30 June 2015, and the Council has not conducted a more recent valuation in accordance with AASB 116 'Property, Plant and Equipment' (AASB 116). As a result, this is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 in the Statement of Financial Position at 30 June 2020, or determine the impact on the Statement of Comprehensive Income for the year ended 30 June 2020.

Correction of errors relating to a previous reporting period

The Council has disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period', which changed comparative information in Note 7(c) 'Restricted cash, cash equivalents and investments'. This disclosure results from a change in the Council's interpretation of the relevant legislation. For the reasons described below, I believe this is a change in accounting policy and not an error.

The former Wyong Shire and Gosford City Councils determined that cash, cash equivalents and investments associated with their Water Supply Authority's operations were 'unrestricted'. The former councils' final financial statements for the period ended 12 May 2016 disclosed these amounts as unrestricted cash, cash equivalents and investments in the relevant note disclosures.

The former councils made this decision because their Water Supply Authority operations were regulated by the Water Management Act 2000 (WM Act), rather than the *Local Government Act 1993* (LG Act). Unlike the LG Act, there is no explicit requirement to restrict water, sewerage and drainage charges collected under the WM Act.

In 2016, the former councils amalgamated to form Central Coast Council. The merged Council continued the former councils' policy of treating cash, cash equivalents and investments applicable to the Water Supply Authority's operations as unrestricted, and classified them accordingly in its financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019. The Council's Water Supply Authority operations are also regulated by the WM Act and not the LG Act.

In my opinion, the Council's classification of the Water Supply Authority's cash, cash equivalents and investments as unrestricted in the financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019 was based on information the Council considered reliable at the time. There has been no change in the legal framework since that decision.

My opinion on the reasonableness of the Council's previous interpretation of the relevant legislation is supported by the NSW Crown Solicitor's advice, which outlines there is merit to the argument that money received under the WM Act is not externally restricted for the purposes of the LG Act. The NSW Crown Solicitor also notes that the position is not without doubt, and while the preferred view is that these monies are restricted, the treatment as unrestricted is not without merit. This means that there are two reasonably argued interpretations of the legal framework.

Consequently, as the Council's previous position to treat charges levied under the WM Act as unrestricted has legal merit, the disclosure and classification of the change in 2020 as an error does not comply with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. In my opinion, the characterisation of the change as an error is not correct because there are two reasonably argued interpretations of the legal framework. It is therefore a voluntary change in accounting policy. The significance of this to users' understanding of the Council's financial statements makes this a material disclosure deficiency.

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

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

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

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

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

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

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

Emphasis of Matters

Compliance with the *Local Government Act 1993*

I draw attention to Note 16(b) 'Correction of errors relating to previous reporting period', where the Council has determined monies collected by the Water Supply Authority are externally restricted by the *Local Government Act 1993*. Notwithstanding the title of Note 16(b) which is subject to the qualification above, having elected to treat monies collected under the WM Act as restricted, and accessing those funds without the required approvals, the Council has breached sections 409 and 410 of the *Local Government Act 1993* during the year ended 30 June 2020. My opinion is not modified in respect of this matter.

Significant accounting estimates and judgements

I draw attention to the 'Going Concern' disclosures within Note 1(b) 'Significant accounting estimates and judgements', which describes the financial statements as having been prepared on a going concern basis and the actions taken by the Council to address the unapproved use of restricted funds in breach 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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Interim 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).

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

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

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

I have nothing to report in this regard.

The Interim Administrator's Responsibilities for the Financial Statements

The Interim 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 Interim 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 Interim 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.

Reference to the NSW Crown Solicitor's advice in the 'Basis for Qualified Opinion' section of my report does not reduce my responsibility for my qualified audit opinion.

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 22 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

10 May 2021
SYDNEY



Mr Dick Persson
Interim Administrator
Central Coast Council
2 Hely Street
WYONG NSW 2259

Contact: David Daniels
Phone no: 02 9275 7103
Our ref: D2105469/1710

10 May 2021

Dear Administrator

Report on the Conduct of the Audit for the year ended 30 June 2020 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 2020 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 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Matters that modified the opinion in the Independent Auditor's Report

Valuation of roads, bridges and footpath assets

As disclosed in Note 10 of the Council's GPFS, the Council recognised \$1.4 billion of roads, \$37.1 million of bridges and \$99.1 million of footpath assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2020. In the Statement by the Interim Administrator and Management, the Council certified that they were unable to provide sufficient evidence to support the carrying value of these assets. This is because the last valuation of these assets was in the year ended 30 June 2015, and the Council has not conducted a more recent valuation in accordance with AASB 116 'Property, Plant and Equipment' (AASB 116). As a result, this is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 in the Statement of Financial Position at 30 June 2020, or determine the impact on the Statement of Comprehensive Income for the year ended 30 June 2020.

Refer to the Independent Auditor's Report on the GPFS.

Correction of errors relating to a previous reporting period

The Council has disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period' of the GPFS, which changed comparative information in Note 7(c) 'Restricted cash, cash equivalents and investments'. This disclosure results from a change in the Council's interpretation of the relevant legislation. For the reasons described below, I believe this is a change in accounting policy and not an error.

The former Wyong Shire and Gosford City Councils determined that cash, cash equivalents and investments associated with their Water Supply Authority's operations were 'unrestricted'. The former councils' final financial statements for the period ended 12 May 2016 disclosed these amounts as unrestricted cash, cash equivalents and investments in the relevant note disclosures.

The former councils made this decision because their Water Supply Authority operations were regulated by the *Water Management Act 2000* (WM Act), rather than the *Local Government Act 1993* (LG Act). Unlike the LG Act, there is no explicit requirement to restrict water, sewerage and drainage charges collected under the WM Act.

In 2016, the former councils amalgamated to form Central Coast Council. The merged Council continued the former councils' policy of treating cash, cash equivalents and investments applicable to the Water Supply Authority's operations as unrestricted, and classified them accordingly in its financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019. The Council's Water Supply Authority operations are also regulated by the WM Act and not the LG Act.

In my opinion, the Council's classification of the Water Supply Authority's cash, cash equivalents and investments as unrestricted in the financial statements for the period ended 30 June 2017, and years ended 30 June 2018 and 30 June 2019 was based on information the Council considered reliable at the time. There has been no change in the legal framework since that decision.

My opinion on the reasonableness of the Council's previous interpretation of the relevant legislation is supported by the NSW Crown Solicitor's advice, which outlines there is merit to the argument that money received under the WM Act is not externally restricted for the purposes of the LG Act. The NSW Crown Solicitor also notes that the position is not without doubt, and while the preferred view is that these monies are restricted, the treatment as unrestricted is not without merit. This means that there are two reasonably argued interpretations of the legal framework.

Consequently, as the Council's previous position to treat charges levied under the WM Act as unrestricted has legal merit, the disclosure and classification of the change in 2020 as an error does not comply with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. In my opinion, the characterisation of the change as an error is not correct because there are two reasonably argued interpretations of the legal framework. It is therefore a voluntary change in accounting policy. The significance of this to users' understanding of the Council's financial statements makes this a material disclosure deficiency.

Refer to the Independent Auditor's Report on the GPFS.

Matters relating to compliance with legislative requirements

Breach of the *Local Government Act 1993*

In Note 16(b) 'Correction of errors relating to previous reporting period' of the Council's GPFS, the Council has determined monies collected by the Water Supply Authority are externally restricted by the *Local Government Act 1993*. Notwithstanding the title of Note 16(b) which is subject to the modification referred to above, having elected to treat monies collected under the *Water Management Act 2000* as restricted, and accessing those funds without the required approvals, the Council has breached sections 409 and 410 of the *Local Government Act 1993* during the year ended 30 June 2020.

Refer to the Independent Auditor's Report on the GPFS.

Breach of the *Local Government (General) Regulation 2005*

Section 212 of the *Local Government (General) Regulation 2005* (the Regulation) requires the responsible accounting officer of a council to provide a written report to be presented each month, setting out details of all money the council has invested. Council uses an 'Investment Report' to fulfil this obligation. The Council did not present an Investment Report for the months of November 2019, February 2020, April 2020, July 2020 and September 2020, resulting in a breach of the Regulation. These reports were presented at subsequent Council meetings.

Extreme and high risk matters

The following extreme and high risk matters of governance interest were identified during my audit. Extreme risk matters have very high consequences and are almost certain to occur, while high risk matters have high consequences and are likely to occur.

Managing cash flows and restrictions (extreme risk)

The Council spent restricted funds for unrestricted purposes during 2019–20, without the appropriate approvals under the *Local Government Act 1993*. This indicates the Council's oversight of its current and forecast cash flow situation was not always effective. Council uses a monthly 'Investment Report' to understand its historical cash and investment position compared to restricted funds. However, these reports did not include forecasts of expected cash and investment positions compared to restricted funds, impacting effectiveness of cash flow management.

Documentation of legislative and operational requirements for restricted funds was inadequate (high risk)

Council did not have a policy document or framework setting out legislative and operational requirements for each category of externally restricted funds. Council was unable to provide the basis for some externally restricted funds. The absence of this documentation increases the risk of restricted funds being used for inappropriate purposes in breach of legislation, especially in an environment of high staff turnover.

Valuation of roads, bridges and footpath assets (high risk)

As noted above, I was unable to obtain sufficient appropriate audit evidence to demonstrate that roads, bridges and footpath assets were measured at fair value in accordance with AASB 116 'Property, Plant and Equipment' in the Statement of Financial Position at 30 June 2020. This qualification could have been avoided if Council had performed a timely full revaluation of these asset classes.

The last full revaluation of these assets occurred in 2014–15 as part of the former Gosford City and Wyong Shire Councils. The Council was initially planning to perform a full revaluation of these assets in 2019–20 (given the five-year gap between valuations) but after 30 June 2020 determined to defer the revaluation to 2020–21.

Financial statements preparation and review process (high risk)

Council submitted the financial statements for the audit on 13 November 2020, one month after the agreed date. The financial statements included significant presentation issues, material misstatements and disclosure deficiencies. There was no documented evidence of timely quality review of the financial statements and associated supporting workpapers.

Reconciliations of key accounts and sub-ledgers (high risk)

Some monthly account reconciliations were not prepared and reviewed on a timely basis. Supporting documentation was not consistently attached to explain reconciling items, and some reconciling items were not explained.

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. 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.

Information technology general computer controls (high risk)

Council did not perform privileged user access reviews for one of the key financial systems, and did not review privileged user accounts' activity logs. This means there is increased risk of users circumventing normal control processes without detection.

Valuation of Community and Crown Land (high risk)

Council did not have a formal process to regularly review the carrying values of Community and Crown Land assets against valuations from the Valuer-General of New South Wales (VG). As a result, the carrying values of these assets did not reflect the most recent VG valuation as at 1 July 2019. Council processed an increment of \$39.4 million to correct the carrying values of these assets.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	321.9	362.7	↓ 11.2
Grants and contributions revenue	111.3	108.1	↑ 3.0
Operating result from continuing operations	(21.8)	62.4	↓ 135
Net operating result before capital grants and contributions	(88.7)	(5.1)	↓ 1,631

The Council's operating result from continuing operations (\$21.8 million deficit including depreciation and amortisation expense of \$157.1 million) was \$84.2 million lower than the 2018–19 result. This is due to:

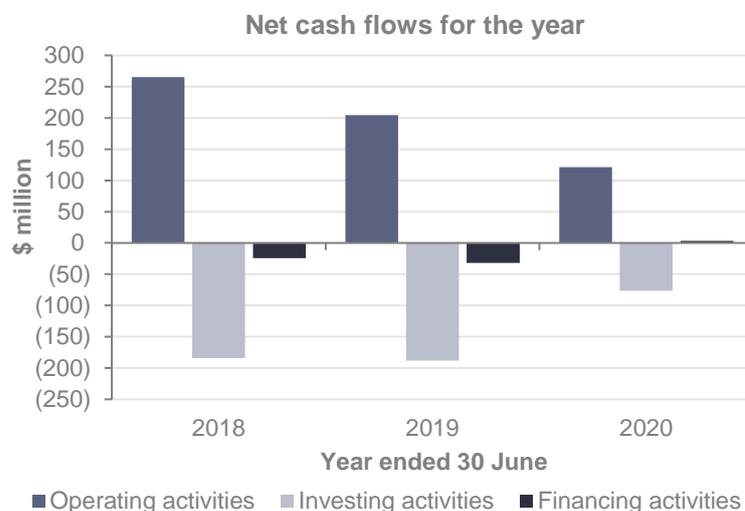
- a \$40.8 million (11.2 per cent) reduction in rates and annual charges revenue
- a \$22.1 million (11.1 per cent) increase in employee benefits and on-costs, due to an increase in staff numbers
- a \$11.5 million (7.9 per cent) increase in depreciation and amortisation, reflecting an increase in capital assets
- expenditure on materials and contracts of \$119.1 million was maintained at a similar level to that of 2018–19 (\$118.7 million).

Grants and contributions revenue (\$111.3 million) increased by \$3.2 million (3.0 per cent) in 2019–20 mainly due to an increase in capital grants received during the year.

The net operating result before capital grants and contributions (\$88.7 million deficit) was \$83.6 million lower than the 2018–19 result.

STATEMENT OF CASH FLOWS

Cash and cash equivalents and current investments balances decreased from \$384.8 million to \$258.5 million at 30 June 2020. Net cash provided by operating activities reduced in the current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	421.4	406.8	External restrictions are balances that are restricted for a specific use due to legislative or contractual obligations. Internal restrictions are balances that are restricted for a specific use by way of a Council resolution. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	111.7	114.7	
Unrestricted	(170.4)	(43.0)	
Cash and investments	362.7	478.5	The 2019 restricted cash and investments were restated as referred to in Note 16(b) 'Correction of errors relating to a previous reporting period' of the GPFS. This note is subject to an audit modification, refer to Significant audit issues and observations .

Debt

The Council has bank overdraft facilities of \$0.5 million which remained unused as at 30 June 2020.

PERFORMANCE

Performance measures

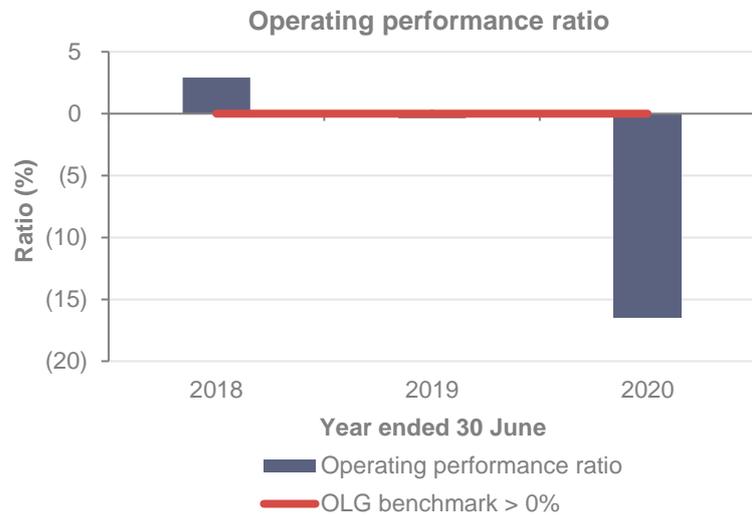
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

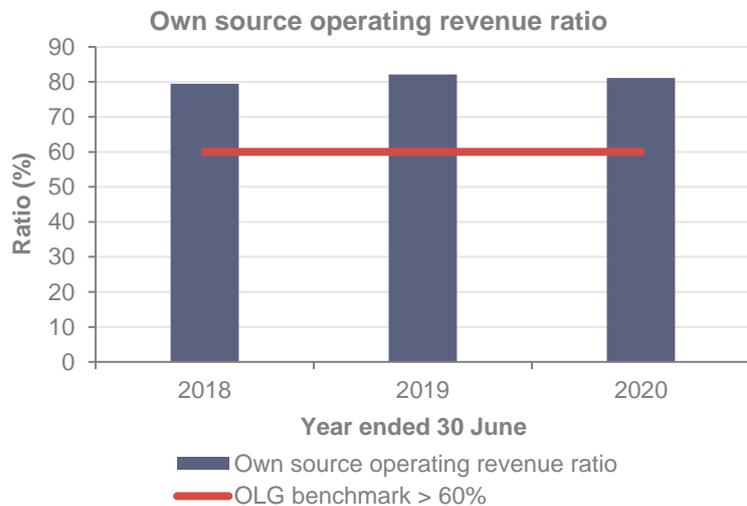
Note the operating performance ratio for 2019 was zero (rounded).



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.

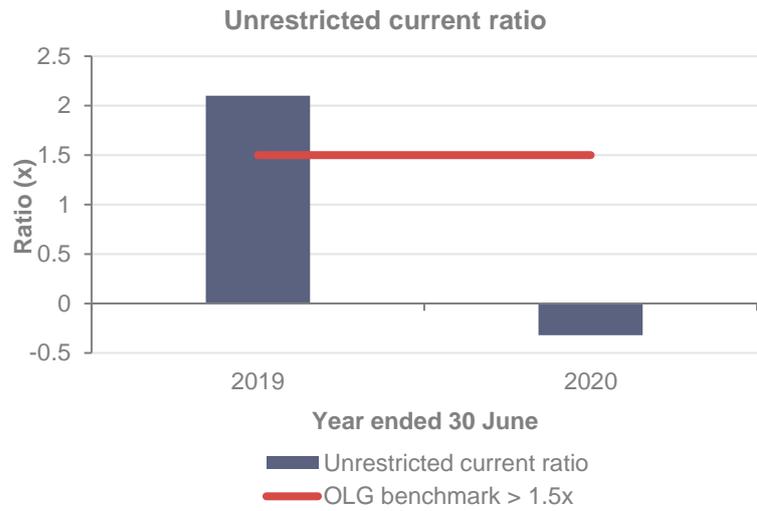


Unrestricted current ratio

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

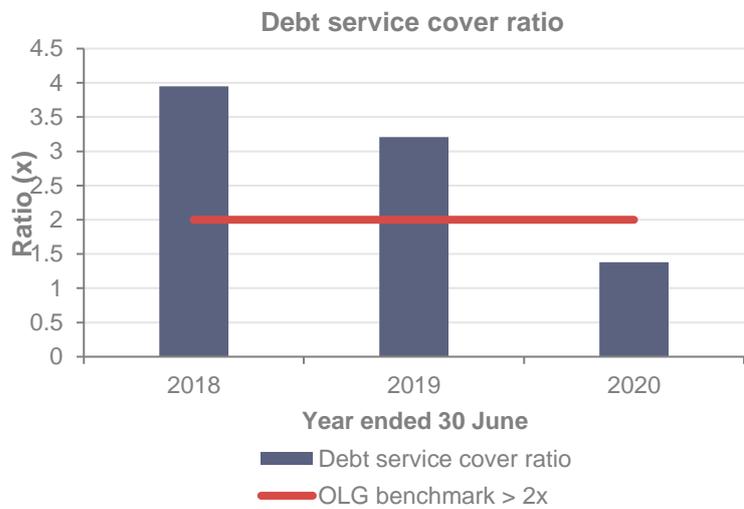
The Council has disclosed a correction of error in Note 16(b) 'Correction of errors relating to a previous reporting period' of the GPFS, which changed comparative information in Note 7(c) 'Restricted cash, cash equivalents and investments'. This was the earliest prior period presented in the 30 June 2020 GPFS. The 2019 ratio was restated as a result. Refer to [Significant audit issues and observations](#).



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.

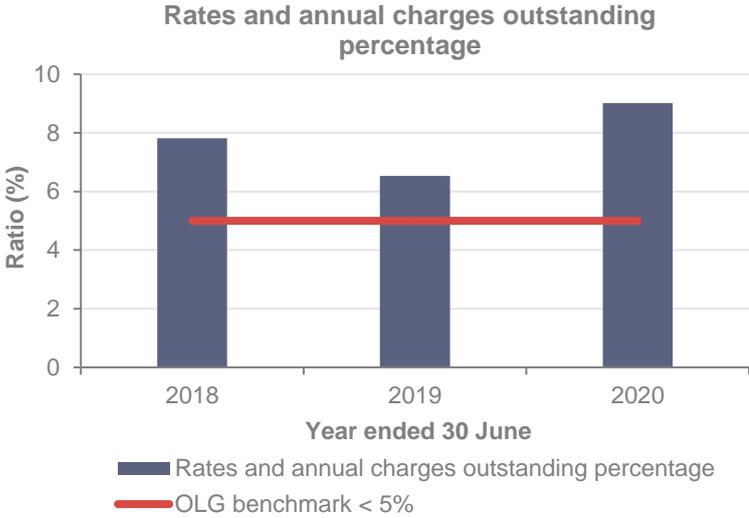
The Council did not meet the OLG benchmark for the current reporting period.



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 metro councils.

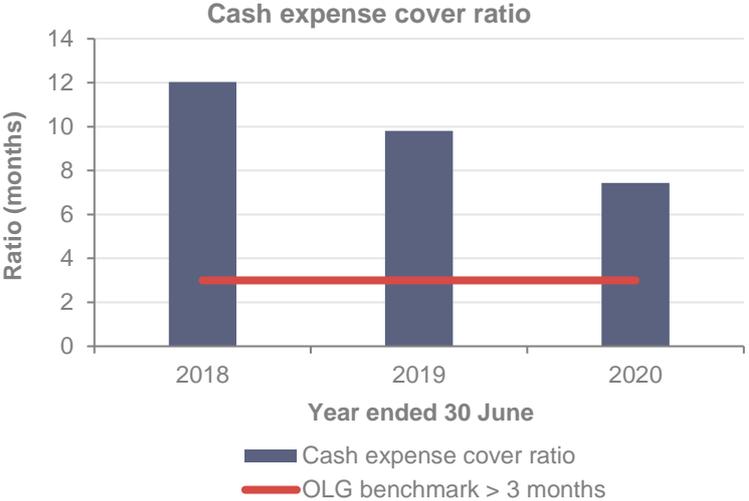
The Council exceeded the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Asset additions were \$265.7 million in 2019–20, compared to \$172.9 million in the prior year. Of this amount, \$68.4 million related to roads, \$26.2 million related to stormwater drainage and \$20.6 million related to the water supply network.

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 value of roads, bridges and footpath assets. As a result, I was unable to obtain sufficient appropriate audit evidence to demonstrate the roads, bridges and footpath assets were measured at fair value. Refer to [Significant audit issues and observations](#).

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$14.4 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$1.4 million and lease liabilities of \$1.4 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

Legislative compliance

My audit procedures identified instances of 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 and footpath assets, where Council was unable to provide sufficient evidence to support the carrying values of these assets. Refer to [Significant audit issues and observations](#)
- staff provided all accounting records and information relevant to the audit, except for roads, bridges and footpath assets, where the Council was unable to provide sufficient evidence to support the carrying values of these assets. Refer to [Significant audit issues and observations](#).



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
Jim Betts, Secretary of the Department of Planning, Industry and Environment



Special Purpose Statements

Central Coast Council

1 July 2019 to 30 June 2020

Special Purpose Financial Statements

for the year ended 30 June 2020

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Background

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

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

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

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, **(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 2020

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

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

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

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

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

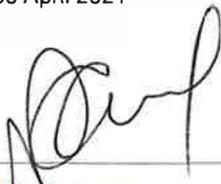
Signed in accordance with a resolution of Council made on 30 April 2021.



Dick Persson
Interim Administrator
30 April 2021



David Farmer
Chief Executive Officer
30 April 2021



Natalia Cowley
Responsible Accounting Officer
30 April 2021

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	11,325	25,467
User charges	57,452	62,535
Fees	1,607	1,045
Interest	1,211	2,123
Grants and contributions provided for non-capital purposes	17	5
Other income	82	198
Total income from continuing operations	71,694	91,373
Expenses from continuing operations		
Employee benefits and on-costs	18,010	15,864
Borrowing costs	11,315	12,962
Materials and contracts	16,028	10,777
Depreciation, amortisation and impairment	27,198	26,397
Water purchase charges	464	1,757
Loss on sale of assets	1,004	596
Calculated taxation equivalents	612	616
Other expenses	17,278	16,879
Total expenses from continuing operations	91,909	85,848
Surplus (deficit) from continuing operations before capital amounts	(20,215)	5,525
Grants and contributions provided for capital purposes	6,117	4,302
Surplus (deficit) from continuing operations after capital amounts	(14,098)	9,827
Surplus (deficit) from all operations before tax	(14,098)	9,827
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(1,519)
SURPLUS (DEFICIT) AFTER TAX	(14,098)	8,308
Opening accumulated surplus	964,704	954,261
Changes due to AASB 1058 and AASB 15 adoption	(2,404)	–
Adjustments for amounts unpaid:		
– Taxation equivalent payments	612	616
– Corporate taxation equivalent	–	1,519
Closing accumulated surplus	948,814	964,704
Return on capital %	(0.8)%	1.6%
Subsidy from Council	19,039	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(14,098)	8,308
Less: capital grants and contributions (excluding developer contributions)	(6,117)	(4,302)
Surplus for dividend calculation purposes	–	4,006
Potential dividend calculated from surplus	–	2,003

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	52,685	81,791
User charges	15,398	2,481
Liquid trade waste charges	2,180	2,369
Fees	868	1,094
Interest	3,659	4,017
Grants and contributions provided for non-capital purposes	399	473
Other income	79	52
Total income from continuing operations	75,268	92,277
Expenses from continuing operations		
Employee benefits and on-costs	17,577	16,729
Borrowing costs	3,906	4,174
Materials and contracts	11,919	10,394
Depreciation, amortisation and impairment	35,614	34,815
Loss on sale of assets	1,262	1,791
Calculated taxation equivalents	227	234
Other expenses	18,635	16,316
Total expenses from continuing operations	89,140	84,453
Surplus (deficit) from continuing operations before capital amounts	(13,872)	7,824
Grants and contributions provided for capital purposes	7,866	5,715
Surplus (deficit) from continuing operations after capital amounts	(6,006)	13,539
Surplus (deficit) from all operations before tax	(6,006)	13,539
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(2,152)
SURPLUS (DEFICIT) AFTER TAX	(6,006)	11,387
Opening accumulated surplus	1,498,572	1,484,799
Adjustments for amounts unpaid:		
– Taxation equivalent payments	227	234
– Corporate taxation equivalent	–	2,152
Closing accumulated surplus	1,492,793	1,498,572
Return on capital %	(0.7)%	0.8%
Subsidy from Council	23,245	7,648
Calculation of dividend payable:		
Surplus (deficit) after tax	(6,006)	11,387
Less: capital grants and contributions (excluding developer contributions)	(7,866)	(5,715)
Surplus for dividend calculation purposes	–	5,672
Potential dividend calculated from surplus	–	2,836

Income Statement – Drainage

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Access charges	14,345	17,792
Interest	53	209
Grants and contributions provided for non-capital purposes	177	332
Other income	18	–
Total income from continuing operations	14,593	18,333
Expenses from continuing operations		
Employee benefits and on-costs	1,969	2,172
Borrowing costs	635	602
Materials and contracts	3,876	1,820
Depreciation, amortisation and impairment	15,863	15,439
Loss on sale of assets	293	627
Calculated taxation equivalents	69	65
Other expenses	7,003	6,431
Total expenses from continuing operations	29,708	27,156
Surplus (deficit) from continuing operations before capital amounts	(15,115)	(8,823)
Grants and contributions provided for capital purposes	2,784	15,860
Surplus (deficit) from continuing operations after capital amounts	(12,331)	7,037
Surplus (deficit) from all operations before tax	(12,331)	7,037
SURPLUS (DEFICIT) AFTER TAX	(12,331)	7,037
Opening accumulated surplus	1,033,595	1,026,493
Changes due to AASB 1058 and AASB 15 adoption	(98)	–
Adjustments for amounts unpaid:		
– Taxation equivalent payments	69	65
Closing accumulated surplus	1,021,235	1,033,595
Return on capital %	(1.4)%	(0.8)%
Subsidy from Council	23,862	22,283

Income Statement – Holiday Parks

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	9,077	10,105
Total income from continuing operations	9,077	10,105
Expenses from continuing operations		
Employee benefits and on-costs	264	245
Materials and contracts	2,795	3,494
Depreciation, amortisation and impairment	678	618
Loss on sale of assets	17	–
Calculated taxation equivalents	280	279
Other expenses	4,201	3,809
Total expenses from continuing operations	8,235	8,445
Surplus (deficit) from continuing operations before capital amounts	842	1,660
Surplus (deficit) from continuing operations after capital amounts	842	1,660
Surplus (deficit) from all operations before tax	842	1,660
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(232)	(457)
SURPLUS (DEFICIT) AFTER TAX	610	1,203
Opening accumulated surplus	26,749	39,271
Other adjustments (prior year dividend payable to Council)	–	(9,718)
Adjustments for amounts unpaid:		
– Taxation equivalent payments	280	279
– Corporate taxation equivalent	232	457
– Subsidy paid/contribution to operations	1,057	–
– Dividend payable	–	(4,743)
Closing accumulated surplus	28,928	26,749
Return on capital %	4.3%	8.8%
Subsidy from Council	–	–

Income Statement – Leisure Centres

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	5,246	6,589
Other income	383	466
Total income from continuing operations	5,629	7,055
Expenses from continuing operations		
Employee benefits and on-costs	5,922	6,182
Materials and contracts	2,675	2,177
Depreciation, amortisation and impairment	1,256	1,163
Loss on sale of assets	653	–
Calculated taxation equivalents	412	421
Other expenses	895	793
Total expenses from continuing operations	11,813	10,736
Surplus (deficit) from continuing operations before capital amounts	(6,184)	(3,681)
Grants and contributions provided for capital purposes	263	281
Surplus (deficit) from continuing operations after capital amounts	(5,921)	(3,400)
Surplus (deficit) from all operations before tax	(5,921)	(3,400)
SURPLUS (DEFICIT) AFTER TAX	(5,921)	(3,400)
Opening accumulated surplus	40,686	(7,938)
Other adjustments (prior year subsidy payable by Council)	–	41,756
Revaluations	–	5,488
Adjustments for amounts unpaid:		
– Taxation equivalent payments	412	421
– Subsidy payable/contribution to operations by Council	3,195	4,359
Closing accumulated surplus	38,372	40,686
Return on capital %	(13.6)%	(8.6)%
Subsidy from Council	6,589	4,248

Income Statement – Child Care

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	5,188	6,427
Grants and contributions provided for non-capital purposes	2,130	394
Total income from continuing operations	7,318	6,821
Expenses from continuing operations		
Employee benefits and on-costs	6,686	6,393
Borrowing costs	13	–
Materials and contracts	2,148	1,550
Depreciation, amortisation and impairment	66	57
Loss on sale of assets	–	6
Calculated taxation equivalents	381	362
Other expenses	70	145
Total expenses from continuing operations	9,364	8,513
Surplus (deficit) from continuing operations before capital amounts	(2,046)	(1,692)
Grants and contributions provided for capital purposes	32	–
Surplus (deficit) from continuing operations after capital amounts	(2,014)	(1,692)
Surplus (deficit) from all operations before tax	(2,014)	(1,692)
SURPLUS (DEFICIT) AFTER TAX	(2,014)	(1,692)
Opening accumulated surplus	(617)	(3,644)
Plus/less: other adjustments (prior year subsidy payable by Council)	–	2,927
Adjustments for amounts unpaid:		
– Taxation equivalent payments	381	362
– Subsidy payable/contribution to operations by Council	1,422	1,430
Closing accumulated surplus	(828)	(617)
Return on capital %	(259.6)%	(239.3)%
Subsidy from Council	2,040	1,701

Income Statement – Commercial Waste

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Access charges	4,055	4,169
Interest	3	3
Total income from continuing operations	4,058	4,172
Expenses from continuing operations		
Employee benefits and on-costs	–	2
Materials and contracts	1,573	1,232
Other expenses	2,527	1,706
Total expenses from continuing operations	4,100	2,940
Surplus (deficit) from continuing operations before capital amounts	(42)	1,232
Surplus (deficit) from continuing operations after capital amounts	(42)	1,232
Surplus (deficit) from all operations before tax	(42)	1,232
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(339)
SURPLUS (DEFICIT) AFTER TAX	(42)	893
Opening accumulated surplus	(243)	4,035
Other adjustments (prior year dividend payable to Council)	–	(4,387)
Adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	339
– Subsidy paid/contribution to operations	834	–
– Dividend payable	–	(1,123)
Closing accumulated surplus	549	(243)
Return on capital %	0.0%	0.0%
Subsidy from Council	42	–

Income Statement – Building Certification

for the year ended 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
Income from continuing operations		
Fees	1,263	1,490
Other income	10	12
Total income from continuing operations	1,273	1,502
Expenses from continuing operations		
Employee benefits and on-costs	3,013	2,878
Materials and contracts	1,230	1,020
Calculated taxation equivalents	24	21
Other expenses	1	10
Total expenses from continuing operations	4,268	3,929
Surplus (deficit) from continuing operations before capital amounts	(2,995)	(2,427)
Surplus (deficit) from continuing operations after capital amounts	(2,995)	(2,427)
Surplus (deficit) from all operations before tax	(2,995)	(2,427)
SURPLUS (DEFICIT) AFTER TAX	(2,995)	(2,427)
Opening accumulated surplus	(611)	886
Other adjustments (prior year dividend payable to Council)	–	(1,430)
Adjustments for amounts unpaid:		
– Taxation equivalent payments	24	21
– Subsidy payable/contribution to operations by Council	2,207	2,339
Closing accumulated surplus	(1,375)	(611)
Return on capital %	0.0%	0.0%
Subsidy from Council	2,995	2,427

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	7,378	2,999
Investments	16,027	39,898
Receivables	26,470	25,300
Total current assets	49,875	68,197
Non-current assets		
Investments	11,713	11,214
Receivables	275	263
Infrastructure, property, plant and equipment	1,139,183	1,123,114
Total non-current assets	1,151,171	1,134,591
TOTAL ASSETS	1,201,046	1,202,788
LIABILITIES		
Current liabilities		
Contract liabilities	2,596	–
Payables	9,262	4,486
Income received in advance	4,241	2,836
Borrowings	30,351	36,766
Provisions	5,594	4,863
Total current liabilities	52,044	48,951
Non-current liabilities		
Borrowings	136,675	135,190
Provisions	1,154	773
Total non-current liabilities	137,829	135,963
TOTAL LIABILITIES	189,873	184,914
NET ASSETS	1,011,173	1,017,874
EQUITY		
Accumulated surplus	948,814	964,704
Revaluation reserves	62,359	53,170
TOTAL EQUITY	1,011,173	1,017,874

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	44,781	9,771
Investments	92,584	127,800
Receivables	15,503	11,839
Total current assets	152,868	149,410
Non-current assets		
Investments	4,512	3,828
Receivables	11,065	11,529
Infrastructure, property, plant and equipment	1,492,019	1,488,319
Total non-current assets	1,507,596	1,503,676
TOTAL ASSETS	1,660,464	1,653,086
LIABILITIES		
Current liabilities		
Contract liabilities	153	–
Payables	3,119	4,067
Income received in advance	96	761
Borrowings	6,333	5,983
Provisions	5,151	5,483
Total current liabilities	14,852	16,294
Non-current liabilities		
Income received in advance	1,074	1,137
Borrowings	61,944	61,714
Provisions	1,652	1,973
Total non-current liabilities	64,670	64,824
TOTAL LIABILITIES	79,522	81,118
NET ASSETS	1,580,942	1,571,968
EQUITY		
Accumulated surplus	1,492,793	1,498,571
Revaluation reserves	88,149	73,397
TOTAL EQUITY	1,580,942	1,571,968

Statement of Financial Position – Drainage

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1	18
Investments	3	237
Receivables	2,744	2,220
Total current assets	2,748	2,475
Non-current assets		
Investments	154	–
Receivables	1	–
Infrastructure, property, plant and equipment	1,054,123	1,065,328
Intangible assets	1,703	1,703
Total non-current assets	1,055,981	1,067,031
TOTAL ASSETS	1,058,729	1,069,506
LIABILITIES		
Current liabilities		
Contract liabilities	973	–
Payables	1,574	25,714
Income received in advance	–	186
Borrowings	25,177	709
Provisions	290	364
Total current liabilities	28,014	26,973
Non-current liabilities		
Income received in advance	1,393	1,377
Borrowings	7,567	7,553
Provisions	2	5
Total non-current liabilities	8,962	8,935
TOTAL LIABILITIES	36,976	35,908
NET ASSETS	1,021,753	1,033,598
EQUITY		
Accumulated surplus	1,021,235	1,033,598
Revaluation reserves	518	–
TOTAL EQUITY	1,021,753	1,033,598

Statement of Financial Position – Holiday Parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	11,429	10,168
Receivables	266	401
Other	–	28
Total current assets	11,695	10,597
Non-current assets		
Infrastructure, property, plant and equipment	19,506	18,874
Total non-current assets	19,506	18,874
TOTAL ASSETS	31,201	29,471
LIABILITIES		
Current liabilities		
Payables	856	1,678
Income received in advance	1,395	994
Provisions	22	46
Total current liabilities	2,273	2,718
Non-current liabilities		
Provisions	–	4
Total non-current liabilities	–	4
TOTAL LIABILITIES	2,273	2,722
NET ASSETS	28,928	26,749
EQUITY		
Accumulated surplus	28,928	26,749
TOTAL EQUITY	28,928	26,749

Statement of Financial Position – Leisure Centres

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	4	4
Receivables	35	94
Total current assets	39	98
Non-current assets		
Infrastructure, property, plant and equipment	45,456	42,973
Total non-current assets	45,456	42,973
TOTAL ASSETS	45,495	43,071
LIABILITIES		
Current liabilities		
Payables	769	1,591
Provisions	818	773
Total current liabilities	1,587	2,364
Non-current liabilities		
Provisions	48	21
Total non-current liabilities	48	21
TOTAL LIABILITIES	1,635	2,385
NET ASSETS	43,860	40,686
EQUITY		
Accumulated surplus	38,372	35,198
Revaluation reserves	5,488	5,488
TOTAL EQUITY	43,860	40,686

Statement of Financial Position – Child Care

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	8	63
Total current assets	8	63
Non-current assets		
Infrastructure, property, plant and equipment	783	707
Total non-current assets	783	707
TOTAL ASSETS	791	770
LIABILITIES		
Current liabilities		
Contract liabilities	61	–
Payables	246	260
Income received in advance	158	–
Provisions	1,096	1,088
Total current liabilities	1,561	1,348
Non-current liabilities		
Provisions	58	39
Total non-current liabilities	58	39
TOTAL LIABILITIES	1,619	1,387
NET ASSETS	(828)	(617)
EQUITY		
Accumulated surplus	(828)	(617)
TOTAL EQUITY	(828)	(617)

Statement of Financial Position – Commercial Waste

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Receivables	766	–
Total current assets	<u>766</u>	<u>–</u>
Non-current assets		
Receivables	2	–
Total non-current assets	<u>2</u>	<u>–</u>
TOTAL ASSETS	<u>768</u>	<u>–</u>
LIABILITIES		
Current liabilities		
Payables	210	243
Income received in advance	9	–
Total current liabilities	<u>219</u>	<u>243</u>
Non-current liabilities		
Payables	–	–
Total non-current liabilities	<u>–</u>	<u>–</u>
TOTAL LIABILITIES	<u>219</u>	<u>243</u>
NET ASSETS	<u>549</u>	<u>(243)</u>
EQUITY		
Accumulated surplus	549	(243)
TOTAL EQUITY	<u>549</u>	<u>(243)</u>

Statement of Financial Position – Building Certification

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Total current assets	<u>–</u>	<u>–</u>
Non-current assets		
Investments	–	–
Total non-current assets	<u>–</u>	<u>–</u>
TOTAL ASSETS	<u>–</u>	<u>–</u>
LIABILITIES		
Current liabilities		
Payables	–	159
Provisions	1,339	437
Total current liabilities	<u>1,339</u>	<u>596</u>
Non-current liabilities		
Provisions	36	15
Total non-current liabilities	<u>36</u>	<u>15</u>
TOTAL LIABILITIES	<u>1,375</u>	<u>611</u>
NET ASSETS	<u>(1,375)</u>	<u>(611)</u>
EQUITY		
Accumulated surplus	(1,375)	(611)
TOTAL EQUITY	<u>(1,375)</u>	<u>(611)</u>

Central Coast Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. 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 (NSW)*, the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. 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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Category 2

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

a. Building Certification

Provision of building certification services.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

(i) 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 – 27.5%

Land tax – the first \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – 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 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 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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

The rate applied of 27.5% 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 payable on all category 1 businesses has been applied to all land 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.

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return is disclosed for each of Council's business activities on the Income Statement.

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DoI - 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 2020 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 DoI - Water.

End of Audited Special Purpose Financial Statements.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Central Coast Council

To the Interim Administrator of Central Coast Council

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 Interim Administrator and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant Accounting Policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Drainage
- Holiday Parks
- Leisure Centres
- Child Care
- Commercial Waste
- Building Certification.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Interim 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).

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

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

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

I have nothing to report in this regard.

The Interim Administrator's Responsibilities for the Financial Statements

The Interim Administrator is responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Interim Administrator's responsibility also includes such internal control as the Interim 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 Interim 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 Services

Delegate of the Auditor-General for New South Wales

10 May 2021
SYDNEY



Special Schedules

Central Coast Council

1 July 2019 to 30 June 2020

Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	2020/21 Wyong Shire Council	2020/21 Gosford City Council	2020/21 Central Coast Council	2019/20 Wyong Shire Council	2019/20 Gosford City Council	2019/20 Central Coast Council
Notional general income calculation ¹							
Last year notional general income yield	a	90,498	80,006	170,504	87,953	79,416	167,369
Plus or minus adjustments ²	b	333	105	438	373	160	533
Notional general income	c = a + b	90,831	80,111	170,942	88,326	79,576	167,902
Permissible income calculation							
Rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Less expiring special variation amount	g	–	–	–	–	(944)	(944)
Plus rate peg amount	i = e x (c + g)	2,362	2,083	4,445	2,385	2,123	4,508
Sub-total	k = (c + g + i + j)	93,193	82,194	175,387	90,711	80,755	171,466
Plus (or minus) last year's carry forward total	l	382	841	1,223	198	92	290
Less valuation objections claimed in the previous year	m	–	–	–	(10)	–	(10)
Sub-total	n = (l + m)	382	841	1,223	188	92	280
Total permissible income	o = k + n	93,575	83,035	176,610	90,899	80,847	171,746
Less notional general income yield	p	93,056	82,403	175,459	90,498	80,006	170,504
Catch-up or (excess) result	q = o – p	518	632	1,150	401	841	1,242
Plus income lost due to valuation objections claimed ³	r	9	–	9	–	–	–
Less unused catch-up ⁴	s	(168)	(511)	(679)	(19)	–	(19)
Carry forward to next year ⁵	t = q + r + s	359	121	480	382	841	1,223

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 2 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.

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets as at 30 June 2020												
Buildings	Buildings	1,180	1,180	16,914	9,764	471,635	805,452	28.1%	38.0%	33.2%	0.7%	0.0%
	Sub-total	1,180	1,180	16,914	9,764	471,635	805,452	28.1%	38.0%	33.2%	0.7%	0.0%
Other structures	Other structures	244	244	662	238	30,517	44,156	57.3%	20.1%	20.0%	2.3%	0.3%
	Sub-total	244	244	662	238	30,517	44,156	57.3%	20.1%	20.0%	2.3%	0.3%
Roads	Sealed roads	45,392	45,392	11,146	14,899	1,122,075	1,634,035	58.3%	24.8%	12.5%	2.5%	1.9%
	Unsealed roads	–	–	114	153	7,979	21,856	45.5%	45.1%	9.4%	0.0%	0.0%
	Bridges	2,115	2,115	1,143	1,527	37,105	57,126	3.9%	50.3%	39.0%	5.7%	1.1%
	Footpaths	2,255	2,255	2,584	3,455	99,112	129,223	8.2%	33.6%	54.8%	3.3%	0.1%
	Other road assets	13,173	13,173	2,375	3,175	256,080	386,150	13.9%	21.3%	58.6%	5.2%	1.0%
	Bulk earthworks	–	–	–	–	382,751	382,751	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	62,935	62,935	17,362	23,209	1,905,102	2,611,141	54.1%	21.8%	20.1%	2.6%	1.4%
Water supply network	Water supply network	48,293	48,293	26,422	22,012	1,035,739	1,857,037	17.1%	46.5%	31.3%	0.8%	4.3%
	Sub-total	48,293	48,293	26,422	22,012	1,035,739	1,857,037	17.1%	46.5%	31.3%	0.8%	4.3%
Sewerage network	Sewerage network	73,226	73,226	14,215	24,960	1,411,723	2,346,757	13.5%	70.6%	10.0%	0.6%	5.3%
	Sub-total	73,226	73,226	14,215	24,960	1,411,723	2,346,757	13.5%	70.6%	10.0%	0.6%	5.3%
Stormwater drainage	Stormwater drainage	16,917	16,917	8,521	7,328	1,030,632	1,514,849	12.6%	76.3%	9.5%	0.6%	1.0%
	Sub-total	16,917	16,917	8,521	7,328	1,030,632	1,514,849	12.6%	76.3%	9.5%	0.6%	1.0%
Open space / recreational assets	Swimming pools	–	–	309	1,052	5,137	11,215	29.4%	37.6%	33.0%	0.0%	0.0%
	Open Space/Recreational Assets	967	967	1,800	7,432	77,338	120,017	51.2%	31.1%	13.3%	4.2%	0.2%
	Sub-total	967	967	2,109	8,484	82,475	131,232	49.3%	31.7%	15.0%	3.8%	0.2%
Other infrastructure assets	Other	1,666	1,666	728	61	28,938	48,508	31.3%	28.6%	25.3%	12.8%	2.0%
	Sub-total	1,666	1,666	728	61	28,938	48,508	31.3%	28.6%	25.3%	12.8%	2.0%
TOTAL - ALL ASSETS		205,428	205,428	86,933	96,056	5,996,761	9,359,132	27.4%	49.3%	19.2%	1.3%	2.7%

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

Report on Infrastructure Assets as at 30 June 2020 (continued)
as at 30 June 2020

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	214,178	156.69%	132.56%	>=100.00%
Depreciation, amortisation and impairment	136,687			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	205,428	3.43%	2.41%	<2.00%
Net carrying amount of infrastructure assets	5,996,761			
Asset maintenance ratio				
Actual asset maintenance	96,056	110.49%	94.81%	>100.00%
Required asset maintenance	86,933			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	205,428	2.19%	1.56%	
Gross replacement cost	9,359,132			

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

(1) Excludes Work In Progress (WIP)

(2) 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.

Report on Infrastructure Assets (continued)
as at 30 June 2020

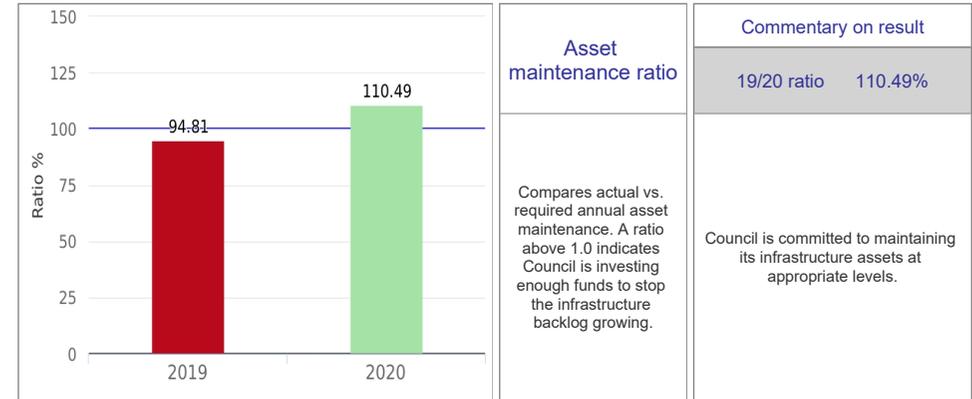
Buildings and infrastructure renewals ratio



<p>Buildings and infrastructure renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on result</p>	
	19/20 ratio	156.69%

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

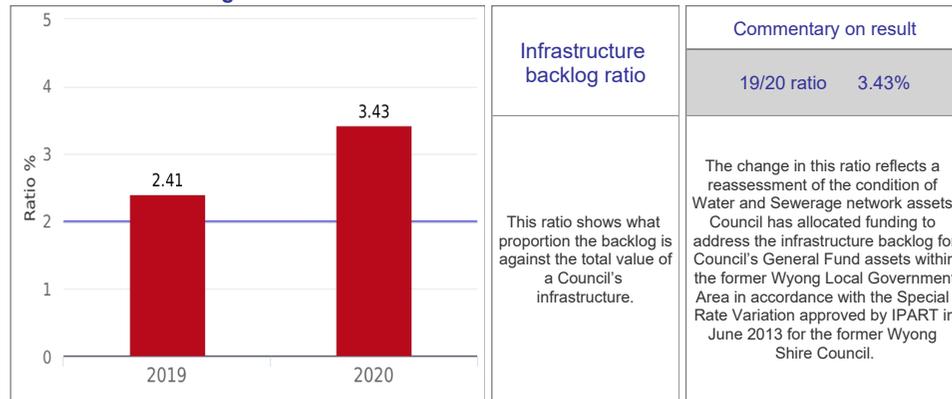
Asset maintenance ratio



<p>Asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on result</p>	
	19/20 ratio	110.49%

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Infrastructure backlog ratio



<p>Infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on result</p>	
	19/20 ratio	3.43%

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



<p>Cost to bring assets to agreed service level</p> <p>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.</p>	<p>Commentary on result</p>	
	19/20 ratio	2.19%

Report on Infrastructure Assets (continued)
as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	232.90%	192.95%	77.04%	90.42%	55.50%	43.11%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.36%	2.89%	4.66%	1.95%	5.19%	1.56%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	106.02%	85.65%	83.31%	74.78%	175.59%	161.54%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.63%	2.00%	2.60%	1.11%	3.12%	0.95%	

(1) Excludes Work In Progress (WIP)

(2) 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 Interim 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 2020.

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 – update number 28 (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 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Interim 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 2020.

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

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

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

I have nothing to report in this regard.

The Interim Administrator's Responsibilities for the Schedule

The Interim Administrator is responsible for the preparation of the Schedule in accordance with the LG Code. The Interim Administrator's responsibility also includes such internal control as the Interim 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 Interim 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.

A handwritten signature in black ink, appearing to read 'D Daniels'.

David Daniels
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

10 May 2021
SYDNEY