



AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING

10 December 2020

Meeting Notice

**The Audit Risk and Improvement Committee Meeting
of Central Coast Council
will be held via Microsoft Teams on,
Thursday 10 December 2020,
for the transaction of the business listed below:**

GENERAL REPORTS

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5.1	Progress Report on Actions Identified in the Business Recovery Plan.....	103
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7.1	Draft Works-In-Kind Policies for Works under the Environmental Planning & Assessment Act 1979 and Water Management Act 2000.....	328
8.1	Meeting Dates for 2021.....	418

CONFIDENTIAL ITEMS (PROVIDED UNDER SEPARATE COVER)

- 4.4 Update on Legal Matters

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

ITEM		PAGE	TIME	RESPONSIBLE OFFICER
1	Introduction			
1.1	Welcome, Acknowledgement of Country & Apologies	-	2pm 10 minutes	ARIC Chairperson
1.2	Disclosures of Interest	5		ARIC Chairperson
1.3	Confirmation of Previous ARIC Meeting Minutes	7		ARIC Chairperson
1.4	Outstanding Action Items	19		ARIC Chairperson
2	Internal Audit			
2.1	CIA Quarterly Progress Report	23	2.10pm 40 minutes	Chief Internal Auditor
2.2	Management Actions Arising from Third Line of Defence Review	38		Chief Internal Auditor
2.3	IA Balanced Scorecard Report	43		Chief Internal Auditor
2.4	Emerging Themes	44		Chief Internal Auditor
2.5	Comparative Data and Risk Outlook	Late Report		Chief Internal Auditor
3	External Audit			
3.1	Update on External Audit Activities	Verbal	2.50pm 10 minutes	NSW Audit Office
4	Governance			
4.1	SIO Quarterly Progress Report	57	3pm 20 minutes	Senior Internal Ombudsman
4.2	Governance and Risk Activities Update (standing item)	63	3.20pm 10 minutes	Unit Manager Governance and Business Services
4.3	Draft Policies for Review	80	3.30pm 10 minutes	Unit Manager Governance and Business Services
4.4	Update on Legal Matters (standing item)	Confidential Report	3.40pm 10 minutes	General Counsel
5	Finance			

ITEM		PAGE	TIME	RESPONSIBLE OFFICER
5.1	Progress Report on Actions Identified in the Business Recovery Plan (134/2020ARIC)	103	3.50pm 40 minutes	Chief Financial Officer
5.2	Draft Financial Statements for 2019/20 (186/2020ARIC)	108		Chief Financial Officer
5.3	Policy for Investment Management	Late Report		Chief Financial Officer
6	Environment and Planning			
6.1	Update on Environmental Management System Update	Verbal	4.30pm 10 minutes	Director Environment and Planning
7	Innovation and Futures			
7.1	Draft Works-In-Kind Policies for Works under the Environmental Planning and Assessment Act 1979 and Water Management Act 2000	328	4.40pm 10 minutes	Executive Manager Innovation and Futures
8	General Business			
8.1	Meeting Dates for 2021	418	4.50pm 10 minutes	ARIC Chairperson
9	Next Meeting			
March 2021 (TBC)				ARIC Chairperson
Close				ARIC Chairperson

Item No: 1.2
Title: Disclosures of Interest
Department: Governance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14357536



Report Purpose

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

Section 451 of the LG Act states in part that:

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

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

Recommendation

- 1 *That the Committee now disclose any conflicts of interest in matters under consideration by the Committee at this meeting.*

1.2 Disclosures of Interest (contd)

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

Attachments

Nil



Item No: 1.3
Title: Confirmation of Minutes of Previous Meeting
Department: Governance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14357583
Author: Kelly Drover, Advisory Group Support Officer
Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Report Purpose

The purpose of this report is to confirm the minutes of the previous Audit, Risk and Improvement Committee meeting held on *6 November 2020*.

The minutes from 6 November 2020 were circulated to all Audit, Risk and Improvement Committee members by email on 20 November 2020.

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

Recommendation

- 1 *That the Committee confirm the minutes of the previous meeting held on 6 November 2020.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Attachments

- 1 ARIC Minutes - 6 November 2020 D14357572



Central Coast Council
 Minutes of the
Audit, Risk and Improvement Committee
Meeting of Council

Held via *Microsoft Teams* on 6 November 2020,
 Commencing at 2.03pm

Present

Dr Colin Gellatly (Chairperson)
 Carl Millington
 John Gordon
 Dick Persson AM (left 2.30pm)

In Attendance

Mr Rik Hart	Interim Chief Executive Officer (left 3.55pm)
Boris Bolgoff	Director Roads, Transport, Drainage and Waste
Krystie Bryant	Executive Manager People and Culture
Natalia Cowley	Chief Financial Officer
Scott Cox	Director Environment and Planning (left 4.01pm)
Jamie Loader	Director Water and Sewer
Mark Margin	Acting Chief Information Officer (joined 3.53pm, left 4.17pm)
Ricardo Martello	Executive Manager Innovation and Futures (joined 2.28pm, left 3.57pm)
Julie Vaughan	Director Connected Communities (joined 2.17pm, left 2.50pm, joined 3.57pm)
Emma Roberts	General Counsel (joined 2.45pm, left 3pm, joined 3.50pm, left 4.02pm)
Tina Baker	Chief Internal Auditor
Lilly Mojsin	Senior Internal Ombudsman (left 3.53pm)
Jade Maskiewicz	Assistant Internal Ombudsman (left 3.53pm)
Shane Sullivan	Unit Manager Governance and Business Services
James Taylor	Section Manager Governance
Zoie Magann	Advisory Group Support Officer
David Daniels	Audit Office of NSW
Alex Kaiser	Audit Office of NSW (joined 3.02pm, left 3.40pm)
Susan Loane	Audit Office of NSW (joined 3.02pm, left 3.40pm)
Cassie Malone	Audit Office of NSW
Penelope Corkill	Account Manager, Centium, IA Co-Sourced Partner

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
contd

1 INTRODUCTION

Welcome, Acknowledgement of Country and Apologies

The Chairperson, Dr Colin Gellatly, opened the meeting, welcomed attendees and completed an Acknowledgement of Country.

Apologies received: None

1.2 Disclosures of Interest

Resolution

126/2020(ARIC) The Committee received the report on Disclosures of Interest noting that there were no Disclosures of Interest.

127/2020(ARIC) The Committee recommends that this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.

1.3 Confirmation of Minutes of Previous Meeting

Resolution

128/2020(ARIC) The Committee confirmed the minutes of the previous meeting held on 17 June 2020.

129/2020(ARIC) The Committee recommends that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.

1.4 Outstanding Action Items

Resolution

130/2020(ARIC) The Committee noted content of the report and acknowledged that there are no concerns about outstanding items.

131/2020(ARIC) The Committee recommends that the report and the supporting papers to this report be made publicly available as the nature or content of this report do not fall within any listed exceptions, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
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1.5 Progress of the 100 Day Plan

Natalia Cowley, Chief Financial Officer, spoke to the confidential late report that was circulated to Committee members at the beginning of the meeting regarding progress on Council's Business Recovery Plan (formerly known as 100 Day Plan).

Resolution

132/2020(ARIC) *The Committee noted the report and progress that is occurring as part of the Business Recovery Plan.*

133/2020(ARIC) *The Committee members agree to meet with the Administrator, Acting Chief Executive Officer and Chief Financial Officer to discuss the future direction of the Committee, with consideration of the Business Recovery Plan as required.*

134/2020(ARIC) *The Committee requested the Chief Financial Officer provide a progress report on the actions identified in the Business Recovery Plan to the next meeting.*

135/2020(ARIC) *The Committee recommends that this report and the supporting papers not be made publicly available pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, as they contain information about matters affecting the security of Council, Council Officials and/or Council property.*

2 INTERNAL AUDIT

2.1 Chief Internal Auditor's Quarterly IA Progress Report

Resolution

136/2020(ARIC) *The Committee received the Chief Internal Auditor's Quarterly Progress Report.*

137/2020(ARIC) *The Committee agreed that an audit of IT Assets should feature in this year's audit program, replacing the original cybersecurity audit. The Committee requested a copy of the Terms of Reference for this review.*

138/2020(ARIC) *The Committee recommends that this report and supporting paper be made publicly available, pursuant to Clauses 78 and 79 of the Audit, Risk and Improvement Committee Charter.*

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
contd

2.2 Implementation of Management Actions Arising From Third Line of Defence Reviews

Resolution

139/2020(ARIC) The Committee received the report on the implementation of management actions arising from third line of defence reviews.

140/2020(ARIC) The Committee suggested a workshop be held with the Interim CEO, ELT and IA to determine and prioritise outstanding management actions and discuss management processes for improving internal controls. It was acknowledged that the workshop should only progress once the immediate priority of securing and stabilising Council's financial position has been resolved.

141/2020(ARIC) Pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, the Committee recommends that a 'confidential' privacy marking be assigned to Appendices 1-3 to this report for the reasons that they contain information about control weaknesses and system vulnerabilities that could compromise the "security of Council, Council Officials and Council property".

2.3 IA Balanced Scorecard Report Sept 2020

Resolution

142/2020(ARIC) The Committee received the Chief Internal Auditor's Balanced Scorecard Report.

143/2020(ARIC) The Committee recommends that this Report and supporting papers to this Report be made publicly available, pursuant to Clauses 78 & 79 of the Audit, Risk and Improvement Committee Charter.

2.4 Internal Audit Year In Review 2019/2020

Resolution

144/2020(ARIC) The Committee received the Internal Audit 'Year In Review' report providing a summary of deliverables against the 2019/20 IA work programme.

145/2020(ARIC) The Committee acknowledges the Chief Internal Auditor has undertaken significant work to finalise historic audits and commends efforts in this area.

146/2020(ARIC) The Committee endorsed combining the post October ARIC performance report (cl 47 of the ARIC Charter) with one of the reports to Council required under clause 49 of the ARIC Charter, to

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
contd

minimise the number of requests for contributing information from staff.

147/2020(ARIC) The Committee recommends that this Report and the supporting papers to this Report be made publicly available, pursuant to Clauses 78 and 79 of the Audit, Risk and Improvement Committee Charter.

2.5 IA Annual Assurance Statement 2019/2020

Resolution

148/2020(ARIC) The Committee received the IA Annual Assurance Statement for 2019/20 and accompanying information from the Chief Internal Auditor.

149/2020(ARIC) The Committee recommends that this Report and the supporting papers to this Report be made publicly available, pursuant to Clauses 78 and 79 of the Audit, Risk and Improvement Committee Charter.

3 EXTERNAL AUDIT

3.1 Update on External Audit Activities

Resolution

150/2020(ARIC) The Committee noted the verbal update provided.

151/2020(ARIC) The Committee noted Council has requested an extension with NSW Audit Office with regard to lodgement of the 2019-20 Financial Statements given the current situation.

3.2 Performance Audit: Governance and Internal Controls over Local Infrastructure Contributions

Resolution

152/2020(ARIC) The Committee noted the correspondence from the NSW Audit Office regarding the Performance Audit – Governance and Internal Controls over Local Infrastructure Contributions as at Attachment 1 to the report.

153/2020(ARIC) The Committee recommends that the report and the supporting papers not be made publicly available:

- a. pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, as they contain information about matters**

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affecting the security of Council, Council Officials and/or Council property; and

- b. as on balance it would not be in the public interest to make this information available as Council does not disclose to the public any information from the NSW Audit Office to ensure the efficacy of its investigating, auditing or reporting functions.*

**3.3 Warnervale Aircraft Landing Area Review (Phase 2) Final Report -
CONFIDENTIAL**

Resolution

154/2020(ARIC) The Committee noted the Warnervale Aircraft Landing Area Review (Phase 2) Final Report.

155/2020(ARIC) Pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, the Committee recommends that this Report and the supporting papers to this report not be made publicly available for the reasons that they contain personal information that could compromise the "security of Council, Council Officials and Council property".

4 IMPROVEMENTS

4.1 Service Review Update

Resolution

156/2020(ARIC) The Committee received the report on Service Review Update.

157/2020(ARIC) The Committee recommends that this report not be made publicly available pursuant to clause 78 of the ARIC Charter, as the information is confidential and unsuitable to be published at this stage due to a pending internal review.

5 GOVERNANCE

5.1 Report from the Office of the Internal Ombudsman

Resolution

158/2020(ARIC) The Committee received the report on Report from the Office of the Internal Ombudsman.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
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159/2020(ARIC) Pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, the Committee recommends that a 'confidential' privacy marking be assigned to this report for the reasons that it contains personal information that could compromise the security of Council, its officers and its property.

5.2 Governance and Risk activities update

Resolution

160/2020(ARIC) The Committee noted the report of Governance and Risk activities.

161/2020(ARIC) The Committee recommends that this Report and the supporting papers to this Report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as they contain information that is confidential and unsuitable to be published.

5.3 Update on Legal Matters – CONFIDENTIAL

Resolution

162/2020(ARIC) The Committee received the report on Update on Legal Matters, noting some minor amendments to the figures reported.

163/2020(ARIC) That pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter, the Audit, Risk and Improvement Committee assign a 'confidential' privacy marking to the report and supporting papers and recommends that this report and supporting papers not be released to the public as:

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

6 IM&T

6.1 Update on Project Red – Penetration Testing

Mark Margin (Chief Information Officer) provided the Committee with a verbal update on the penetration testing undertaken as part of Project Red.

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contd

Resolution

164/2020(ARIC) *The Committee noted the verbal update provided on Project Red – Penetration Testing.*

6.2 Cyber Security Update - October 2020

Resolution

165/2020(ARIC) *The Committee received the report on Council’s Cyber Security and Phishing Training.*

166/2020(ARIC) *The Committee recommends that this Report and the supporting papers to this report not be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains information affecting the security of Council, Council Officials and Council property.*

7 CONNECTED COMMUNITIES

7.1 Gosford Regional Library

Resolution

167/2020(ARIC) *The Committee received the report on Gosford Regional Library Project.*

168/2020(ARIC) *The Committee recommends that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

7.2 Q4 2019/20 - Complaints and Compliments Report

Resolution

169/2020(ARIC) *The Committee received the report on Q4 2019/20 - Complaints and Compliments Report.*

170/2020(ARIC) *The Committee recommends that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
contd

8 WATER AND SEWER

8.1 Mardi to Warnervale Pipeline Project Update

Resolution

171/2020(ARIC) The Committee received the Mardi to Warnervale Pipeline Project Update, noting some minor amendments to the figures reported.

172/2020(ARIC) The Committee recommends that this report be made publicly available pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.

8.2 IPART Update

Resolution

173/2020(ARIC) The Committee received the report on Council's water, sewer and drainage pricing submission to IPART.

174/2020(ARIC) The Committee recommends that this Report not be made publicly available as the financial and risk management impacts are for internal reporting only and pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains information that is determined to be confidential or unsuitable to be published.

9 PEOPLE AND CULTURE

9.1 Contingent Workforce Engagement Report

Resolution

175/2020(ARIC) The Committee received the Report on Contingent Agency Hire Engagement, noting some minor amendments to the figures reported.

176/2020(ARIC) The Committee received the progress report on the Contingent Agency Hire Project and how this links to draft findings from the Internal Audit on 'Contractors and Temporary Labour Hire'.

177/2020(ARIC) The Committee received the investigation report regarding the Body Hire Arrangements in the Former Wyong Shire Council

178/2020(ARIC) The Committee requests that the Senior Internal Ombudsman provide an update on investigations regarding contingency workforce engagement at the next applicable meeting.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
contd

179/2020(ARIC) The Committee recommends that this report not be made publicly available pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter as it contains information that is determined to be confidential or unsuitable to be published.

10 ENVIRONMENT AND PLANNING

10.1 Update on Environmental Management System Update

This item was deferred as requested by the Director Environment and Planning.

11 GENERAL BUSINESS

11.1 8 September 2020 Presentation by NSW Audit Office

Committee members were invited to attend a presentation by the Audit Office on 8 September 2020 regarding findings of the *NSW Audit Office Report on Local Government*. No further feedback was received.

11.2 Discussion re Format of Meetings – remote, hybrid or in person moving forward

Resolution

180/2020(ARIC) The Committee determined to continue with hybrid meetings until otherwise determined, noting that it may be beneficial for Independent External Members to rotate in person attendance.

181/2020(ARIC) The Committee agreed to meet in person for any meetings held with the Administrator and Interim Chief Executive where possible.

11.3 Update on Action Plan endorsed at the 17 June 2020 ARIC meeting

Resolution

182/2020(ARIC) The Committee noted the report providing an update on the Action Plan on membership that was endorsed at the 17 June 2020 ARIC meeting, noting some amended timeframes.

183/2020(ARIC) The Committee recommend that the Unit Manager Governance and Business Services meet with the Administrator and Acting Chief Executive Officer to refine the process of recruitment and timeframes for member appointment, with a view to ensure stability and continuity.

Minutes of the Audit Risk and Improvement Committee Meeting of Council 06 November 2020
contd

184/2020(ARIC) *The Committee recommended that the Acting Chief Executive Officer consider the inclusion of the Chief Financial Officer and Executive Manager People and Culture on the Interview Panel.*

185/2020(ARIC) *The Committee recommends that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

11.4 Draft Financial Statements 2019-20

Resolution

186/2020(ARIC) *The Committee requested the Chief Financial Officer report the draft Financial Statements for 2019-20 to the next Committee meeting if available, noting a request for extension has been lodged with the NSW Audit Office.*

The Meeting closed at 4.49pm.

Next Meeting Thursday 10 December 2020 (TBC)
2pm – 5pm
Microsoft Teams Meeting



Item No: 1.4
Title: Outstanding Action Items
Department: Governance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14357867
Author: Kelly Drover, Advisory Group Support Officer
James Taylor, Section Manager Governance
Manager: Shane Sullivan, Unit Manager, Governance and Business Services

Report Purpose

A review of the Outstanding Action Items from previous meetings.

Recommendation

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

Key

Green = completed items;
Blue = on agenda for 10 December 2020 meeting;
White = still pending (not overdue); and
Red = overdue

In summary there are:

12 Actions

- 2 Actions have been completed
- 7 Actions are not yet completed and are not overdue
- 1 Action is not completed and is overdue
- 2 Actions will be completed as a result of being on the agenda for this meeting

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
8.4	1/10/2019	A tour of Council's Water and Sewer Assets for the independent committee members to be scheduled for the week commencing 9 December 2019.	Director Governance	Tour was scheduled for 5 June 2020 however due to the situation with COVID-19, this has been postponed.
83/2020(ARIC)	17/06/2020	That the Committee note the resourcing options provided and consider Option 2 as preferable, however noting it is a matter for the Chief Executive Officer to determine.	Chief Executive Officer	ARIC's advice is noted but Council's financial situation does not permit for the unfunded vacancy in the IA unit to be filled at the current time so the Unit will remain at 1 FTE at this time.
87/2020(ARIC)	17/06/2020	That the Committee request an update in 12 months' time on the implementation of the 14 recommendations supported by staff.	Unit Manager Business Enterprise / Advisory Group Support Officer	To be included on agenda for June 2021 meeting
88/2020(ARIC)	17/06/2020	That the Committee request outcomes for actions be included in the internal audit and external audit actions.	Unit Manager Business Enterprise / Chief Internal Auditor	The outcomes have been incorporated into the tracking system. The Management Actions Tracker is now in Smartsheet.
123/2020(ARIC)	17/06/2020	That the Audit, Risk and Improvement Committee recommend advice be sought from Councils' Legal Team about the contents of the letter.	Chief Executive Officer	Advice to be provided.
133/2020(ARIC)	6/11/2020	The Committee members agree to meet with the Administrator, Acting Chief Executive Officer and Chief Financial Officer to discuss the future direction of the Committee, with consideration of the Business Recovery Plan as required.	Acting Chief Executive Officer	Meeting held 24 November 2020

1.4

Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
134/2020 (ARIC)	6/11/2020	The Committee requested the Chief Financial Officer provide a progress report on the actions identified in the Business Recovery Plan to the next meeting.	Chief Financial Officer	On agenda for 10 December 2020 meeting
137/2020 (ARIC)	6/11/2020	The Committee agreed that an audit of IT Assets should feature in this year's audit program, replacing the original cybersecurity audit. The Committee requested a copy of the Terms of Reference for this review.	Chief Internal Auditor	Terms of Reference for the IT Assets review to be provided to ARIC once they have been determined.
140/2020 (ARIC)	6/11/2020	The Committee suggested a workshop be held with the Interim CEO, ELT and IA to determine and prioritise outstanding management actions and discuss management processes for improving internal controls. It was acknowledged that the workshop should only progress once the immediate priority of securing and stabilising Council's financial position has been resolved.	Acting Chief Executive Officer / Chief Internal Auditor	Workshop should only progress once the immediate priority of securing and stabilising Council's financial position has been resolved.
178/2020 (ARIC)	6/11/2020	The Committee requests that the Senior Internal Ombudsman provide an update on investigations regarding contingency workforce engagement at the next applicable meeting.	Senior Internal Ombudsman	On agenda for 10 December 2020 meeting

1.4 Outstanding Action Items (contd)

Item	Meeting Date	Action	Responsible Officer	Status
183/2020 (ARIC)	6/11/2020	The Committee recommend that the Unit Manager Governance and Business Services meet with the Administrator and Acting Chief Executive Officer to refine the process of recruitment and timeframes for member appointment, with a view to ensuring stability and continuity.	Unit Manager Governance and Business Services	At the 30 November 2020 Ordinary Council Meeting, it was resolved to extend the phased engagement of Independent External Members John Gordon and Carl Millington to ensure stability and continuity. Appointment of new Independent External Member to occur before 27 April 2021.
184/2020 (ARIC)	6/11/2020	The Committee recommended that the Acting Chief Executive Officer consider the inclusion of the Chief Financial Officer and Executive Manager People and Culture on the Interview Panel.	Unit Manager Governance and Business Services	At the 30 November 2020 Ordinary Council Meeting, it was resolved that the Interview Panel consist of the following five members: <ol style="list-style-type: none"> 1 The Administrator 2 The Acting CEO 3 The CFO 4 The CIA 5 Executive Manager People and Culture

Attachments

Nil



Item No: 2.1
Title: Chief Internal Auditor's Quarterly Progress Report
Department: Chief Executive Officer's Unit

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2020/00033 - D14331200
Author: Tina Baker, Chief Internal Auditor
Executive: Rik Hart, Acting Chief Executive Officer

Summary

The *Chief Internal Auditor's (CIA) Quarterly Progress Report* forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee (ARIC). This report provides an update on the activities of Internal Audit since the last update to the Audit, Risk and Improvement Committee on 6 November 2020 in accordance with the four elements of the IA framework.

Recommendation

- 1 *That the Committee note the Chief Internal Auditor's Quarterly Progress Report.*
- 2 *That the Audit, Risk and Improvement Committee endorse the proposed changes to the 2020/21 IA work programme to have a greater emphasis on consultancy/advisory work to help reduce existing risk exposures and fix broken controls.*
- 3 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

1. THE IA FRAMEWORK

1.1 The global professional body for Internal Audit – the Institute of Internal Auditors – sets down internationally recognised standards for the professional practice of internal auditing. The IIA professional standards have been adopted by the State Government (under TPP15-03) and the OLG's proposals for *A New Risk Management and Internal Audit Framework for Local Councils in NSW* Internal Audit also align with the professional standards.

1.2 Internal Audit (IA) at Council operates in accordance with the best practice promulgated in the IIA professional standards and the OLG proposals to bring Internal Audit practices in local government into line with State Government standards. Appendix 1 shows the IA Framework for Council, comprising:

- Organisational risk analysis and audit strategic planning
- IA assurance services

2.1 Chief Internal Auditor's Quarterly Progress Report (contd)

- IA consultancy and advisory activities
- IA quality and performance

The illustration at Appendix 1 also shows how these four elements directly align with the professional standards and OLG proposals and how they are reflected in the Internal Audit Charter.

2. IA FRAMEWORK – BUSINESS ASSURANCE

2.1 This element of the framework relates to the business assurance reviews or the schedule of audits, which forms the largest component of time assigned to the IA work programme. Appendix 2 shows progress of audits from the 2019/20 and 2020/21 work programmes and the changes to the programme as per the proposal in this paper.

Audit Reports Finalised

2.2 Since the last ARIC meeting on 6 November 2020, **three** reports have been issued in final:

- 06/19-20 Purchase Cards, Trade Cards and Other Types of Credit;
- 07/19-20 Contractors, Temporary and Contingent Labour Hire; and
- 02/20-21 Payroll

2.3 As is standard practice, all members of the Audit, Risk and Improvement Committee members are provided with copies of the IA reports when they have been finalised. Consequently, this report contains just a summary of the key issues from each final report.

Summary of Key Issues from Final Audit Reports

06/19-20 Purchase Cards, Trade Cards and Other Types of Credit

2.4 The following extracts from the report, summarise the key findings of the final report for Purchase Cards, Trade Cards and Other Types of Credit:

*"Our review identified that the controls over the key risks in purchase card management and use are **not adequate and require timely mitigation**.*

This is primarily due to a lack of an effective, independent review of purchase card transactions to validate whether the purchases were in fact for business purposes.

Additional factors contributing to the inadequate control environment include the maintenance of two systems as purchase cards are supplied by two different financial institutions; an ineffective purchase cards procedure that does not reflect current practice; and weaknesses in recordkeeping, where supporting documentation could not be provided for a sample of purchase card transactions. We also observed that prior to March 2020, there was limited guidance regarding the management and use of purchase cards at Council (i.e. no purchase cards procedure).

As such, it is our view that the current purchase card control environment is not sufficiently robust to effectively prevent and detect fraudulent or frivolous transactions."

2.5 A total of **22** recommendations for improvement were made, with the associated risk exposure ratings as follows: **13 – high; 7 moderate; and 2 low**. All recommendations, in whole or part, were accepted by management.

07/19-20 Contractors, Temporary and Contingent Labour Hire

2.6 The following extracts from the report, summarise the key findings of the final report for Contractors, Temporary and Contingent Labour Hire:

"At the full Council meeting of 9 March 2020, in response to a Notice of Motion (Nine Million (\$9,000,000) Agency Agreements/Body Hire), a report was provided stating that 'Prior to and since amalgamation, Council has made considerable progress in adopting a structured and controlled method of engagement and management of temporary personnel. There are well documented policies and procedures... [and] when utilising temporary personnel Central Coast Council also adheres to legislative requirements...'

Subsequent to these assurances, this audit has reviewed current practices in managing temporary labour hire in terms of cost, tenure, performance, project planning and volume as well as assessing the adequacy of current policies, procedures, and reporting.

*This audit identified that the **controls over key risks associated with temporary labour hire are insufficient and require improvement**. In particular, there has been a lack of ownership of the agency hire framework; and non-compliance with the framework for temporary labour hire.*

*Based on these findings, this audit concludes that **Council's framework for engaging and managing temporary labour is ineffective and does not comply with guidelines, and practices outlined by the Audit Office of NSW**.*

During the course of the review, a number of significant concerns around specific engagements were brought to our attention. These engagements were referred directly to the Internal Ombudsman and did not form any further part of our testing. These are being investigated separately by the Internal Ombudsman."

2.7 The report also acknowledged that since the start of the audit, management had been undertaking a project to improve systems and processes around the engagement and management of contractors and temporary labour hire and noted that *"overall, management appear to be seeking to better understand the full extent of temporary labour hire and panel arrangements for wet plant hire, day labour and traffic control personnel."* It was further acknowledged that Council's financial crisis has led to the termination of many agency and contractor engagements.

2.8 A total of **16** recommendations for improvement were made, with the associated risk exposures ratings as follows: **13 – high; and 3 moderate**. All recommendations, in whole or part, were accepted by management.

02/20-21 Payroll

2.9 The following extracts from the report, summarise the key findings of the final Payroll report.

“Since amalgamation, Central Coast Council has continued to operate two payroll systems. It has been Council’s intention to transition the former Gosford payroll system (i.e. Authority) to an enhanced version of the former Wyong system (Oracle e-biz), in October 2020. This process was underway and almost complete at the end of the fieldwork phase of this audit.

Given the operation of two payroll systems, there are inherent differences affecting the efficiency and effectiveness of systems, processes and controls throughout the payroll function. Similarly, there are differences in time and attendance requirements between the two systems. This impacts managers and supervisors, as they may have staff on both payroll systems, with different weekly time and attendance recording requirements

*The audit identified that the controls over Council’s payroll processes are **generally effective with opportunity for improvement**.*

The audit found some gaps in the current payroll processes, in particular, controls associated with time and attendance records, leave management and weekly payroll payment approvals. This is mainly due to historical practice, weaknesses in Kronos controls, and limitations in existing financial delegations.

We have recommended that a follow up review of payroll be conducted following the transition of all staff to Oracle e-biz, to be included as part of the 2021/22 schedule of IA reviews. Such a review would focus on the amalgamation and progress of agreed actions from this review and include a full data check for ghost employees/duplicate accounts etc. A separate review of how managers are supervising overtime, higher grade pay and allowances will also be considered for the 2021/22 audit work programme.”

2.10 A total of **6** recommendations for improvement were made, with the associated risk exposures ratings as follows: **2 – high; and 4 moderate** and one opportunity for improvement was also identified. All recommendations, in whole or part, were accepted by management.

Audit Reports In Draft:

2.11 **One** report from the **2019/20 audit schedule** is still in draft, awaiting management responses:

2.1 Chief Internal Auditor's Quarterly Progress Report (contd)

- 03/19-20 Complaints Management – ELT were presented with the findings from this report on 19 August 2020 so management responses are **long overdue** for this report. It is understood that the draft report is now being presented to Governance Forum on 1 December to resolve the outstanding management responses.

2.12 **One** report from the current **2020/21 audit schedule** is in draft:

- 01/20-21 Water Quality and Supply Management

Validation and Follow Up

2.13 Since the last ARIC meeting, the tracking system for management actions has been launched on Smartsheet. This now allows management to track and update their actions for themselves, at a time of most convenience to them. This makes the reporting and data analysis a lot more efficient. More information is provided under the IA quarterly report *Management Actions Arising From Third Line of Defence Reviews*.

3. IA FRAMEWORK – CONSULTING & ADVISORY ACTIVITIES

Proposed Change Of Emphasis To The 2020/21 IA Work Programme

3.1 The number of unaddressed recommendations and management actions arising from NSW Audit Office, Internal Audit, Internal Ombudsman and external consultant reviews is now in excess of 270 items. Further the financial situation facing Council is significant and requires the full focus of the ACEO, CFO, COO and Interim Administrator to get the organisation on a stable financial footing going forward. Rather than continuing to conduct business assurance audits therefore, which will simply layer up more management actions to fix broken controls, a change of emphasis to the 2020/21 IA work programme is proposed, as follows:

- **Pause the business assurance audit work programme for the rest of this financial year** with the following adjustments:
 - o the COVID-19 Response: Remote Working Control Environment audit to be cancelled, but instead IA/Centium to facilitate some training and produce some resource material for Directors and managers on controls and how to effectively manage remote working environments
 - o Roads Maintenance ('Pothole Management') audit to move to the 2021/22 work programme
 - o Property Rates audit to move to the 2021/22 work programme
 - o Management of IMT Assets audit to go ahead but with a focus on helping to fix any broken controls identified during the review
 - o NHV Accreditation audit to go ahead as this is a mandatory annual review as per the terms of our accreditation and will save external consultancy costs if conducted in house by IA

- o Propose the RMS DRIVES24 audit to be brought back in house to save on external consultancy costs. This is a mandatory annual review as per the terms of access agreement with RMS. At the time of writing, the Director response to this proposal is still outstanding.
- **To use the remaining time and budget with Centium and, in collaboration with the Continuous Improvement Officer, to conduct consultancy work to drive the fixes to our broken systems/processes** in accordance with the following:
 - o using the outstanding management actions tables, identify the emerging themes (this is done annually as part of the suite of reports presented by IA to ARIC and the Emerging Themes report for 2019/20 is presented under separate cover to this meeting of ARIC in accordance with the agreed schedule)
 - o From the emerging themes identify:
 - Top 20 and top 10 quick wins, and prioritise the top 5 – then working with ELT and Unit Managers, implement a plan to get these top 5 quick wins actioned within a set timeframe (then have a plan to move onto the next 5 and so on)
 - Top 20 and 10 actions that will give us the greatest return on investment/those that will have the biggest impact eg savings, mitigating significant risk exposures, tackling root causes etc, and prioritise the top 5 – work with ELT and Unit Managers to get these top 5 actions implemented (then move onto the next 5 and so on)

3.2 The *Emerging Themes Report* presented to this meeting proposes the top 5 quick wins and the top 5 high impact prioritised actions for this purpose.

3.3 If this approach is successful then the 2021/22 audit programme can continue to have a heavier emphasis on the consultancy work to get a solid foundation of basic controls in place and operating effectively.

3.4 It should be noted that the IIA professional standards do consider consultancy activities to be a normal part of IA responsibilities and as offering management confidence that IA can support and add value where the organisation most needs it. If any element of the future schedule of audits does include a review where the Chief Internal Auditor considers that the consultancy work may have presented a compromise of independence or objectivity, then, under the co-sourced partnership, Centium can conduct the review and report directly to ARIC on that particular matter.

4. IA FRAMEWORK – QUALITY AND PERFORMANCE

Monitoring and Measuring the Performance of the IA Function

4.1 By continuing to use and report against balanced scorecard measures IA sets a precedent for the organisation in terms of having in place an effective system for monitoring and reporting on performance and being held accountable for specific deliverables. It is

2.1 Chief Internal Auditor's Quarterly Progress Report (contd)

anticipated that this will be one of the techniques presented to senior management to help them going forward in establishing effective measures for work prioritisation, performance monitoring and reporting.

5. IA FRAMEWORK - ORGANISATIONAL RISK ANALYSIS AND IA STRATEGIC WORK PROGRAMMING

5.1 No further progress under this element of the Framework since the last report to ARIC.

6. CONCLUSION

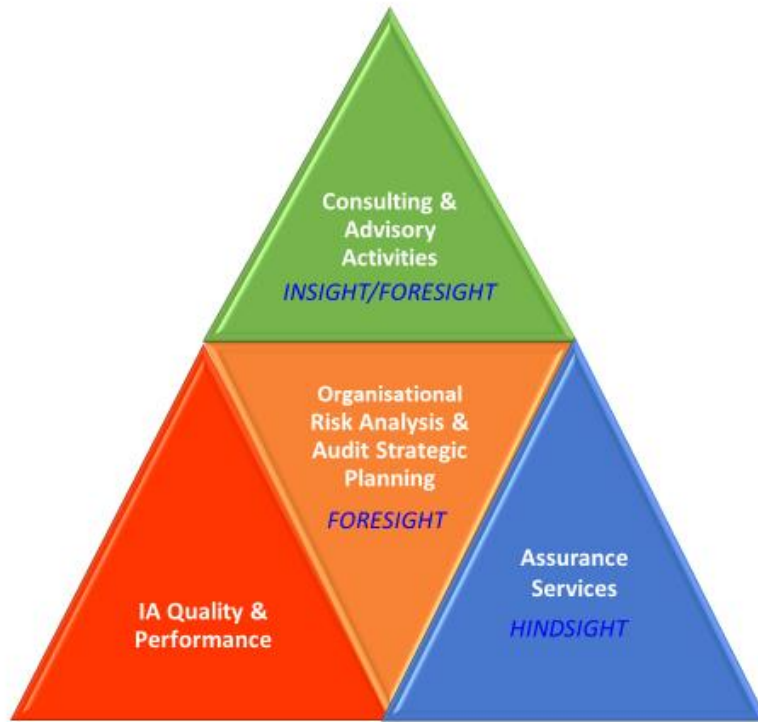
6.1 The shift of focus from business assurance to consultancy and advisory work is considered the optimal way for IA to add value to Council at this juncture. By getting involved more in consultancy work and actually addressing the control weaknesses, IA can help limit future shocks or at least lessen the impact of emerging threats to the organisation.

Attachments

1	Dec 20 CIA report The IA Framework	D14331151
2	Dec 20 CIA report Progress with IA Work Programme	D14331161
3	2020 IA Audit Schedule REVISED DEC 20	D14377129

The Internal Audit Framework

Elements Of The IA Framework



Components of the IA Framework



Why These Four Elements?

IIA International Professional Practices Framework

- Standard 2010: Planning (work programming)
- Standards 2200 – 2400: Business Assurance & Consultancy Engagements
- Standard 1330: Quality Assurance & Improvement Program

IA Charter

- Section 11.1: Strategic Planning (work programming)
- Section 5.1: Assurance Services & Consultancy Services
- Section 12.1: Quality Assurance & Improvement Program

OLG Proposals

- Core requirement 3: establish an internal audit function mandated by an Internal Audit Charter (which sets down the consultancy/assurance remit)
- Core requirement 5: develop an agreed internal audit work program (work programming and individual engagements)
- Core requirement 8: establish a quality assurance and improvement program

IA: AUDIT PROGRESS REPORT (as at end November 2020)

2020/21 Audit Schedule

Report No	Report Title	Status
01/20-21	Water Quality and Supply Management	Draft report stage.
02/20-21	Payroll	Awaiting management responses to draft report.
03/20-21	COVID-19 Response: remote working control environment	Audit cancelled. This will now be covered as a consultancy piece providing training and resource material on how to create a strong control environment for remote working arrangements.
03/20-21	NHV Accreditation (mandatory annual audit in line with terms of accreditation scheme)	Brought back in-house to save on external consultancy costs. File and test papers set up. Scheduled for Jan/Feb 2021. To be conducted by the Chief Internal Auditor.
04/20-21	Management of IMT Assets: Procurement to Disposal	Scoping discussion arranged.
05/20-21	RMS DRIVES24 (mandatory annual audit in accordance with terms of access agreement with RMS)	Proposed by IA to be brought back in-house to save on external consultancy costs. Awaiting Director approval to the proposal. Scheduled for May/June 2021. To be conducted by the Chief Internal Auditor.
05/20-21	Roads Maintenance ('pothole management')	Moved to FY 2021/22 Budget transferred to consultancy work to fix key controls.
06/20-21	Property Rates – Setting, Billing, Collection and Recovery	Moved to FY 2021/22 Budget transferred to consultancy work to fix key controls.

2019/20 Final Reports Issued

Report No	Report Title	Notes
01/19-20	Councillor Facilities, Allowances & Expenses	Final report issued April 2020
02/19-20	Contract Management	Final report issued May 2020
04/19-20	ELT/Leadership Team Facilities, Allowances & Expenses	Final report issued September 2020
05/19-20	IT Governance	Final report issued September 2020
06/19-20	Procurement Cards, Store Cards, Store Accounts, Gifts Cards and Other Credit Style Accounts	Final report issued November 2020
07/19-20	Contractors, Temporary and Contingent Labour Hire	Final report issued October 2020

2019/20 Draft Reports Awaiting Finalisation

Report No	Report Title	Status
03/19-20	Complaints Management	Awaiting management responses from ELT (since August 2020)



*Tina Baker
Chief Internal Auditor
December 2020*



REVISED IA Audit Schedule 2020-2021

2020-21 Audit Schedule: Q1 (Jul-Sep 20)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Conducted By	Rationale
Water Supply Management (Strategic)	Water & Sewer	40 total 32 days in this programme (8 days covered under 2019/20 budget)	Jun-Sep 20	Centium	Water and Sewer provide critical front-line services to the community and given the drought and bushfire conditions and anticipated population growth for the region, a review would consider and test controls associated with important issues such as: reliability of current water sources and supply; water treatment and storage; future supply scenario modelling; contingencies in the event supply sources become disrupted/contaminated/ limited; drought management and future supply measures. A subject matter expert from Centium is available to conduct this crucial review.
Payroll (Operational)	People & Culture	25	Jul-Aug 20	Centium	Council is currently still operating two payroll systems and the intention is to bring former Gosford payroll across to an enhanced version of the former Wyong payroll system, in October 2020. This review will identify where there are current operational risks and control exposures to inform the new system. It will also look at how the security and integrity of payroll operations were maintained during the COVID-19 social distancing/working from home arrangements. Issues identified in NSW Audit Office reports will be followed up.

COMPLETE

2020-21 Audit Schedule: Q2 (Oct-Dec 20)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Conducted By	Rationale
COVID-19 Response – remote working control environment	Cross organisational	20	Nov-Dec 20	Centium	Audit cancelled. This will now be covered as a consultancy piece providing training and resource material on how to create a strong control environment for remote working arrangements.

2020-21 Audit Schedule: Q3 (Jan-Mar 21)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Conducted By	Status
IT ASSETS	IM&T	25	Jan-Apr 21	Centium	NO CHANGE. Scoping meeting arranged. Preliminary research underway.
NHV ACCREDITATION	Finance/ Plant & Fleet	10 days	Jan 21	Chief Internal Auditor	NEW ADDITION Mandatory annual review brought back in-house to save on external consultancy costs
WORKERS COMPENSATION CASE MANAGEMENT	P&C/ Governance	10-15 days	Jan 21	Chief Internal Auditor	NEW ADDITION Mandatory annual review under self-insurer requirements brought in-house to save on external consultancy costs

2020-21 Audit Schedule: Q4 (Apr-Jun 21)

Audit Topic	Dept/ Service Unit	Indicative Budget (days)	Indicative Timing	Conducted By	Rationale
RMS DRIVES24	Environ- ment & Planning/ Community Safety	10	Apr 21	Chief Internal Auditor	NEW ADDITION Mandatory annual review under terms of access agreement brought back in-house to save on external consultancy costs
Roads Maintenance (<i>"Pothole Management"</i>) (Operational)	Roads, Transport, Drainage & Waste	30	Feb-Jun-21	Centium	MOVED TO 2021/22 SCHEDULE. REPLACED WITH CONSULTANCY AND ADVISORY WORK UNDER QUICK WINS AND HIGH IMPACT PRIORITIES
Property Rates – Setting, Billing, Collection and Recovery (Operational)	Finance	30	Jun-Sep-21	Centium	MOVED TO 2021/22 SCHEDULE. REPLACED WITH CONSULTANCY AND ADVISORY WORK UNDER QUICK WINS AND HIGH IMPACT PRIORITIES



Item No: 2.2
Title: Implementation of Management Actions Arising From Independent Reviews
Department: Chief Executive Officer's Unit

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2020/00033 - D14359378
Author: Tina Baker, Chief Internal Auditor
Executive: Rik Hart, Acting Chief Executive Officer

Summary

The report on *Implementation of Management Actions Arising From Third Line of Defence Reviews* forms part of the standard suite of reports presented by the Chief Internal Auditor to the quarterly ordinary meeting of the Audit, Risk and Improvement Committee (ARIC).

This report is provided to the Committee to help meet section 39 (d) and (e) of their Charter obligations, which states: "*The Committee is responsible for: [inter alia]*

- *reviewing all audit reports and considering significant issues identified in audit reports and action taken on issued raised, including identification and dissemination of better practices;*
- *monitoring the implementation of internal audit recommendations by management".*

Recommendation

- 1 *That the Committee note the report on Implementation of Management Actions Arising From Independent Reviews.*
- 2 *That the Audit, Risk and Improvement Committee consider the proposals for the content of this report in future and what additional information, if any, they would like to receive going forward relating to the implementation of management actions.*
- 3 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Progress Update Since Last Meeting On 6 November 2020

The Continuous Improvement Officer (Innovation and Futures) has converted the information in the management actions tables into a SmartSheet Tracker system as well as findings and recommendations from recently finalised IA reports. All management actions for IA, NSW Audit Office and external consultant reports (as provided by Departmental staff) have been captured in SmartSheet. Actions and recommendations from IO reports since 2018 have also

2.2 Implementation of Management Actions Arising From Independent Reviews (contd)

been incorporated and work is ongoing to capture other IO reports prior to 2018 going back to amalgamation.

All Directors and responsible officers have been provided with links to the SmartSheet Tracker so they can track their own actions and provide updates when appropriate, rather than when requested by IA for the purposes of reporting to this Committee. Responsible officers can now attach links to substantiate the action taken, where appropriate. In addition, built into the system, is the need for the Accountable Officer (Director) to approve closure of any actions relating to their Department, so they can sign off that the risk exposure has been mitigated and the action taken is in line with the agreed action. This will facilitate the annual attestation process previously endorsed by the Committee and in line with OLG proposals for a new IA framework for local government in NSW.

The Tracker captures a lot of information and will continue to be refined over the next few months to make it as useful as possible for staff and to incorporate any additional information or improvements suggested to us. It will also be realigned in accordance with the latest organisational restructure.

Given that the last update to the Committee was only a few weeks ago and, in light of the ongoing work to capture all the recent information and ensure the Departmental links work properly, the tables of outstanding actions and latest management updates have not been attached to this report, as per usual practice. For the same reasons, this report does not contain any of the usual data in terms of number of actions, overdue actions, actions per Department etc. Instead, a set of proposals for the content of this report going forward has been set down below and the Committee are invited to consider what other information they would like this report to include.

The functionality of the SmartSheet Tracker is such that data analysis and graphs are a lot easier to produce and the information can be extracted and presented in a multitude of ways in accordance with what is considered most useful. Findings are currently being categorised according to the recurring themes of control weaknesses identified in IA reviews, namely:

- Lack of or weak policy/strategic framework
- Poor workforce planning/management
- Weak systems/processes
- Unclear or weak conduct of roles/responsibilities
- Lack of or weak management information/reporting
- Lack of or weak performance management/monitoring
- Poor decision making/record keeping
- Non-compliance
- Skills/capabilities shortfall
- Breakdown/failure of delegations
- Lack of or weak asset planning/management

These themes are explored in more detail in the IA Emerging Themes report presented to this meeting of ARIC.

2.2 Implementation of Management Actions Arising From Independent Reviews (contd)

Proposals for Future Reporting

To make this report more useful and targeted for ARIC in future, the following proposals are put forward for consideration:

- The management tables showing all the latest management updates and actions closed since the last report (usually attached to this report as a confidential appendix) will no longer form a part of the business paper. Instead ARIC members will be provided with a secure link to their own view of the Tracker (in the same format as the tables previously provided), so they can access the information at a convenient time to review the actions and consider any questions they may wish to raise at the next ARIC meeting. This will reduce the volume of the business papers but still provide ARIC members with access to the detailed information contained in the tables. Through the secure link the information will be accessible any time and will always show the latest management updates provided.
- The IA report on the implementation of management actions will contain the following key data:
 - o # new actions per source (IA, Audit Office, IO etc) since last meeting
 - o # open actions (per source)
 - o # closed actions since last meeting
 - o # overdue actions, broken down by risk and number of days overdue
 - o # per identified theme
 - o # per department
- Each IA report will focus on a different key issue related to audit work or arising from the recurring themes, for example a closer analysis of management responses and where they fall short in addressing the identified issue or a closer look at the recurring theme of record-keeping and the problems this presents.
- A suggestion for the ARIC to be presented with an update/presentation on a key project or service at their following meeting.

Request For Any Additional Information Inclusions

The Audit, Risk and Improvement Committee are encouraged to use the information in reports from third line of defence providers to:

- ensure they are satisfied that the management responses on closed actions sufficiently address the audit issues and risks highlighted;

2.2 Implementation of Management Actions Arising From Independent Reviews (contd)

- identify any specific strategic or operational activities they would like to discuss with management at future meetings in respect of risk mitigation measures and system/process improvements;
- form a view on the control framework and advise Council and the CEO accordingly, in line with ARIC Charter obligations section 36, *Control Framework*, namely:
 - a) reviewing whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
 - b) reviewing whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
 - c) progressively reviewing whether appropriate processes are in place to assess compliance with policies and procedures;
 - d) reviewing the annual performance of Council against the key performance indicators documented in the Operational Plan, and providing advice to the Chief Executive Officer on the adequacy of Council's performance against these indicators;
 - e) reviewing whether appropriate policies and procedures are in place for the management and exercise of delegations; and
 - f) reviewing whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

Consequently, **the Committee are asked to consider if there is any further information or data they would like to be included in this report going forward, in addition to (or instead of) that outlined above** to help them meet their Charter responsibilities in this regard.

Conclusions

It is incumbent upon management (at all levels) to ensure controls are effectively mitigating the associated risks and that their systems/processes are operating efficiently and cost-effectively. The commitment to improving controls and effectively managing risks through the timely implementation of agreed actions and process improvements are basic management responsibilities and a key component of sound, organisational governance. Whilst actions remain outstanding, the organisation remains exposed to the identified risks unless other mitigating controls are implemented. In addition, it is the responsibility of management to determine whether appropriate action has been undertaken in a timely way and to a sufficient degree to manage down the risk exposure to a more acceptable level to warrant the closure of the action.

Senior management are advised that they are accountable in the event that items have been closed off but the mitigating action has not actually been undertaken and the identified risk crystallises. It is also the responsibility of senior management to determine what action or intervention should be taken in the event of overdue actions and to ensure that action taken to close out an item is appropriate to address the risk and issue highlighted by the audit finding.

2.2 Implementation of Management Actions Arising From Independent Reviews (contd)

The new SmartSheet tracker will enable Directors to better monitor actions for their Departments and ensure that the risks have been appropriately managed before authorising closure of the action.

Attachments

Nil.



Item No: 2.3
Title: The Internal Audit Balanced Scorecard Report
Department: Chief Executive Officer's Unit

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2020/00033 - D14332005
Author: Tina Baker, Chief Internal Auditor
Executive: Rik Hart, Acting Chief Executive Officer

Summary

The *Internal Audit Balanced Scorecard Report* forms part of the standard suite of reports presented by Internal Audit to each ordinary meeting of the Audit, Risk and Improvement Committee. There are thirteen balanced scorecard measures to monitor and report on the performance of the IA service to Council.

Recommendation

- 1 *That the Committee note The Internal Audit Balanced Scorecard Report.*
- 2 *That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Background

Internal Audit has a set of performance metrics presented as a "Balanced Scorecard". These metrics are intended to provide Management and the Audit, Risk and Improvement Committee with information and data which give a snapshot of IA progress against key measures and how the unit is operating from the perspective of different stakeholders and areas of competence. There is also a set of service standards which are not formally measured but are an indication of the desired intent to help keep the audit process on track in a timely fashion.

Update

There has been no further action or change since the last report to the ARIC on 6 November 2020.

It is anticipated that the establishment and use of balanced scorecard measures and service standards will be one of the techniques presented to senior management as part of the IA consultancy work, to help improve accountability and establish a solid foundation for work prioritisation, performance monitoring and reporting.

Attachments

Nil.



Item No: 2.4
Title: IA Emerging Themes Report 2019 2020
Department: Chief Executive Officer's Unit

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2020/00033 - D14363899
Author: Tina Baker, Chief Internal Auditor
Executive: Rik Hart, Acting Chief Executive Officer

Summary

The *IA Emerging Themes Report* is an annual report summarising the recurring risks and themes that emerged from the 2019/20 work programme. This report also contains a suggested remediation work programme.

Recommendation

- 1 *That the Committee note the report on IA Emerging Themes Report 2019 2020.*
- 2 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Background

Internal Audit presents a paper to the Audit, Risk and Improvement Committee each year on *Emerging Themes* which captures the recurring issues that have arisen during the year as a result of the root cause analyses around audit findings.

Summary of Results

Many of the themes that were identified in the 2016/17, 2017/18 and 2018/19 IA work programmes, continued to have impact during 2019/20, indicating that progress to drive the amalgamation has been slow and uncoordinated with little strategic prioritisation. The emerging themes exercise acts as a useful barometer of organisational culture. Further details are captured in the report at Appendix 1.

The onboarding of Centium as co-sourced partner for IA services in October 2019 has helped bring a fresh perspective to the assessment of Council's internal control framework. A team feedback session with Centium consultants was held to determine what is working well and what could be improved and this is summarised below:

What Has Worked Well	Suggested Improvements
<p>During the COVID lockdown, IA had some redeployed library assistants who assisted the Centium consultants in gathering information, filing, sourcing documents etc. This was considered very helpful and created greater efficiency in the audit process.</p>	<p>There is a lack of ownership on corporate wide issues (that cut across Departments) making it difficult to engagement on such issues, especially at the close out and draft report stage, as experienced, for example on the Complaints Management audit.</p>
<p>Generally staff have been helpful and forthcoming with information and have co-operated and engaged well with the audit process.</p>	<p>Having an Executive sponsor for each audit would be helpful, especially where there are corporate wide issues that need to be resolved at the senior level.</p>
	<p>The consultants do not have access to Council systems and rely on information provided to them by staff This creates a timeliness and integrity issues. For other clients, Centium consultants have an audit log on which allows them remote access to the client's systems. Some workarounds were used eg a shared drive or sharing screens during Teams meetings, but the consultants should still be able to source and examine all relevant documents for themselves to protect the independence and objectivity of the review process.</p>

From the 2019/20 programme of 7 audits and the associated 116 recommendations, the root cause of the identified control weaknesses can be attributed to one or more of the following:

- lack of or weak policy/strategic framework
- poor workforce planning/management
- weak systems/processes
- unclear or weak conduct of roles/responsibilities
- lack of or weak management information/reporting
- lack of or weak performance management/monitoring
- poor decision making/record keeping
- non-compliance
- skills/capabilities shortfall
- breakdown/failure of delegations
- lack of or weak asset planning/management

With the improvements brought by capturing management actions in SmartSheet, all findings will be aligned with one or more of these themes to provide the Committee with greater insights as to the issues creating the greatest risk to the organisation.

Next Steps

With the number of outstanding management actions at a record high, it is clear that a strong programme of remediation to fix basic systems and management controls is required. For the remainder of 2020/21 Internal Audit will focus on consulting/advisory work to drive and deliver the improvements required to build and strengthen internal controls and develop a more effective governance framework.

This remediation plan comprises two elements of focus:

- quick wins – basic foundation stones for operational efficiency and effectiveness. This involves addressing some of the obvious gaps in Council's operations to provide a coherent and consistent set of procedures for staff.
- higher impact actions – these tackle the more broader themes, by improving systems and processes around some major, wide ranging activities, with multiple dependencies. These will take longer to resolve because they contain many components and there is a need to understand what is in place currently, where the blockers are and where are the opportunities for improvement.

The *Emerging Themes Report* at Appendix 1 proposes the top five prioritised actions under each of the two elements.

The quick wins are basic fixes that can be delivered quickly in collaboration with the Continuous Improvement Officer and without the need for expensive IT solutions. These will also contribute in part to some of the fixes under the high impact issues.

The high impact issues relate directly to the recurring themes identified in this report. The scope and deliverables under these elements are more substantial but there will be some quick wins within each and by getting these elements firmly under control, it will help build confidence with both staff and the community. It is on this element of work that Centium will provide the most value due to their reach across many sectors, expertise in facilitated workshops and familiarisation with best practice and process efficiency in other organisations.

The type of IA involvement in the high impact issues will include:

- research – helping identify current situation and articulate the final desired end state
- facilitation – engaging with key stakeholders through workshops etc
- insights, advice and support – identifying best practice and learnings from other organisations
- documentation – ensuring key tasks are assigned and timelines met
- Assurance mapping - ensure risks are identified and managed
- Education – supporting staff with best practice around governance, risk and controls
- Economy, efficiency and effectiveness – ensuring deliverables operate within these key measures

2.4 IA Emerging Themes Report 2019 2020 (contd)

- Performance measures – helping develop useful balanced scorecard measures, KPIs etc
- Reworking business processes – helping streamline processes and operational procedures to maximise efficiency

ARIC will be provided with regular updates and insights from the remediation work as part of the Chief Internal Auditor's quarterly progress report.

Conclusions

By driving the remediation plan to fix the internal control environment over the next six months and possibly into the next financial year, IA can maximise value to the organisation and help establish a strong foundation for good governance.

Attachments

- 1 IA Emerging Themes Report 2019-20 D14363139



2019-2020
Emerging Themes From IA Reviews With
Associated Remediation Plan



December 2020



Reported Themes From Previous Years

2016/17

- Organisational merger disruption
- Lack of enterprise risk management
- Loss of corporate knowledge
- Ongoing uncertainty around staffing and leadership
- Weak change management

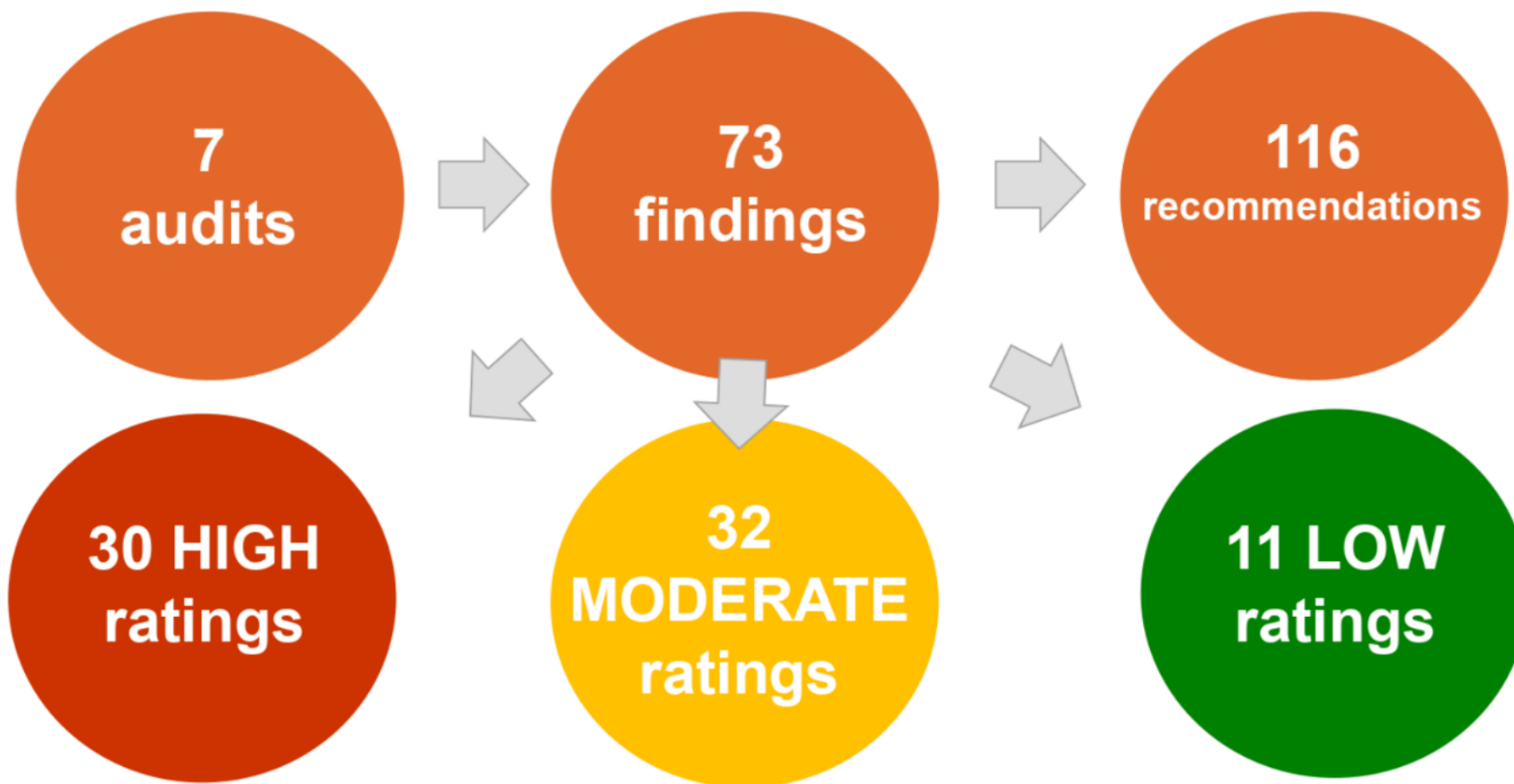
2017/18

- Organisational restructure impact – split teams, staff turnover, strategic planning deficiencies
- Risk not driving strategic direction, decision making or organisational/operational priorities
- Information & data deficiencies
- Continued ongoing uncertainty – dual systems, buildings, teams and processes
- Loss of confidence in the leadership (as per staff survey)
- Inconsistent service to the community based on north-south divide, different policies, plans, operational practices still aligned with former councils

2018/19

- Themes from previous years continuing
- Risk management/system & process improvement not part of operational activities
- Weak management information, basic data not available, poor business data analytics
- Lots of projects but no/slow delivery, shifting priorities, proliferation of strategies/frameworks but with no implementation or clear business benefits and not captured on any central register

2019-2020 Summary



Recurring Themes of Control Weaknesses



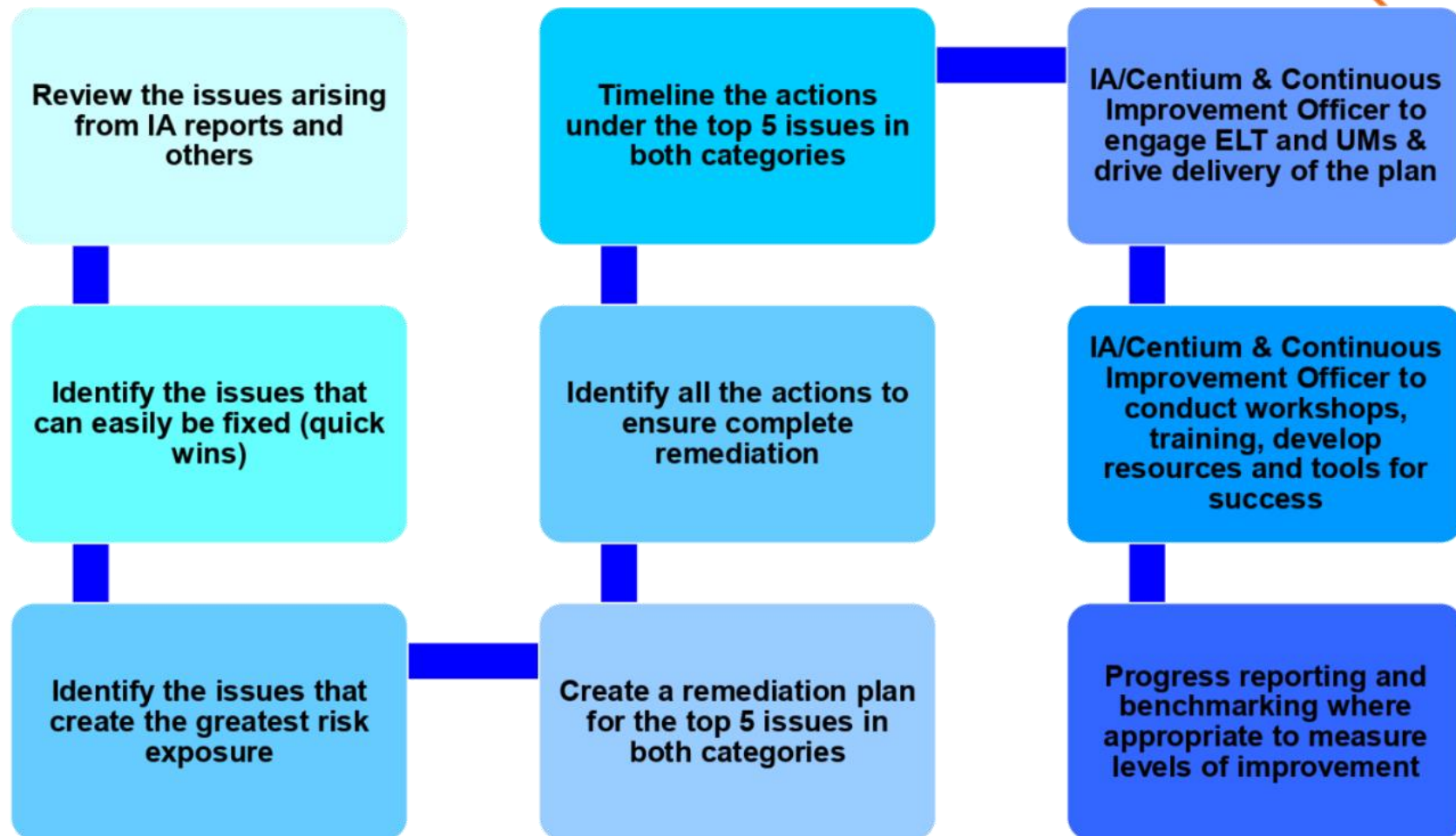
What's the Risk?

(source: "Fixing The Basics" IA paper presented to ARIC, 17/6/20)

If basic controls are broken and not being fixed in a timely manner, what confidence can the CEO, ARIC and the community have that:

- Council is capable of delivering major capital projects on time, on budget and to the right specification and legislative requirements?
- Council's finances are being managed prudently and underpinned by informed budgeting?
- Council's assets are adequately safeguarded, managed, maintained, acquired and disposed of?
- Council will accomplish its objectives and meet the needs of the community in a cost-effective, efficient manner?
- Council is complying with legislation and operating economically, efficiently and effectively, maximising resources and with high performance levels?
- Information being reported and used for key decision making has integrity, is complete and reliable?
- Council has adequate and effective safeguards against fraud and corruption, theft, employee sabotage and other adverse activities?
- Staff are being fully utilised, performing to a high level, are being fairly recompensed and adequately trained to conduct their duties, with opportunities to progress and develop personally and professionally if desired?

The Remediation Plan: The Process



The Remediation Plan: Top 5 Priority Quick Wins

IDENTIFIED ISSUE (from IA reports)	THEMES	RATIONALE	EXAMPLES OF DELIVERABLES
There is no policy or procedures governing staff expenses	Policy/strategic framework Systems/ processes	High risk; can mirror same deliverables for Councillor Expenses process; need greater transparency & accountability to align with public expectations	Clear policy aligned with Councillor Expenses policy (where relevant); Promapp processes with links to form and policy; one claim form with automatic limits, declarations and sign off built in; regular, transparent reporting; staff training
Council does not have a register, systems and/or processes to report contracts below \$150,000	Policy/strategic framework Systems/processes Mgt info/ reporting	High risk; need to maximise supplier efficiencies; need to ensure variation values do not exceed tendering requirements; need for good contract management disciplines	One contract database for all contracts, regardless of value, indicating expiry dates and spend; Promapp processes linked to forms for the contract management and procurement processes; regular, transparent reporting
The management review process over cardholder purchase card transactions is ineffective	Systems/processes Performance mgt/ monitoring Roles/responsibilities	High risk; need greater transparency and challenge around purchases to align with public expectations; need to improve accountability	Promapp processes with links to policy and relevant spend restrictions; management review form with limits, declarations and sign off built in; regular, transparent reporting
There is no cash management framework	Policy/strategic framework	High risk; action closed although only policy in place; need clear, consistent processes for handlers of cash	Promapp processes with links to policy and forms containing declarations and sign off requirements; staff training; regular reporting on amounts, risks and costs
There is no coherent strategy, assessment program or data analytics undertaken to review & determine the effectiveness of current CCTV installations or where new installations may be appropriate	Policy/strategic framework Asset planning management Systems/processes	High risk; long outstanding action (2018 and 2014); high maintenance costs of high number of cameras; need to ensure cameras are effective and privacy provisions are in place	Clear set of consistent procedures to follow to determine use, whole of life cost and effectiveness monitoring of CCTV; single form for business case/considerations with sign off built in; regular reporting; training on legal aspects of surveillance; consequences for breach

The Remediation Plan: Top 5 High Impact Actions

Theme	Topics	Rationale
Performance management/ monitoring (compliance)	Departmental strategic plans, operational/unit annual plans, performance appraisals, workforce and contractor performance assessments, rewards and recognition, budgeting; project management; forecasting	The IA work relating to the remote working control environment ties in with this; important to have clear links and cascade from strategic objectives and CSP to costed plans of deliverables; need to be able to clearly show the community what is being delivered at what cost and by what time frame, in accordance with agreed priorities; gives Executive/Administrator/ Councillors a clear legacy for the community against which they can be held accountable; links to the workforce planning piece; strengthens accountability
Workforce planning/ management (roles/ responsibilities)	Resource costing, strategic staff planning, alignment with operational plans and delivery programs, future workforce modelling and upskilling, learning & development, industrial relations, recruitment, onboarding, departures, leadership, objective setting, appraisals, rewards and recognition (also captured above)	A number of review findings loop back to workforce/staff management related issues. Workforce planning is a key driver of organisational success and financial efficiency; influences organisational culture; feeds into the IP&R framework and is crucial component of strategy, resourcing and delivery of Council services; drives the contractor and contingent labour hire costs and engagements; strengthens accountability
Management information/ reporting (decision making/ record keeping)	Internal/external communications, budgeting, prioritisation, risk management, clarity and consistency of messaging, policies, integrated planning and associated reporting, projects and contracts, financial reporting, decision making and recording, data analytics, complaints, transparency	Management information needs to be timely, accurate and relevant to facilitate informed, strategic decisions and appropriate action; critical for demonstrating transparency to the community; identifies emerging risks and threats; provides supporting documentation in the event of challenge, investigation or dispute; provides a trail to substantiate decisions/actions. The Complaints Management review findings will inform this.

The Remediation Plan: Top 5 High Impact Actions /2

Theme	Topics	Rationale
Asset planning/ management (skills/ capabilities)	Asset tracking, asset managers, training, whole of life asset management and costing, quality control, valuations, asset registers, depreciation, purchasing/procurement, budgeting, strategic planning, property management, asset registers, maintenance schedules, failing assets, sale of assets, asset disposals, asset management policy, strategy and plans, links to financial plans, capital expenditure planning and monitoring, contract management	Asset management forms part of the IP&R requirements. For Council to realise the full value of assets there needs to be accurate asset valuation and maintenance. Whole of life costing is important to ensure Council can financially support the ongoing maintenance of major capital projects. Important component of delivering against the commitments in the Community Strategic Plan.
Systems/ Processes (policy/ strategic frameworks)	Community concerns, complaints, service delivery, disaster recovery/business continuity/ emergency preparedness, core systems, harmonisation, governance, risk management, contingent liabilities, compliance	Ties in with audit finding around IMT disaster recovery plan and the corporate DR/BP plans more broadly; picks up on community concerns around coastal management (flooding/dredging/erosion), bushfires, water quality and future provision; will help determine how far the organisational integration has progressed; will determine how prepared the organisation is for future shocks.



Item No: 4.3
Title: Draft Policies for Review
Department: Governance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14333809
Author: Zoie Magann, Advisory Group Support Officer
Manager: James Taylor, Section Manager Governance
Manager: Shane Sullivan, Unit Manager Governance and Business Services
Executive: Krystie Bryant, Executive Manager, People and Culture

Summary

At the [30 November 2020 Ordinary Council Meeting](#), Council considered reports on a draft Lobbying Policy and a draft Gifts and Benefits Policy. It was recommended that both policies be referred to the Audit, Risk and Improvement Committee for comment, as well as being placed on public exhibition for a period of at least 28 days.

A further report will be presented to the 8 March 2021 Ordinary Council Meeting for Council to adopt both policies, with consideration of any submissions received.

Recommendation

- 1 *That the Committee note the report on Draft Policies for Review.*
- 2 *That the Committee provide any feedback on the draft Lobbying Policy that is Attachment 1 to this report either at this meeting or via email shortly following the meeting.*
- 3 *That the Committee provide any feedback on the draft Gifts and Benefits Policy that is Attachment 2 to this report either at this meeting or via email shortly following the meeting.*
- 4 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Background

Lobbying Policy

At the [14 September 2020 Ordinary Council Meeting](#) Council requested that a Lobbying Policy be drafted at the to help ensure that community expectations are met in relation to the conduct of ethical and transparent lobbying activities of Council officials.

4.3 Draft Policies for Review (contd)

Staff consequently drafted a Lobbying Policy, which was shared with Councillors for their comment via the Councillor Support Update on Friday 9 October 2020. No feedback was received from Councillors.

A further report then went to Council at the [30 November 2020 Ordinary Council Meeting](#), with the draft Lobbying Policy. Council consequently resolved to place the draft Lobbying Policy on public exhibition for at least 28 days and refer to the Committee for any feedback.

The draft Lobbying Policy is included at Attachment 1 to this report for the review of the Committee members. The draft Lobbying Policy is based on Council's [Code of Conduct](#), the consolidation of two other NSW Local Council's Lobbying Policy ([Inner West Council](#) and [Burwood Council](#)) and the [Independent Commission Against Corruption interim reports into Lobbying](#).

Gifts and Benefits Policy

Further to this, Council is undertaking a policy consolidation project to ensure all policies align with current legislation and are in the same accessible format.

The current [Gifts and Benefits Policy](#) is outdated and needed to be revisited. The revised draft Gifts and Benefits Policy (Attachment 2 to this report) is based on Council's [Code of Conduct](#) and the former two Council's Gifts and Benefits Policy. The draft Policy has been created to capture the updated requirements in Council's new Code of Conduct and to provide greater clarity for all Council Officials around the expectations and the processes involved in dealing with Gifts and Benefits.

The revised draft Gifts and Benefits Policy, was also reported to Council at the [30 November 2020 Ordinary Council Meeting](#). Council consequently resolved to place the draft Gifts and Benefits Policy on public exhibition for at least 28 days and refer to the Committee for any feedback.

Action required

Committee members are invited to provide any feedback on either of these two policies during the 10 December 2020 meeting or via email to the Section Manager, Governance following the meeting.

Staff will collate any feedback provided and prepare a further report to Council at the 8 March 2021 Ordinary Council Meeting, seeking adoption of both the Lobbying Policy and Gifts and Benefits Policy.

Attachments

- | | | |
|----------|----------------------------------------------|-----------|
| 1 | Draft Lobbying Policy October 2020 | D14226128 |
| 2 | Draft Gifts and Benefits Policy October 2020 | D14226000 |



Lobbying Policy

September 2020

Policy No: CCC 096

Policy owner:	Governance and Business Services, Office of the CEO
Approved by:	Gary Murphy CEO / Council [Min. No. XX/20)?
Date of approval:	Day/Month/2020
Policy category:	Strategic
Content Manager No:	D#####
Review date:	DD/MM/YY

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Purpose

1. This Policy is to ensure that:
 - a) community expectations are met in relation to the conduct of ethical and transparent lobbying activities of Council Officials.
 - b) there is no misunderstanding regarding Council's adopted position in relation to the engagement of lobbyists for its own purposes.

Scope

2. This Policy covers:
 - a) all Council Officials as defined in Council's [Code of Conduct](#);
 - b) any person or organisation contracted to or acting on behalf of Council;
 - c) any person or organisation employed to work on Council premises or facilities,
 - d) any company or other body of which the Council Official, or their nominee, relative, partner or employer, is a shareholder or a member.
 - e) someone personally associated as stated in clause 6.1 Council's [Code of Conduct](#) with a person covered under 3 a), b), c) and d).
3. All Councillors, Council Officers and contractors are responsible for complying with the provisions of this Policy.
4. This Policy should be read in conjunction with Council's [Code of Conduct](#).

Background

5. It is in the public interest that lobbying is fair and does not undermine public confidence in impartial decision-making.
6. The actions of those covered under this Policy when lobbied must reduce the likelihood of perceptions of corrupt or inappropriate conduct and comply with appropriate probity principles

General

Provisions

7. All lobbyists, as defined by this Policy, are required to complete the Lobbyist Registration Form (Appendix 1) for each matter on which they intend to lobby Council. The register will be published on Council's website.

8. Attempts at inappropriate or unlawful conduct on the part of someone lobbying those covered under this Policy may constitute corrupt conduct.
9. Any attempts made to those covered under this Policy, or of which those covered under this Policy become aware, that those covered under this Policy believe to fall under Part 3 Section 7 and 8 [Independent Commission Against Corruption Act 1988](#) definition of corrupt conduct must be reported in accordance with the [Internal Reporting Policy](#) for corrupt conduct, maladministration and waste.
10. Those covered under this Policy must avoid conduct during the lobbying process that would be considered inappropriate. Examples of inappropriate conduct include:
 - a) accepting undisclosed payment or benefits whilst making a decision that affects the gift giver's interests;
 - b) accepting a political donation in return for the favourable exercise of discretion during decision-making. Ideally, Councillors should keep the lobbying and fundraising activities in which they are involved quite separate to avoid even the perception that a political donation could influence their decision-making;
 - c) granting or facilitating access to a particular individual or group while unreasonably denying similar access requested by another party;
 - d) fettering discretion by giving undertakings in any form, to an interested party prior to considering all the information relevant to a decision;
 - e) Councillors are under a particular obligation to give real and open consideration to all mandated matters when dealing with statutory powers such as Section 4.15 of the [Environmental Planning and Assessment Act 1979](#);
 - f) acting in a manner that exceeds the role of those covered under this Policy as a result of being lobbied;
 - g) disclosing confidential information or information not in the public domain whilst being lobbied;
 - h) being influenced by factors that are irrelevant to the merits of the matter under consideration; and
 - i) those covered under this Policy who are lobbied over Council matters by close friends, associates or relatives should also consider whether the nature of their relationship with the proponent and the impact of the matter on the proponent's interests give rise to a pecuniary or nonpecuniary interest. In such cases the matter should be managed in accordance with the provisions of the [Local Government Act 1993](#), Council's Code of Conduct and Related Party Disclosures (Australian Accounting Standard Board 124).

Transparency

11. Those covered under this Policy should exercise judgement when deciding whether to be involved in private meetings with people seeking to influence a Council decision.

12. Suspicions of inappropriate lobbying can occur when lobbying is not open to public scrutiny. Regardless of whether such suspicions are justified, they still have the potential to undermine public confidence in Council decision-making and adversely affect a person's reputation.
13. Transparency is a useful means of governing accountability and perceptions of fairness in lobbying processes.
14. There are several ways those covered under this Policy can help ensure transparency whilst being lobbied. These include:
 - a) ensuring that lobbyists are registered on Council's Lobbyist Register and publishing the details on Council's website;
 - b) documenting meetings and significant telephone conversations with lobbyists, development proponents, supporters and objectors and providing a copy to the Chief Executive Officer prior to any subsequent Council Meeting where the matter may be reported;
 - c) generally, conducting meetings in official locations such as Council premises;
 - d) having other people present during meetings;
 - e) asking people who have requested a meeting to put their arguments in writing;
 - f) inviting applicants, supporters or objectors and lobbyists who have approached them for a meeting to discuss a significant development to write to Council seeking a meeting with all Councillors and relevant Council Officers;
 - g) not discussing or negotiating on an individual basis, any possible compensatory conditions, or other development related matters. All such issues must be referred to the Internal Ombudsman for proper consideration and assessment;
 - h) providing copies of information presented during lobbying meetings to Council Officers for consideration and assessment, distributing to other Councillors and filing as part of Council's records prior to any subsequent Council meeting where the matter may be reported;
 - i) providing copies to the Chief Executive Officer, of emails and correspondence to and from parties to a Development Application, or other significant matter, prior to any subsequent Council Meeting where the matter may be reported;
 - j) Council Officers documenting and notifying their Manager about lobbying to them that is not part of Council's formal processes; and
 - k) Councillors making a declaration at a Council Meeting about lobbying to them that is not part of Council's formal processes.

Transparency

15. The conditions which govern a tender process is based on a request for tender (RFT). Council RFTs contain a statement prohibiting tenderers from approaching those covered under this Policy, other than the nominated contact person, during a tender process.

Council's Lobbying Activities

16. Council will not engage professional lobbyists to advocate on its behalf in any circumstances.
17. Council Officials, such as the Mayor, Chief Executive Officer and other senior officers, will continue the practice of lobbying politicians, government officials and other relevant parties in relation to issues affecting Council, the Central Coast Community, and Local Government as a whole.

Review

Compliance, monitoring and review

18. All covered under this Policy are responsible for reporting any inappropriate lobbying or efforts to unduly influence the decision-making process to the Internal Ombudsman.
19. All lobbyists, as defined by this Policy, are responsible for registering with the Council and complying with the Registration Procedures and Protocols and Council's Code of Conduct – Contractors, their staff and business associates.
20. The Chief Executive Officer is responsible for taking action as per the Council's Code of Conduct where breaches of the Policy are reported.
21. The Chief Executive Officer is also responsible for reporting any suspected unlawful conduct to the ICAC.
22. This Policy will be reviewed every four years.

Records management

23. Those covered under this Policy must maintain all records relevant to administering of this Policy in Council's Content Manager system.

Definitions

24. In this policy:

Inappropriate conduct: Includes conduct that is:

- a) on the part of someone lobbying those covered under this Policy, this usually involves an attempt to obtain preferential consideration or treatment based on factors other than the merits of a matter.
- b) is also the engagement of professional Lobbyists on Council's behalf.

Lobbying: Includes:

- a) representations made to those covered under this Policy either by an individual or group with a direct interest in a matter; by an advocate acting on behalf of others.
- b) Council advocating on issues affecting Council, the Central Coast Community, and Local Government as a whole.

Lobbyist: Any person, body corporate, unincorporated association, partnership or firm whose business includes being contracted or engaged to represent the interests of a third party, but does

not include:

- a) applicants or owners for a Development Application;
- b) charitable, religious and non-profit organisations;
- c) individuals making representations to inform the Council of their views on matters of public interest;
- d) peak industry bodies and professional organisations who represent the interests of their members;
- e) professionals, such as accountants, architects, engineers, private certifiers, lawyers, surveyors and town planners, where contact with Council on behalf of a client may be an incidental but necessary part of their usual work in order to provide their technical or professional services to their client; and
- f) Council Officials, such as the Mayor, Chief Executive Officer and other senior officers, in the process of lobbying politicians, government officials and other relevant parties in relation to issues affecting Council, the Central Coast Community, and Local Government as a whole.

Lobbyist Register: A system of registering lobbyists as defined in this Policy for the purposes of transparency.

Related resources

25. Legislation:

- a. [Australian Accounting Standards Board 124](#)
- b. [Environmental Planning and Assessment Act 1979](#)
- c. [Independent Commission Against Corruption Act 1998](#)
- d. [Lobbying Local Government Councillors – A Guide for Councillors, Constituents and other interested parties, August 2006 \(ICAC\)](#)
- e. [Local Government Act 1993 \(NSW\)](#)
- f. [Public Interest Disclosures Act 1994](#)

26. Associated/Internal documents:

- a. [Access to Council Information](#)
- b. [Code of Conduct and Administration of the Code of Conduct](#)
- c. [Code of Meeting Practice](#)
- d. [Community Strategic Plan](#)
- e. [Councillor and Staff Interaction Policy](#)
- f. [Information Records Management Policy](#)
- g. [Internal Reporting Policy](#)

Appendix 1: Lobbyist Registration Form



Lobbyist Registration Form

This form must be completed in accordance with Council's Lobbying Policy

IMPORTANT INFORMATION

1. Addresses, telephone number and email addresses may be used by Council Officials to contact Lobbyists but will not be published on the register.
2. Lobbyists are reminded of their obligations under Section 10.4 of the [Environmental Planning and Assessment Act 1979](#) to disclose certain gifts and political donations.
3. For additional information and electronic copies of this form, please refer to Council's website at www.centralcoast.nsw.gov.au.

DETAILS OF APPLICANT

Full Name of Individual or Organisation:

Postal Address:

Contact:

Phone:

(Person/s who will be undertaking lobbying activities if different from above)

Mobile:

Email:

LOBBYING DETAILS

Outline the issue or matter on which you will be lobbying Council:

Details of the individual, organisation or business who has engaged you to lobby:

Full Name of Individual or Organisation:

Postal Address:

Contact:

Phone:

(Person/s who will be undertaking lobbying activities if different from above)

Mobile:

DECLARATION

I declare that the above details are true and correct.

Signature:

Date:

History of revisions

Amendment history	Details
Original approval authority details (this version)	XX/XX/20XX <insert Council Meeting date and minute number of resolution adopting the policy <remove if not needed> <hr/> CM document number <hr/> Created to supplement Code of Conduct, following Council Resolution 459/20 at 14 September 2020 Ordinary Council Meeting. <hr/>



Gifts and Benefits Policy

October 2020

Policy No: CCC095

Policy owner:	Governance and Business Services, Office of the CEO
Approved by:	Directorate
Date of approval:	Day/Month/2020
Policy category:	Strategic
Content Manager No:	D#####
Review date:	DD/MM/YY

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Purpose

1. This Policy provides guidance to all Council Officials in dealing with gifts and benefits offered in the course of their duties, and/or an individual's role and responsibility with Central Coast Council (Council).
2. The purpose is of this Policy is to:
 - a) provide clear guidelines for all Council Officials to enable them to deal appropriately with any offer of a gift or benefit;
 - b) protect Council Officials from being compromised and to avoid the public perception of bias;
 - c) demonstrate to suppliers, the public and other agencies that Council will deal with all matters in an impartial, open and accountable manner.

Scope

3. This Policy covers:
 - a) all Council Officials as defined in Council's [Code of Conduct](#);
 - b) any person or organisation contracted to or acting on behalf of Council;
 - c) any person or organisation employed to work on Council premises or facilities,
 - d) any company or other body of which the Council Official, or their nominee, relative, partner or employer, is a shareholder or a member.
 - e) someone personally associated as stated in clause 6.1 Council's [Code of Conduct](#) with a person covered under 3 a), b), c) and d).
4. For the avoidance of doubt, Council will treat gifts and benefits offered or received to a relative(s) of a person covered under this Policy as it being offered or received by the Council Official if there is a reasonable link to Council Business or Council Operations.
5. This Policy should be read in conjunction with Council's [Code of Conduct](#) and Council's *Gift and Benefit Policy Procedures*.

Background

6. This Policy has been produced to guide those covered under this Policy who may be offered gifts and benefits during the course of their official duties.
7. In carrying out their roles within Council, those covered under this Policy may from time to time be offered gifts to establish a business relationship, to display appreciation or demonstrate good faith in an emerging or ongoing business or other relationship.

8. The acceptance of gifts and/or other benefits has the potential to compromise those covered under this Policy position by creating a sense of obligation in the receiver and could compromise the recipient's ability to act objectively and impartially.
9. The public has a right to expect that those covered under this Policy will carry out their duties with honesty and integrity.

General

10. For the purposes of this Policy, a gift or a benefit is something offered to or received by a person covered under this Policy for their personal use and enjoyment.
11. All people covered under this Policy must avoid situations that would give rise to the appearance that a person or body is attempting to secure favourable treatment from you or from Council, through the provision of gifts, benefits or hospitality of any kind to you or someone personally associated with you.
12. In accordance with clause 6.2 of Council's [Code of Conduct](#), a gift or benefit under this Policy is not:
 - a) an item with a value of \$10 or less;
 - b) a political donation for the purposes of the [Electoral Funding Act 2018](#);
 - c) a gift provided to Council as part of a cultural exchange or sister-city relationship that is not converted for the personal use or enjoyment of any individual covered under this Policy;
 - d) a benefit or facility provided by Council to an employee or Councillor;
 - e) attendance by a person covered under this Policy to a work-related event or function for the purposes of performing their official duties; or
 - f) free or subsidised meals, beverages or refreshments provided to a person covered under this Policy in conjunction with the performance of their official duties such as, but not limited to:
 - i) the discussion of official business;
 - ii) work-related events such as council-sponsored or community events, training, education sessions or workshops;
 - iii) conferences;
 - iv) council functions or events; and
 - v) social functions organised by groups, such as council committees and community organisations.
13. It is the personal responsibility of all people covered under this Policy to have knowledge of, and to ensure compliance with this Policy and Council's [Code of Conduct](#).

14. All people covered under this Policy should never solicit personal gifts or accept any payment, gift or benefit, bribe or other improper inducement intended or likely to influence them to stray from their official duties.
15. All people covered under this Policy must not take advantage of their official position to improperly influence other Council Officials or members of the public in the performance of their public or professional duties for the purpose of securing a private benefit for themselves or for others.
16. Accepting money or offers of money, or cash-like gifts or benefits, regardless of the amount is strictly prohibited in all circumstances and must be declined and declared.
17. Cash-like gifts or benefits include, in accordance with clause 6.13 of Council's [Code of Conduct](#), but are not limited to:
 - a) gift vouchers;
 - b) credit cards;
 - c) debit cards with credit on them;
 - d) prepayments such as phone or internet credit;
 - e) lottery tickets;
 - f) memberships;
 - g) or entitlements to discounts that are not available:
 - i) to the general public; or
 - ii) a broad class of persons;
18. Accepting money or offers of money, or cash-like gifts or benefits in any form is a breach of Council's Code of Conduct, may be seen as an attempt at bribery and is a crime which may be reportable to the Independent Commission against Corruption (ICAC).
19. Any gift or benefit received because of a purchase incentive scheme will become the property of Council. For example if purchases from a specific supplier reach a certain value which results in a gift being rewarded, this gift will become the property of the Council.
20. Council's supplier discounts offered to those covered under this Policy for their personal purchase of goods and services is prohibited.
21. All people covered under this Policy who are making purchasing decisions or involved in evaluating contracts, expressions of interest, tenders or other proposals for or on behalf of Council, must not accept any form of gift, benefit or hospitality from the supplier/consultant/ contractor.

22. All people covered under this Policy must not participate in competitions for prizes where eligibility is based on Council being in or entering into a customer-supplier relationship with the competition organiser.
23. All people covered under this Policy must not personally benefit from reward points programs when purchasing for or on behalf of Council.
24. Council business cards or people covered under this Policy's details are not to be submitted for the purposes of participating in prize draws, such as at conferences or seminars or events or the like.

Acceptance of gifts or benefits

25. All people covered under this Policy must avoid situations that would give rise to the appearance that a person or body is attempting to secure favourable treatment through the provision of gifts, benefits or hospitality of any kind. In normal circumstances, gifts and benefits offered to a person covered under this Policy whilst undertaking Council duties should, if possible, be declined.
26. All people covered under this Policy must not accept any gift or benefit that may create a sense of obligation on their part or may be perceived to be intended or likely to influence them in carrying out their public duty.
27. It is acknowledged that there may be rare occasions when to refuse a gift or benefit is not practicable. In these circumstances a person covered under this Policy may accept gifts and benefits of a token value.
28. Where a person covered under this Policy receive a gift or benefit of more than token value that cannot reasonably be refused or returned, the gift or benefit must be surrendered to Council, as set out under clause 38, unless the nature of the gift or benefit makes this impractical.
29. In accordance with clause 6.8 of Council's [Code of Conduct](#), gifts and benefits of token value are one or more gifts or benefits received from a person or organisation over a 12-month period that, when aggregated, do not exceed a value of \$100. They include, but are not limited to:
 - a) invitations to and attendance at local social, cultural or sporting events with a ticket value that does not exceed \$100;
 - b) gifts of alcohol that do not exceed a value of \$100;
 - c) ties, scarves, coasters, tie pins, diaries, chocolates or flowers or the like;
 - d) prizes or awards that do not exceed \$100 in value.
30. In accordance with clause 6.11 of Council's [Code of Conduct](#), where a gift or benefit of token value has been accepted from a person or organisation, a further gift or benefit

from the same person or organisation or another person associated with that person or organisation, must not be accepted within a single 12 month period where the value of the gift, added to the value of earlier gifts received from the same person or organisation, or a person associated with that person or organisation, during the same 12 month period would exceed \$100 in value.

Gifts and benefits of more than token value

31. In accordance with clause 6.9 of Council's [Code of Conduct](#), gifts or benefits that exceed \$100 in value are gifts or benefits of more than token value and they must not be accepted.
32. In accordance with clause 6.10 of Council's [Code of Conduct](#), gifts and benefits of more than token value include, but are not limited to, tickets to major sporting events (such as international matches or matches in national sporting codes) with a ticket value that exceeds \$100, corporate hospitality at a corporate facility at major sporting events, free or discounted products or services for personal use provided on terms that are not available to the general public or a broad class of persons, the use of holiday homes, artworks, free or discounted travel.
33. In accordance with clause 6.12 of Council's [Code of Conduct](#), the value of a gift or benefit is the monetary value of the gift or benefit inclusive of GST.

Declarations and the Gifts and Benefits Register

34. When any gift or benefit of any value other than one referred to in clause 12 is offered (even if declined) or received, it must be declared in accordance with clause 35.
35. Declarations made under clause 34 must be completed in writing (via the [Gifts and Benefits Declaration Form](#) see the *Gifts and Benefits Procedures*) and must contain the following details as a minimum:
 - a) the name and details of the recipient;
 - b) the nature of the gift or benefit;
 - c) the estimated monetary value of the gift or benefit;
 - d) the name and agency or organisation of the person who provided the gift or benefit;
 - e) details of any previous gift offered by the individual, agency or organisation or related entity in the last 12 months;
 - f) the date on which the gift or benefit was received or declined;
 - g) details of when the gift or benefit was offered;
 - h) reason for the gift; and
 - i) action proposed to be taken with the Gift or benefit pending approval.

36. All gifts or benefits offered or received are subject to the approval process as set out in this Policy and Council's *Gift and Benefits Procedures*.
37. The Gifts and Benefits Coordinator is responsible for the Gifts and Benefits Register which will be located on Council's website and which will record, as a minimum, the information provided under clause 35.
38. A gift or benefit received of more than token value that cannot be reasonably refused or returned, must be surrendered/handed to Council's Gifts and Benefits Coordinator.

Review

Compliance, monitoring and review

39. Any breach of this Policy is a potential breach of Council's [Code of Conduct](#) and must be reported to the Chief Executive Officer for action in accordance with the [Code of Conduct](#).
40. Failure to report reasonable suspected corrupt conduct promptly could lead to a range of adverse outcomes. A wilful failure to report corruption could in itself constitute corrupt conduct and amount to a criminal offence.
41. This Policy will be reviewed as required or at least every four years.

Records management

42. Staff must maintain all records relevant to administering this Policy in a recognised Council recordkeeping system.

Definitions

43. In this policy:

Benefits: Non-tangible items of value and include, but are not limited to the following:

- a) invitation to sponsored events;
- b) hospitality, such as at a corporate facility or sporting venue (eg race meetings, football matches);
- c) free or discounted use of facilities such as a gymnasium or holiday home;
- d) free or discounted travel, frequent flyer points and free training sessions;
- e) accommodation and hire care discounts; and
- f) relationship with a contractor that provides a discount for private work.

Cash-like gift/benefit: A gift that may be used in a manner similar to cash, for example gift vouchers, gift cards, lottery tickets, scratchies, shares, credit cards, debit cards with credit on

them, membership and prepayments such as phone or internal credit. Such gifts cannot be accepted in any circumstances.

Council Official: the same meaning it has in Council's [Code of Conduct](#).

Gifts and Benefit Register: the register maintained by Council containing all declared gifts and benefits. The register is a requirement of the Code of Conduct and enables Council to identify trends in the types of gifts and benefits being received and their sources. A copy of the Gift and Benefits Register will be placed on Council's website.

Gifts, examples of: Example of gifts include, but are not limited to, the following:

- a) Clothing items;
- b) Products;
- c) Tickets;
- d) Chocolates;
- e) Cakes;
- f) Flowers;
- g) Wrapped gift presented as a result of attending a seminar / course / conference; and
- h) Free or subsidised meals.

Note: A political donation is not a gift under this policy.

Gifts and Benefits Coordinator: as set out in Council's Gift and Benefit Procedures

Related resources

44. Legislation:

- a) [Local Government Act 1993 \(NSW\)](#)
- b) [Local Government Amendment \(Governance and Planning\) Act 2016;](#)
- c) [Crimes Act 1900 \(NSW\)](#) (in particular ss.249B & 249H);
- d) [Independent Commission Against Corruption Act 1988; and](#)
- e) [Public Interest Disclosures Act 1994.](#)

45. Associated/Internal documents:

- a) Council's [Code of Conduct](#);
- b) Council's [Gifts and Benefits Procedures](#);
- c) Council's [Procurement Policy](#);
- d) Council's [Statement of Business Ethics](#);
- e) [Office of Local Government – Circular No 10-12, 4 June 2010;](#)
- f) [ICAC and Public Sector Organisations – Corruption Prevention Publications & Guidelines.](#)

History of revisions

Amendment history	Details
Original approval authority details	XX/XX/20XX <insert Council Meeting date and 'minute number' of resolution adopting the policy CM document number Creation of Policy



Item No: 5.1
Title: Progress Report on Actions Identified in the Business Recovery Plan
Department: Finance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14361721

Executive: Natalia Cowley, Chief Financial Officer

Summary

At the 6 November 2020 Audit Risk and Improvement Committee Meeting the Committee resolved as follows:-

134/2020(ARIC) *The Committee requested the Chief Financial Officer provide a progress report on the actions identified in the Business Recovery Plan to the next meeting*

This report provides an overview summary of Council's financial position, progress against the adopted Business Recovery Plan (formerly the 100 Day Recovery Action Plan), progress of the Forensic Audit, and details of progress against any strategies or performance improvement orders that are in place.

While this report is not confidential, it does relate to a confidential matter. Administrator, staff and Committee members are reminded of their obligation under the Code of Conduct to appropriately manage confidential information. It is noted that Administrator received legal advice regarding this issue.

Recommendation

- 1 *That the Committee note the Progress Report on Actions identified in the Business Recovery Plan.*
- 2 *That the Committee make a recommendation that this report and supporting papers be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement committee Charter.*

Background

At its Ordinary meeting held 26 October 2020, the Council resolved as follows:

- 1081/20 *Each (fortnightly) Council meeting during the next 12 months will receive a report that details;*
- i. *the financial position of council at that time*
 - ii. *progress against the Business Recovery Plan*

5.1 Progress Report on Actions Identified in the Business Recovery Plan (contd)

- iii. progress of the Forensic Audit, until completed*
- iv. an outline of any other relevant strategy in response to the Financial Crisis and progress against those strategies*
- v. progress against any Performance Improvement Order that is in place.*

Financial Position of Council

Council is continuing to closely monitor, track and reconcile its cash position on a daily basis. Progress has been made on identifying and mitigating the key causes for the situation that Council finds itself in. Senior management are focused on implementing the actions below.

Progress Against the Business Recovery Plan

Council staff have provided a program status report for the progress of stage two of the business recovery plan. (Attachment 1).

Some highlights from the status report are as follows:

- Council has accepted a \$50 million loan from a top tier financial institution at an interest rate below 2%.
- Negotiations are under way for a loan to secure \$50-\$100m of capital works.
- The first phase of identifying property assets has been completed and this will be recommended to Council for sale at the Ordinary Council Meeting on 30 November 2020.

Progress of the Forensic Audit

Post the meeting with KPMG representatives on Monday 2nd November, KPMG have been providing Council staff with a detailed list of information requests which will be used in finalising the first phase of their engagement. Council staff have been compiling and securely providing the information as required by KPMG.

Outline of any other relevant strategy in response to the Financial Crisis and progress against those strategies

In addition to the above, the following financial actions have been undertaken:

- A complete review of Council's operating budget and capital plans have been completed and proposed budget reductions have been incorporated within the quarter 1 2020 budget adjustments going to Council at the 30 November 2020 meeting.
- Financial assumptions have been tested, updated and communicated regarding the preparation of the monthly and quarterly Budget Packs to provide a more transparent and user-friendly financial reporting.

5.1 Progress Report on Actions Identified in the Business Recovery Plan (contd)

- An opportunities log detailing initial ideas to improve Council's financial position has been developed with approximately 200 items collected throughout the business. These ideas have been triaged and are being prioritised and investigated further to ensure that Council's strategic direction is not negatively impacted.
- Daily monitoring of cash, payments and restrictions and communications with suppliers.

Attachments

- 1** D14307729 Business Recovery Plan Status Update Stage 2 Copy D14310769

Stage 2: Business Recovery Plan - Update

The objective of Stage 2 is to achieve financial recovery by continuing to focus on the intake of cash and expenditure reduction, coupled with more sustainable cash preservation initiatives & strategies which support long term financial recovery & sustainability. These include but are not limited to:

- Assessing appropriate service levels and structure;
- Conducting a workforce review;
- Identifying operational cost saving opportunities and efficiencies;
- Restructuring the capital projects plan;
- Implementing an asset realisation programme; and
- Putting in controls and systems to ensure root causes are resolved

ITEM	Action to Date
<p>1.0 Governance</p>	<p>1.1 Project Management - Engaging Workstream leads to ensure consistency in Work Breakdown Structure to enable effective reporting and visibility across each plan.</p> <p>1.1.2 Project Governance – Refinement of Project Governance Framework and decision-making structure in progress</p> <p>1.6 Legal – Continuing to work with Clayton Utz as required for the provision of external Counsel</p> <p>1.7 Key Stakeholder Engagement –Unit Managers have been engaged to help the development of key stakeholders listing to inform the stakeholder management plan</p> <p>1.8 Record Keeping and Continuity – Council systems including the electronic document management system are being used to ensure the keeping of Council records</p> <p>1.10 Confidentiality and release of information – Key project staff and stakeholders have all completed their NDA’s. Using least privileged access as per Council’s IM+T Information Security Policy</p>
<p>2.0 Finance</p>	<p>2.1 Funding – Secured \$50 million loan and identified infrastructure to potentially use a security for further funding arrangements.</p> <p>2.2 Controls – Daily monitoring of cashflow and cash balances continues</p> <p>2.3 Working Capital Optimisation – continuing to work with suppliers to address outstanding invoices whilst maintaining working capital. We have seen an overall reduction in the purchasing across council through purchase orders and PCard activity</p>

ITEM	Action to Date
<p>3.0 Operational</p>	<p>3.2 Workforce Review – The following key reviews are in progress:</p> <ul style="list-style-type: none"> • Ongoing review of current staff benefits to model different scenarios for cost saving; • Review of flexible working options and other cost saving measures. <p>In addition, weekly meetings have been set with the Unions to support ongoing engagement and collaboration.</p> <p>Overtime reduction strategy continues to provide favourable results with significant reduction on the historical average trends.</p> <p>3.4 Business as Usual - A review of 20/21 financial year budgeted operational expenditure has been undertaken to realise savings. Additionally, an extensive log has been developed with input from Unit Managers across the organisation identifying approximately 200 opportunities to further reduce operational expenditure. The current priority focus is to validate the ideas presented, analyse the time required to realise any financial savings, and identify actions that will produce further financial savings in the immediate future.</p>
<p>4.0 Assets</p>	<p>4.3 Asset Policies, Efficiencies and Sales – Council staff have identified the first phase of underperforming properties assets that will be recommended to Council for sale at meeting 30 November 2020. Council are currently finalising the recommendation and undertaking extensive due diligence works involving finance and legal.</p> <p>Procurement are working in parallel to establish a period contract/panel for use in the disposal of property assets.</p> <p>4.3.8 Information Technology - Detailed list of IT technology assets and mobile services has been sent to Unit Managers to review utilisation and the potential for rationalisation of devices. Software licensing reviews are underway with a view to rationalise volumes leading into the next annual renewal cycle. Technology contracts nearing renewal are also undergoing strategic review to maximise efficiency and cost effectiveness.</p>



Item No: 5.2
Title: Draft Financial Statements for the period 1 July 2019 to 30 June 2020
Department: Finance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2020/00030 - D14307512
Author: Peter Correy, Unit Manager Financial Performance
Executive: Natalia Cowley, Chief Financial Officer

Summary

This report presents the draft 2019-20 Consolidated Financial Statements for Central Coast Council, which covers the period from 1 July 2019 to 30 June 2020, including analysis of the financial position and financial performance for the reporting period.

Recommendation

- 1 *That the Audit Risk and Improvement Committee recommends that Council adopt the 2019-20 Consolidated Financial Statements for Central Coast Council that includes General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules.*
- 2 *That the Audit Risk and Improvement Committee recommends that Council adopt the 2019-20 Central Coast Council Water Supply Authority General Purpose Financial Statements.*
- 3 *That the Committee make a recommendation that this report and the supporting papers to this report be made publicly available as the nature or content of the report do not fall within any listed exception, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter*

Background

The *Local Government Act 1993* ("LG Act") and the *Public Finance and Audit Act 1983* ("PF Act") require that Council prepare financial statements each year and refer them for audit. The requirement includes:

- Council form an opinion on the financial statements
- Council present its audited financial statements together with the external auditor's reports (scheduled to be presented to Council on 26 April 2021).

Adoption of financial statements

The financial statements for the 2019-20 reporting period are the formal record of the business performance of all Council activities and are prepared in accordance with accounting standards and legislative requirements for the period from 1 July 2019 to 30 June 2020.

Council is required to formally resolve to refer the draft financial statements to audit and then at a later date to formally present (to the Community) the final statements complete with the auditor's reports.

Council's external auditor, The Audit Office of New South Wales ("Audit Office") will sign-off and hand the formal audit opinion to Council. This is the standard practice and in accordance with these requirements.

Current Status

Audit Status

The draft 2019-20 consolidated financial statements do not yet include a formal audit report.

Once Council receives the formal audit opinion the financial statements will then be updated to include the audit opinions and notice of public meeting to be held on 26 April 2021, at which time Council can invite the external auditor, David Daniels of the Audit Office, or his delegate to formally present the report.

Council applied to the Office of Local Government (OLG) for an extension of time to prepare and lodge the 2019-20 Financial Reports and has been granted an extension to 30 April 2021.

Analysis – 2019-20 Financial Statements

This analysis aims to provide an overview of the financial performance and the financial position of Central Coast Council for the reporting period from 1 July 2019 to 30 June 2020.

Key statements and notes detailed in this analysis include:

- Income statement
- Statement of financial position
- Statement of performance measures (Note 28 to the financial statements)
- Report on infrastructure assets

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

5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020 (contd)

In this report the general purpose financial statements, special purpose financial statements and special schedules for the consolidated entity are referred to as "Consolidated Financial Statements".

Council is required to publish in the Consolidated Financial Statements the 2019-20 original budget, in line with the Local Government Code of Accounting Practice and Financial Reporting update number 28 issued in March 2020. To provide context for the actual results for the reporting period, the tables in this report also reference the original budget for 2019-20.

This report provides commentary on significant items in the financial statements for Central Coast Council including the financial impact of Covid 19.

Consolidated Financial Statements

The comparison of the financial performance for Central Coast Council in the 2019-20 Financial Statements (1 July 2019 to 30 June 2020) is to the 2018-19 financial year (1 July 2018 to 30 June 2019).

Operating Result

The operating deficit before capital grants and contributions for the 2019-20 financial year is \$88.7 million. The operating result including capital grants and contributions of \$66.9 million, is a deficit of \$21.8 million.

	2019-20 Actual \$'000	2018-19 Actual \$'000
Income from operations	525,606	569,728
Expenditure from operations	614,344	574,854
Operating result for continuing operations (excluding capital grants and contributions)	(88,738)	(5,126)
Income from capital grants and contributions	66,901	67,523
Net operating result (including capital grants and contributions)	(21,837)	62,397

**5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020
(contd)**

Below is a table comparing the 2019-20 actual results to the original budget adopted.

	2019-20 Actual \$'000	2019-20 Original Budget \$'000	Variance to Original Budget Favourable / (Unfavourable) \$'000
Income Statement			
Income from operations	525,606	537,791	(12,185)
Expenditure from operations	614,344	556,381	(57,963)
Net operating result (excluding capital grants and contributions)	(88,738)	(18,590)	(70,148)
Income from capital grants and contributions	66,901	52,419	14,482
Net operating result (including capital grants and contributions)	(21,837)	33,829	(55,666)

The variance between the actual net operating result (excluding capital grants and contributions) of \$88.7 million deficit and the original budgeted net operating result (excluding capital grants and contributions) of \$18.6 million deficit is a \$70.1 million unfavourable variance.

Income from Operations

The following table shows income by category and is followed by explanations relating to variations between actual income to the original budget.

	2019-20 Actual \$'000	2019-20 Original Budget \$'000	Variance to Original Budget Favourable / (Unfavourable) \$'000	Variance to Original Budget Favourable / (Unfavourable) %
Income from Operations				
Rates and Annual Charges	321,946	324,099	(2,153)	(0.7%)
User Charges and Fees	129,480	143,844	(14,364)	(10.0%)
Interest and Investment Revenue	12,727	14,416	(1,689)	(11.7%)
Other Revenues	9,293	8,507	786	9.2%
Grants and Contributions - Operating	44,436	39,344	5,092	12.9%
Grants and Contributions - Capital	66,901	52,419	14,482	27.6%
Rental Income	7,724	6,089	1,635	26.9%
Net Gain from the Disposal of Assets	-	1,492	(1,492)	(100%)
Total Income	592,507	590,210	2,297	0.39%

Rates and annual charges

The unfavourable variance of \$2.2 million is largely attributable to the finalisation of tourism special rate levies.

User charges and fees

The unfavourable variance of \$14.4 million is attributable to:

- Reduction in water and sewer usage charges that were impacted by IPART determination and lower demand (\$3.1 million)
- Covid 19 impact on leisure and childcare fees (\$4.3 million)
- Reduction in developer fees and tipping fees (\$5.9 million).

Interest and investment revenue

The unfavourable variance of \$1.7 million was due to a combination of reduced deposits and investments and a reduction to the official cash rate of 0.75% by the RBA.

Other revenue

The favourable variance in other revenue is attributable to the increased revenue contribution from the Art House of \$1.2 million offset in part by reduced Covid 19 waivers and refunds of \$0.6 million.

Grants and contributions - Operating

The favourable variance of \$5.1 million was attributable to additional funding (\$3.5 million) for bushfire and flood events that occurred during the year plus operating contributions of \$1.7 million for childcare services to offset the negative impact due to Covid 19.

Council only includes grants and contributions budgets in the original budget if funding agreements have been received at the time that the operational plan including Council's budgets are adopted. This is to ensure the appropriate grant income is recognised in each financial year. Grants confirmed after the original budget has been developed and adopted are included as adjustments in quarterly budget reviews.

Grants and contributions - Capital

The favourable variance of \$14.5 million for capital grants and contributions income is due to additional capital grants and contributions of \$8.8 million, contributed and donated assets of \$14.0 million partially offset by an unfavourable variance in developer contributions of \$8.3 million.

Budget estimates for developer contributions are based on developments in the pipeline – the timing of capital contributions will be dependent on the progress of each development which makes budgeting for capital contributions difficult. For developer contributions collected under the *Environmental Planning and Assessment Act 1979* Council collected \$8.3 million less than what was originally budgeted in 2019-20.

As for operating grants and contributions, budgets for capital grants and contributions are only included when Council has confirmed funding. During the year as part of the quarterly

**5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020
(contd)**

budget reviews additional grant funding was brought into the revised budget.

Rental Income

Rental income is a new line item in the Income Statement following the adoption of AASB 16 *Leases*. The \$1.6 million positive variance relates to Community Facilities income which was initially budgeted in user charges and later transferred to rental income in a quarterly budget review.

Net Gain from the Disposal of Assets

Council recognised \$1.9 million gain on land sales however losses from the disposal of infrastructure assets resulted in a net loss on asset disposals of \$4.9 million for the year.

Expenditure from Operations

The following table shows expenditure by category and is followed by explanations relating to variations between actual expenses compared to the 2018-19 original budget.

	2019-20 Actual \$'000	2019-20 Original Budget \$'000	Variance to Original Budget Favourable / (Unfavourable) \$'000	Variance to Original Budget Favourable / (Unfavourable) %
Expenditure from Operations				
Employee benefits and on-costs	220,882	202,249	(18,633)	(9.2%)
Borrowing costs	16,151	16,836	685	4.1%
Materials and contracts	119,094	100,677	(18,417)	(18.3%)
Depreciation and amortisation	157,109	138,953	(18,156)	(13.1%)
Other expenses	96,177	97,666	1,489	1.5%
Net losses from the disposal of assets	4,931	-	(4,931)	N/A
Total Expenditure	614,344	556,381	(57,963)	(10.4%)

Employee costs

Employee costs remain Council's largest expenditure type representing over one third of operational costs. The unfavourable variance of \$18.6 million in employee costs is largely attributable to budgeted salary savings of \$16.1 million not eventuating, together with increased overtime \$2.4 million, redundancies \$0.5 million and back pay \$0.5 million in accordance with Council's Unified Salary Scale

Borrowing costs

Borrowing costs were favourable to budget due to the reduction to the official cash rate.

Materials and contracts

The unfavourable variance of \$18.2 million is largely attributable to budgeted savings of \$33.4 million not being achieved despite savings in Contracts \$8.7 million, Materials \$5.7 million and Consultants \$3.1 million. Increases in Contractors – labour hire \$5.6 million and

5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020 (contd)

external plant hire \$4.6 million offset the benefit of the savings.

Depreciation

Depreciation is a “non-cash” expense reflecting the economic use of fixed assets.

The \$18.2 million unfavourable variance in depreciation expense is due to the large number of completed projects that were capitalised throughout 2019-20 financial year.

Other expenses

The favourable variance of \$1.5 million in other expenses is attributable to actual savings in excess of \$6.7 million budget savings. These included savings in software licence and expenses \$3.3 million, electricity \$3.2 million, insurance costs of \$0.9 million based on savings for premiums and fewer insurance claims, and lower EPA waste levy payments of \$1.2 million due to a reduction in tipping volumes. These were offset by a \$3.2 million increase in Council’s future tip rehabilitation expenses.

Net losses on disposal of assets

The net losses from the disposal of assets relates to the sale of plant and equipment items, and disposal of assets in water, sewer, stormwater drainage and building asset categories that were not included in the original budget.

Statement of Financial Position

The Statement of Financial Position, also commonly known as the Balance Sheet, lists the value of what Council owns (“assets”) and what Council owes (“liabilities”).

Within these headings, “current” means that an amount is due to be paid or likely to be paid within the next 12 months. “Non-current” indicates an asset or liability that is longer term in nature.

For the movement between financial years, a positive movement means that the values have increased from 30 June 2019 to 30 June 2020. A negative movement means that the values have decreased from 30 June 2019 to 30 June 2020.

Statement of Financial Position	30 June 2020	30 June 2019	Movement
	\$'000	\$'000	\$'000
Assets			
Current Assets	347,765	460,477	(112,712)
Non-Current Assets	7,317,837	7,186,293	131,544
Total Assets	7,665,602	7,646,770	18,832
Liabilities			
Current Liabilities	219,791	207,221	12,570

**5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020
(contd)**

Statement of Financial Position	30 June 2020 \$'000	30 June 2019 \$'000	Movement \$'000
Non-Current Liabilities	280,327	258,621	21,706
Total Liabilities	500,118	465,842	34,276
Net Assets			
Accumulated Surplus	6,952,892	6,989,141	(36,249)
Revaluation Reserve	212,592	191,787	20,805
Net Equity	7,165,484	7,180,928	(15,444)

Current assets

Current assets reduced by \$112.7 million due to an overall reduction in cash reserves due to operational and capital expenditure overspend together with reduced income receipts due to Covid 19. A large proportion of this cash reduction has been driven by unlawful or unauthorised reduction in restricted cash.

Non-current assets

Non-current assets increased by \$131.5 million due to the increase in Infrastructure, Property, Plant and Equipment and Intangible assets of \$119.0 million and a \$10.5 million increase in long term investments.

Water supply network and sewerage network assets have been indexed by 0.95% in accordance with Rates Reference Manual issued by NSW Department of Planning, Industry and Environment resulting in a decrease in the asset value by \$20.1 million.

Council's overall investment portfolio as at 30 June 2020 totalled \$362.7 million compared to \$434.5 million at 30 June 2019 a decrease of \$71.8 million.

Current Liabilities

Current liabilities increased by \$12.6 million due primarily to the change in accounting for the adoption of AASB 15 *Revenue from Contracts with Customers*, wherein grant and contribution receipts of \$13.0 million are no longer recognised as income on receipt but recognised as income when the expenditure attributable to those receipts has occurred. An increase in current payables of \$3.8 million was offset by repayment of borrowings of \$3.0 million in line with loan repayment schedules and a reduction in current provisions of \$1.6 million.

Non-Current Liabilities

Non-current liabilities increased by \$21.7 million largely due to the increase in the tip rehabilitation provision of \$12.4 million and the repayment of borrowings of \$6.4 million. The adoption of AASB 16 *Leases* which requires all future lease payments to be capitalised gave a rise to a \$1.6 million in increase in non-current liabilities.

Consolidated external debt stood at \$236.6 million at 30 June 2020 and \$233.2 million at 30 June 2019.

Statement of Performance Measurement (Note 28(a))

Note 23 (a) Statement of Performance Measures – includes various indicators mandated by the Office of Local Government (OLG). The following indicators provide a ‘snap shot’ of financial performance and comparability between Councils.

Local Government Industry Indicators	2019-20	OLG Benchmark	2019-20 Result
Operating Performance Ratio	(16.49%)	> 0.00%	x
Own Source Operating Revenue Ratio	81.13%	> 60.00%	✓
Unrestricted Current Ratio	0.72x	> 1.50	x
Debt Service Cover Ratio	1.38x	> 2.00x	x
Rates, Annual Charges, Interest Outstanding Percentage	9.01%	< 5.00%	x
Cash Expense Cover Ratio	7.44	> 3 months	✓

The “benchmark” figures for the indicators reported represent the OLG’s benchmarks. In evaluating performance against these benchmarks’ consideration should be given to Council’s situation as a multi-purpose authority with continuing and significant green field development.

Operating Performance Ratio - measures how well Council contained operating expenditure within operating revenue. Council has breached this benchmark because it has posted a negative ratio of 16.49% due to the fact that Council’s operating result excluding capital grants is a deficit.

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

Unrestricted Current Ratio – measures the adequacy of working capital and Council’s ability to satisfy obligations in the short term for the unrestricted activities of Council. Council has breached this benchmark because the current assets less external restrictions are less than current liabilities (at 0.72x) but they are meant to be at least 1.5 times greater than the liabilities.

Debt Service Cover Ratio - measures the availability of operating cash to service debt including interest, principal and lease payments. Council has breached this ratio because the operating result before capital excluding interest and depreciation is only 1.38 times the principal repayments plus borrowing costs – when the benchmark is over 2 times.

Rate and annual charges outstanding ratio - assesses the impact of uncollected rates and annual charges on Council’s liquidity and the adequacy of debt recovery efforts. Council has breached this ratio because its rates, annual charges and interest outstanding are meant to be equal or below 5% of total rates, annual charges and interest collectible but the actual

**5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020
(contd)**

ratio is 9.01%. The primary driver for this breach has been the impact of Covid 19 on Council's residents.

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

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

Report on Infrastructure Assets as at 30 June 2020

The report on infrastructure assets provides information on Council's assets in addition to that contained in Note 10 Infrastructure, Property, Plant and Equipment. The nature of the information in the report on infrastructure assets is related to the condition, maintenance and renewal of infrastructure assets. It should be noted that this is not an audited schedule and is only included here for completeness.

Report on Infrastructure Assets	Estimated Cost to bring to satisfactory 2019-20 \$'000	Required Annual Maintenance Expense \$'000	Actual Annual Maintenance Expense \$'000	Annual Maintenance over / (under) \$'000
Buildings	1,180	16,914	9,764	(7,150)
Other Structures	244	662	238	(424)
Roads	62,935	17,362	23,209	5,847
Water Supply Network	48,293	26,422	22,012	(4,410)
Sewerage Network	73,226	14,215	24,960	10,745
Stormwater Drainage	16,917	8,521	7,328	(1,193)
Open Space / Recreational	967	2,109	8,484	6,375
Other Assets	1,666	728	61	(667)
Total	205,428	86,933	96,056	9,123

Estimated cost to bring assets to a satisfactory standard

The estimated cost to bring assets to a satisfactory standard is the money required to be spent on an asset to ensure that it is in a satisfactory standard. Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate". Satisfactory standard does not reflect any changes in functionality the Community may now require since the asset was purchased or constructed.

5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020 (contd)

This estimated cost is a measure of the funding gap, also known as the infrastructure backlog.

Funds received from the Special Rate Variation in the former Wyong local government area is allocated to asset backlog projects identified during the Special Rate Variation application to IPART. Council remains committed to maintaining financial sustainability and decreasing the infrastructure backlog.

Estimated cost to bring to the agreed service level set by Council

The estimated cost to bring to the agreed level of service set by Council is equal to the estimated cost to bring assets to a satisfactory standard.

Required annual maintenance expense

The required annual maintenance expense is "what should be spent to maintain assets in a satisfactory standard". The expenditure is to ensure that the asset reaches its estimated useful life. This expenditure is considered an operating expense.

Actual maintenance

Actual maintenance is the amount spent in the current year to maintain the assets. This may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.

Asset condition

Asset condition assessment is the process of continuous or periodic inspection, assessment, measurement and interpretation of the data to indicate the condition of a specific asset to determine the need for some preventative or remedial action.

Infrastructure asset performance indicators

The Office of Local Government prescribed indicators in relation to infrastructure asset management, are presented in the table below.

Infrastructure Asset Performance Indicators	2019-20	OLG Benchmark	2019-20 Result
Building, infrastructure and Other Structures Renewals Ratio (excluding WIP)	156.69%	> 100.00%	✓
Infrastructure Backlog Ratio	3.43%	< 2.00%	x
Asset Maintenance Ratio	110.49%	> 100.00%	✓
Cost to bring assets to agreed service level	2.19%	no benchmark set	

Building and infrastructure renewal ratio - assesses the rate at which these assets are being renewed against the rate at which they are depreciating. Council's performance is satisfactory as it is above the benchmark.

**5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020
(contd)**

Infrastructure Backlog Ratio - shows what proportion the backlog is against the total value of a Council's infrastructure. Council has breached this ratio because the estimated cost to bring assets to a satisfactory standard as a proportion of net carrying amount of infrastructure assets at 3.43% is above the maximum of 2%.

Asset maintenance ratio - compares actual annual maintenance against required annual asset maintenance. A ratio of above 100.00% indicates that the Council is investing enough funds within the year to stop the infrastructure backlog from growing. Council's performance is satisfactory as it is above the benchmark.

Cost to bring assets to agreed service level - provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Water Supply Authority (WSA) Financial Statements

Operating Result

	2019-20 Actual \$'000	2018-19 Actual \$'000
Income from operations	161,019	201,473
Expenditure from operations	209,308	196,032
Net operating result (excluding capital grants and contributions)	(48,289)	5,441
Income from capital grants and contributions	16,765	25,877
Net operating result (including capital grants and contributions)	(31,524)	31,318

Below is a table comparing the 2019-20 actual results to the original budget adopted.

	2019-20 Actual \$'000	2019-20 Original Budget \$'000	Variance to Original Budget Favourable / (Unfavourable) \$'000
Income Statement			
Income from operations	161,019	166,431	(5,412)
Expenditure from operations	209,308	186,157	(23,151)
Net operating result (excluding capital grants and contributions)	(48,289)	(19,726)	(28,563)
Income from capital grants and contributions	16,765	24,422	(7,657)
Net operating result (including capital grants and contributions)	(31,524)	4,696	(36,220)

5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020 (contd)

The \$40m reduction in income against 18/19's actuals was due to IPART's determination. Expenditure did not drop proportionally to negate this income drop.

Income from Operations

The following table shows income by category and is followed by explanations relating to variations between actual income compared to the 2019-20 original budget.

	2019-20 Actual \$'000	2019-20 Original Budget \$'000	Variance to Original Budget Favourable / (Unfavourable) \$'000	Variance to Original Budget Favourable / (Unfavourable) %
Annual Charges	78,370	79,814	(1,444)	(1.8%)
User Charges and Fees	77,507	80,279	(2,772)	(3.5%)
Interest and Investment Revenue	4,370	5,430	(1,060)	(19.5%)
Other Revenues	179	111	68	61.3%
Grants and Contributions - Operating	593	797	(204)	(25.6%)
Grants and Contributions - Capital	16,765	24,422	(7,657)	(31.4%)
Total Income	177,784	190,853	(13,069)	(6.85%)

Annual charges and user charges and fees

The combined unfavourable variance of \$4.2 million is due to the IPART determination impacting sewerage services and water supply services.

Interest and investment revenue

The unfavourable variance of \$1.1 million was due to a combination of reduced deposits and investments and a reduction to the official cash rate of 0.75% by the RBA.

Other revenue

Other revenue was in line with budget.

Grants and contributions - Operating

The minor unfavourable variance of \$0.2 million in operating grants and contributions is attributable to loan interest subsidies not received into the sewer fund during 2019-20.

Grants and contributions - Capital

The unfavourable variance of \$7.7 million for capital grants and contributions income is due to a \$5.6 million shortfall in capital grants.

Developer contributions collected under the *Local Government Act 1993* for water and sewer

**5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020
(contd)**

infrastructure were \$2.1 million under the 2019-20 original budget of which \$0.5 million was attributable to contributed and donated asset contributions

Expenditure from Operations

The following table shows expenditure by category and is followed by explanations relating to variations between actual expenses compared to the 2019-20 original budget.

	2019-20 Actual \$'000	2019-20 Original Budget \$'000	Variance to Original Budget Favourable / (Unfavourable) \$'000	Variance to Original Budget Favourable / (Unfavourable) %
Expenditure from Operations				
Employee benefits and on-costs	37,267	31,762	(5,505)	(17.3%)
Borrowing costs	15,302	17,624	2,322	13.18%
Materials and contracts	22,244	18,249	(3,995)	(21.9%)
Depreciation and amortisation	78,675	74,665	(4,010)	(5.4%)
Other expenses	53,261	43,857	(9,404)	(21.4%)
Net losses from the disposal of assets	2,559	-	(2,559)	N/A
Total Expenditure	209,308	186,157	(23,151)	(12.44%)

Employee costs

The unfavourable variance of \$5.5 million in employee costs is attributable to the under recovery of standard labour charges \$3.3 million, increased long service leave charges \$0.7 million, increased overtime \$0.5 million and payroll tax \$0.5 million.

Borrowing costs

The favourable variance of \$2.3 million due to the reduction in interest payable to the General Fund.

Materials and contracts

The unfavourable variance of \$4.0 million is largely attributable to budgeted savings of \$10.4 million not being achieved despite savings in Contracts \$4.4 million, Consultants \$2.6 million and chemical purchases \$0.9 million. These savings were offset by an increase in Contractors – labour hire of \$1.5 million.

Depreciation

Depreciation is a “non-cash” expense reflecting the economic use of fixed assets.

The \$4.0 million variance in depreciation expense is due to the large number of completed projects that were capitalised throughout the 2019-20 financial year.

Other expenses

5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020 (contd)

The unfavourable variance of \$9.4 million in other expenses is largely attributable to the increased allocation of corporate overheads \$8.1 million, plant and fleet hire \$2.7 million and tipping fees \$1.9 million offset in part by a favourable variance in electricity and gas of \$1.9 million and standard cost recoveries of \$1.1 million.

Net losses on disposal of assets

The net losses from the disposal of assets relates to the write down of water and sewer infrastructure assets not included in the original budget.

Statement of Financial Position

For the movement between financial years a positive movement means that the values have increased from 30 June 2019 to 30 June 2020. A negative movement means that the values have decreased from 30 June 2019 to 30 June 2020.

Statement of Financial Position	30 June 2020 \$'000	30 June 2019 \$'000	Movement \$'000
Assets			
Current Assets	205,116	219,728	(14,612)
Non-Current Assets	3,703,976	3,696,912	7,064
Total Assets	3,909,092	3,916,640	(7,548)
Liabilities			
Current Liabilities	94,532	91,865	2,667
Non-Current Liabilities	203,449	201,335	2,114
Total Liabilities	297,981	293,200	4,781
Net Assets			
Retained Earnings	3,462,846	3,496,873	(34,027)
Revaluation Reserve	148,265	126,567	21,698
Net Equity	3,611,111	3,623,440	(12,329)

Current assets

Current assets reduced by \$14.6 million due to an overall reduction in cash reserves due to operational and Capex overspend together with reduced income receipts due to Covid 19.

Non-current assets

Non-current assets increased by \$7.1 million due to the increase in Infrastructure, Property, Plant and Equipment of \$5.8 million and a \$1.3 million increase in long term investments.

Water supply network and sewerage network assets have been indexed by 0.95% in accordance with Rates Reference Manual issued by NSW Department of Planning, Industry and Environment resulting in a decrease in the asset value by \$20.1 million.

5.2 Draft Financial Statements for the period 1 July 2019 to 30 June 2020 (contd)

WSA's overall investment portfolio as at 30 June 2020 totalled \$177.2 million compared to \$195.8 million at 30 June 2019 a decrease of \$18.6 million.

Current Liabilities

Current liabilities increased by \$2.3 million due to primarily to an increase in current payables of \$2.6 million and \$3.7 million attributable to the change in accounting for the adoption of AASB 15 *Revenue from Contracts with Customers*, wherein grant and contribution receipts are no longer recognised as income on receipt but recognised as income when the expenditure attributable to those receipts has occurred. This was offset by repayment of borrowings of \$4.6 million in line with loan repayment schedules.

Non-Current Liabilities

Non-current liabilities increased by \$2.1 million due to the movement to current liabilities.

Total borrowings for the WSA stood at \$236.7 million at 30 June 2020 compared to \$239.2 million at 30 June 2019 a reduction of \$2.5 million.

Formal extension for the completion of the financial statements has been granted until 30 April 2021 as per Attachment 3.

Attachments

- | | | |
|----------|--------------------------------------------------------------------------------------------|-----------|
| 1 | Central Coast Council Draft 2019-20 Consolidated Financial Statements | D14314678 |
| 2 | Central Coast Council Water Supply Authority Draft 2019-20 Financial Statements | D14314676 |
| 3 | Approved Extension 2019-2020 Financial Statements - Letter from Office of Local Government | D14363386 |

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Central Coast Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

A vibrant and sustainable Central Coast



Central Coast Council

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 media 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 Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the 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

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

[Mayor]
Mayor
dd MMMM yyyy

[Councillor]
Deputy Mayor
dd MMMM yyyy

[GeneralManager]
Chief Executive Officer
dd MMMM yyyy

[ResponsibleAccountingOfficer]
Responsible Accounting Officer
dd MMMM yyyy

Central Coast Council

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
33,833	Net operating result attributable to council		(21,837)	62,397
(18,586)	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.

Financial Statements 2020

Central Coast Council

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 IPP&E	10	<u>20,805</u>	<u>41,849</u>
Total items which will not be reclassified subsequent to operating result		<u>20,805</u>	<u>41,849</u>
Total other comprehensive income for the year		<u>20,805</u>	<u>41,849</u>
Total comprehensive income for the year		<u>(1,032)</u>	<u>104,246</u>
Total comprehensive income attributable to Council		(1,032)	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.

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Financial Statements 2020

Central Coast Council

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	7,177,816	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		7,317,837	7,186,293
Total assets		7,665,602	7,646,770
LIABILITIES			
Current liabilities			
Payables	14	80,710	76,906
Income received in advance	14	16,238	16,144
Contract liabilities	12b	12,996	-
Lease liabilities	13b	287	-
Borrowings	14	44,790	47,753
Provisions	15	64,770	66,418
Total current liabilities		219,791	207,221
Non-current liabilities			
Income received in advance	14	7,381	7,465
Lease liabilities	13b	1,552	-
Borrowings	14	191,798	185,404
Provisions	15	79,596	65,752
Total non-current liabilities		280,327	258,621
Total liabilities		500,118	465,842
Net assets		7,165,484	7,180,928
EQUITY			
Accumulated surplus	16	6,952,892	6,989,141
Revaluation reserves	16	212,592	191,787
Council equity interest		7,165,484	7,180,928
Total equity		7,165,484	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.

Central Coast Council

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	–	–	–	–	–	–
Net operating result for the year		(21,837)	–	(21,837)	62,397	–	62,397
Restated net operating result for the period		(21,837)	–	(21,837)	62,397	–	62,397
Other comprehensive income							
– Gain / (loss) on revaluation of IPP&E	10	–	20,805	20,805	–	41,849	41,849
Total comprehensive income		(21,837)	20,805	(1,032)	62,397	41,849	104,246
Equity – balance at end of the reporting period		6,952,892	212,592	7,165,484	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.

Central Coast Council

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		319,782	361,262
145,913	User charges and fees		120,959	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		(142,809)	(114,972)
(15,514)	Borrowing costs		(14,958)	(15,200)
–	Bonds, deposits and retention amounts refunded		(23)	(5,246)
(105,322)	Other		(104,792)	(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		673,500	281,453
–	Sale of infrastructure, property, plant and equipment		7,037	2,092
Payments:				
(13,967)	Purchase of investment securities		(506,980)	(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.

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

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Central Coast Council

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 xx 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.

(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.

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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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.

No material changes have been noted in asset values.

Going Concern

On 6 October 2020 Council issued a media release advising that its previously reported budgeted loss for the year ended 30 June 2020, before capital grants and contributions, had increased from \$41 million to \$89 million and that Council faces an immediate and serious liquidity issue. The media release also stated that some expenditure over the past 12-18 months may have resulted in restricted funds being used contrary to the provisions of the Local Government 1993.

Council immediately set about formulating and implementing a Recovery Action Plan based on a two stage approach.

Stage 1 – First Response: to swiftly identify and implement strategies which would have an immediate effect on reducing the rate of expenditure currently being incurred, thereby seeking to preserve cash. This is to be achieved through the following actions:

- Immediately ceasing all non-essential expenditure
- Focusing on rapid intake of cash from rates via strategies encouraging early payment and collection of delinquent rate payments
- Extending supplier and contract payments out to 60 days
- Seeking immediate liquidity funding to bridge the Council's requirements until more sustainable funding is available and medium-term plans take effect
- Monitoring the use of that funding via the cash flow model

Stage 2: Ongoing focus on the intake of cash and expenditure reduction, coupled with more sustainable cash preservation and funding. This is to be achieved through the following actions:

- Raising debt from T-Corp and/or the commercial bank market (supported by a fully costed restructuring plan)
- Assessing appropriate service levels and structure
- Conducting a workforce review
- Identifying operational cost saving opportunities and efficiencies
- Restructuring the capital projects plan
- Implementing an asset realisation programme
- Implementing controls and systems to ensure root causes are resolved
- Ongoing cash focus for Council

Despite Council's public statement on 6 October 2020, Council does not intend to liquidate or cease trading and will rely on the planned actions in the Recovery Action Plan to satisfy the 'going concern' principle.

The impact and success of Council's plan is summarised in Note 25 - Events Occurring after the Reporting Date

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*

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(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.

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.

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

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

New accounting standards adopted during the year

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

- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 16 Leases
- AASB 1058 Income of Not-for-profit entities

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Central Coast Council

Financial Statements 2020

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

Note 1. Basis of preparation (continued)

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.

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Central Coast Council

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	7,051,481	7,477,471
Liveable	28,049	34,672	91,271	81,978	(63,222)	(47,306)	8,371	12,204	512,903	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	7,665,602	7,646,770

Central Coast Council

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

Central Coast Council

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>		
<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 2016 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.

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Central Coast Council

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
(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

continued on next page ...

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

TOTAL USER CHARGES AND FEES	129,480	133,925
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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.

\$ '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.

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

\$ '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

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Central Coast Council

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

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Central Coast Council

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.

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Central Coast Council

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)	<u>3,770</u>	<u>2,345</u>

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)	<u>7,990</u>	<u>8,869</u>

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)	<u>194,596</u>	<u>190,503</u>

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

Central Coast Council

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
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(g) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

Revenue recognised on receipt (AASB 1058)

Rates and annual charges	–	321,946
Financial assistance grants	–	26,588
User charges and fees	–	129,480
Grant revenue and non-developer contributions	–	78,471
Developer contributions	–	20,567
Fines	–	2,876
Rental income	–	7,724
	<u>–</u>	<u>587,652</u>

Revenue from Contracts with Customers (AASB 15)

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>42,756</u>	<u>–</u>

Note 4. Interest and investment income

\$ '000	2020	2019
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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	–
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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>
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Accounting policy for interest and investment revenue

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

Central Coast Council

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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

\$ '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	<u>119,094</u>	<u>118,648</u>
TOTAL MATERIALS AND CONTRACTS	<u>119,094</u>	<u>118,648</u>

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
	<u>–</u>	<u>1,774</u>

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	<u>281</u>	<u>373</u>

Total Auditor-General remuneration

	<u>281</u>	<u>373</u>
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Non NSW Auditor-General audit firms**(ii) Non-assurance services**

Other services	90	56
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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Remuneration for non-assurance services	90	56
Total remuneration of non NSW Auditor-General audit firms	90	56
Total Auditor remuneration	371	429

\$ '000	Notes	2020	2019
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(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
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		157,109	145,649

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 and Note 11 for intangible 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

continued on next page ...

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

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. Asset Revaluation Reserve balances from former Councils do not carry forward to merged Councils.

\$ '000	2020	2019
(e) Other expenses		
Advertising	1,125	1,521
Training costs (other than salaries and wages)	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	69	86
Councillor expenses – councillors' fees	476	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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
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.

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Central Coast Council

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		673,500	281,453
Less: carrying amount of investments sold/redeemed/matured		(673,500)	(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 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)

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Central Coast Council

Financial Statements 2020

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.

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Central Coast Council

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	<u>92,296</u>	<u>44,059</u>

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	<u>166,210</u>	<u>104,202</u>	<u>340,739</u>	<u>93,717</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>258,506</u>	<u>104,202</u>	<u>384,798</u>	<u>93,717</u>
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	<u>9,018</u>	<u>29,202</u>	<u>–</u>	<u>–</u>
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	<u>157,192</u>	<u>75,000</u>	<u>340,739</u>	<u>93,717</u>

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 at amortised cost.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

- 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.

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

\$ '000	2020		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	234,005	104,202	219,165	93,717
Internal restrictions	111,698	–	114,697	–
Unrestricted	(87,197)	–	50,936	–
	258,506	104,202	384,798	93,717

\$ '000	2020	2019
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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	–
Specific purpose unexpended grants – waste	–	1,105
Water supplies	–	48
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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
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	338,207	312,882
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	449,905	427,579

Central Coast Council

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
Externally restricted receivables				
Domestic waste management	4,363	–	3,838	–
Total external restrictions	4,363	–	3,838	–
Unrestricted receivables	76,791	3,768	64,969	3,409
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 (calculated in accordance with AASB 139)	2,394	1,316
+ 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

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Central Coast Council

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.

Central Coast Council

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	–
TOTAL INVENTORIES	1,646	–	1,391	–
(b) Other assets				
Prepayments	6,459	–	5,481	–
Investment in the Art House	–	254	–	336
TOTAL OTHER ASSETS	6,459	254	5,481	336
Total unrestricted assets				
TOTAL INVENTORIES AND OTHER ASSETS	8,105	254	6,872	336

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.

Central Coast Council

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	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	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
– Community land	257,910	–	257,910	–	(5)	–	290	(561)	–	–	257,634	–	257,634
– Crown land	125,885	–	125,885	111	–	–	18	(18)	–	–	125,996	–	125,996
– 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 12):													
– 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)	21,698	10,660,218	(3,482,402)	7,177,816

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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
– Community land	346,338	–	346,338	–	76	–	–	561	(89,065)	–	257,910	–	257,910
– Crown land	–	–	–	–	–	–	–	–	125,885	–	125,885	–	125,885
– 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 12):													
– 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).

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council 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 10	Playground equipment	5 to 40
Office furniture	5 to 35	Benches, seats etc.	10 to 50
Computer equipment	3 to 26		
Vehicles	2 to 10	Buildings	
Heavy equipment	5 to 50	Non-specialised	25 to 63
Other plant and equipment	2 to 40	Specialised	8 to 150
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	15 to 30	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	10 to 100
Sealed roads: structure	50	Swimming pools	10 to 100
Unsealed roads	20	Other open space/recreational assets	4 to 100
Bridge: concrete	100	Other infrastructure	10 to 100
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	13 to 40		

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

Land under roads

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

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

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Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Crown reserves

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

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.

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

\$ '000	2020	2019
Opening values at 1 July		
Gross book value	23,714	20,481
Accumulated amortisation	(11,987)	(10,083)
Net book value – opening balance	11,727	10,398
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	46,174	23,714
Accumulated amortisation	(16,181)	(11,987)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	29,993	11,727

The net book value of intangible assets represents:

- Software	\$28,290 (2019 : \$10,024)
- Drainage easements	\$1,703 (2019 : \$1,703)

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. 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 assets and liabilities

(a) Contract assets

Contract assets exist when Council has performed work and believes the costs expended are recoverable, however an invoice has not yet been raised.

Council has determined that no arrangements giving rise to a Contract asset are in place.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	8,530	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	3,770	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	165	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	511	–
Total grants received in advance		12,976	–
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		12,996	–

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
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(ii) 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

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.

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

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.

(c) Contract cost assets

Contract costs exist where either incremental costs to obtain a contract or costs to fulfill a contract have been capitalised as an asset to record them through the income statement on a basis consistent with the related revenue in accordance with paragraphs 91-104 of AASB 15.

Council has determined that there are no contracts in place that give rise to Contract costs being reported.

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Central Coast Council

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)
RIGHT OF USE ASSETS	21	1,783	1,804

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

(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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '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 Peppercom 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.

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

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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 IPP&E in the Statement of Financial Position.

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

(iii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
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.

Central Coast Council

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				
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	80,710	–	76,906	–
Income received in advance				
Payments received in advance	16,238	1,067	16,144	7,465
Other	–	6,314	–	–
Total income received in advance	16,238	7,381	16,144	7,465
Borrowings				
Loans – secured ¹	44,790	191,798	47,753	185,404
Total borrowings	44,790	191,798	47,753	185,404
TOTAL PAYABLES AND BORROWINGS	141,738	199,179	140,803	192,869

(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 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Domestic waste management	8,589	–	7,085	–
Developer contributions in advance General	–	4,416	1,802	4,401
Developer contributions in advance Water	–	–	59	–
Developer contributions in advance Sewer	–	505	–	499
Developer contributions in advance Drainage	–	1,393	–	1,377
Payables and borrowings relating to externally restricted assets	8,589	6,314	8,946	6,277
Total payables and borrowings relating to restricted assets	8,589	6,314	8,946	6,277
Total payables and borrowings relating to unrestricted assets	133,149	192,865	131,857	186,592
TOTAL PAYABLES AND BORROWINGS	141,738	199,179	140,803	192,869

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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(b) 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

(c) 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	5,270	–	–	–	–	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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(d) 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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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.
Leased 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.

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.

Central Coast Council

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
TOTAL PROVISIONS	64,770	79,596	66,418	65,752
(a) Provisions relating to restricted assets				
Externally restricted assets				
Self insurance	2,301	7,453	1,841	7,064
Provisions relating to externally restricted assets	2,301	7,453	1,841	7,064
Total provisions relating to restricted assets	2,301	7,453	1,841	7,064
Total provisions relating to unrestricted assets	62,469	72,143	64,577	58,688
TOTAL PROVISIONS	64,770	79,596	66,418	65,752

\$ '000	2020	2019
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(b) 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>

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(c) Description of and movements in 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.

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 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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

On-costs

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

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for

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Central Coast Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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).

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Central Coast Council

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) 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.

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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 – 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.

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 assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	14,412
– Under AASB 1058	–
Total Contract liabilities	14,412

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- ement	Carrying amount under previous revenue standards	Notes ⁱ
Current liabilities					
Payables	80,710	–	–	80,710	
Income received in advance	16,238	4,301	–	20,539	
Contract liabilities	12,996	(4,301)	(8,695)	–	(i)
Lease liabilities	287	–	–	287	
Borrowings	44,790	–	–	44,790	
Provisions	64,770	–	–	64,770	

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Central Coast Council

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)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes ⁱ
Total current liabilities	219,791	–	(8,695)	211,096	
Net assets	7,165,484	–	8,695	7,174,179	
Equity					
Accumulated surplus	6,952,892	–	8,695	6,961,587	
Revaluation reserves	212,592	–	–	212,592	
Council equity interest	7,165,484	–	8,695	7,174,179	
Total equity	7,165,484	–	8,695	7,174,179	

(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.

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
Income from continuing operations					
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)	

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

Central Coast Council

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)

\$ '000	AASB 15 cash flows per Statement of Cash Flows	Reclassific- ation	Remeasur- ement
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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.

(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
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Less:

Short-term leases included in commitments note	(192)
Leases for low-value assets included in commitments note	(2,952)

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Central Coast Council

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)

\$ '000	Balance at 1 July 2019
Lease liabilities recognised at 1 July 2019	1,366

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.

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Central Coast Council

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' or 'held for trading'		(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

Central Coast Council

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 \$ '000	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 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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Net assets	254	335
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 Council has control. Control is established when 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.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.

The financial performance and financial position of the Art House is not material to Council's financial performance and financial position.

(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

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
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(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
Within the next year	69,353	42,310
Total payable	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:

continued on next page ...

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

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

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.

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Central Coast Council

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

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

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

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

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

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

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

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

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Central Coast 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.

As at 30 June 2020 it is estimated that there are \$1.9 million past service contributions remaining.

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.

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

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 17. 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.

Central Coast Council

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	80,710	76,906	80,710	76,906
Loans/advances	236,588	233,157	311,043	299,527
Lease liabilities	1,839	–	1,839	–
Total financial liabilities	319,137	310,063	393,592	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.

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

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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)

(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	8	8,924	536	339	143	9,950
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.

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Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

\$ '000	Not yet due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	5,704	33,896	2,052	12,795	23,019	77,466
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.83%	3.22%
ECL provision	–	–	–	–	2,493	2,493
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

(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:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	10,908	69,730	61	11	80,710	80,710
Loans and advances	0.00%	–	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.

Central Coast Council

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 the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout 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 -----	
REVENUES				
Rates and annual charges	324,099	321,946	(2,153)	(1)% U
User charges and fees	143,844	129,480	(14,364)	(10)% U

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.

Other revenues	8,507	9,293	786	9% F
Operating grants and contributions	39,344	44,436	5,092	13% F

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.

Central Coast Council

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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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.

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

Employee benefits and on-costs	202,249	220,882	(18,633)	(9)%	U
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Borrowing costs	16,836	16,151	685	4%	F
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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).

Other expenses	97,666	96,177	1,489	2%	F
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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.

Central Coast Council

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	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
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
Community land	12/05/16	–	–	257,634	257,634
Crown Land	12/05/16	–	–	125,996	125,996
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		–	–	6,953,868	6,953,868

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
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
Community land	12/05/16	–	–	257,910	257,910
Crown Land	12/05/16	–	–	125,885	125,885
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		–	–	6,839,866	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 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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

- furniture and fittings – work stations, storage cabinets, CCTV, air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

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

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

Operational land

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

Council engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. Council's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Asset condition is also considered when determining the fair value.

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

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

Community land

Community Land assets are comprised of Council owned land classified as Community Land under the *Local Government Act 1993*.

Council's accounting policy is to value 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.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

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

Crown Land

This asset class is comprised of all land under the care and management of Council on behalf of the Crown.

Council's accounting policy is to value Crown 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.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

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

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.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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 – non specialised and specialised

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

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

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

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

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

Other structures

This asset class is comprised of shade shelters, retaining walls, playground equipment, fencing, fountains, sea walls and structures which did not meet the definition of a building.

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.

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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).

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.

Central Coast Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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.

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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.

(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	Operational land	Community Land
2019					
Opening balance	45,561	4,501	3,715	467,665	346,338
Transfers from/(to) another asset class	–	–	–	(36,820)	(89,065)
Purchases (GBV)	13,546	1,666	4,027	122	637
Disposals (WDV)	(1,916)	(5)	–	–	–
Depreciation and impairment	(7,341)	(1,747)	(1,034)	–	–
Closing balance	49,850	4,415	6,708	430,967	257,910
2020					
Opening balance	49,850	4,415	6,708	430,967	257,910
Transfers from/(to) another asset class	(515)	(75)	(22)	17	(561)
Purchases (GBV)	19,536	7,966	3,665	14,391	290
Disposals (WDV)	(2,991)	–	–	(2,032)	(5)
Depreciation and impairment	(7,811)	(2,569)	(1,130)	–	–
Closing balance	58,069	9,737	9,221	443,343	257,634

\$ '000	Land under Roads	Tip assets	Crown Land	Land improvements	Buildings
2019					
Opening balance	1,404	18,244	–	19,039	464,965
Transfers from/(to) another asset class	–	–	125,885	–	–
Purchases (GBV)	182	–	–	7,863	17,270
Disposals (WDV)	–	–	–	(4)	(160)
Depreciation and impairment	–	(1,745)	–	(1,410)	(11,376)
Closing balance	1,586	16,499	125,885	25,488	470,699
2020					
Opening balance	1,586	16,499	125,885	25,488	470,699

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Land under Roads	Tip assets	Crown Land	Land improvements	Buildings
Transfers from/(to) another asset class	–	–	(18)	561	352
Purchases (GBV)	–	5,399	129	4,177	16,755
Disposals (WDV)	–	–	–	–	(3,510)
Depreciation and impairment	–	(1,745)	–	(1,903)	(9,112)
Revaluation increments to Equity (ARR)	–	–	–	–	(3,549)
Closing balance	1,586	20,153	125,996	28,323	471,635

\$ '000	Other structures	Roads	Bridges	Footpaths	Bulk earthworks
2019					
Opening balance	22,416	1,326,638	35,564	85,227	367,233
Purchases (GBV)	3,271	61,703	65	6,877	10,661
Disposals (WDV)	(20)	–	–	–	–
Depreciation and impairment	(1,233)	(33,481)	(612)	(2,268)	–
Closing balance	24,434	1,354,860	35,017	89,836	377,894
2020					
Opening balance	24,434	1,354,860	35,017	89,836	377,894
Transfers from/(to) another asset class	243	–	–	–	–
Purchases (GBV)	7,448	68,408	2,805	11,935	4,927
Disposals (WDV)	(7)	(670)	(38)	–	(70)
Depreciation and impairment	(1,601)	(36,464)	(679)	(2,659)	–
Closing balance	30,517	1,386,134	37,105	99,112	382,751

\$ '000	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Open space / recreational
2019					
Opening balance	1,011,425	1,032,515	1,403,635	2,848	61,013
Transfers from/(to) another asset class	–	(1,626)	1,626	–	–
Purchases (GBV)	25,172	12,732	15,683	1,001	15,014
Disposals (WDV)	(627)	(596)	(1,791)	–	–
Depreciation and impairment	(15,458)	(26,034)	(34,403)	(227)	(3,315)
Revaluation increments to Equity (ARR)	–	16,305	25,543	–	–
Closing balance	1,020,512	1,033,296	1,410,293	3,622	72,712
2020					
Opening balance	1,020,512	1,033,296	1,410,293	3,622	72,712
Transfers from/(to) another asset class	–	682	600	266	(248)
Purchases (GBV)	26,271	20,557	24,574	1,471	8,994
Disposals (WDV)	(293)	(1,004)	(1,258)	(7)	–
Depreciation and impairment	(15,858)	(26,833)	(35,143)	(215)	(4,120)
Revaluation increments to Equity (ARR)	–	9,041	12,657	–	–
Closing balance	1,030,632	1,035,739	1,411,723	5,137	77,338

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Other infrastructure	Library books	Other	Total
2019				
Opening balance	24,386	1,824	866	6,747,022
Transfers from/(to) another asset class	–	–	28	28
Purchases (GBV)	1,228	1,111	–	199,831
Disposals (WDV)	–	–	–	(5,119)
Depreciation and impairment	(1,163)	(810)	(87)	(143,744)
Revaluation increments to Equity (ARR)	–	–	–	41,848
Closing balance	24,451	2,125	807	6,839,866
2020				
Opening balance	24,451	2,125	807	6,839,866
Transfers from/(to) another asset class	–	–	–	1,282
Purchases (GBV)	5,913	833	124	256,568
Disposals (WDV)	(80)	(1)	–	(11,966)
Depreciation and impairment	(1,346)	(770)	(73)	(150,031)
Revaluation increments to Equity (ARR)	–	–	–	18,149
Closing balance	28,938	2,187	858	6,953,868

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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
Operational land	443,343	Market value	The market value of land varies significantly depending on the location of the land and current market conditions.
Community Land	257,634	Land values obtained from the NSW Valuer-General	Land value, land area
Crown Land	125,996	Land values obtained from NSW Valuer-General	Land value, land area
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

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Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
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
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.

Central Coast 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

(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
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	–	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

- 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 The Council entered into a 3 year contract in 2016 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.

(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.

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

Note 25. Events occurring after the reporting date

On 6 October 2020, Council issued a media release that its Q3 reported budgeted loss for the year ended 30 June 2020, before capital grants and contributions, had increased significantly as at 30 June 2020 and that Council faces an immediate and serious liquidity issue.

Council immediately formulated and commenced implementing a Recovery Action Plan. The results of this Plan have been

TO BE UPDATED CLOSER TO SIGNING OFF THE FINANCIAL STATEMENTS

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Central Coast Council

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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

	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)
\$ '000		Cash	Non-cash					
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)

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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					
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	–

CONTRIBUTION PLAN NUMBER 8 - LISAROW

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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					
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	–
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	–

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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		Contributions received during the year				as at 30/06/20	
	Opening Balance	Cash	Non-cash	Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
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	–
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	–

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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 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	-
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	-

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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					
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	–
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	–

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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		Contributions received during the year				as at 30/06/20	
	Opening Balance	Cash	Non-cash	Interest earned in year	(Expenditure) / Reimbursements during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
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
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

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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 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
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	-

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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)
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	–

S7.11 Contributions – not under a plan

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	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

	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)
\$ '000		Cash	Non-cash					
Environment Protection	80	-	-	2	-	-	82	-
Total	4,777	-	-	126	-	-	4,903	-

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Central Coast Council

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	(58,399)	(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.

\$ '000	Drainage 2020	Domestic Waste 2020	General ¹ 2020	Water 2020	Sewer 2020
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Central Coast Council

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	–	40,136	7,378	44,781
Investments	3	11,787	45,809	16,027	92,584
Receivables	2,540	4,889	32,380	26,470	14,875
Inventories	–	–	1,646	–	–
Other	–	–	6,459	–	–
Total current assets	2,544	16,676	126,430	49,875	152,240
Non-current assets					
Investments	154	–	87,823	11,713	4,512
Receivables	205	–	(8,405)	275	11,693
Infrastructure, property, plant and equipment	1,053,605	–	3,495,253	1,139,035	1,489,923
Intangible assets	1,703	–	28,290	–	–
Right of use assets	–	–	1,804	–	–
Other	–	–	254	–	–
Total non-current assets	1,055,667	–	3,605,019	1,151,023	1,506,128
TOTAL ASSETS	1,058,211	16,676	3,731,449	1,200,898	1,658,368
LIABILITIES					
Current liabilities					
Payables	24,534	1,505	42,291	9,262	3,118
Income received in advance	–	–	11,901	4,241	96
Contract liabilities	973	–	9,274	2,596	153
Borrowings	2,217	–	5,889	30,351	6,333
Lease liabilities	–	–	287	–	–
Provisions	290	–	54,415	4,914	5,151
Total current liabilities	28,014	1,505	124,057	51,364	14,851
Non-current liabilities					
Income received in advance	1,393	–	4,914	–	1,074
Lease liabilities	–	–	1,552	–	–
Borrowings	7,567	–	(14,388)	136,675	61,944
Provisions	2	–	76,108	1,834	1,652
Total non-current liabilities	8,962	–	68,186	138,509	64,670
TOTAL LIABILITIES	36,976	1,505	192,243	189,873	79,521
Net assets	1,021,235	15,171	3,539,206	1,011,025	1,578,847
EQUITY					
Accumulated surplus	1,021,235	15,171	3,474,879	948,814	1,492,793
Revaluation reserves	–	–	64,327	62,211	86,054
Council equity interest	1,021,235	15,171	3,539,206	1,011,025	1,578,847
Total equity	1,021,235	15,171	3,539,206	1,011,025	1,578,847

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 ...

Central Coast Council

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

All columns have been removed for this total (Details of individual internal loans). Please include at least 1 column.

To EXCLUDE this Note completely, just go to the Home page & choose one of the alternatives for this Note.

Central Coast Council

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%	83.03%	>60.00%
Total continuing operating revenue inclusive of all grants and contributions ¹	590,031			
3. Unrestricted current ratio				
Current assets less all external restrictions	109,397	0.72x	1.68x	>1.50x
Current liabilities less specific purpose liabilities ^{3,4}	152,332			
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%	6.43%	<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 mths	9.80 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	43,609			

(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).

Central Coast Council

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%	77.99%	92.12%	95.50%	90.06%	93.69%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.04x	1.02x	0.36x	0.57x	15.23x	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%	1.97%	17.44%	8.59%	17.21%	8.73%	<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.

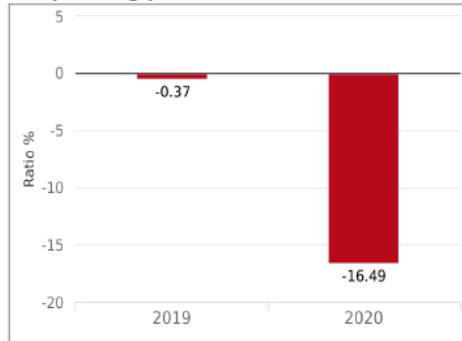
(3) General Indicators refers to all of Council's activities except for its water and sewer activities which are listed separately.

Central Coast Council

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.

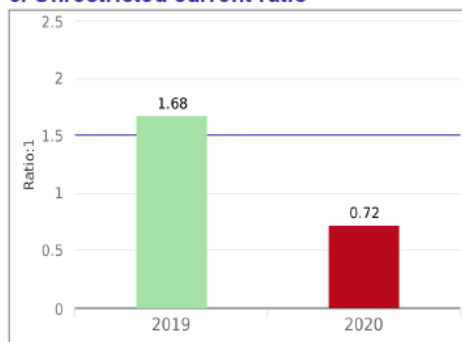
Benchmark: — > 60.00%

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 0.72x

This ratio is specific to local government. Restrictions placed on various funding sources (e.g. developer contributions) complicate the traditional current ratio used to assess liquidity of other businesses as some cash is restricted and cannot be used to meet Council's operating and borrowing costs. The level of developer contributions currently held by Council adversely impacted the result in 2019-20. Council will continue to monitor cash and investment balances and restrictions to ensure that there are sufficient funds available to meet short term obligations.

Benchmark: — > 1.50x

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

Ratio achieves benchmark

Ratio is outside benchmark

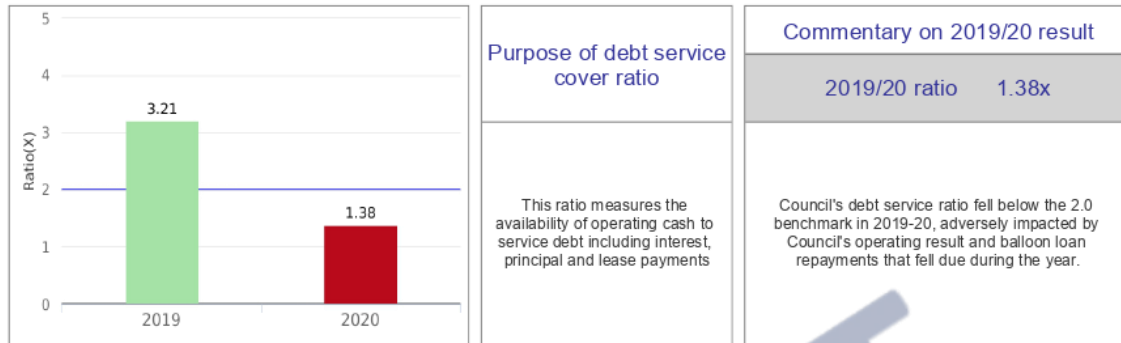
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Central Coast Council

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

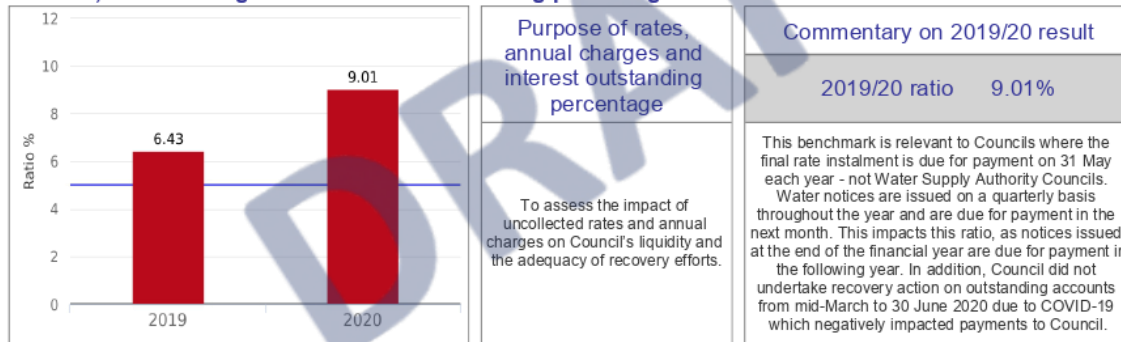


Benchmark: — > 2.00x

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

Ratio achieves benchmark
Ratio is outside benchmark

5. Rates, annual charges and interest outstanding percentage

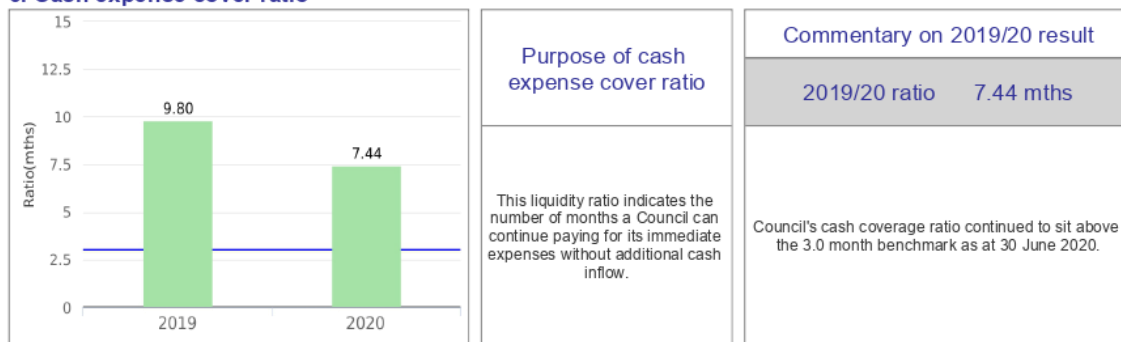


Benchmark: — < 5.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

6. Cash expense cover ratio



Benchmark: — > 3.00mths

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

Ratio achieves benchmark
Ratio is outside benchmark

Central Coast Council**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**Telephone:** 1300 463 954**Opening hours:**8:30am - 5:00pm
Monday to Friday**Internet:** www.centralcoast.nsw.gov.au**Email:** ask@centralcoast.nsw.gov.au**Officers****CHIEF EXECUTIVE OFFICER**

Gary Murphy

RESPONSIBLE ACCOUNTING OFFICER

Gary Murphy

PUBLIC OFFICER

Shane Sullivan

AUDITORSAudit Office of NSW
Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000**Elected members****MAYOR**

Lisa Matthews (The Entrance Ward)

COUNCILLORS

Jane Smith - Deputy Mayor (Gosford East Ward)

Greg Best (Budgewoi Ward)

Jillian Hogan (Budgewoi Ward)

Doug Vincent (Budgewoi Ward)

Rebecca Gale (Gosford East Ward)

Jeff Sundstrom (Gosford East Ward)

Chris Holstein (Gosford West Ward)

Troy Marquart (Gosford West Ward)

Richard Mehrrens (Gosford West Ward)

Bruce McLachlan (The Entrance Ward)

Jilly Pilon (The Entrance Ward)

Chris Burke (Wyong Ward)

Louise Greenaway (Wyong Ward)

Kyle MacGregor (Wyong Ward)

Other information**ABN:** 73 149 644 003

Central Coast Council

Financial Statements 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

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Central Coast Council

Financial Statements 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

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Central Coast Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

A vibrant and sustainable Central Coast



Central Coast Council

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 2020

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year,
- 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 XX April 2021.

[Mayor]
Mayor

[Councillor]
Deputy Mayor

[GeneralManager]
Chief Executive Officer

[ResponsibleAccountingOfficer]
Responsible Accounting Officer

Special Purpose Financial Statements 2020

Central Coast Council

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
Plus accumulated surplus	964,704	954,261
Changes due to AASB 1058 and AASB 15 adoption	(2,404)	–
Plus 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	19,037	–
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

Special Purpose Financial Statements 2020

Central Coast Council

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
Plus accumulated surplus	1,498,572	1,484,799
Plus 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	23,226	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

Special Purpose Financial Statements 2020

Central Coast Council

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
Plus accumulated surplus	1,033,595	1,026,493
Changes due to AASB 1058 and AASB 15 adoption	(98)	–
Plus 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	23,857	22,283

Special Purpose Financial Statements 2020

Central Coast Council

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	<u>9,077</u>	<u>10,105</u>
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	<u>8,235</u>	<u>8,445</u>
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	<u>610</u>	<u>1,203</u>
Plus accumulated surplus	26,749	39,271
Plus/less: other adjustments (prior year dividend payable to Council)	–	(9,718)
Plus 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	<u>28,928</u>	<u>26,749</u>
Return on capital %	4.3%	8.8%
Subsidy from Council	–	–

Special Purpose Financial Statements 2020

Central Coast 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)
Plus accumulated surplus	40,686	(7,938)
Plus/less: other adjustments (prior year subsidy payable by Council)	–	41,756
Plus revaluations	–	5,488
Plus 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

Special Purpose Financial Statements 2020

Central Coast Council

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)
Plus accumulated surplus	(617)	(3,644)
Plus/less: other adjustments (prior year subsidy payable by Council)	–	2,927
Plus 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

Special Purpose Financial Statements 2020

Central Coast Council

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
Plus accumulated surplus	(243)	4,035
Plus/less: other adjustments (prior year dividend payable to Council)	–	(4,387)
Plus 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	–

Special Purpose Financial Statements 2020

Central Coast Council

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)
Plus accumulated surplus	(611)	886
Plus/less: other adjustments (prior year dividend payable to Council)	–	(1,430)
Plus 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

Special Purpose Financial Statements 2020

Central Coast Council

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	1,139,035	1,123,114
Total non-current assets	1,151,023	1,134,591
TOTAL ASSETS	1,200,898	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	4,914	4,863
Total current liabilities	51,364	48,951
Non-current liabilities		
Borrowings	136,675	135,190
Provisions	1,834	773
Total non-current liabilities	138,509	135,963
TOTAL LIABILITIES	189,873	184,914
NET ASSETS	1,011,025	1,017,874
EQUITY		
Accumulated surplus	948,814	964,704
Revaluation reserves	62,211	53,170
TOTAL EQUITY	1,011,025	1,017,874

Special Purpose Financial Statements 2020

Central Coast Council

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	14,875	11,839
Total current assets	152,240	149,410
Non-current assets		
Investments	4,512	3,828
Receivables	11,693	11,529
Infrastructure, property, plant and equipment	1,489,923	1,488,319
Total non-current assets	1,506,128	1,503,676
TOTAL ASSETS	1,658,368	1,653,086
LIABILITIES		
Current liabilities		
Contract liabilities	153	-
Payables	3,118	4,067
Income received in advance	96	761
Borrowings	6,333	5,983
Provisions	5,151	5,483
Total current liabilities	14,851	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	79,521	81,118
NET ASSETS	1,578,847	1,571,968
EQUITY		
Accumulated surplus	1,492,793	1,498,571
Revaluation reserves	86,054	73,397
TOTAL EQUITY	1,578,847	1,571,968

Special Purpose Financial Statements 2020

Central Coast Council

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	1,053,605	1,065,328
Intangible assets	1,703	1,703
Total non-current assets	1,055,463	1,067,031
TOTAL ASSETS	1,058,211	1,069,506
LIABILITIES		
Current liabilities		
Contract liabilities	973	–
Payables	24,534	25,714
Income received in advance	–	186
Borrowings	2,217	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	1,021,235	1,033,598
EQUITY		
Accumulated surplus	1,021,235	1,033,598
TOTAL EQUITY	1,021,235	1,033,598

Special Purpose Financial Statements 2020

Central Coast Council

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

Special Purpose Financial Statements 2020

Central Coast Council

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	<u>39</u>	<u>98</u>
Non-current assets		
Infrastructure, property, plant and equipment	45,456	42,973
Total non-current assets	<u>45,456</u>	<u>42,973</u>
TOTAL ASSETS	<u>45,495</u>	<u>43,071</u>
LIABILITIES		
Current liabilities		
Payables	769	1,591
Provisions	818	773
Total current liabilities	<u>1,587</u>	<u>2,364</u>
Non-current liabilities		
Provisions	48	21
Total non-current liabilities	<u>48</u>	<u>21</u>
TOTAL LIABILITIES	<u>1,635</u>	<u>2,385</u>
NET ASSETS	<u>43,860</u>	<u>40,686</u>
EQUITY		
Accumulated surplus	38,372	35,198
Revaluation reserves	5,488	5,488
TOTAL EQUITY	<u>43,860</u>	<u>40,686</u>

Special Purpose Financial Statements 2020

Central Coast Council

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)

Special Purpose Financial Statements 2020

Central Coast Council

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	766	–
Non-current assets		
Receivables	2	–
Total non-current assets	2	–
TOTAL ASSETS	768	–
LIABILITIES		
Current liabilities		
Payables	210	243
Income received in advance	9	–
Total current liabilities	219	243
TOTAL LIABILITIES	219	243
NET ASSETS	549	(243)
EQUITY		
Accumulated surplus	549	(243)
TOTAL EQUITY	549	(243)

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Central Coast Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Building Certification

as at 30 June 2020

\$ '000	2020 Category 2	2019 Category 2
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>

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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.

continued on next page ...

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Central Coast Council

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.

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Central Coast Council

Special Purpose Financial Statements 2020

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'.

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.89% at 30/6/20.

(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).

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Central Coast Council

Special Purpose Financial Statements 2020

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

Note 1. Significant Accounting Policies (continued)

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.

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Central Coast Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements
for the year ended 30 June 2020

Please uplift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

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Central Coast Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

A vibrant and sustainable Central Coast



Central Coast Council

Special Schedules 2020

Special Schedules

for the year ended 30 June 2020

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Report on Infrastructure Assets - Values	4

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Central Coast Council

Permissible income for general rates

\$ '000	Notes	2020/21 Wyong Shire Council	2020/21 Gosford City Council	2020/21 Central Coast Council	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							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Less expiring special variation amount	g	-	-	-	-	(944)	(944)
Or 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 + h + 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	93,057	82,403	175,460	90,498	80,006	170,504
Catch-up or (excess) result	q = o - p	517	632	1,149	401	841	1,242
Plus income lost due to valuation objections claimed	r	9	-	9	-	-	-
Less unused catch-up ³	s	(168)	(511)	(679)	(19)	-	(19)
Carry forward to next year ⁴	t = q + r + s	358	121	479	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) 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.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Central Coast Council

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	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				
								1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
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	1,122,073	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	1,411,732	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.

continued on next page ...

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Central Coast Council

Special Schedules 2020

Report on Infrastructure Assets - Values (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

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Central Coast Council

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.

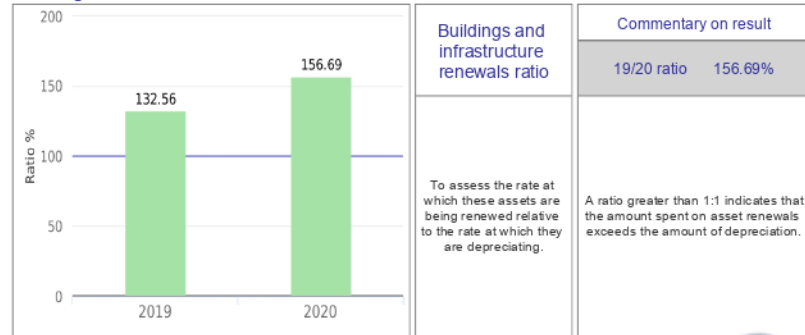
(1) Excludes Work In Progress (WIP)

(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.

Central Coast Council

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

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 156.69%

A ratio greater than 1:1 indicates that the amount spent on asset renewals exceeds the amount of depreciation.

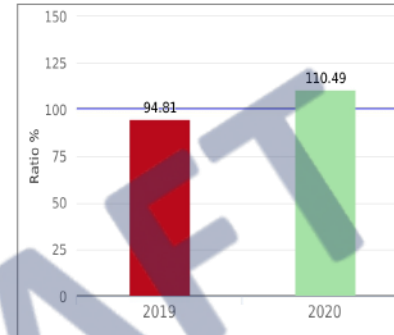
Benchmark: — >= 100.00%

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

19/20 ratio 110.49%

Council is committed to maintaining its infrastructure assets at appropriate levels.

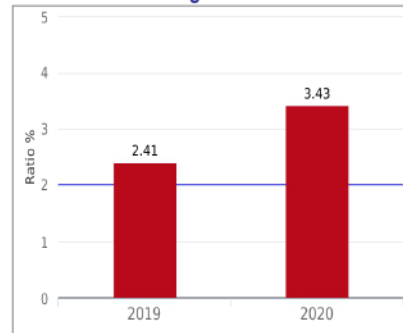
Benchmark: — > 100.00%

■ Ratio achieves benchmark

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

■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 3.43%

The change in this ratio reflects a reassessment of the condition of Water and Sewerage network assets. Council has allocated funding to address the infrastructure backlog for Council's General Fund assets within the former Wyong Local Government Area in accordance with the Special Rate Variation approved by IPART in June 2013 for the former Wyong Shire Council.

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



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 2.19%

This is the estimated cost to return those assets currently rated at less than excellent condition to an excellent condition. As Council has not undertaken community consultation to determine the agreed service levels, this estimate is equal to the cost to bring to satisfactory.

Central Coast Council

Report on Infrastructure Assets (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	232.90%	192.95%	77.04%	90.42%	55.50%	43.11%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	2.36%	2.89%	4.66%	1.95%	5.19%	1.56%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	106.02%	85.65%	83.31%	74.78%	175.59%	161.54%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.63%	2.00%	2.60%	1.11%	3.12%	0.95%	
Gross replacement cost							

(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.

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Central Coast Council - Water Supply Authority

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Central Coast Council - Water Supply Authority

General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

Central Coast Council Water Supply Authority has its principle place of business at :

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

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

Central Coast Council - Water Supply Authority

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Central Coast Council - Water Supply Authority'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 Central Coast Council Water Supply Authority 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 Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Central Coast Council Water Supply Authority'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 Central Coast Council Water Supply Authority's financial performance for the year, listing all income and expenses. This statement also displays Central Coast Council Water Supply Authority'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 Central Coast Council Water Supply Authority's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Central Coast Council Water Supply Authority'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 Central Coast Council Water Supply Authority's "net wealth".

5. The Statement of Cash Flows

Indicates where Central Coast Council Water Supply Authority's cash came from and where it was spent. This statement also displays Central Coast Council Water Supply Authority'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

Central Coast Council Water Supply Authority's financial statements are required to be audited by the Audit Office of NSW. In NSW the auditor provides an opinion on whether the financial statements present fairly the Central Coast Council Water Supply Authority's financial performance and 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 Central Coast Council Water Supply Authority up to seven days subsequent to the public presentation of the financial statements.

Central Coast Council - Water Supply Authority

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

- section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Act 1993 (NSW)*

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

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

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

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

[Mayor]
Mayor
dd MMMM yyyy

[Councillor]
Deputy Mayor
dd MMMM yyyy

[GeneralManager]
Chief Executive Officer
dd MMMM yyyy

[ResponsibleAccountingOfficer]
Responsible Accounting Officer
dd MMMM yyyy

Central Coast Council - Water Supply Authority

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
79,814	Rates and annual charges	2a	78,370	125,048
80,279	User charges and fees	2b	77,507	69,526
111	Other revenues	2c	179	250
797	Grants and contributions provided for operating purposes	2d,2e	593	810
24,422	Grants and contributions provided for capital purposes	2d,2e	16,765	25,877
5,430	Interest and investment income	3	4,370	5,839
190,853	Total income from continuing operations		177,784	227,350
Expenses from continuing operations				
31,762	Employee benefits and on-costs	4a	37,267	34,765
17,624	Borrowing costs	4b	15,302	17,228
18,249	Materials and contracts	4c	22,244	22,991
74,665	Depreciation and amortisation	4d	78,675	76,651
43,857	Other expenses	4e	53,261	41,383
-	Net losses from the disposal of assets	5	2,559	3,014
186,157	Total expenses from continuing operations		209,308	196,032
4,696	Operating result from continuing operations		(31,524)	31,318
4,696	Net operating result for the year		(31,524)	31,318
4,696	Net operating result attributable to Central Coast Council Water Supply Authority		(31,524)	31,318
(19,726)	Net operating result for the year before grants and contributions provided for capital purposes		(48,289)	5,441

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.

Financial Statements 2020

Central Coast Council - Water Supply Authority

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)		(31,524)	31,318
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	8	21,698	41,849
Total items which will not be reclassified subsequently to the operating result		21,698	41,849
Total other comprehensive income for the year		21,698	41,849
Total comprehensive income for the year		(9,826)	73,167

Total comprehensive income attributable to Central Coast Council Water Supply Authority

(9,826) 73,167

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.

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Financial Statements 2020

Central Coast Council - Water Supply Authority

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	52,160	12,788
Investments	6(b)	108,614	167,935
Receivables	7	44,181	39,005
Other		161	-
Total current assets		<u>205,116</u>	<u>219,728</u>
Non-current assets			
Investments	6(b)	16,377	15,041
Receivables	7	3,328	3,406
Infrastructure, property, plant and equipment	8	3,682,568	3,676,762
Intangible Assets	9	1,703	1,703
Total non-current assets		<u>3,703,976</u>	<u>3,696,912</u>
Total assets		<u>3,909,092</u>	<u>3,916,640</u>
LIABILITIES			
Current liabilities			
Payables	11	36,913	34,267
Income received in advance	11	4,338	3,783
Contract liabilities	10b	3,721	-
Borrowings	11	38,526	43,105
Provisions	12	11,034	10,710
Total current liabilities		<u>94,532</u>	<u>91,865</u>
Non-current liabilities			
Income received in advance	11	2,467	2,513
Borrowings	11	198,173	196,071
Provisions	12	2,809	2,751
Total non-current liabilities		<u>203,449</u>	<u>201,335</u>
Total liabilities		<u>297,981</u>	<u>293,200</u>
Net assets		<u>3,611,111</u>	<u>3,623,440</u>
EQUITY			
Accumulated surplus	13	3,462,846	3,496,873
Revaluation reserves	13	148,265	126,567
Equity interest		<u>3,611,111</u>	<u>3,623,440</u>
Total equity		<u>3,611,111</u>	<u>3,623,440</u>

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.

Central Coast Council - Water Supply Authority

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		3,496,873	126,567	3,623,440	3,465,555	84,718	3,550,273
Changes due to AASB 1058 and AASB 15 adoption	13	(2,503)	–	(2,503)	–	–	–
Changes due to AASB 16 adoption		–	–	–	–	–	–
Restated opening balance		3,494,370	126,567	3,620,937	3,465,555	84,718	3,550,273
Net operating result for the year		(31,524)	–	(31,524)	31,318	–	31,318
Restated net operating result for the period		(31,524)	–	(31,524)	31,318	–	31,318
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	8	–	21,698	21,698	–	41,849	41,849
Other comprehensive income		–	21,698	21,698	–	41,849	41,849
Total comprehensive income		(31,524)	21,698	(9,826)	31,318	41,849	73,167
Equity – balance at end of the reporting period		3,462,846	148,265	3,611,111	3,496,873	126,567	3,623,440

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.

Central Coast Council - Water Supply Authority

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:				
84,400			78,370	125,048
79,285			73,833	76,796
5,456			4,451	7,386
25,505			14,246	11,511
–			13	–
8,466			(817)	5,545
Payments:				
(32,976)			(36,955)	(36,706)
(59,068)			(23,793)	(21,135)
(15,850)			(15,302)	(18,629)
–			–	(2,423)
(1,796)			(49,170)	(36,756)
93,422		14b	44,876	110,637
Cash flows from investing activities				
Receipts:				
1,376			234,928	238,704
353			–	–
Payments:				
(13,967)			(176,943)	(274,029)
(46,669)			(61,012)	(64,915)
(58,907)			(3,027)	(100,240)
Cash flows from financing activities				
Receipts:				
30,000			39,453	–
Payments:				
(42,374)			(41,930)	(32,326)
(12,374)			(2,477)	(32,326)
22,141			39,372	(21,929)
54,858		14a	12,788	34,717
76,999		14a	52,160	12,788
148,303		6(b)	124,991	182,976
225,302			177,151	195,764

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.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

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Central Coast Council - Water Supply Authority

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 Central Coast Council Water Supply Authority (CCCWSA) on **XX April 2021**. CCCWSA 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 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.

Central Coast Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes, under the *Water Management Act 2000*. CCCWSA controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within Central Coast Council local government area and these functions have been consolidated in these financial statements.

CCCWSA is a not for profit entity.

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

(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 CCCWSA's accounting policies.

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 8
- (ii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Central Coast Council Water Supply Authority's accounting policies

- (i) Impairment of receivables

CCCWSA has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

Covid 19 Impact

The Covid 19 pandemic continues to impact the community where Council operates. This pandemic has had a financial impact for CCCWSA in the financial year ended 30 June 2020 which has impacted the comparability of some line items and amounts reported in this financial report.

Covid 19 has caused disruption to 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.

The impact on CCCWSA's financial performance and financial position was restricted to a decrease in developer contributions.

continued on next page ...

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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.

No material changes have been noted in asset values.

Monies and other assets received by Central Coast Council Water Supply Authority

(a) The Consolidated Fund

These Financial Statements represent the consolidation of Water, Sewerage and Drainage funds.

The notional cash and investment assets of CCCWSA are represented in practice by an equity interest in the general cash and investment assets of Central Coast Council as a whole and all investment assets and bank accounts are held in the name of Central Coast Council.

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

- Committees with volunteer members,
- Outdoor space volunteers, and
- Volunteers at special Council events.

Volunteer services will only be recognised when:

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

CCCWSA has not received the benefit of volunteer services throughout the reporting period.

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.

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

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

New and amended standards adopted by Central Coast Council Water Supply Authority

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

Central Coast Council - Water Supply Authority

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 13.

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Water supply services	12,415	26,435
Sewerage services	53,343	82,318
Drainage	14,345	17,791
Other	14	-
Liquid trade waste	461	429
Less: pensioner rebates (State Government funded)	(2,115)	(2,384)
Less: pensioner rebates (CCCWSA funded)	(2,091)	(1,951)
Annual charges levied	76,372	122,638
Pensioner subsidies received:		
- Water	1,004	1,214
- Sewerage	994	1,196
Total annual charges	78,370	125,048
TOTAL RATES AND ANNUAL CHARGES	78,370	125,048

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when CCCWSA obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

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.

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	57,351	62,406
Sewerage services	15,468	2,611
Liquid trade waste	2,212	2,369
Total specific user charges	75,031	67,386
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	209	185
Inspection services	243	23
Regulatory/ statutory fees	241	67
Registration fees	7	40
Total fees and charges – statutory/regulatory	700	315
(ii) Fees and charges – other (incl. general user charges (per s.608))		

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

\$ '000	2020	2019
Water connection fees	1,008	744
Sewer connection fees	350	495
Sewer application fees	–	40
Sewer diagrams	275	343
Special water meter reading fees	18	10
Water carters licence fees	51	88
Other	74	105
Total fees and charges – other	1,776	1,825

TOTAL USER CHARGES AND FEES**77,507****69,526****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. There is no material obligation for CCCWSA in relation to refunds or returns.

Where an upfront fee is charged the fee is recognised on a straight-line basis over the expected life to which the fee relates.

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

2019 accounting policy

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

\$ '000	2020	2019
(c) Other revenues		
Sales – general	73	–
Property rents	25	84
Other supply/ services – water	–	114
Other supply/ services – sewer	81	52
TOTAL OTHER REVENUE	179	250

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, whichever is earlier.

2019 accounting policy:

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

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

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

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.

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
Specific purpose				
Drainage / environment	–	–	599	459
Environmental programs	127	–	–	–
LIRS subsidy	446	530	–	–
Water / sewer infrastructure	–	–	2,788	–
Other	20	280	–	–
Total specific purpose	593	810	3,387	459
Total grants	593	810	3,387	459
Grant revenue is attributable to:				
– Commonwealth funding	–	–	599	456
– State funding	593	810	2,788	3
	593	810	3,387	459
(e) Contributions				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 64 – water supply contributions	–	–	3,429	3,459
S 64 – sewerage service contributions	–	–	3,639	4,271
S 7.11 – drainage assets	–	–	1,424	1,787
Other developer contributions	–	–	–	86
Total developer contributions – cash	–	–	8,492	9,603
Non-cash contributions				
S 64 – water supply contributions	–	–	82	–
S 7.11 – stormwater contributions	–	–	171	–
Total developer contributions non-cash	–	–	253	–
Total developer contributions	–	–	8,745	9,603
Other contributions:				
Cash contributions				
Sewerage (excl. section 64 contributions)	–	–	132	271
Water supplies (excl. section 64 contributions)	–	–	73	196
Other	–	–	98	172
Total other contributions – cash	–	–	303	639
Non-cash contributions				
Other	–	–	4,330	15,176
Total other contributions – non-cash	–	–	4,330	15,176

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Total other contributions	–	–	4,633	15,815
Total contributions	–	–	13,378	25,418
TOTAL GRANTS AND CONTRIBUTIONS	593	810	16,765	25,877

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 revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but may include specific trigger events. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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 assets fair value when the asset is received. CCCWSA considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable CCCWSA to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under CCCWSA'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 CCCWSA.

Contributions

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

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

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

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.

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. Revenue from continuing operations (continued)

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

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.

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

Certain grants and contributions are obtained by CCCWSA on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	3	2,496
Add: operating grants received for the provision of goods and services in a future period	72	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(2,493)
Less: operating grants received in a previous reporting period now spent and recognised as income	(3)	–
Unexpended and held as externally restricted assets (operating grants)	<u>72</u>	<u>3</u>

Capital grants

Unexpended at the close of the previous reporting period	2,352	2,352
Add: capital grants received for the provision of goods and services in a future period	1,152	–
Unexpended and held as externally restricted assets (capital grants)	<u>3,504</u>	<u>2,352</u>

Capital grant unspent and held as a restriction at year end relates to the Climate Change Fund.

Contributions

Unexpended at the close of the previous reporting period	91,245	85,154
Add: contributions recognised as income in the current period but not yet spent	–	11,607
Add: contributions received for the provision of goods and services in a future period	4,632	–
Less: contributions recognised in a previous reporting period now spent	(9,778)	(5,516)
Unexpended and held as externally restricted assets (contributions)	<u>86,099</u>	<u>91,245</u>

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2. 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 CCCWSA.		
Revenue recognition at a point in time		
Rates and annual charges	–	78,370
User charges and fees	–	77,507
Grant revenue and non-developer contributions	–	4,923
Developer contributions	–	8,745
	<u>–</u>	<u>169,545</u>
Revenue recognised over time		
Grant revenue	131	–
Grants and contributions to acquire or construct CCCWSA controlled assets	3,559	–
	<u>3,690</u>	<u>–</u>

Note 3. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue annual charges	884	1,061
– Cash and investments	3,480	4,769
Other	6	9
Total Interest and investment income	<u>4,370</u>	<u>5,839</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue annual charges	–	1,061
Cash and investments	2,226	2,406
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	692	630
– Section 64	1,452	1,742
Total interest and investment revenue	<u>4,370</u>	<u>5,839</u>

Accounting policy for interest and investment revenue

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	32,037	29,491
Employee termination costs	121	32
Employee leave entitlements (ELE)	4,295	3,597
Superannuation	2,489	2,230
Payroll tax	2,595	2,143
Workers Compensation	615	1,324
Training costs (other than salaries and wages)	-	30
Travel expenses	-	1
Uniforms and Protective clothing	-	212
Total employee costs	42,152	39,060
Less: capitalised costs	(4,885)	(4,295)
TOTAL EMPLOYEE COSTS EXPENSED	37,267	34,765

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

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.

CCCWSA participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore CCCWSA accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	15,277	17,209
Other debts	25	19
Total interest bearing liability costs	15,302	17,228
Total interest bearing liability costs expensed	15,302	17,228
TOTAL BORROWING COSTS EXPENSED	15,302	17,228

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.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	10,491	10,005
Contractor and consultancy costs	10,045	10,829
Auditors remuneration ¹	12	79
Agency Hire	1,696	2,078
Total materials and contracts	22,244	22,991
TOTAL MATERIALS AND CONTRACTS	22,244	22,991

Accounting policy for materials and contracts

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

1. 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	–	79
Remuneration for audit and other assurance services	–	79
Total Auditor-General remuneration	–	79
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	12	–
Remuneration for audit and other assurance services	12	–
Total remuneration of non NSW Auditor-General audit firms	12	–
Total Auditor remuneration	12	79

\$ '000	Notes	2020	2019
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(d) Depreciation, amortisation and impairment of non-financial assets**Depreciation and amortisation**

Plant and equipment	41	14
Office equipment	35	21
Furniture and fittings	13	15
Land improvements (depreciable)	14	–
Infrastructure:	8	
– Buildings – specialised	683	682
– Other structures	54	56
– Roads	1	1
– Stormwater drainage	15,858	15,431
– Water supply network	26,833	26,032
– Sewerage network	35,143	34,399

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Expenses from continuing operations (continued)

TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS	78,675	76,651
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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 8 for IPPE assets and Note 9 for intangible assets.

Impairment of non-financial assets

CCCWSA assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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.

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.

\$ '000	2020	2019
(e) Other expenses		
Advertising	20	13
Administration support	28,946	18,826
Bad and doubtful debts	64	94
Computer software charges	220	426
Electricity and heating	8,947	8,940
Gas charges	91	13
Insurance	192	111
Licences	404	457
Plant hire	7,782	5,558
Printing and stationery	31	59
Subscriptions and publications	13	22
Telephone and communications	22	43
Tipping fees	5,773	4,910
Training costs (other than salaries and wages)	22	-
Water purchases	586	1,757
Other	148	154
Total other expenses	53,261	41,383
TOTAL OTHER EXPENSES	53,261	41,383

Accounting policy for other expenses

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		–	–
Less: carrying amount of property assets sold/written off		(4)	–
Net gain/(loss) on disposal		(4)	–
Infrastructure			
	8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,555)	(3,014)
Net gain/(loss) on disposal		(2,555)	(3,014)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		234,928	119,352
Less: carrying amount of investments sold/redeemed/matured		(234,928)	(119,352)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,559)	(3,014)

Accounting policy for disposal of assets

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

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash-equivalent assets		
– Deposits at call	52,160	12,788
Total cash and cash equivalents	52,160	12,788

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 6(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'	5,890	4,589	–	–
b. 'Financial assets at amortised cost'	102,724	11,788	167,935	15,041
Total Investments	108,614	16,377	167,935	15,041
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	160,774	16,377	180,723	15,041
Financial assets at fair value through the profit and loss				
Government and semi-government bonds	–	2,998	–	–
NCD's, FRN's	5,890	1,591	–	–
Total	5,890	4,589	–	–
Financial assets at amortised cost				
Long term deposits	102,724	11,788	156,664	8,025
NCD's, FRN's	–	–	11,271	7,016
Total	102,724	11,788	167,935	15,041

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6(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.

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

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.

Fair value through other comprehensive income – equity instruments

CCCWSA has a number of strategic investments in entities over which they do not have significant influence nor control. CCCWSA has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

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

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

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	160,774	16,377	180,723	15,041
attributable to:				
External restrictions	75,618	16,377	84,872	15,041
Internal restrictions	1,958	-	1,894	-
Unrestricted	83,198	-	93,957	-
	160,774	16,377	180,723	15,041

\$ '000	2020	2019
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Details of restrictions

External restrictions

Developer contributions – water fund	27,529	38,250
Developer contributions – sewer fund	20,032	20,917
Developer contributions – drainage	34,583	32,467
Developer contributions – VPA – water	1,045	1,028
Developer contributions – VPA – sewer	491	483
Developer contributions - VPA - drainage	1,359	1,337
Specific purpose unexpended grants (recognised as revenue) – water fund	2,550	2,355
Specific purpose unexpended grants (recognised as revenue) – sewer fund	153	-
Specific purpose unexpended grants (recognised as revenue) – drainage fund	873	-
Water supplies	45	47
Drainage	100	100
Self insurance – sewer	2,027	2,131
Self insurance – water	1,208	798

External restrictions

91,995 99,913

Total external restrictions

91,995 99,913

Internal restrictions

Employee leave entitlement – water	1,026	873
Employees leave entitlement – drainage	55	66
Employee leave entitlement – sewer	877	955

Total internal restrictions

1,958 1,894

TOTAL RESTRICTIONS

93,953 101,807

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Interest and extra charges	1,177	–	1,258	–
User charges and fees	13,122	3,034	8,522	3,406
Accrued revenues				
– User charges and fees	13,255	–	15,586	–
– Government grants and subsidies	2,182	–	2,371	–
– Other income accruals	36	–	93	–
Drainage annual charges	2,636	–	1,374	–
Sewerage annual charges	9,692	–	7,479	–
Water annual charges	2,082	–	2,094	–
Other debtors	60	294	228	–
Total	44,242	3,328	39,005	3,406
Less: provision of impairment				
User charges and fees	(45)	–	–	–
Other debtors	(16)	–	–	–
Total provision for impairment – receivables	(61)	–	–	–
TOTAL NET RECEIVABLES	44,181	3,328	39,005	3,406

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	–
+ new provisions recognised during the year	61	–
Balance at the end of the year	61	–

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

When considering the ECL for rates debtors, CCCWSA takes into account that unpaid annual charges represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, CCCWSA uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7. Receivables (continued)

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

- the other party is unlikely to pay its credit obligations to CCCWSA in full, without recourse by CCCWSA 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.

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

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

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

Rates and annual charges outstanding are secured against the property.

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. 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	Net carrying amount	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	101,799	–	101,799	61,003	–	–	(69,328)	–	–	92,192	–	92,192
Plant and equipment	1,133	(1,085)	48	–	–	(41)	187	–	–	1,320	(1,126)	194
Office equipment	609	(600)	9	–	–	(35)	73	–	–	196	(149)	47
Furniture and fittings	854	(731)	123	–	–	(13)	7	–	–	866	(749)	117
Land:												
– Crown land	–	–	–	–	–	–	–	1,847	–	1,847	–	1,847
– Operational land	70,793	–	70,793	–	–	–	–	(1,847)	–	68,946	–	68,946
– Community land	7,351	–	7,351	–	–	–	290	–	–	7,641	–	7,641
Land improvements – depreciable	–	–	–	–	–	(14)	146	–	–	146	(14)	132
Infrastructure:												
– Buildings – specialised	50,167	(18,960)	31,207	–	(4)	(683)	1,545	–	–	51,689	(19,624)	32,065
– Other structures	1,699	(406)	1,293	–	–	(54)	17	–	–	1,716	(460)	1,256
– Roads	42	(20)	22	–	–	(1)	–	–	–	42	(21)	21
– Bulk earthworks (non-depreciable)	16	–	16	–	–	–	–	–	–	16	–	16
– Stormwater drainage	1,489,091	(468,579)	1,020,512	590	(293)	(15,858)	25,681	–	–	1,514,849	(484,217)	1,030,632
– Water supply network	1,823,426	(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	2,697	(1,258)	(35,143)	21,878	600	12,657	2,346,757	(935,034)	1,411,723
Total Infrastructure, property, plant and equipment	5,852,714	(2,175,952)	3,676,762	65,343	(2,559)	(78,675)	–	1,282	21,698	5,945,260	(2,262,692)	3,682,568

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. 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 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	78,540	–	78,540	62,009	–	–	(38,750)	–	–	101,799	–	101,799
Plant and equipment	1,133	(1,070)	63	–	–	(14)	–	–	–	1,133	(1,085)	48
Office equipment	620	(590)	30	–	–	(21)	–	–	–	609	(600)	9
Furniture and fittings	854	(716)	138	–	–	(15)	–	–	–	854	(731)	123
Land:												
– Operational land	70,706	–	70,706	87	–	–	–	–	–	70,793	–	70,793
– Community land	7,351	–	7,351	–	–	–	–	–	–	7,351	–	7,351
Infrastructure:												
– Buildings – specialised	47,042	(18,278)	28,764	–	–	(682)	3,125	–	–	50,167	(18,960)	31,207
– Other structures	1,631	(350)	1,281	–	–	(56)	68	–	–	1,699	(406)	1,293
– Roads	42	(19)	23	–	–	(1)	–	–	–	42	(20)	22
– Bulk earthworks (non-depreciable)	16	–	16	–	–	–	–	–	–	16	–	16
– Stormwater drainage	1,464,883	(453,458)	1,011,425	13,527	(627)	(15,431)	10,110	1,508	–	1,489,091	(468,579)	1,020,512
– Water supply network	1,786,097	(753,582)	1,032,515	561	(596)	(26,032)	11,709	(1,167)	16,306	1,823,426	(790,130)	1,033,296
– Sewerage network	2,252,235	(848,600)	1,403,635	1,002	(1,791)	(34,399)	13,738	2,566	25,543	2,305,734	(895,441)	1,410,293
Total Infrastructure, property, plant and equipment	5,711,150	(2,076,663)	3,634,487	77,186	(3,014)	(76,651)	–	2,907	41,849	5,852,714	(2,175,952)	3,676,762

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves 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 CCCWSA and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

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

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

Plant and equipment	Years	Buildings	Years
Office equipment	5 to 20	Non specialised buildings	16 to 100
Office furniture	10 to 15	Specialised buildings	6 to 100
Computer equipment	5 to 10		
Other plant and equipment	6 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Bridge: concrete	100	Bulk earthworks	100
Bridge: other	50		

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Drainage Easements		
Opening values at 1 July		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
Net book value – opening balance	1,703	1,703
Closing values at 30 June		
Gross book value	4,172	4,172
Accumulated amortisation	(2,469)	(2,469)
Total software – net book value	1,703	1,703
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	1,703	1,703

Accounting policy for intangible assets

Drainage easements

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

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

Note 10. Contract assets and liabilities

(a) Contract assets

Contract assets exist when CCCWSA has performed work and believes the costs expended are recoverable, however an invoice has not yet been raised.

CCCWSA has determined that no arrangements giving rise to a Contract asset are in place.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	3,504	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	72	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	145	–
Total grants received in advance		3,721	–
Total contract liabilities		3,721	–

Notes

(i) Council has received funding to construct assets including environmental 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.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Operating grants (received prior to performance obligation being satisfied)	3
Capital contributions (to construct Council controlled assets)	3
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	6

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.

(c) Contract cost assets

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Central Coast Council - Water Supply Authority

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Contract assets and liabilities (continued)

Contract costs exist where either incremental costs to obtain a contract or costs to fulfill a contract have been capitalised as an asset to record them through the income statement on a basis consistent with the related revenue in accordance with paragraphs 91-104 of AASB 15.

CCCWSA has determined that there are no contracts in place that give rise to Contract costs being reported.

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	3,917	–	5,466	–
Accrued expenses:				
– Other expenditure accruals	9,748	–	3,526	–
Security bonds, deposits and retentions	288	–	275	–
Payable to General Fund	22,960	–	25,000	–
Total payables	36,913	–	34,267	–
Income received in advance				
Payments received in advance	4,338	569	3,783	2,513
Other	–	1,898	–	–
Total income received in advance	4,338	2,467	3,783	2,513
Borrowings				
Loans – secured ¹	37,334	175,490	41,978	172,195
Loans – unsecured	1,192	22,683	1,127	23,876
Total borrowings	38,526	198,173	43,105	196,071
TOTAL PAYABLES AND BORROWINGS	79,777	200,640	81,155	198,584

⁽¹⁾ Loans are secured over the general rating income of Central Coast Council Water Supply Authority. Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1,773	–	1,933	–
Developer contributions in advance sewer	–	505	–	499
Developer contributions in advance water	–	–	59	–
Developer contributions in advance drainage	–	1,393	–	1,377
Payables and borrowings relating to externally restricted assets	1,773	1,898	1,992	1,876
Total payables and borrowings relating to restricted assets	1,773	1,898	1,992	1,876
Total payables and borrowings relating to unrestricted assets	78,004	198,742	79,163	196,708
TOTAL PAYABLES AND BORROWINGS	79,777	200,640	81,155	198,584

\$ '000	2020	2019
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Payables and borrowings (continued)

\$ '000	2020	2019
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	3,560	2,851
Total payables and borrowings	3,560	2,851

(c) 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	214,173	(1,349)	–	–	–	–	212,824
Loan – unsecured	25,003	(1,128)	–	–	–	–	23,875
TOTAL	239,176	(2,477)	–	–	–	–	236,699

\$ '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	245,436	(31,263)	–	–	–	214,173
Loan – unsecured	26,066	(1,063)	–	–	–	25,003
TOTAL	271,502	(32,326)	–	–	–	239,176

Accounting policy for payables and borrowings

CCCWSA measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the CCCWSA comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

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 borrowing costs.

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	2,761	–	2,322	–
Sick leave	1,379	–	1,807	–
Long service leave	5,046	380	5,000	217
Other leave	310	–	218	–
Sub-total – aggregate employee benefits	9,496	380	9,347	217
Other provisions				
Self insurance – workers compensation	827	2,408	407	2,522
Self insurance – public liability	64	–	–	–
Self insurance – other	21	–	23	–
Payroll tax	518	21	530	12
Other	108	–	403	–
Sub-total – other provisions	1,538	2,429	1,363	2,534
TOTAL PROVISIONS	11,034	2,809	10,710	2,751

(a) Provisions relating to restricted assets

Internally restricted assets				
Self insurance – workers' compensation	827	2,408	407	2,522
Provisions relating to internally restricted assets	827	2,408	407	2,522
Total provisions relating to restricted assets	827	2,408	407	2,522
Total provisions relating to unrestricted assets	10,207	401	10,303	229
TOTAL PROVISIONS	11,034	2,809	10,710	2,751

\$ '000	2020	2019
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(b) 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	4,904	5,563
	<u>4,904</u>	<u>5,563</u>

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

\$ '000	Other provisions		Total
	Self insurance	Other (Payroll Tax)	
2020			
At beginning of year	2,952	945	3,897
Additional provisions	–	2,649	2,649

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Provisions (continued)

\$ '000	Other provisions		Total
	Self insurance	Other (Payroll Tax)	
Amounts used (payments)	–	(2,947)	(2,947)
Other	368	–	368
Total other provisions at end of year	3,320	647	3,967
2019			
At beginning of year	1,945	595	2,540
Additional provisions	1,296	2,493	3,789
Amounts used (payments)	(289)	(2,143)	(2,432)
Total other provisions at end of year	2,952	945	3,897

Nature and purpose of non-employee benefit provisions

Self-insurance

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

Accounting policy for provisions

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

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

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

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 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 CCCWSA does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Self-insurance

CCCWSA 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. CCCWSA also maintains cash and investments to meet expected future claims; refer to Note 6(c).

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Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Provisions (continued)

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. 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) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, CCCWSA 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:

AASB 15 and AASB 1058

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

- CCCWSA 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
- CCCWSA has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

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. CCCWSA has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. 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

CCCWSA 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.

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.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where CCCWSA has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by CCCWSA 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, CCCWSA has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items of contract liabilities has been created.

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	2,503
– Under AASB 1058	–
Total Contract liabilities	2,503

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- ement	Carrying amount under previous revenue standards	Notes
Current liabilities					
Payables	36,913	–	–	36,913	
Income received in advance	4,338	72	–	4,410	
Contract liabilities	3,721	(72)	(3,649)	–	(i)
Borrowings	38,526	–	–	38,526	
Provisions	11,034	–	–	11,034	
Total current liabilities	94,532	–	(3,649)	90,883	
Investments	16,377	–	–	16,377	
Net assets	3,611,111	–	3,649	3,614,760	
Equity					
Accumulated surplus	3,462,846	–	3,649	3,466,495	
Revaluation reserves	148,265	–	–	148,265	
Council equity interest	3,611,111	–	3,649	3,614,760	
Total equity	3,611,111	–	3,649	3,614,760	

(i) 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.

Income Statement

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '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	78,370	-	-	78,370	
User charges and fees	77,507	-	-	77,507	
Other revenues	179	-	-	179	
Grants and contributions provided for operating purposes	593	-	69	662	(i)
Grants and contributions provided for capital purposes	16,765	-	1,149	17,914	(i)
Interest and investment income	4,370	-	-	4,370	
Total Income from continuing operations	177,784	-	1,218	179,002	
Net operating result for the year	(31,524)	-	1,218	(30,306)	
Total comprehensive income	(9,826)	-	1,218	(8,608)	

(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

\$ '000	AASB 15 cash flows per Statement of Cash Flows	Reclassification	Remeasurement

The adoption of AASB 15 and AASB 1058 has not materially changed the Statement of Cash Flows for the year ended 30 June 2020.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. 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	6(a)	52,160	12,788
Balance as per the Statement of Cash Flows		<u>52,160</u>	<u>12,788</u>

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

Net operating result from Income Statement		(31,524)	31,318
Adjust for non-cash items:			
Depreciation and amortisation		78,675	76,651
Net losses/(gains) on disposal of assets		2,559	3,014
Non-cash capital grants and contributions		(4,330)	(15,176)
Adoption of AASB 15/1058		(2,503)	-
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(5,159)	10,060
Increase/(decrease) in provision for impairment of receivables		61	-
Decrease/(increase) in other current assets		(161)	-
Increase/(decrease) in payables		(1,549)	1,856
Increase/(decrease) in accrued interest payable		-	(1,401)
Increase/(decrease) in other accrued expenses payable		6,222	(257)
Increase/(decrease) in other liabilities		(1,518)	4,542
Increase/(decrease) in contract liabilities		3,721	-
Increase/(decrease) in provision for employee benefits		312	(1,327)
Increase/(decrease) in other provisions		70	1,357
Net cash provided from operating activities from the Statement of Cash Flows		<u>44,876</u>	<u>110,637</u>

(c) Non-cash investing and financing activities

Other dedications		4,330	15,176
Total non-cash investing and financing activities		<u>4,330</u>	<u>15,176</u>

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Commitments

\$ '000	2020	2019
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		
Other – Stormwater Management	406	980
Infrastructure	41,229	10,150
Total commitments	41,635	11,130
These expenditures are payable as follows:		
Within the next year	41,635	11,130
Total payable	41,635	11,130
Sources for funding of capital commitments:		
Unrestricted general funds	41,635	11,130
Total sources of funding	41,635	11,130

Details of capital commitments

Major projects include:

- * Mardi to Warnervale water trunk main preconstruction \$32.9 million
- * Clarke Rd, Norville sewer pump station upgrade \$7.7 million
- * Sewer Infrastructure Reinforcements - Gosford CBD \$0.6 million

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

Defined benefit superannuation contribution plans

Council, on behalf of CCCWSA is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of *AASB119 Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

Employer contributions paid to the defined benefit section of the Scheme during 2019-20 were recognised as an expense. The last valuation of the Scheme was performed by Mercer Consulting (Australia) and covers the year ended 30 June 2020.

The position is monitored annually and the actuary has estimated that, as at 30 June 2020, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit.

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

2. Other liabilities

Developer contributions

CCCWSA levies Section 64 contributions upon various developments across the local government area through the required contributions plans. As part of these plans, CCCWSA has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by CCCWSA, which will be funded by making levies and receipting funds in future years. It is possible that funds contributed may be less than the cost of the infrastructure requiring CCCWSA to borrow or use general revenue to fund the difference.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent the intention to spend funds in the manner and timing set out in those plans.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management

Risk management

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

CCCWSA does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by CCCWSA's finance section under policies approved by the CCCWSA.

A comparison by category of the carrying amounts and fair values of CCCWSA'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	52,160	12,788	52,160	12,788
Receivables	47,509	42,411	47,509	42,411
Investments				
– 'Financial assets at amortised cost'	114,512	182,976	114,512	182,976
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	10,479	–	10,479	–
Total financial assets	224,660	238,175	224,660	238,175
Financial liabilities				
Payables	36,913	34,267	36,913	34,267
Loans/advances	236,699	239,176	307,454	275,358
Total financial liabilities	273,612	273,443	344,367	309,625

Fair value is determined as follows:

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

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

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

The risks associated with the instruments held are:

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

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management (continued)

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

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

The impact on the result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	17,709	17,709	(17,709)	(17,709)
Possible impact of a 1% movement in interest rates	1,771	1,771	(1,771)	(1,771)
2019				
Possible impact of a 10% movement in market values	18,102	18,102	(18,102)	(18,102)
Possible impact of a 1% movement in interest rates	1,810	1,810	(1,810)	(1,810)

(b) Credit risk

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

CCCWSA manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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

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

Credit risk profile

Receivables – annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	9,981	6,212	2,747	5,419	491	24,850

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management (continued)

Receivables - non annual charges

CCCWSA applies the simplified approach for non-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-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 overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	3,545	17,142	1,115	12,266	13,502	47,570
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.45%	0.13%
ECL provision	–	–	–	–	61	61
2019						
Gross carrying amount	956	533	343	212	648	2,692
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

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

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

Payment terms can (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. CCCWSA manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows. The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	288	36,625	–	–	36,913	36,913
Loans and advances	0.00%	–	50,548	109,067	147,839	307,454	236,699
Total financial liabilities		288	87,173	109,067	147,839	344,367	273,612
2019							
Trade/other payables	0.00%	275	13,817	–	–	14,092	34,267
Loans and advances	6.60%	–	54,467	122,103	122,741	299,311	202,431
Total financial liabilities		275	68,284	122,103	122,741	313,403	236,698

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Financial risk management (continued)

Loan agreement breaches

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

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement

Central Coast Council Water Supply Authority (CCCWSA) measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	12/05/16	–	–	194	194
Office equipment	12/05/16	–	–	47	47
Furniture and fittings	12/05/16	–	–	117	117
Crown land	30/06/18	–	–	1,847	1,847
Operational land	30/06/18	–	–	68,946	68,946
Community land	12/05/16	–	–	7,641	7,641
Land improvements - depreciable	30/06/18	–	–	132	132
Buildings – specialised	30/06/18	–	–	32,065	32,065
Other structures	12/05/16	–	–	1,256	1,256
Roads	12/05/16	–	–	21	21
Bulk earthworks (non depreciable)	12/05/16	–	–	16	16
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
Total infrastructure, property, plant and equipment		–	–	3,590,376	3,590,376

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	12/05/16	–	–	48	48
Office equipment	12/05/16	–	–	9	9
Furniture and fittings	12/05/16	–	–	123	123
Crown land		–	–	–	–
Operational land	30/06/18	–	–	70,793	70,793

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Community land	12/05/16	–	–	7,351	7,351
Land improvements - depreciable		–	–	–	–
Buildings – specialised	30/06/18	–	–	31,207	31,207
Other structures	12/05/16	–	–	1,293	1,293
Roads	12/05/16	–	–	22	22
Bulk earthworks (non depreciable)	12/05/16	–	–	16	16
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
Total infrastructure, property, plant and equipment		–	–	3,574,963	3,574,963

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

(2) Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

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

Where Central Coast Council Water Supply Authority (CCCWSA) is unable to derive fair valuations using quoted market prices of identical assets (ie. Level 1 inputs), or observable inputs (Level 2 inputs), it utilises unobservable inputs (Level 3 inputs).

The fair valuation techniques CCCWSA has employed while utilising Level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)**Plant and equipment, office equipment and furniture and fittings**

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

These asset categories include:

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

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

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

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

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

Operational land

This asset class is comprised of all CCCWSA's land classified as operational land under the *Local Government Act 1993*. CCCWSA's accounting policy is to value the freehold land on a market value basis.

CCCWSA engaged Scott Fullarton Valuation Pty Ltd to value operational land in 2018. CCCWSA's operational land was valued at market value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. Asset condition is also considered when determining the fair value.

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

Community land

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

CCCWSA accounting policy is to value 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.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs.

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

Buildings – specialised

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

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

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

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

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

Other structures

This asset class is comprised of fencing and structures which did not meet the definition of a building.

CCCWSA'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.

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

Stormwater drainage

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

The valuation of this asset class uses the cost assets approach. Replacement cost is assessed using the Modern Engineering Equivalent Replacement Asset (MEERA) approach.

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

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

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 has been 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, CCCWSA 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 Crown Lands and Water (CLAW) 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 has been 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*.

Unobservable Level 3 inputs used 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 Crown Lands and Water (CLAW) 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.

Central Coast Council - Water Supply Authority

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for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

(4) 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	Operational land	Community land
2019					
Opening balance	64	30	138	70,706	7,351
Purchases (GBV)	–	–	–	87	–
Depreciation and impairment	(14)	(21)	(15)	–	–
Closing balance	50	9	123	70,793	7,351

2020					
Opening balance	50	9	123	70,793	7,351
Transfers from/(to) another asset class	–	–	–	(1,847)	–
Purchases (GBV)	185	73	7	–	290
Depreciation and impairment	(41)	(35)	(13)	–	–
Closing balance	194	47	117	68,946	7,641

\$ '000	Buildings specialised	Other structures	Roads	Bulk earthworks	Stormwater drainage
2019					
Opening balance	28,764	1,281	23	16	1,011,425
Transfers from/(to) another asset class	–	68	–	–	1,508
Purchases (GBV)	3,125	–	–	–	23,637
Disposals (WDV)	–	–	–	–	(627)
Depreciation and impairment	(682)	(56)	(1)	–	(15,431)
Closing balance	31,207	1,293	22	16	1,020,512

2020					
Opening balance	31,207	1,293	22	16	1,020,512
Purchases (GBV)	1,545	17	–	–	26,271
Disposals (WDV)	(4)	–	–	–	(293)
Depreciation and impairment	(683)	(54)	(1)	–	(15,858)
Closing balance	32,065	1,256	21	16	1,030,632

\$ '000	Water supply network	Sewerage network	Crown land	Land improvements - depreciable	Total
2019					
Opening balance	1,032,515	1,403,635	–	–	3,555,948
Transfers from/(to) another asset class	(1,167)	2,566	–	–	2,975
Purchases (GBV)	12,270	14,739	–	–	53,858
Disposals (WDV)	(596)	(1,791)	–	–	(3,014)
Depreciation and impairment	(26,032)	(34,399)	–	–	(76,651)
Revaluation increments to equity (ARR)	16,306	25,543	–	–	41,849
Closing balance	1,033,296	1,410,293	–	–	3,574,965

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Crown land	Land improvements - depreciable	Total
2020					
Opening balance	1,033,296	1,410,293	-	-	3,574,965
Transfers from/(to) another asset class	682	600	1,847	-	1,282
Purchases (GBV)	20,557	24,574	-	146	73,665
Disposals (WDV)	(1,004)	(1,258)	-	-	(2,559)
Depreciation and impairment	(26,833)	(35,143)	-	(14)	(78,675)
Revaluation increments to equity (ARR)	9,041	12,657	-	-	21,698
Closing balance	1,035,739	1,411,723	1,847	132	3,590,376

c. 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	194	Cost approach	Pattern of consumption, useful life and residual value
Office equipment	47	Cost approach	Pattern of consumption, useful life and residual value
Furniture and fittings	117	Cost approach	Pattern of consumption, useful life and residual value
Crown land	1,847		
Operational land	68,946	Market value	The market value of land varies significantly depending on the location of the land and current market conditions.
Community land	7,641	Land values obtained from the NSW Valuer-General	Land value, land area
Land improvements - depreciable	132		
Buildings specialised	32,065	Market value	Pattern of consumption, useful life, residual value, asset condition and componentisation
Other structures	1,256	Cost approach	Useful life, pattern of consumption and asset condition
Roads	21	Cost approach	Current replacement cost of modern equivalent asset, asset condition, and remaining lives
Bulk earthworks	16	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

continued on next page ...

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Central Coast Council - Water Supply Authority

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Fair Value Measurement (continued)

(5) Highest and best use

The following non-financial assets of CCCWSA are being utilised at other than their highest and best use:

Community based assets

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

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

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

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Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of Central Coast Council Water Supply Authority (CCCWSA) are those persons having the authority and responsibility for planning, directing and controlling the activities of the CCCWSA, directly or indirectly. KMP include the following positions Councillors, 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	1,198	913
Other long-term benefits	56	44
Termination benefits	133	-
Total	1,387	957

(b) Other transactions with KMP and their related parties

CCCWSA has determined that transactions at arm's length between KMP and CCCWSA as part of CCCWSA delivering a public service objective will not be disclosed.

Nature of the transaction		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	Ref					
2020						
Employee expenses relating to close family members of KMP	1	-	-	Local Government (State) Award 2017	-	-
2019						
Employee expenses relating to close family members of KMP	1	11	-	Local Government (State) Award 2017	-	-

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

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20(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}	(45,730)	(28.40)%	4.20%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	161,019			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	160,426	90.24%	88.26%	>60.00%
Total continuing operating revenue ¹	177,784			
3. Unrestricted current ratio				
Current assets less all external restrictions	129,498	1.54x	1.65x	>1.50x
Current liabilities less specific purpose liabilities	84,295			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	48,247	0.84x	2.07x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	57,232			
5. Annual charges and interest outstanding percentage				
Annual charges and interest outstanding	15,612	17.07%	8.47%	<5.00%
Annual charges and interest collectible	91,459			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	166,672	11.97	14.39	>3.00
Monthly payments from cash flow of operating and financing activities	13,929	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

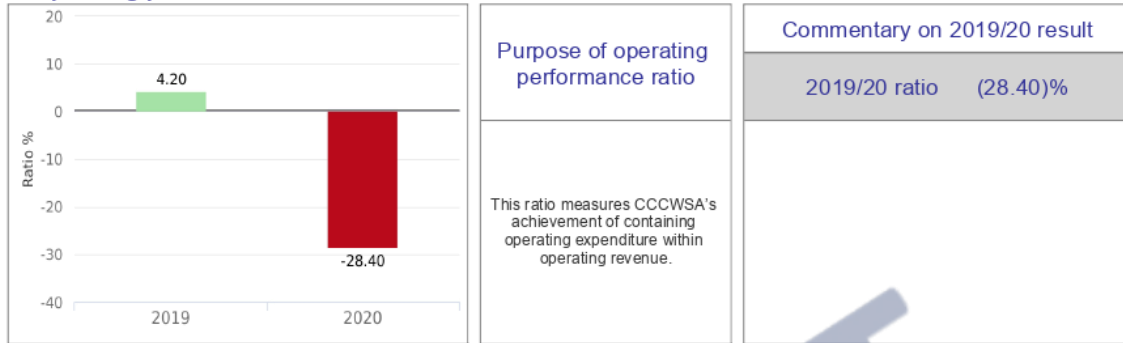
Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



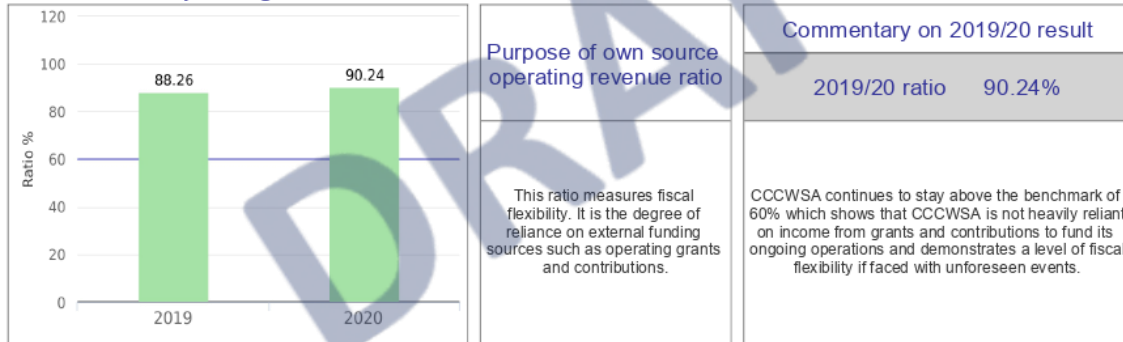
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



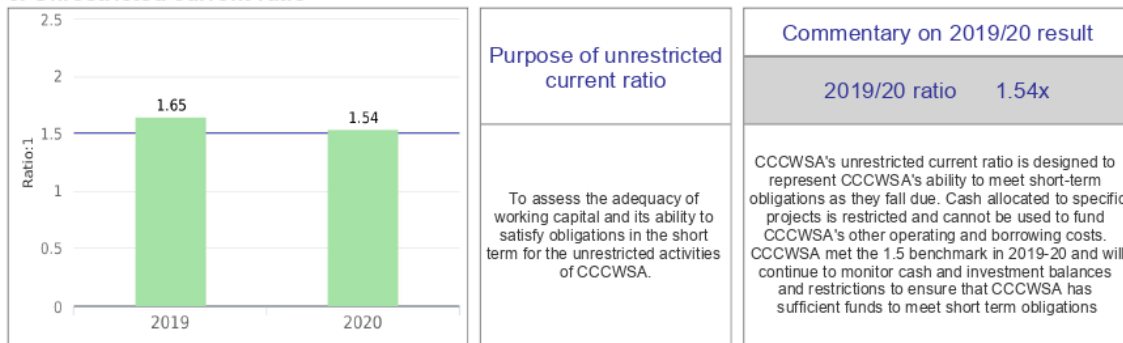
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Benchmark: — > 1.50x

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

Ratio achieves benchmark

Ratio is outside benchmark

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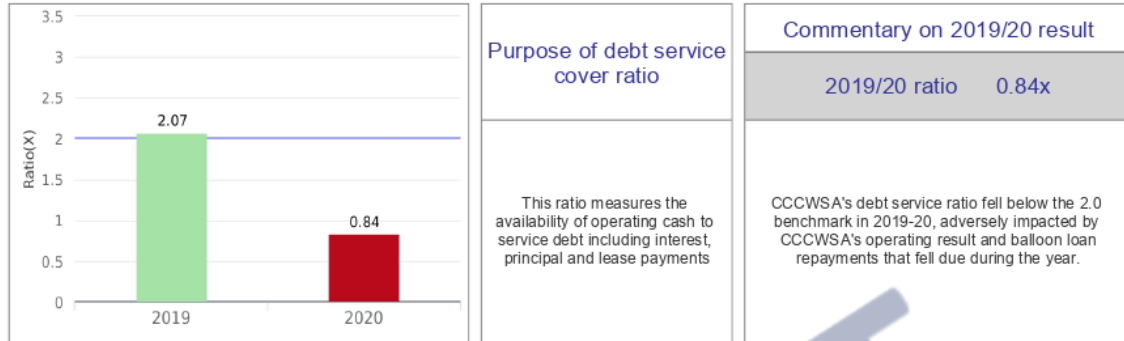
Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20(b). 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 0.84x

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

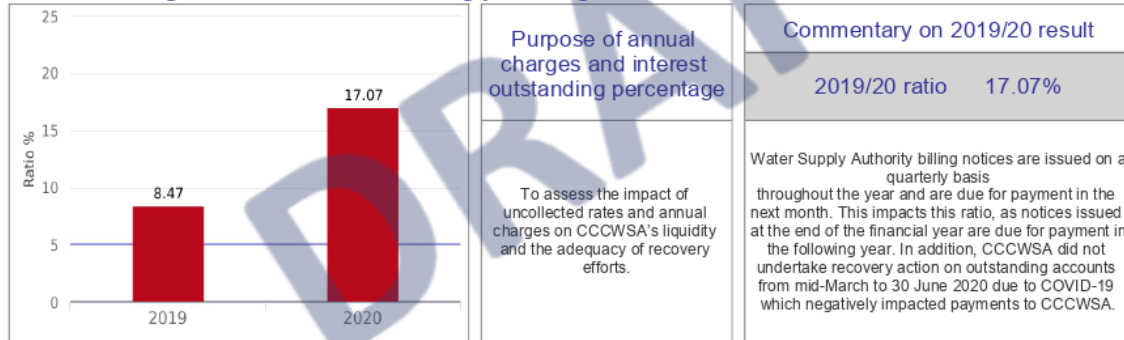
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

5. Annual charges and interest outstanding percentage



Purpose of annual charges and interest outstanding percentage

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

Commentary on 2019/20 result

2019/20 ratio 17.07%

Water Supply Authority billing 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, CCCWSA did not undertake recovery action on outstanding accounts from mid-March to 30 June 2020 due to COVID-19 which negatively impacted payments to CCCWSA.

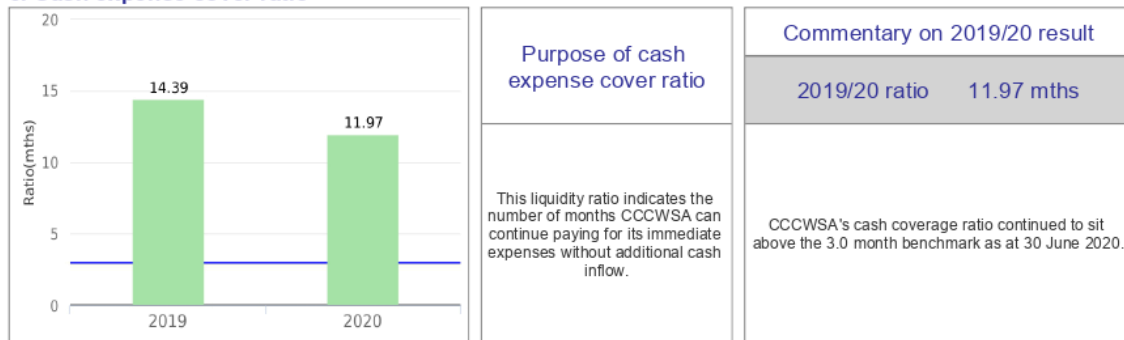
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 11.97 mths

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

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

Central Coast Council - Water Supply Authority

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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

Gary Murphy

Responsible Accounting Officer

TBA

Public Officer

Shane Sullivan

Auditors

Audit Office of NSW
Level 19, Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Elected members

MAYOR

Lisa Matthews (The Entrance Ward)

COUNCILLORS

Jane Smith - Deputy Mayor (Gosford East Ward)

Greg Best (Budgewoi Ward)

Jillian Hogan (Budgewoi Ward)

Doug Vincent (Budgewoi Ward)

Rebecca Gale (Gosford East Ward)

Jeff Sundstrom (Gosford East Ward)

Chris Holstein (Gosford West Ward)

Troy Marquart (Gosford West Ward)

Richard Mehtens (Gosford West Ward)

Bruce McLachlan (The Entrance Ward)

Jilly Pilon (The Entrance Ward)

Chris Burke (Wyong Ward)

Louise Greenaway (Wyong Ward)

Kyle MacGregor (Wyong Ward)

Other information

ABN: 73 149 644 003

Central Coast Council - Water Supply Authority

Financial Statements 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report

Please upload Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

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Central Coast Council - Water Supply Authority

Financial Statements 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Independent Auditor's Report

Please upift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

DRAFT



Office of Local Government

5 O'Keefe Avenue NOWRA NSW 2541
Locked Bag 3015 NOWRA NSW 2541

Our Reference: A743312
Your Reference:
Contact: Janelle Waterson
Phone: 02 4428 4100

Mr Rik Hart
Acting General Manager
Central Coast Council
PO Box 20
WYONG NSW 2259

By email: ask@centralcoast.nsw.gov.au

18 November 2020

Dear Mr Hart

I refer to correspondence of 2 November 2020 from Mr Jamie Loader, Acting General Manager, requesting an extension of time for the lodgement of Central Coast Council's 2019- 20 Financial Statements.

I have noted Council's ongoing issues with current financial position, forensic audit and the complexities associated with the appointment of the Interim Administrator in light of these issues.

The *Local Government Act 1993* (the Act) authorises me to grant an extension of time to a council for the preparation and auditing of annual financial statements (section 416(5)).

Having considered the information provided to me, I have approved an extension to 30 April 2021 for Council to complete its 2019-20 Financial Statements.

The Act does not authorise me to grant a similar extension in relation to a council's annual report, of which the audited financial statements form a part. The Act and the *Local Government (General) Regulation 2005* (Regulation) currently provide that a council must prepare an annual report within six months after the end of the financial year (section 428(1) of the Act and clause 413H of the Regulation), place a copy of the annual report on the council's website and provide a copy to the Minister for Local Government (section 428(5) of the Act). Council will need to consider how it intends to address this issue.

Should you need to discuss this further, please contact the Office of Local Government Performance Team on (02) 4428 4100.

Yours sincerely

Tim Hurst
Deputy Secretary
Local Government, Planning and Policy

T 02 4428 4100 F 02 4428 4199 TTY 02 4428 4209
E olg@olg.nsw.gov.au W www.olg.nsw.gov.au ABN 20 770 707 468





Item No: 7.1
Title: Draft Works-In-Kind Policies for Works under the Environmental Planning & Assessment Act 1979 and Water Management Act 2000
Department: Innovation and Futures

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14296421
Author: Jenny Mewing, Principal Strategic Planner
Manager: Shari Driver, Unit Manager, Strategic Planning
Executive: Ricardo Martello, Executive Manager Innovation and Futures

Report Purpose

To seek the Committee's support for the two draft Works-In-Kind (WIK) policies and supporting guideline (for works under the Environmental Planning & Assessment Act 1979 and the Water Management Act 2000) being reported to Council to seek authorisation to publicly exhibit the documents.

Executive Summary

The relevant legislation and contributions plans allow applicants to make requests to Council to undertake WIK in lieu of full or partial monetary payment of Local Infrastructure Contributions (LICs) that are imposed as conditions of a development consent.

Currently, Council does not have a WIK policy framework, procedures or guidelines to manage these requests. This was identified as a key shortcoming for rectification by the NSW Auditor General report (March 2020) into the management of LICs by Council.

Draft WIK policies and supporting guidelines have now been prepared to both address the audit findings and provide written direction (for applicants and Council staff) about the process for lodgment and assessment of WIK proposals.

This report recommends that the Committee support this matter being reported to Council for authorisation to publicly exhibit the draft policies and guidelines.

Recommendation

- 1 *That the Committee note the report on Draft Works-In-Kind Policies for Works under the Environmental Planning & Assessment Act 1979 and Water Management Act 2000.*
- 2 *That the Committee support the draft Works-In-Kind policies and supporting guidelines (for works under the Environmental Planning & Assessment Act 1979 and the Water Management Act 2000) being reported to Council to seek authorisation to publicly exhibit the documents.*

7.1 Draft Works-In-Kind Policies for Works under the Environmental Planning & Assessment Act 1979 and Water Management Act 2000 (contd)

- 3 *That the Committee recommend that this report and the supporting papers to this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.*

Context

Under a development consent, Council may apply conditions which require the payment of a monetary contribution, as per an applicable Development Contribution Plan/s (CP) and/or a Development Servicing Plan (DSP). These contributions, known as Local Infrastructure Contributions (LICs), are used by Council to provide local infrastructure (e.g. roads, community facilities, water mains etc.).

An applicant for a development may seek to undertake Works-In-Kind (WIK), in lieu of full or partial satisfaction of the monetary payment. The WIK must provide or relate to the infrastructure would otherwise be provided by Council using the LIC funds as defined by the CP and/or DSP.

In August 2020, Audit NSW tabled a report regarding the Governance and internal controls over LICs of four local Councils (including Central Coast Council (CCC)) in Parliament. This report made thirteen recommendations for CCC to address (Attachment 1). Recommendations seven, eight and twelve are of relevance to the management of WIK.

The draft Policies (see Attachment 2 and Attachment 3) and supporting Guidelines (see Attachment 4 and Attachment 5) seek to address the audit findings as well as provide transparent directions on the process for WIK proposals, making applications and the assessment of WIK requests.

Consultation

The draft policies were prepared following internal consultation with the relevant staff in Council involved with WIK matters including the functions of development contribution planning, community partnerships, asset design, asset management, development assessment, engineering certification and governance. Public consultation will occur when the draft policies and guidelines are exhibited.

It should be noted that the consolidation of the two policies has been considered through the drafting process. However, there are several legislative differences between the requirements for works under CPs and DSPs which mean that the two policies are unable to be aligned. Council's Governance team have advised there are no barriers to progressing with two separate, but similar policies based on different legislation.

7.1 Draft Works-In-Kind Policies for Works under the Environmental Planning & Assessment Act 1979 and Water Management Act 2000 (contd)

Options

1. Support the recommendation for public exhibition to occur. The draft policies and guidelines have been prepared to address the NSW Auditor General report recommendations following internal consultation with relevant functions within Council.
2. Do not proceed. This option does not address the requirements of the NSW Auditor General report recommendations and leaves Council open to potential risks.
3. Defer to seek further information or amendments to the draft Policies and/or draft Guidelines. This option does not immediately address the requirements of the NSW Auditor General report recommendations. It is preferred that any changes be delegated to the Interim CEO for staff to undertake before public exhibition.

Financial Implication

The provision of WIK in lieu of full or partial monetary payment of LICs reduces the burden of such works being provided by Council, thus reducing operational expenditure. There are governance, financial and other risks associated with WIK such as works constructed to a poor standard that result in substantial ongoing maintenance costs or require rectification and management at Council's expense.

The draft policies and guidelines seek to address those risks to require independent valuations for proposed WIK and to require payment of securities/bonds to enable defect rectification. The Guidelines embed operational procedures within Council to ensure infrastructure is constructed to relevant Council standards and is consistent with the adopted CPs and/or DSPs.

Critical Dates or Timeframes

The Audit NSW recommendations relating to WIKs are required to be addressed by 30 December 2020. It is intended to report the policies and the guidelines to the Council meeting of 27 January 2021, seeking endorsement for exhibition to occur in early 2021. Following exhibition, the policies and guidelines would be reported back to the Committee and then Council for consideration. Hence, subject to adoption, the policies and guidelines would be published on Council's website by mid-2021.

Attachments

- | | |
|--------------------------------------------------------------------------------------------------------|-----------|
| 1 NSW Auditor General Report Recommendations | D14297238 |
| 2 Draft Works-In-Kind-Policy (for Works under the Environmental Planning & Assessment Act 1979) | D14314739 |

7.1 Draft Works-In-Kind Policies for Works under the Environmental Planning & Assessment Act 1979 and Water Management Act 2000 (contd)

3	Draft Works-In-Kind-Policy (for Works under the Water Management Act 2000)	D14306208
4	Draft Works-In-Kind Procedures and Assessment Guidelines	D14314738
5	Draft Works-In-Kind Procedure and Assessment Guidelines - Water Management Act Matters	D14308223

6. Central Coast Council

Central Coast Council's governance and internal controls over LICs were not fully effective. Between 2001 and 2019, more than \$13.0 million in LICs was mis-spent on administration costs in breach of the EP&A Act. There is scope for improved oversight of the projected financial status of contributions plans and credit arrangements with developers. Policies and procedures from the two former councils are not aligned.

In May 2016, the newly amalgamated Central Coast Council inherited 53 contributions plans from the former Gosford City and Wyong Shire Councils. Managing this number of contributions plans fragments the available funds and increases complexity. Central Coast Council is currently working on consolidating these plans. Between June 2016 and June 2019, its LIC balance doubled from \$90 million to \$196 million. Central Coast Council does not assess and report to senior management or its Audit, Risk and Improvement Committee about the projected financial status of contributions plans. Central Coast Council has a LIC committee but it has no formal charter and senior officers do not regularly attend meetings. This limits the committee's effectiveness as a decision-making body. A draft policy relating to works-in-kind agreements provide no guidance about probity in negotiations with developers. Valuations of works-in-kind and land dedications are not independent as they are paid for by the developer.

Central Coast Council has adjusted its accounts in 2018–19 by \$13.2 million to repay the LIC fund for administration expenses that were not provided for in 40 contributions plans.

Recommendations

By June 2020, Central Coast Council should:

1. obtain independent validation of the adjustment made to the restricted asset accounts and general fund to repay LICs spent on administration, and adjustments made to each infrastructure category within the contributions plans
2. publish current contributions plans from the former Gosford City Council on the Central Coast Council website.

By December 2020, Central Coast Council should:

3. regularly report to senior management on the projected financial status of contributions plans
4. increase transparency of information available to the public about LIC works planned and underway, including intended use of contributions collected under VPAs
5. consolidate existing plans, ensuring the new contributions plans includes a regular review cycle
6. develop a formal charter for the developer contributions committee and increase the seniority of membership
7. complete and adopt council's works-in-kind policy currently under development, ensuring it addresses probity risks during negotiations with developers
8. mitigate risks associated with lack of independence in valuations of works-in-kind and dedicated land
9. improve public reporting about expenditure of cash collected under VPAs
10. improve management oversight of credit arrangements with developers
11. implement security measures to ensure the integrity of key spreadsheets used to manage LICs
12. align policies and procedures relating to LICs across the amalgamated council including developing policies and procedures for the management of S64 LICs
13. update council's VPA policy to address increased or indexed bank guarantees to accommodate cost increases.



Works-In-Kind Policy

For Works-In-Kind relating to Development Contributions levied under Section 7.11 of the *Environmental Planning and Assessment Act, 1979*

November 2020

Policy No: CCC XXX

Policy owner:	Innovation and Futures
Approved by:	Central Coast Council
Date of approval:	Day/Month/202X
Policy category:	Strategic
Content Manager No:	DXXXXXXXXX
Review date:	November 2021 or as required by legislative change

Contents

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Purpose

1. The purpose of this Policy is to establish the overarching principles for the consideration of proposals to provide a material public benefit in the form of Works-In-Kind (WIK), in lieu of full or partial satisfaction of condition/s of development consent requiring the payment of Development Contributions under Section 7.11 the Environmental Planning and Assessment Act 1979 (EPA).

Policy Statement

2. Council is committed to ensuring:
 - a. the delivery and maintenance of local facilities, services and other infrastructure to serve the needs of its growing population;
 - b. the provision of such is well-planned, appropriately timed and delivered, meets relevant construction and quality standards, and represents value for money for Council and the community; and
 - a. that any WIK Proposals are assessed in an equitable and transparent manner.

Scope

3. This Policy covers all elected members of Council, all personnel employed by Council, any person or organisation contracted to or acting on behalf of Council, any person or organisation employed to work on Council premises or facilities, and all activities of the Council.
4. This Policy applies to Applicants that have received development consent subject to a Section 7.11 payment condition, and who propose the provision of material public benefits in the form of WIK as full or partial satisfaction of such a payment.
5. This Policy applies to new WIK Proposals and variations to existing WIK Agreements requested or sought from the date of adoption of this Policy.
6. This Policy does not apply to:
 - a. the dedication of land to Council to satisfy the requirements of an adopted Contributions Plan and a condition imposed under Section 7.11 of the Environmental Planning and Assessment Act 1979 requiring the dedication of land (however, it may apply to a WIK proposal for the embellishment of such land if identified within the relevant Section 7.11 Development Contribution Plan);
 - b. Local Infrastructure Contributions (LICs) levied under any s7.12 Development Contribution plan, prepared in accordance with the provisions of the *Environmental Planning and Assessment Act 1979 NSW* (the Act);
 - c. Any proposal or request to provide Material Public Benefits other than WIK.

- d. Water Supply and Sewerage Developer Charges payable under a Development Servicing Plan levied under the *Water Management Act, 2000 NSW*.
7. This Policy is supported by WIK Procedures and Guidelines, which may be reviewed as required, subject to endorsement of Council's Development Contributions Committee (DCC) and Council's Chief Executive Officer (CEO).

Background

8. The EPA Act permits Councils to collect LICs to contribute to the provision of local facilities, services and other infrastructure required to serve the needs of the community.
9. The purpose and value of LICs are defined by Section 7.11 or Section 7.12 Development Contribution Plans, prepared and adopted by Councils.
10. When a development is granted development consent, the payment of LICs, and the amount and purpose thereof, are applied as conditions to that development consent by the relevant consent authority and the condition wording sets out the required payment at a time as specified by the consent.
11. In some cases, applicants may seek to provide a material public material public benefit in the form of WIK, in lieu of full or partial satisfaction of the conditioned LICs.
12. Council recognises that the provision of WIK offers an alternative solution for the timely delivery of local facilities, services and other infrastructure.

General

13. Council is under no obligation to accept offers to enter into WIK Agreements.
14. Council will only consider applications to enter a WIK where the relevant Section 7.11 Contributions Plan provides that a WIK can be entered into for the carrying out of works in full or partial satisfaction of a monetary contribution condition of a development consent.
15. All WIK Proposals will be lodged and progressed in accordance with Council's WIK Procedures and Guidelines by an Evaluation Officer.
16. The Assessing Officer and their direct supervisor identified in the Assessment Report for a Development Application for which the WIK is proposed shall take no part in the consideration or negotiation of the WIK Proposal.
17. All WIK Proposals will be evaluated by a Senior Officer of Council with relevant skills and experience within the Development Contributions Section/Unit/Team against criteria established by Council's WIK Procedure.
18. All WIK Agreements will be subject to the payment of securities.
19. The authority to endorse and execute a WIK Agreement is to be based on the financial delegations of Senior Management on the Development Contributions Committee, or the CEO, whichever is attributable to the financial value of the WIK.
20. All executed WIK Agreements will be recorded on a WIK Register maintained by Council.

21. The arrangements of any executed WIK Agreement will not be conditioned within a development consent.

Compliance, monitoring and review

22. Suspected breaches or misuse of this policy are to be reported to the Chief Executive Officer. Alleged breaches of this policy shall be dealt with by the processes outlined for breaches of the Code of Conduct, as detailed in the Code of Conduct and in the Procedures for the Administration of the Code of Conduct.
23. Where works which would be the subject to a WIK Agreement have commenced or have been completed without a WIK Agreement being executed, Council will not enter into a retrospective WIK Agreement and will not reimburse the costs associated with the works undertaken.
24. This policy will be reviewed every four years, following the election of a new Council, or as required by legislative change.

Records management

25. All negotiations between the Evaluation Officer and the Developer or their representatives is to be documented within Council's document management system.

Definitions

Act: means the *Environmental Planning and Assessment (EP&A) Act, 1979*.

Applicant: means the person who has the written authority to act on behalf of the landowner of the land who has the benefit of a development consent that relates to that land.

Contributions Plan/s: means a plan prepared by Council in accordance with the provisions of Part 7, Division 7.1, Subdivision 3 of the Act and Regulations for the purposes of Section 7.11 or 7.12 of the Act.

Contributions Plan Works Schedule: means the schedule within a contribution plan which itemises the works, costs, staging and timing thereof to be delivered by the plan.

Contributions Plan Works Value: means the value assigned to the provision of an item of work or facility under a Contribution Plan.

Council: means the Central Coast Council which includes any reference to the former Wyong Shire Council or Gosford City Council

Development Application: has the same meaning as within the Act.

Development Consent: has the same meaning as within the Act.

Development Contribution: means the provision made by a developer under a planning agreement, monetary contribution, the dedication of land free of cost, or the provision of a public benefits to be used for or applied towards a public purpose.

Development Contribution Condition: means a condition imposed by the Consent Authority relating to the payment of monies in accordance with applicable Development Contribution Plans.

Developer Contributions Committee (DCC): means the internal Council Developer Contributions Committee, comprising relevant employees of the Council that review and provide advice in relation to offers from developers for proposed WIK in lieu of payment of contributions.

Material Public Benefit means a Work-In-Kind which is listed in the works schedule of a development contributions plan for which a monetary contribution would be normally sought or the provision of certain public amenities or services that may or may not exist in the area that is not included in a development contributions plan. A Material Public Benefit is not the dedication of land or the payment of a monetary contribution under the *Environmental Planning and Assessment Act, 1979*.

Security/Securities means a financial amount of money paid to Council to pay costs associated with completion of any outstanding works to be undertaken by the Applicant and/or rectification of defects of the works once completed.

Work: has the same meaning as within the Act.

Works-In-Kind: means the undertaking of work, or the provision of amenities, services or facilities, as nominated in a Contribution Plan's Work Schedule and includes reference to Contribution Offsets. It does not include the dedication of land.

Works-In-Kind Agreement: means the agreement between an Applicant and Council which details the works, plans, costing, timing and other matters deemed necessary for the provision of Works in Kind.

Works-In-Kind Procedures and Assessment Guidelines: means the associated Procedures and Assessment Guidelines, as amended from time to time, and endorsed by the DCC or CEO.

Related resources

26. Legislation:

- a. Environmental Planning and Assessment Act, 1979 (NSW)
- b. Local Government Act 1993 (NSW)

27. Associated documents:

- a. Council's Code of Conduct

- b. Central Coast Council Works-In-Kind Procedures and Assessment Guidelines
- c. Central Coast Council s7.11 Development Contribution Plans (multiple)
- d. Central Coast Council s7.12 Development Contribution Plan

History of revisions

Amendment history	Details
<p>Original approval authority details</p>	<p>Council</p> <hr/> <p>XX/XX/20XX <insert Council Meeting date and minute number of resolution adopting the policy <remove if not needed></p> <hr/> <p>This policy sets out principles that apply to considering applications to undertake WIK in lieu or partial or full payment of Development Contributions payable and conditioned on a development consent under s7.11 of the <i>Environmental Planning & Assessment Act, 1979</i>.</p> <p>The policy may be underpinned by operational procedures.</p> <hr/> <p>CM document number:</p>



Works-In-Kind Policy – Water Management Act Matters

For Works-In-Kind relating to Development Contributions levied under Section 306 of the *Water Management Act, 2000*

November 2020

Policy owner:	Water and Sewer
Approved by:	Central Coast Council
Date of approval:	Day/Month/202X
Policy category:	Strategic
Content Manager No:	DXXXXXXXXX
Review date:	November 2021 or as required by legislative change

Policy No: CCC XXX

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Purpose

1. The purpose of the Works-In-Kind Policy is to provide a framework for Council to consider, and for Applicants to apply to provide Works-In-Kind, in lieu of full or partial payment of Water Supply and Sewerage Developer Charges required under the Water Management Act 2000 (WMA).
2. The policy also allows for a refund to an Applicant for any balance of the value of agreed Works-In-Kind that exceeds the amount of Developer Charges payable as identified in the Works In Kind Agreement.
3. The consideration of Works – In Kind, in lieu of full or partial payment of Section 7.11 Development Contributions required under the Environmental Planning and Assessment Act 1979 (EP&A Act) is covered by a separate Council Policy.

Policy Statement

4. Council is committed to ensuring:
 - a. the delivery of water supply and sewerage infrastructure occurs as required to serve the needs of its growing population;
 - b. the provision of such is well-planned, appropriately timed and delivered, meets relevant construction and quality standards, and represents value for money for Council and the community; and
 - a. that any WIK Proposals are assessed in an equitable and transparent manner.

Scope

5. This Policy covers all elected members of Council, all personnel employed by Council, any person or organisation contracted to or acting on behalf of Council, any person or organisation employed to work on Council premises or facilities, and all activities of the Council.
6. This Policy applies to Applicants that:
 - a. Intend to lodge an application for Development which is likely to be subject to Developer Charges payment condition/s should a Section 306 Requirements Letter be issued; or have been issued a Section 306 Requirements Letter for a Development which is subject to a Developer Charges payment condition, and
 - b. Propose to undertake Works-In-Kind as partial or full satisfaction of making such payment.
7. This Policy applies to new WIK Proposals and variations to existing WIK Agreements requested or sought from the date of adoption of this Policy.

8. This Policy does not apply to:
 - a. the provision of temporary assets or reticulation assets which are required to be vested in Council, at no charge to Council, as described in the Water Supply and Sewerage Development Servicing Plans.
 - b. Development Contributions payable levied under any s7.11 or 7.12 Development Contribution Plan levied under the EP&A Act.
 - c. Any proposal or request to provide Works -In-Kind that are not consistent with the intent of the Water Supply and Sewerage Development Servicing Plans (provide trunk water supply and sewerage capacity to service growth).
9. This Policy is supported by WIK Procedures and Guidelines, which may be reviewed as required, subject to endorsement of Council's Development Contributions Committee (DCC) and Council's Chief Executive Officer (CEO).

Background

10. The Act permits Councils to collect Water and Sewerage Developer Charges to contribute to the provision of Water Supply and Sewerage infrastructure required to serve the needs of the community.
11. The purpose and value of Water and Sewerage Developer Charges are defined by Water Supply and Sewerage Development Servicing Plans (DSP), prepared and adopted by Councils and subsequently registered with the Independent Pricing and Regulatory Tribunal (IPART).
12. When a development is provided a Section 306 Requirements Letter, the payment of Water and Sewerage Developer Charges are applied as conditions (including required timing of payment) that must be met before a Section 307 Certificate of Compliance can be granted.
13. In some cases, applicants may apply to provide a material public material public benefit in the form of WIK, in lieu of full or partial satisfaction of the conditioned Water and Sewerage Developer Charges.
14. Council recognises that the provision of WIK offer an alternative solution for the timely delivery of trunk infrastructure to service development and realises efficiencies in asset delivery.

General

15. Council is under no obligation to accept offers to enter into WIK Agreements.
16. Council will only consider applications to enter a WIK where the relevant Development Servicing Plan provides that a WIK can be entered into for the carrying out of works in full or partial satisfaction of Developer Charges payable shown on a Section 306 Requirements Letter.
17. All WIK Proposals will be lodged and progressed in accordance with Council's WIK Procedures and Guidelines.
18. All WIK Agreements will be subject to the payment of securities.

19. Negotiation of Works in Kind Agreements may only be undertaken by the Team Leader Water Assessments and Senior Development Engineer positions. The applicable Section Manager and Unit Manager may also be involved if required.
20. All Works-In-Kind Applications and their evaluations will be referred to the Section Manager Water Services & Design for review and endorsement.
21. The authority to endorse and execute a WIK Agreement is to be based on the financial delegations of Senior Management on the DCC, or the CEO, whichever is attributable to the value of the WIK.
22. All executed WIK Agreements will be recorded on a WIK Register maintained by Council.

Compliance, monitoring and review

23. Suspected breaches or misuse of this policy are to be reported to the Chief Executive Officer. Alleged breaches of this policy shall be dealt with by the processes outlined for breaches of the Code of Conduct, as detailed in the Code of Conduct and in the Procedures for the Administration of the Code of Conduct.
24. Where works which would be the subject to a WIK Agreement have commenced or have been completed without a WIK Agreement being executed, Council will not enter into a retrospective WIK Agreement and will not reimburse the costs associated with the works undertaken.
25. This policy will be reviewed every four years, following the election of a new Council, or as required by legislative change.

Records management

26. All negotiations between the Evaluation Officer and the Applicant or their representatives is to be documented within Council's document management system.

Definitions

Act: means the *Water Management Act (WMA), 2000*.

Applicant: means the person who has the written authority to act on behalf of the landowner of the land who has the benefit of a development consent that relates to that land.

Council: means the Central Coast Council which includes any reference to the former Wyong Shire Council or Gosford City Council.

Developer Charges: means the provision made by a developer under a DSP, monetary contribution, or the provision of infrastructure to be used for or applied towards the provision of water supply and/or sewerage capacity to service existing or future growth.

Developer Charges Payable: means a condition imposed by Council as a Water Authority relating to the payment of monies in accordance with applicable DSPs.

Developer Contributions Committee (DCC): means the internal Council Developer Contributions Committee, comprising relevant employees of the Council that review and provide advice in relation to offers from developers for proposed WIK in lieu of payment of contributions.

Development Servicing Plan: means a plan prepared by Council in accordance with the provisions of the prevailing Independent Pricing and Regulatory Tribunal (IPART) determination on Water and Sewerage Developer Charges.

Development Servicing Plan Works Schedule: means the schedule within a contribution plan which itemises the works, costs, staging and timing thereof to be delivered by the plan.

Development Servicing Plan Works Value: means the value assigned to the provision of an item of work or facility under a DSP.

Material Public Benefit means a Work-In-Kind which is listed in the works schedule of a Water Supply and Sewerage Development Servicing Plan for which a monetary contribution would be normally sought or the provision of certain water and/or sewerage infrastructure that may or may not exist in the area that is not included in a Water Supply and Sewerage Development Servicing Plan. A Material Public Benefit is not the dedication of land or the payment of a monetary contribution under the *Environmental Planning and Assessment Act, 1979*.

Security/Securities means a financial amount of money paid to Council to pay costs associated with completion of any outstanding works to be undertaken by the Applicant.

Water Management Act Application: has the same meaning as within Section 305 of the Act.

Water Management Act Requirements: has the same meaning as within Section 306 of the Act.

Work: has the same meaning as within the Act.

Works-In-Kind: means the undertaking of work, or the provision of amenities, services or facilities, as nominated in a Contribution Plan's Work Schedule and includes reference to Contribution Offsets. It does not include the dedication of land.

Works-In-Kind Agreement: means the agreement between an Applicant and Council which details the works, plans, costing, timing and other matters deemed necessary for the provision of Works in Kind.

Works-In-Kind Procedures and Assessment Guidelines: means the associated Water Management Act Procedures and Assessment Guidelines, as amended from time to time, and endorsed by the DCC or CEO.

Related resources

27. Legislation:

- a. Local Government Act 1993 (NSW)
- b. Water Management Act 2000

28. Associated documents:

- a. Council's Code of Conduct
- b. Central Coast Council Works-In-Kind Procedures and Assessment Guidelines – Water Management Act Matters
- c. Central Coast Council Water Supply and Sewerage Development Servicing Plans (multiple)

History of revisions

Amendment history	Details
<p>Original approval authority details</p>	<p>Council</p> <hr/> <p>XX/XX/20XX <insert Council Meeting date and minute number of resolution adopting the policy <remove if not needed></p> <hr/> <p>This policy sets out principles that apply to considering applications to undertake WIK in lieu or partial or full payment of Development Contributions payable and conditioned on a development consent under s7.11 of the <i>Environmental Planning & Assessment Act, 1979</i>.</p> <p>The policy may be underpinned by operational procedures.</p> <hr/> <p>CM document number:</p>



Works-In-Kind Procedures and Assessment Guidelines

For Works-In-Kind relating to Development Contributions levied under Section 7.11 of the *Environmental Planning and Assessment Act, 1979*

November 2020

Version: 0.1 Draft (remove once approved)

Document owner:	Strategic Planning, Innovation & Futures
Approved by:	Ricardo Martello, Innovation & Futures
Date of approval:	Day/Month/Year
Content Manager No:	D#####
Review date:	November 2021 or as required by legislative change

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Purpose

The purpose of these Works-In-Kind (WIK) Procedures and Assessment Guideline is to ensure that there is a transparent and consistent approach to the lodgement, assessment and conditioning of a WIK Agreement.

This Procedure and Assessment Guideline is to be utilised in the assessment and negotiation of proposals seeking to provide a material public benefit in the form of WIK, in lieu of full or partial satisfaction of Development Consent Conditions requiring payment of Contributions levied in accordance with a Section 7.11 Contribution Plan under the provisions of the *Environmental Planning & Assessment Act, 1979 (NSW)*.

Scope

These Procedures and Assessment Guidelines are to be utilised and applied by all personnel employed by Council, any person or organisation contracted to or acting on behalf of Council, any person or organisation employed to work on Council premises or facilities, and all activities of the Council, who is/are involved in the assessment, evaluation, negotiation, refusal or execution of WIK Agreements.

These Procedures and Assessment Guidelines have also been prepared for the information of Applicants that have received Development Consent subject to a Section 7.11 payment condition, and who propose the provision of material public benefits in the form of WIK as full or partial satisfaction of such a payment.

Procedure

Applications to Undertake WIK

1. Council is under no obligation to accept offers to enter into WIK Agreements.
2. Applications to undertake WIK will be progressed in accordance generally with the process as outlined at Attachment 1 to these Procedures and Assessment Guidelines.
3. Council will only consider applications to enter a WIK Agreement where the relevant Section 7.11 Contributions Plan provides that WIK Agreements may be entered into for the carrying out of works as full or partial satisfaction of a Section 7.11 Development Contribution Condition of a Development Consent.
4. Applications to enter into WIK Agreements will only be considered where the proposed works are identified within the applicable Section 7.11 Development Contribution Plan/s Works Schedule.
5. The dedication of land to Council, prescribed or otherwise by the applicable Section 7.11 Development Contribution Plan, is not considered as a WIK. However, the embellishment of such land if identified within the relevant Section 7.11 Contribution Plan Works Schedule and requires the payment of a Development Contribution by a condition of Development Consent, may be eligible for consideration as a WIK proposal.
6. Preliminary negotiations for a WIK Agreement may commence prior to the determination of a Development Application seeking Development Consent. However, a WIK Agreement will not be executed prior to the issuing of a Development Consent, and must conform with the general principles of the original proposal.
7. Applications to enter into a WIK Agreement must be lodged in a format as prescribed by Council, supported by the payment of the relevant fees as described by Council's Fees and Charges applicable at the time of lodgement.
8. Any variation sought by a Applicant to the standard WIK Agreement template (at Attachment 2 of this Policy) proposed by an Applicant must be documented with relevant and appropriate supporting justification, lodged at the same time as the WIK Application.

Evaluation and Negotiation of proposed WIK

9. The Assessing Officer and their direct supervisor identified in the Assessment Report for a Development Application for which WIK are proposed shall take no part in the consideration or negotiation of an Application for a WIK Agreement.

10. The evaluation and any negotiations required to facilitate amendments of proposed WIK will be undertaken by the Senior Contribution Officer (as the "Evaluation Officer") and peer reviewed by the relevant Section Manager in the Strategic Planning Unit.
11. All WIK Applications will be evaluated against the following criteria:
12. the nature and extent of WIK proposed, in terms of the:
 - i. value of the works,
 - ii. the priority for infrastructure delivery; and
 - iii. context with proposed development and any adjoining development;
13. whether the Development Contribution Plan/s Work Schedule or Contribution Plan Works Value is valid or requires amendment;
14. the value of existing funds available within the relevant Contribution Plan;
15. the design, maintenance burdens, standards and delivery timing of the proposed works;
16. any likely or potential precedent that may be created by the acceptance of the WIK and/or whether works will/will not prejudice the timing/delivery of public services in the Development Contributions Plan work program;
17. any proposed variations to the standard WIK Agreement template by the Applicant or Council.
18. As part of the evaluation:
 - a. Council will obtain the services of a suitably experienced and qualified civil estimator (at the expense of the Applicant but independent of the applicant) to validate the costs and standards proposed within the WIK Application. This will occur only after the applicant has agreed in writing to pay the costs associated with the civil estimator;
 - b. The Applicant and/or their representatives or agents will have no contact with the suitably experienced and qualified civil estimator engaged by Council; and
 - c. Council staff with relevant technical and specialist skills may be requested to comment on the contents of the proposed WIK, including but not limited to designs, construction standards, maintenance costs etc.
19. All WIK Applications and their evaluations will be referred to Council's Development Contributions Committee (DCC) for review.

Acceptance and Execution of WIK Agreements

20. The DCC may require further amendments to the WIK Agreement before finalisation and approval of a WIK application.

21. In the event the DCC decline to support a WIK Application, the decision of the DCC is final. Any revised proposal must be re-lodged as a new WIK Application.
22. Advice will be provided for the information of the Applicant if the DCC declines to support a WIK Application.
23. In the event the DCC agree to support a WIK Application, Council's Delegate with the requisite level of financial delegation (in accordance with Council's Delegation of Authority Policy) will be briefed, and the Applicant will be advised.
24. All costs (including legal costs) and fees associated with the assessment of a WIK Application and the drafting, review and finalisation of the WIK Agreement, are to be borne by the Applicant.
25. Upon request and prior to the lodgement of a WIK Application, a written quote for the anticipated costs and fees will be provided to the Applicant.
26. Council's Legal Unit may require amendments to the draft WIK Agreement. Council's Senior Contribution Officer will act as the liaison between the Applicant and Council's Legal Unit.
27. Once a WIK Agreement is agreed to by all parties, the Applicant will be required to sign two copies of the WIK Agreement in the presence of a witness, and return to Council for execution by the relevant delegate of Council. One copy of the WIK Agreement will be returned to the Applicant.

Registration of the WIK Agreement

28. A completed WIK Agreement will be recorded on a register maintained by Council and recorded in Council's Record Management System.

Credits and Offsets

29. Council will only consider offsetting the Development Contributions payable by a condition of a Development consent, for the works shown in that Development Contributions Plan Works Schedule which is the subject the WIK Agreement.

Conditions of Consent

30. Any development consent will itemise the contributions applicable under any relevant s7.11 Development Contribution Plan.
31. Works within a Development Contributions Plan with a direct nexus to the development will be conditioned within a Development Consent.

32. Generally, works within a Development Contributions Plan will not be reflected as a condition of consent where there is an insufficient nexus to the development.
33. Notwithstanding the above, Council may impose conditions for works required by a Development Contributions Plan if the work is primarily required for the development (e.g. roadworks) instead of primarily for the provision of a public amenity.
34. The arrangements of a WIK Agreement cannot be conditioned within a development consent.

Further Assessments and Development Consents

35. Where there is insufficient information submitted with a Development Application to assess works required for a Development, the Applicant will be responsible for obtaining any necessary development consents, approvals and/or permits prior to the commencement of the works.

Payment and Release of Securities

36. All WIK Agreements will require payment of securities.
37. The securities will be retained by Council.
38. The value of the security is to be set in accordance with the value specified by Council's Civil Works Specifications – Construction Specification. The total value of the security bond and the timing for its payment is to be set out in the WIK Agreement.
39. Refund of securities will be associated with the completion of relevant deliverables as set out within the WIK Agreement.
40. Council reserves the right to retain a portion of the securities for a specified period (both as set out in the WIK Agreement) post-handover of the completed WIK for use by Council to rectify any defects or unplanned maintenance associated with the WIK post-handover. Any securities not utilised at the completion of this period will be refunded to the Applicant.

Works commenced without an Executed WIK Agreement

41. Where works which would be the subject to a WIK Agreement have commenced or have been completed without a WIK Agreement being executed, Council will not enter into a retrospective WIK Agreement and will not reimburse the costs associated with the works undertaken.

Compliance, monitoring and review

42. Suspected breaches or misuse of this Procedure and Assessment Guidelines are to be reported to the Chief Executive Officer. Alleged breaches of this policy shall be dealt with by the processes outlined for breaches of the Code of Conduct, as detailed in the Code of Conduct and in the Procedures for the Administration of the Code of Conduct.
43. These Procedures and Assessment Guidelines will be reviewed every four years or as required by legislative change or for other purposes.

Records management

44. All staff must maintain all records relevant to administering this policy in Council's electronic recordkeeping system.

Definitions

Act: means the *Environmental Planning and Assessment (EP&A) Act, 1979*.

Applicant: means the person who has the written authority to act on behalf of the landowner of the land who has the benefit of a development consent that relates to that land.

Consent Authority: has the same meaning as within the Act.

Contributions Plan/s: means a plan prepared by Council in accordance with the provisions of Part 7, Division 7.1, Subdivision 3 of the Act and Regulations for the purposes of Section 7.11 or 7.12 of the Act.

Contributions Plan Works Schedule: means the schedule within a contribution plan which itemises the works, costs, staging and timing thereof to be delivered by the plan.

Contributions Plan Works Value: means the value assigned to the provision of an item of work or facility under a Contribution Plan.

Council: means the Central Coast Council which includes any reference to the former Wyong Shire Council or Gosford City Council

Development Application: has the same meaning as within the Act.

Development Consent: has the same meaning as within the Act.

Development Contribution: means the provision made by a Applicant under a planning agreement, monetary contribution, the dedication of land free of cost, or the provision of a public benefits to be used for or applied towards a public purpose.

Development Contribution Condition: means a condition imposed by the Consent Authority relating to the payment of monies in accordance with applicable Development Contribution Plans.

Development Contributions Committee (DCC): means the internal Council Development Contributions Committee, comprising relevant employees of the Council that review and provide advice in relation to offers from Applicants for proposed WIK in lieu of payment of contributions.

Material Public Benefit: means a Work-In-Kind which is listed in the works schedule of a development contributions plan for which a monetary contribution would be normally sought or the provision of certain public amenities or services that may or may not exist in the area that is not included in a development contributions plan. A Material Public Benefit is not the dedication of land or the payment of a monetary contribution under the Act.

Security/Securities: means a financial amount of money paid to Council to pay costs associated with completion of any outstanding works to be undertaken by the Applicant and/or rectification of defects of the works once completed.

Regulations: means the *Environmental Planning and Assessment Regulation, 2000 (NSW)*

Work: has the same meaning as within the Act.

Works-In-Kind (WIK): means the undertaking of work, or the provision of amenities, services or facilities, as nominated in a Contribution Plan's Work Schedule and includes reference to Contribution Offsets. It does not include the dedication of land.

Works-In-Kind Agreement: means the agreement between an Applicant and Council which details the works, plans, costing, timing and other matters deemed necessary for the provision of WIK.

Works-In-Kind Procedures and Assessment Guidelines: means these operational Procedures and Assessment Guidelines, as amended from time to time, and endorsed by the DCC or CEO.

Related resources

45. Legislation:

[Environmental Planning and Assessment Act, 1979 \(NSW\)](#)

[Environmental Planning and Assessment Regulation, 2000 \(NSW\)](#)

[Local Government Act, 1993 \(NSW\)](#)

46. Associated/Internal documents:

[Code of Conduct](#)

[WIK Policy \(For WIK relating to Development Contributions levied under Section 7.11 of the Environmental Planning and Assessment Act, 1979 \(NSW\)\)](#)

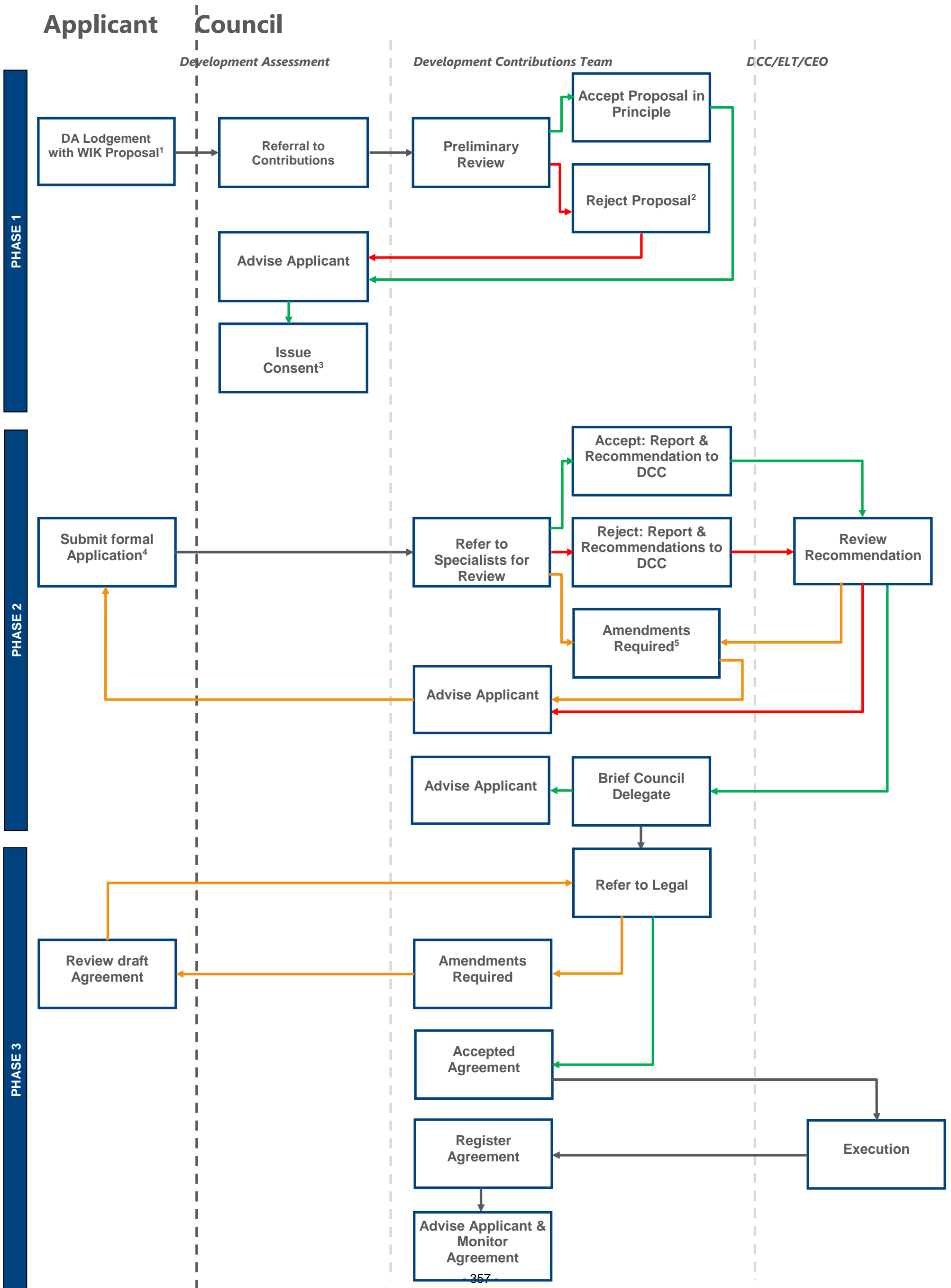
[Delegations of Authority granted under the Local Government Act, 1993 \(NSW\)](#)

[Central Coast Council s7.11 Development Contribution Plans \(multiple\)](#)

[Central Coast Council s7.12 Development Contribution Plan](#)

[Central Coast Civil Works Specifications – Construction Specification](#)

Appendix 1: WIK Lodgement & Assessment Process Flow Chart



Appendix 2: WIK Agreement Template

WIK Agreement

Central Coast Council (ABN 73 149 644 003)

and

Insert name ABN and address

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WIK Agreement

Date	
Parties	<p>Central Coast Council ABN 73 149 644 003 of 2 Hely Street, Wyong New South Wales 2320 and 49 Mann Street Gosford NSW 2250</p> <p>(Council)</p> <p>Insert name ABN and address ACN of ###</p> <p>(Applicant)</p>
Background	<p>A. The Applicant has been granted the Development Consent or is otherwise entitled to act upon the Development Consent</p> <p>B. Condition "[Insert details]" of the Development Consent requires the Applicant to make the Monetary Contributions</p> <p>C. Condition "[Insert details]" of the Development Consent requires the Applicant to carry out the Works on the Land</p> <p>D. The Applicant offered to enter into this Agreement by letter to the Council dated "[Insert date]"</p> <p>E. The Council and the Applicant wish to enter into this Agreement to make provision for the carrying out of the Works by the Applicant in partial satisfaction of the Applicant's obligation to pay the Monetary Contributions under condition "[Insert details]".</p> <p>F. The Act authorises the Council and the Applicant to enter into this Agreement to make provision for the carrying out of the Works by the Applicant in partial satisfaction of the Monetary Contributions.</p>

Agreement

1. Definitions and Interpretation

1.1 In this Agreement the following definitions apply:

Act means the *Environmental Planning and Assessment Act 1979* (NSW).

Contributions Plan means the [identify Plan] made by the Council under s7.18EA of the Act and adopted by the Council on [insert] as amended.

Contribution Value means the amount specified in Column 3 of Schedule 3.

Defects Liability Period means the period specified for that item in Column 2 of Schedule 3, commencing on the date the Works are taken to be Handed-Over in accordance with clause 9.5.

Development means the development the subject of the Development Consent.

Development Application means development application DA "[Insert DA number]" made by the Applicant to the Council on "[Insert date]"

Development Consent means the development consent granted by the Council under s4.16 of the Act to the Development Application on "[Insert date as notified by the Council to the Applicant in accordance with s4.18 of the Act on [Insert date]."

Development Contribution means a monetary contribution or the dedication of land free of cost.

Final Lot means a lot in the Development created for separate occupation and disposition or a lot of a kind or created for a purpose that is otherwise agreed by the parties, not being:

- (a) a lot created by a subdivision of the land that is to be dedicated or otherwise transferred to the Council, or
- (b) a lot created by a subdivision of the Land which may be further subdivided.

GST has the same meaning as in the GST Law.

GST Law has the meaning given to that term in A New Tax System (Goods and Services Tax) Act 1999 (Cth) and any other Act or regulation relating to the imposition or administration of the GST.

Hand-Over means the hand-over to the Council of the Works in accordance with this Agreement.

Item of Works means an item of the Works.

Land means the land specified or described in Schedule 1.

Location Plan means the plan contained in Schedule 2.

Monetary Contributions means the monetary Development Contributions required to be paid to the Council under the following condition xxx of the Development Consent for the following public purposes and in the following amounts (which have

been indexed in accordance with condition "[insert details]" of the Development Consent to the date of this Agreement):

Condition	Public Purpose	\$ Amount
Condition " "[insert details]"	"[insert details]"	\$ "[insert details]"
Condition " "[insert details]"	"[insert details]"	\$ "[insert details]"

Party means a party to this agreement, including its successors and assigns.

Rectification Certificate means a compliance certificate within the meaning of s6.4(e)(iv) (or s109C(1)(a)(v) as the case may be) of the Act to the effect that work the subject of a Rectification Notice has been completed in accordance with the notice.

Rectification Notice means a notice in writing that identifies a defect in a work and requires rectification of the defect within a specified period of time.

Regulation means the *Environmental Planning and Assessment Regulation 2000*.

Security means an unconditional bond or bank guarantee in a form, and on terms otherwise acceptable, to the Council.

Surplus Value means the amount by which the sum of all Contribution Values exceeds the value of the Monetary Contributions.

Works means the works specified or described in Column 1 of Schedule 3 to this Agreement and includes any Item of Works and any part of any Item of Works.

Works-As-Executed-Plan means detailed plans and specifications of the completed Works.

- 1.2 In the interpretation of this Agreement, the following provisions apply unless the context otherwise requires:
- 1.2.1 Headings are inserted for convenience only and do not affect the interpretation of this Agreement. '
- 1.2.2 A reference in this Agreement to a business day means a day other than a Saturday or Sunday on which banks are open for business generally in Sydney.
- 1.2.3 If the day on which any act, matter or thing is to be done, under this Agreement is not a business day, the act, matter or thing must be done on the next business day,

- 1.2.4 A reference in this Agreement to dollars or \$ means Australian dollars and all amounts, payable under this Agreement are payable in Australian dollars.
- 1.2.5 A reference in this Agreement to any law, legislation or legislative, provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision.
- 1.2.6 A reference to an applicable law includes a reference to anything required to be done by or under the law in relation to the Works, including anything required to be done by reason of a requirement lawfully imposed by a person or body exercising functions under the law.
- 1.2.7 A reference in this Agreement to any agreement, deed or document is to that agreement, deed or document as amended, novated, supplemented or replaced.
- 1.2.8 A reference to a clause, part, schedule or attachment is a reference to a clause, part, schedule or attachment of or to this Agreement.
- 1.2.9 An expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency.
- 1.2.10 Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.
- 1.2.11 A word which denotes the singular denotes the plural, a word which denotes the plural denotes the singular, and a reference to any gender. denotes the other gender.
- 1.2.12 References to the word 'include' or 'including' are to be construed without limitation.
- 1.2.13 A reference to this Agreement includes the agreement recorded in this Agreement.
- 1.2.14 A reference to a party to this Agreement includes a reference to the servants, agents and contractors of the party, and the party's successors and assigns.
- 1.2.15 Any schedules, appendices and attachments form part of this Agreement.

2. Obligation to Carry Out Works

- 2.1 The Applicant is to carry out and complete the Works on the Land at the locations shown on the Location Plan.

- 2.2 The Applicant's obligation under clause 2.1 exists irrespective of whether the Applicant:
- 2.2.1 carries out the Works itself, or
 - 2.2.2 enters into an agreement with another person under which the other person carries, out the Works on the Applicant's behalf.
- 2.3 The Applicant is to carry out and complete the Works in a good and workmanlike manner having regard to the intended purpose of the Works and otherwise to the satisfaction of Council in accordance with:
- 2.3.1 the Development Consent, and
 - 2.3.2 the **Construction Certificate with reference number SCC/xx/xxxx**, and
- all applicable laws, including those relating to occupational health and safety, and
- 2.3.3 this Agreement to the extent that it is not inconsistent with the Development Consent or an applicable law.
- 2.4 In the event of an inconsistency between this Agreement and the Development Consent or any applicable law, the Development Consent or the law prevails to the extent of the inconsistency.
- 2.5 It is the Applicant's responsibility to ensure that everything necessary for the proper performance of its obligations under this Agreement is supplied or made available.
- 2.6 The Works is to be Handed-Over to the Council in accordance with this Agreement.

3. Ownership of Works, etc

- 3.1 Nothing in, or done under, this Agreement gives the Applicant:
- 3.1.1 any right, title or interest in the Works, or
 - 3.1.2 any estate or interest in the Land,
- whether at law or in equity.

4. Effect of Applicant's Compliance with this Agreement

- 4.1 For the purposes of condition "[Insert details]" of the Development Consent and s7.11(5)(b) of the Act:
- 4.1.1 the **Hand-Over of the Works under** this Agreement by the Applicant satisfies the Applicant's obligation under the Development Consent to make the Monetary Contributions to the extent of the sum of all Contribution Values, and

4.1.2 the Applicant is not required to pay the Monetary Contributions to that extent.

5. Determination of Value

5.1 For the purposes of this Agreement, the Parties acknowledge that the Contribution Value in relation to the Works is the value of the Works specified by, or determined in accordance with, the Contributions Plan or as otherwise agreed between the Parties

5.2 If the Applicant's actual cost of carrying out the Works, including any costs incurred pursuant to this Agreement, determined at the date on which the Works is Handed-Over to the Council:

5.2.1 exceeds the Contribution Value, the Applicant is not entitled to claim credit or reimbursement, as the case may be, for the difference, or an increase to the Contribution Value,

5.2.2 is less than the Contributions Value, then for the purposes of this Agreement the Contribution Value is taken to be the actual cost of carrying out the Works.

6. Access to the Land

6.1 Subject to any applicable law, the Party that owns the Land authorises the other Party to enter the Land for the purposes of this Agreement.

7. Protection of People and Property

7.1 The Applicant is to ensure in relation to the carrying out of the Works that:

7.1.1 necessary measures are taken to protect people and property, and

7.1.2 unnecessary interference with the passage of people and vehicles is avoided, and

7.1.3 nuisances and unreasonable noise and disturbances are prevented.

8. Damage and Repairs to the Works

8.1 The Applicant, at its own cost, is to repair and make good to the satisfaction of the Council any loss or damage to the Works from any cause whatsoever which occurs prior to the date on which the Works is Handed-Over to the Council.

9. Hand-Over of Works

- 9.1 The Applicant is to give the Council not less than 20 calendar days written notice of the date on which it proposes to Hand-Over the Works to the Council, which is not to be later than the Hand-Over Date.
- 9.2 The Council may, at any time before the date specified in the notice referred to in clause 9.1, direct the Applicant in writing:
- 9.2.1 to carry out work specified in the notice to complete the Works in accordance with clause 2.3 before it is Handed-Over to the Council, and
- 9.2.2 to Hand-Over the Works completed in accordance with the Council's direction to the Council by a specified date, irrespective of whether that date is later than the Hand-Over Date.
- 9.3 The Applicant is to comply with a direction referred to in clause 9.2 according to its terms and at the Applicants own cost.
- 9.4 Before the Works is handed-over to the Council, the Applicant is to remove from the Land:
- 9.4.1 any rubbish or surplus material, and
- 9.4.2 any temporary works, and
- 9.4.3 any construction plant and equipment;
- relating to the carrying out of the Works as the case requires.
- 9.5 The Works is taken, to be Handed-Over to the Council when all all of the following have occurred:
- 9.5.1 the Council gives the Applicant written notice that the Works, including any direction given under clause 9.2 have been completed to the Council's satisfaction, and
- 9.5.2 the Council issues the Subdivision Certificate for the Development, and
- 9.5.3 the Council gives the Applicant written notice that Works-As-Executed-Plan satisfactory to the Council have been provided to the Council, and
- 9.5.4 the Applicant has given the Council Security under clause 14.

10. Works-As-Executed-Plan

10.1 Works As Executed Plans are to be submitted to Council prior to the issue of the Subdivision Certificate for the Development.

11. Rectification. of Defects

11.1 During the Defects Liability Period the Council may give to the Applicant a Rectification Notice in relation to the Works specifying:

11.1.1 the Works requiring rectification,

11.1.2 the action required to be undertaken by the Applicant to rectify those Works, and

11.1.3 the date on which those Works are to be rectified.

11.2 The Applicant must comply with a Rectification Notice at its own cost according to the terms of the Notice whether or not the cost of doing so exceeds the amount of Security provided under clause 14.

11.3 When the Applicant considers that rectification is complete, the Applicant may give to the Council a Rectification Certificate relating to the Works the subject of the relevant Rectification Notice.

11.4 A Rectification Certificate discharges the Applicant from any further obligation to comply with the relevant Rectification Notice.

11.5 If the Applicant does not comply with a Rectification Notice, the Council may do such things as are necessary to rectify the defect and may:

11.5.1 call upon the Security to meet its costs in rectifying the defect, and

11.5.2 recover, as a debt due in a court of competent jurisdiction, any difference between the amount of the Security and the costs incurred by the Council in rectifying the defect.

12. Cost of Works carried out by the Council

12.1 The Parties acknowledge and agree that where, in accordance with this Agreement, the Council incurs a cost in carrying out, completing or rectifying a defect in the Works, the Council may recover from the Applicant in a court of competent jurisdiction its full costs, including costs determined in accordance with clause 12.2.1-12.2.3.

12.2 The Council's costs of carrying out, completing or rectifying the Works in accordance with this Agreement include, but are not limited to:

- 12.2.1 the reasonable costs of the Council's servants, agents and contractors reasonably incurred for that purpose
- 12.2.2 all fees and charges necessarily or reasonably incurred by the Council in order to have the Works carried out, completed or rectified,
- 12.2.3 Without limiting the generality of the preceding sub-clause, all legal costs and expenses reasonably incurred by the Council, by reason of the Applicant's failure to comply with this Agreement.

13. Indemnity and Insurance

- 13.1 The Applicant indemnifies the Council, its employees, officers, agents, contractors and workmen from and against all losses, damages, costs (including legal costs on a full indemnity basis), charges, expenses, actions, claims and demands whatsoever which may be sustained, suffered, recovered or made arising in connection with the carrying out by the Applicant of the Works and any other obligation under this Agreement.
- 13.2 The Applicant is to take out and keep current to the satisfaction of the Council the following insurances in relation to the Works up until the relevant date of Hand-Over to Council:
 - 13.2.1 contract works insurance, noting the Council as an interested party, for the full replacement value of the Works (including the cost of demolition and removal of debris, consultants' fees and authorities' fees), to cover the Applicant's liability in respect of damage to or destruction of the Works,
 - 13.2.2 public liability insurance for at least \$20,000,000 for a single occurrence, which covers the Council, the Applicant and any subcontractor of the Applicant, for liability to any third party,
 - 13.2.3 workers compensation insurance as required by law, and
 - 13.2.4 any other insurance required by law.
- 13.3 If the Applicant fails to comply with clause 13.2, the Council may effect and keep in force such insurances and pay such premiums as may be necessary for that purpose and the amount so paid shall be a debt due from the Applicant to the Council and may be recovered by the Council as it deems appropriate including:
 - 13.3.1 by calling upon the Security provided by the Applicant to the Council under this Agreement, or
 - 13.3.2 recovery as a debt due in a court of competent jurisdiction.

- 13.4 The Applicant is not to commence to carry out the Works unless it has first provided to the Council satisfactory written evidence of all the insurances specified in clause 13.2.

14. Provision of Security

- 14.1 Prior to the works being Handed Over to the Council and the Council giving notice under Clause 9.5 the Applicant must provide the Council with Security in the amount of "[insert amount]".

- 14.2 The Council may call upon the Security if the Council considers that the Applicant has failed to comply with a Rectification Notice issued under clause 11 or any, notice referred to in clause 19.1 in respect of a Rectification Notice, or the Council gives the Applicant a termination notice under clause 20.3.

- 14.3 If the Council calls on the Security, the Council may, by notice in writing to the Applicant require the Applicant to provide a further Security in an amount which, together with any unused portion of any existing Security does not exceed the amount specified in clause 14.1.

- 14.4 The Council may apply the Security in satisfaction of:

14.4.1 the carrying out of the Works, and

14.4.2 any liability, loss, cost, charge or expense directly or indirectly incurred by the Council because of the failure by the Applicant to comply with this Agreement.

- 14.5 The Council is to release and return the Security to the Applicant, less any amount of the Security called upon by the Council, in accordance with clause 14.2, on the later of:

14.5.1 60 days after the expiry of the Defects Liability Period, and

14.5.2 all Rectification Certificates relating to Works the subject of all Rectification Notices having been given to the Council under clause 11.

- 14.6 The Council is not required to return any part of the Security to the Applicant if the Council has given the Applicant a termination notice under clause 20.3.

15. Assignment, etc.

- 15.1 Unless the matters specified in clause 15.2 are satisfied, the Applicant is not to do any of the following:

15.1.1 if the Applicant is the owner of the Land, to transfer the Land to any person, or

15.1.2 assign or novate to any person the Applicant's rights or obligations under this Agreement.

15.2 The matters required to be satisfied for the purposes of clause 15.1 are as follows:

15.2.1 the Applicant has, at no cost to the Council, first procured the execution by the person to whom the Applicant's rights or obligations under this Agreement are to be assigned or novated, of an agreement in favour of the Council on terms satisfactory to the Council, and

15.2.2 the Council, by notice in writing to the Applicant, has stated that evidence satisfactory to the Council has been produced to show that the assignee or novatee, is reasonably capable of performing its obligations under the Agreement, and

15.2.3 the Applicant is not in breach of this Agreement.

16. Dispute Resolution – Expert Determination

16.1 This clause applies to a dispute under this Agreement which relates to a matter that, in the opinion of the Council, can be determined by an appropriately qualified expert.

16.2 Any dispute between the parties as to whether a dispute to which this clause applies can be determined by an appropriately qualified expert is to be referred to the Chief Executive Officer of the professional body that represents persons with the relevant expertise for determination, which is to be final and binding on the Parties.

16.3 Such a dispute is taken to arise if one Party gives another Party a notice in writing specifying particulars of the dispute.

16.4 If a notice is given under Clause 16.3, the Parties are to meet within 14 days of-the notice in an attempt to resolve the dispute.

16.5 If the dispute is not resolved within a further 28 days, the dispute must be referred to the President of the NSW Law Society to appoint an Expert for Expert Determination.

16.6 Expert Determination is binding on the Parties except in the case of fraud or misfeasance by the Expert.

16.7 Each Party must bear its own costs arising from or in connection with the appointment of the Expert and the Expert Determination.

17. Dispute Resolution - Mediation

17.1 This clause applies to any dispute under this Agreement other than a dispute to which clause 16 applies.

- 17.2 Such a dispute is taken to arise if one Party gives another Party a notice in writing specifying particulars of the dispute.
- 17.3 If a notice is given under 17.2, the Parties are to meet within 14 days of the notice in an attempt to resolve the dispute.
- 17.4 If the dispute is not resolved within a further 28 days, the Parties must mediate the dispute in accordance with the Mediation Rules of the Law Society of New South Wales published from time to time and must request the President of the Law Society, or the President's nominee, to select a mediator.
- 17.5 If the dispute is not resolved by mediation within a further 28 days, or such longer period as may be necessary to allow any mediation process which has been commenced to be completed, then the Parties may exercise their legal rights in relation to the dispute, including by the commencement of legal proceedings in a court of competent jurisdiction in New South Wales.

18. Arbitration Excluded

- 18.1 The arbitration of any dispute between the Parties arising under or in connection with Agreement is expressly excluded.'

19. Failure to Carry out Works

- 19.1 Subject to clause 20, if the Council considers the Applicant is in breach of any obligation under this Agreement relating to the carrying out of the Works, the Council may but is not obliged to give the Applicant a notice requiring:
- 19.1.1 the breach to be rectified to the Council's satisfaction, or
- 19.1.2 the carrying out of the Works immediately cease and the breach to be rectified to the Council's satisfaction.
- 19.2 A notice given under clause 19.1 is to allow the Applicant a period of not less than 28 days to rectify the breach.
- 19.3 A notice given under clause 19.1.2 does not prevent the Applicant from rectifying the breach the subject of the Notice to the Council's satisfaction.
- 19.4 Without limiting any other rights Council has to enforce this Agreement, the Council may, if the Applicant does not comply with a notice given under clause 19.1:
- 19.4.1 call upon the Security in accordance with clause 14, and
- 19.4.2 carry out and complete the Works.

- 19.5 For the purposes of clause 19.4, any difference between the amount of the Security called upon by the Council and the costs incurred by the Council in completing the Works may be recovered by the Council from the Applicant as a debt due in a court of competent jurisdiction.
- 19.6 Clauses 16 and 17 do not prevent a notice being given under clause 19.1 and do not apply to such a notice or the circumstances relating to the giving of that notice, and any procedure commenced under clause 16 or clause 17 ceases to apply when such a notice is given.

20. Termination

- 20.1 If the Applicant commits a breach of this Agreement, the Council may, despite any other provision of this Agreement, give the Applicant a written notice requiring the Applicant to show cause why the Council should not terminate this Agreement.
- 20.2 A notice under clause 20.1 is to:
- 20.2.1 state that the notice is given under this Agreement, and 20.2.2 particularise the nature of the breach by the Applicant, and
 - 20.2.3 require the Applicant to show cause by notice to the Council why the Council should not terminate this Agreement, and
 - 20.2.4 specify a date by which the Applicant is to show cause as provided for in clause 20.2.3.
- 20.3 If the Applicant fails to show cause to the reasonable satisfaction of the Council why the Council should not terminate this Agreement in relation to the Applicant's breach, the Council may terminate this Agreement by written notice to the Applicant.
- 20.4 If the Council terminates this Agreement under clause 20.3 the rights and liabilities of the Parties are the same as they would have been at common law had the Applicant repudiated this Agreement and the Council elected to treat this Agreement as at an end and recover damages.
- 20.5 Clauses 16 and 17 do not prevent a notice being given under clause 20.1 or 20.3 and do not apply such a notice or the circumstances relating to the giving of that notice, and procedure commenced under clause 16 or clause 17 ceases to apply to when such a notice is given.

21. Governing Law & Enforcement

- 21.1 This Agreement is governed by the law of New South Wales.
- 21.2 This Agreement may be enforced by either Party in any court of competent jurisdiction.

- 21.3 Clauses 16 and 17 do not prevent the enforcement of this Agreement in any court of competent jurisdiction and any procedure commenced under clause 16 or 17 ceases to apply when such proceedings are commenced in such a court.
- 21.4 The Parties, submit to the non-exclusive jurisdiction of its courts and courts of appeal from them.
- 21.5 The Parties will not object to the exercise of jurisdiction by those courts on any basis.

22. Notices

- 22.1 Any notice, consent, information, application or request that must or may be given or made to a Party under this Agreement is only given or made if it is in writing and sent in one of the following ways:
- 22.1.1 delivered or posted to that Party at its address set out in Schedule 4.
 - 22.1.2 faxed to that Party at its fax number set out in Schedule 4.
 - 22.1.3 emailed to that Party at its email address set out in Schedule 4.
- 22.2 If a Party gives the other Party 3 business days' notice of a change of its address or fax number, any notice, consent, information, application or request is only given or made by that other Party if it is delivered, posted or faxed to the latest address or fax number.
- 22.3 Any notice, consent, information, application or request is to be treated as given or made if it is:
- 22.3.1 delivered, when it is left at the relevant address.
 - 22.3.2 sent by post, 2 business days after it is posted.
 - 22.3.3 sent by fax, as soon as the sender receives/from the sender's fax machine a report of an error free transmission to the correct fax number.
- 22.4 If any notice, consent, information, application or request is delivered, or an error free transmission report in relation to it is received, on a day that is not a business day, or if on a business day after 5pm on that day in the place of the Party to whom it is sent, it is to be treated as having been given or made at the beginning of the next business day.

23. Approvals and Consent

- 23.1 Except as otherwise set out in this Agreement, and subject to any statutory obligations, a Party may give or withhold an approval or consent to be given under this Agreement in the Party's absolute discretion and subject to any conditions determined by the Party.

- 23.2 A Party is not obliged to give its reasons for giving or withholding consent or for giving. Consent subject to conditions.

24. Costs

- 24.1 The Applicant is to pay to the Council, within 7 days of receipt of a written demand by the Council, the Council's additional costs of preparing, negotiating, executing and stamping the final version of this Agreement and any document related to this Agreement.

25. Entire Agreement

- 25.1 Subject to anything expressly provided for to the contrary in this Agreement:
- 25.1.1 this Agreement contains everything to which the Parties have agreed in relation to the matters it deals with, and
 - 25.1.2 no Party can rely on an earlier document, or anything said or done by another Party, or by a director, officer, agent or employee of that Party, before this Agreement was executed, except as permitted by law.

26. Further Acts

- 26.1 Each Party must promptly execute all documents and do all things that another Party from time to time reasonably requests to effect, perfect or complete this Agreement and all transactions incidental to it.

27. Joint and Individual Liability and Benefits

- 27.1 Except as otherwise set out in this Agreement, any agreement, covenant, representation or warranty under this Agreement by 2 or more persons binds them jointly and each of them individually, and any benefit in favour of 2 or more persons is for the benefit of them jointly and each of them individually.

28. No Fetter

- 28.1 Nothing in this Agreement shall be construed as requiring Council to do anything that would cause it to be in breach of any of its obligations at law, and without limitation, nothing shall be construed as limiting or fettering in any way the exercise of any statutory discretion or duty.

29. Representations and Warranties

- 29.1 The Parties represent and warrant that they have power to enter into this Agreement and comply with their obligations under the Agreement and that entry into this Agreement will not result in the breach of any law.

30. Severability

- 30.1 If a clause or part of a clause of this Agreement can be read in a way that makes it illegal, unenforceable or invalid, but can also be read in a way that makes it legal, enforceable and valid, it must be read in the latter way.
- 30.2 If any clause or part of a clause is illegal, unenforceable or invalid, that clause or part is to be treated as removed from this Agreement, but the rest of this Agreement is not affected.

31. Modification

- 31.1 No modification of this Agreement will be of any force or effect unless it is in signed by the Parties to this Agreement.

32. Waiver

- 32.1 The fact that a Party fails to do, or delays in doing, something the Party is entitled to do under this Agreement, does not amount to a waiver of any obligation of, or breach of obligation by, another Party.
- 32.2 A waiver by a Party is only effective if it is in writing.
- 32.3 A written waiver by a Party is only effective in relation to the particular obligation or breach in respect of which it is given and is not to be taken as an implied waiver of any other obligation or breach or as an implied waiver of that obligation or breach in relation to any other occasion.

33. GST

- 33.1 In this clause:

Adjustment Note, Consideration, GST, GST Group, Margin Scheme, Money, Supply and **Tax Invoice** have the meaning given by the GST Law.

GST Amount means in relation to a Taxable Supply the amount of GST payable in respect of the Taxable Supply.

GST Law has the meaning given by the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Input Tax Credit has the meaning given by the GST Law and a reference to an Input Tax Credit entitlement of a party includes an Input Tax Credit for an acquisition made by that party but to which another member of the same GST Group is entitled under the GST Law.

Taxable Supply has the meaning given by the GST Law excluding (except where expressly agreed otherwise) a supply in respect of which the supplier chooses to apply the Margin Scheme in working out the amount of GST on that supply.

- 33.2 Subject to clause 33.4, if GST is payable on a Taxable Supply made under, by reference to or in connection with this Deed, the Party providing the Consideration for that Taxable Supply must also pay the GST Amount as additional Consideration.
- 33.3 Clause 33.2 does not apply to the extent that the Consideration for the Taxable Supply is expressly stated in this Deed to be GST inclusive.
- 33.4 No additional amount shall be payable by the; Council under clause 33.2 unless, and only to the extent that the Council (acting reasonably and in accordance with the GST Law) determines that it is entitled to an Input Tax Credit for its acquisition of the Taxable Supply giving rise to the liability to pay GST.
- 33.5 If there are Supplies for Consideration which is not Consideration expressed as an amount of Money under this Deed by one Party to the other Party that are not subject to Division 82 of the GST Law, the Parties agree:
- 33.5.1 to negotiate in good faith to agree the GST inclusive market value of those Supplies prior to issuing Tax Invoices in respect of those Supplies;
- 33.5.2 that any amounts payable by the Parties in accordance with clause 33:2 (as limited by clause 33.4) to each other in respect of those Supplies will be set off against each other to the extent that they are equivalent in amount.
- 33.6 No payment of any amount pursuant to this clause 33, and no payment of the GST Amount where the Consideration for the Taxable Supply is expressly agreed to be GST inclusive, is required until the supplier has provided a Tax Invoice or Adjustment Note as the case may be to the recipient.
- 33.7 Any reference in the calculation of Consideration or of any indemnity, reimbursement or similar amount to a cost, expense or other liability incurred by a party, must exclude the amount of any Input Tax Credit entitlement of that party in relation to the relevant cost, expense or other liability.
- 33.8 This clause continues to apply after expiration or termination of this Agreement.

Schedule 1

(Clause 1.1)

The Land

Schedule 2 (Clause 1.1)

Location Plan

"[Insert plan]"

Schedule 3 (Clause 1.1)

The Works

Table

Column 1	Column 2	Column 3
Works	Defects. Liability.	Contribution Value
"[Insert details]"	"[Insert period]"	\$11insert amount]"
"[insert details]"	"[Insert period]" ,	\$"[Insert amount]"

Schedule 4

(Clause 22)

Contact for Notices

Council

Attention: Gary Hamer

Address: Central Coast Council 2 Hely Street Wyong and 49 Mann Street Gosford

Fax Number:

Email:

Applicant

Attention: "[Insert details]"

Address: "[Insert details]"

Fax Number: "[Insert details]"

Email: "[Insert details]"

1.1

Executed as an Agreement

Signed, Sealed and Delivered for and on behalf)
of **Central Coast Council ABN** by authority of)
the directors in the presence of:)
)
)

.....
General Manager

.....
Director of Environment and Planning

.....
Name (please print)

.....
Name (please print)

Signed Sealed and Delivered for and on behalf)
of **Insert name ABN and address ACN** by)
authority of the directors in the presence of:)
)

.....
Secretary/Director

.....
Director

.....
Name (please print)

.....
Name (please print)

History of revisions

Amendment history	Details
<p>Original approval authority details</p>	<p>Chief Executive Officer</p> <hr/> <p>XX/XX/20XX</p> <hr/> <p>This document establishes the procedures and assessment guidelines for the assessment and negotiation of proposals seeking to provide a material public material public benefit in the form of WIK, in lieu of full or partial satisfaction of development consent conditions requiring payment of Contributions levied in accordance with a Section 7.11 Contribution Plan under the provisions of the <i>Environmental Planning & Assessment Act, 1979 (NSW)</i>.</p> <hr/> <p>CM document number:</p>



Works-In-Kind Procedures and Assessment Guidelines – Water Management Act Matters

For Works-In-Kind relating to Water and Sewerage Developer Charges levied under Section 306 of the *Water Management Act, 2000*

November 2020

Version: 0.1 Draft (remove once approved)

Document owner:	Water and Sewer
Approved by:	Jamie Loader, Director Water and Sewer
Date of approval:	Day/Month/Year
Content Manager No:	D#####
Review date:	November 2021 or as required by legislative change

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Purpose

The purpose of these Works-In-Kind (WIK) Procedures and Assessment Guideline is to ensure that there is a transparent and consistent approach to the lodgement, assessment and conditioning of a WIK Agreement relating to Water Management Act matters.

This Procedure and Assessment Guideline is to be utilised in the assessment and negotiation of proposals seeking to provide a material public benefit in the form of WIK, in lieu of full or partial satisfaction of Section 306 Requirements Letter requiring payment of Water and Sewerage Developer Charges levied in accordance with a Water Supply and Sewerage Development Servicing Plan under the provisions of the *Water Management Act, 2000 (NSW)*.

Scope

These Procedures and Assessment Guidelines are to be utilised and applied by all personnel employed by Council, any person or organisation contracted to or acting on behalf of Council, any person or organisation employed to work on Council premises or facilities, and all activities of the Council, who is/are involved in the assessment, evaluation, negotiation, refusal or execution of WIK Agreements relating to Water Management Act matters.

These Procedures and Assessment Guidelines have also been prepared for the information of Applicants that have received a Section 306 requirements letter subject to a Developer Charges payment condition, and who propose the provision of material public benefits in the form of WIK as full or partial satisfaction of such a payment.

Procedure

Applications to Undertake WIK

1. Council is under no obligation to accept offers to enter into WIK Agreements.
2. Applications to undertake WIK will be progressed in accordance generally with the process as outlined at Appendix A to these Procedures and Assessment Guidelines.
3. Council will only consider applications to enter a WIK where the relevant Development Servicing Plan provides that a WIK can be entered into for the carrying out of works in full or partial satisfaction of Developer Charges payable shown on a Section 306 Requirements Letter.
4. Applications to enter into WIK Agreements will only be considered where the proposed works meet the eligibility requirements described in the relevant Water Supply and Sewerage Development Servicing Plan.
5. The dedication of land to Council, or creation of easements associated with new Water and Sewerage assets is not considered as a WIK. The creation of suitable land tenure to support the construction and ongoing operation of the assets by Council is the Applicants responsibility.
6. Formal applications to enter into Works-In-Kind Agreements may only be made after the issuing of a Section 306 Notice of Requirements and where the relevant DSP provides for works in kind to be undertaken. However, an applicant may approach Council in relation to a proposed works in kind agreement either before or after the issuing of a Section 306 Requirements Letter.
7. Applications to enter into a WIK Agreement must be lodged in a format as prescribed by Council, supported by the payment of the relevant fees as described by Council's Fees and Charges applicable at the time of lodgement.
8. Any variation sought by an Applicant to the standard WIK Agreement template (at Appendix B of this Policy) proposed by an Applicant must be documented with relevant and appropriate supporting justification, lodged at the same time as the WIK Application.

Evaluation and Negotiation of proposed WIK

9. Negotiation of Works in Kind Agreements may only be undertaken by the Team Leader Water Assessments and Senior Development Engineer positions. The applicable Section Manager and Unit Manager may also be involved if required.
10. All Works-In-Kind Applications and their evaluations will be referred to the Section Manager Water Services & Design for review and endorsement.
11. Council will only offset developer charges payable under the DSP for the works shown in that DSP works schedule which is the subject the works in kind agreement.

12. Any proposal to undertake Works-In-Kind which are not identified within the applicable DSP Works Schedule must satisfy the following criteria before being considered or accepted by Council:
 - a. The works form part of a Water Supply and Sewerage Servicing Strategy which has been approved by the Water Services and Design Section which is responsible for network planning.
 - b. The works are not defined as temporary or reticulation assets as described within the applicable DSP.
 - c. An applicable rate for the value of the proposed asset type is contained within the applicable DSP. In the absence of such a rate, the consideration of rates consistent with Council's last audited asset valuation of Water Supply and Sewerage Assets may apply
13. All Works-In-Kind Applications will be evaluated against the following criteria:
 - a. the nature and extent of Works-In-Kind proposed, in terms of the:
 - i. value of the works,
 - ii. the priority for infrastructure delivery; and
 - iii. context with proposed development and any adjoining development;
 - b. whether the DSP contains an applicable rate to value the proposed works based on the relevant asset type. In the absence of a rate for that asset type, Council may consider rates consistent with Council's last audited asset valuation of Water Supply and Sewerage Assets;
 - c. the value of existing funds available within the relevant DSP. This may impact the timing of any net refund payable to a Applicant where the value of the works in the agreement exceed the value of the Developer Charges payable;
 - d. the design, maintenance burdens, standards and delivery timing of the proposed works
 - e. any likely or potential precedent that may be created by the acceptance of the Works-In-Kind and/or whether works will/will not prejudice the timing/delivery of public services in the Contributions Plan work program;
 - f. any proposed variations to the standard Works-In-Kind Agreement template by the applicant or Council;
 - g. if Council could deliver the works and achieve a better value for money outcome while not unnecessarily delaying the associated Development;

- h. Background check of the Applicant and/or Developer (e.g. financial security etc.) dependant on the risk profile of the asset being constructed.
- 14. As part of the evaluation of the Works in Kind Agreement, Council staff with relevant technical and specialist skills may be requested to comment on the contents of the proposed Works-In-Kind, including but not limited to designs, construction standards, maintenance costs etc.
- 15. All WIK Applications and their evaluations will be referred to Council's Development Contributions Committee (DCC) for review.

Acceptance and Execution of WIK Agreements

- 16. The DCC may require further amendments to the WIK Agreement before finalisation and approval of a WIK application.
- 17. In the event the DCC decline to support a WIK Application, the decision of the DCC is final. Any revised proposal must be re-lodged as a new WIK Application.
- 18. Advice will be provided for the information of the Applicant if the DCC declines to support a WIK Application. This advice will outline the reasons for the refusal of the WIK Application.
- 19. In the event the DCC agree to support a WIK Application, Council's Delegate with the requisite level of financial delegation (in accordance with Council's Delegation of Authority Policy) will be briefed, and the Applicant will be advised.
- 20. All costs (including legal costs) and fees associated with the assessment of a WIK Application and the drafting, review and finalisation of the WIK Agreement are to be borne by the Applicant. Upon request and prior to the lodgement of a WIK Application, a written quote for the anticipated costs and fees will be provided to the Applicant.
- 21. Council will issue a quotation to the Applicant for such costs, which must be accepted by the Applicant, prior to the draft WIK Agreement being issued to Council's Legal Unit for review.
- 22. Council's Legal Unit may require amendments to the draft WIK Agreement. Council's Team Leader Water Assessments will act as the liaison between the Applicant and Council's Legal Unit.
- 23. Once a WIK Agreement is agreed to by all parties, the Applicant will be required to sign two copies of the WIK Agreement in the presence of a witness, and return to Council for execution by the relevant delegate of Council. One copy of the WIK Agreement will be returned to the Applicant.

Registration of the WIK Agreement

- 24. A completed WIK Agreement will be recorded on a register maintained by Council and recorded in Council's Record Management System.

Section 306 Notice of Requirements Letter

25. Any Section 306 Requirements Letter will itemise the Developer Charges payable under any relevant Water Supply and Sewerage Development Servicing Plan (DSP).
26. Works within a DSP with a direct nexus to the development will be conditioned within a Section 306 Requirements Letter.
27. Generally, works within a Water Supply and Sewerage DSP will not be conditioned within a Section 306 Requirements Letter where there is an insufficient nexus to the development.
28. Notwithstanding the above, Council may impose conditions for works required by a Water and Sewer DSP if the work is required at the development to avoid future delivery inefficiencies if the works were undertaken at a later date (e.g. restoration after future roadworks or future stormwater asset creation).
29. The arrangements of a WIK Agreement cannot be conditioned within a Section 306 Requirements Letter.

Further Assessments and Development Consents

30. The Applicant will be responsible for obtaining any necessary development consents, approvals and/or permits prior to the commencement of the works. This may result in the need for additional approvals specific to the creation of the works. Council's Water Authority will not issue approval under Part 5 of the Environmental Planning & Assessment Act for proposed works.

Payment and Release of Securities

31. All WIK Agreements will require payment of securities.
32. The securities will be retained by Council.
33. The value of the security is to be set at 5% of the total value of the Works to be delivered as defined in the WIK Agreement. The total value of the security bond and the timing for its payment is to be set out in the WIK Agreement.
34. Refund of securities will be associated with the completion of relevant deliverables as set out within the WIK Agreement.
35. Council implements a separate process to obtain a maintenance/defects bond after the works reach practical completion. This may be used by Council to rectify any defects or unplanned maintenance associated with the WIK post-handover. This amount would be defined and administered separately to the WIK agreement.

Works commenced without an Executed WIK Agreement

36. Where works which would be the subject to a WIK Agreement have commenced or have been completed without a WIK Agreement being executed, Council will not enter into a retrospective WIK Agreement and will not reimburse the costs associated with the works undertaken.

Compliance, monitoring and review

37. Suspected breaches or misuse of this Procedure and Assessment Guidelines are to be reported to the Chief Executive Officer. Alleged breaches of this policy shall be dealt with by the processes outlined for breaches of the Code of Conduct, as detailed in the Code of Conduct and in the Procedures for the Administration of the Code of Conduct.
38. These Procedures and Assessment Guidelines will be reviewed every four years or as required by legislative change or for other purposes.

Records management

39. All staff must maintain all records relevant to administering this policy in Council's electronic recordkeeping system.

Definitions

Act: means the *Water Management Act (WMA), 2000*.

Applicant: means the person who has the written authority to act on behalf of the landowner of the land who has the benefit of a development consent that relates to that land.

Council: means the Central Coast Council which includes any reference to the former Wyong Shire Council or Gosford City Council.

Developer Charges: means the provision made by a Applicant under a DSP, monetary contribution, or the provision of infrastructure to be used for or applied towards the provision of water supply and/or sewerage capacity to service existing or future growth.

Developer Charges Payable: means a condition imposed by Council as a Water Authority relating to the payment of monies in accordance with applicable DSPs.

Developer Contributions Committee (DCC): means the internal Council Developer Contributions Committee, comprising relevant employees of the Council that review and provide advice in relation to offers from Applicants for proposed WIK in lieu of payment of contributions.

Development Servicing Plan: means a plan prepared by Council in accordance with the provisions of the prevailing Independent Pricing and Regulatory Tribunal (IPART) determination on Water and Sewerage Developer Charges.

Development Servicing Plan Works Schedule: means the schedule within a contribution plan which itemises the works, costs, staging and timing thereof to be delivered by the plan.

Development Servicing Plan Works Value: means the value assigned to the provision of an item of work or facility under a DSP.

Material Public Benefit means a Work-In-Kind which is listed in the works schedule of a Water Supply and Sewerage Development Servicing Plan for which a monetary contribution would be normally sought or the provision of certain water and/or sewerage infrastructure that may or may not exist in the area that is not included in a Water Supply and Sewerage Development Servicing Plan. A Material Public Benefit is not the dedication of land or the payment of a monetary contribution under the *Environmental Planning and Assessment Act, 1979*.

Security/Securities means a financial amount of money paid to Council to pay costs associated with completion of any outstanding works to be undertaken by the Applicant.

Water Management Act Application: has the same meaning as within Section 305 of the Act.

Water Management Act Requirements: has the same meaning as within Section 306 of the Act.

Work: has the same meaning as within the Act.

Works-In-Kind: means the undertaking of work, or the provision of amenities, services or facilities, as nominated in a Contribution Plan's Work Schedule and includes reference to Contribution Offsets. It does not include the dedication of land.

Works-In-Kind Agreement: means the agreement between an Applicant and Council which details the works, plans, costing, timing and other matters deemed necessary for the provision of Works in Kind.

Related resources

40. Legislation:

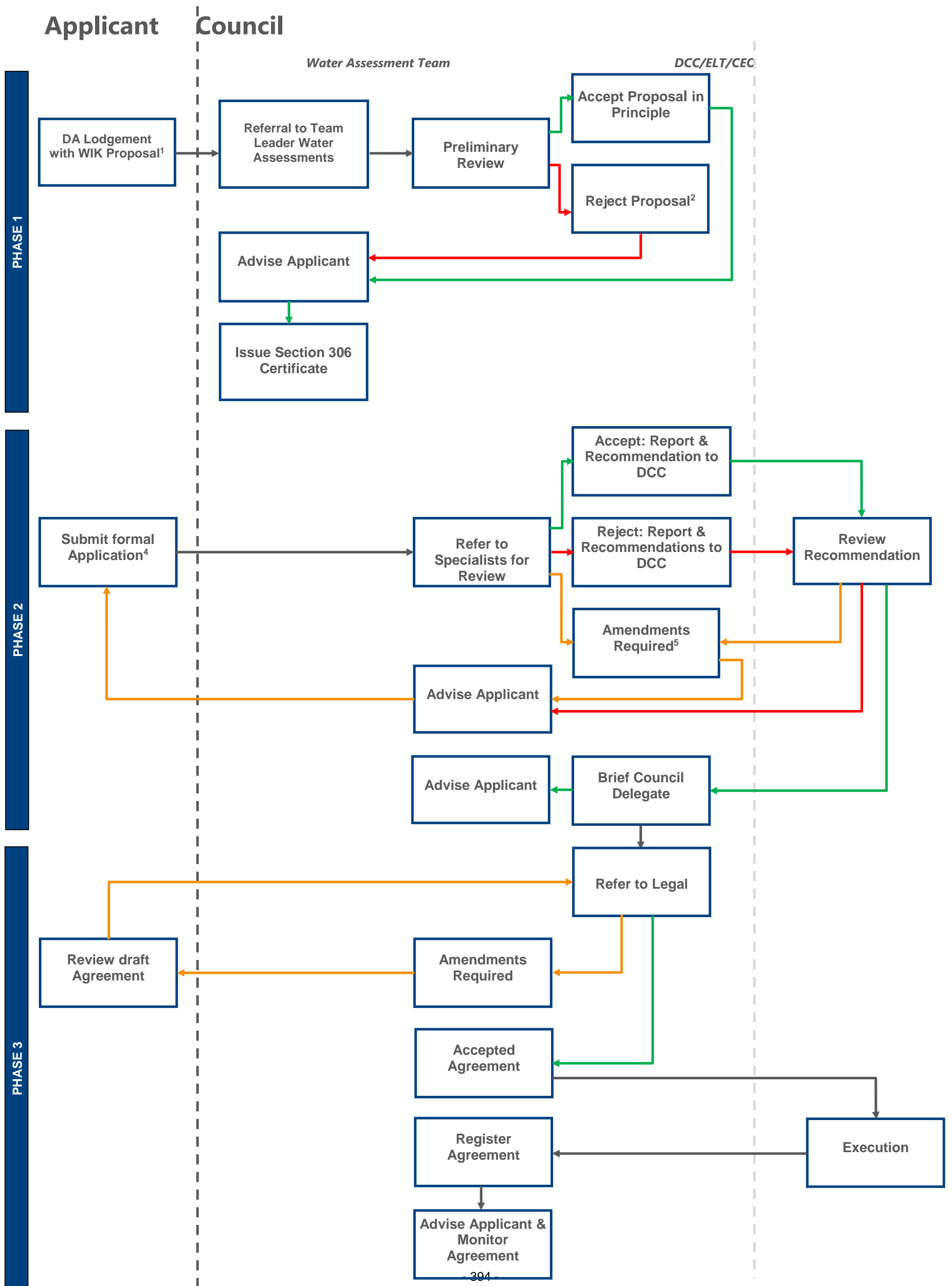
- i. Local Government Act 1993 (NSW)
- j. Water Management Act 2000

41. Associated/Internal documents:

- k. Council's Code of Conduct

- I. Central Coast Council Works-In-Kind Policy – Water Management Act Matters
- m. Central Coast Council Water Supply and Sewerage Development Servicing Plans (multiple)

Appendix A: WIK Lodgement & Assessment Process Flow Chart



Appendix B: Water Management Act WIK Agreement Template



Water Management Act Works-In-Kind Agreement

Central Coast Council

and

Applicants Organisation

Applicant Mailing Address

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Works-In-Kind Agreement

Date	Date
Parties	<p>Central Coast Council ABN 88 651 380 372 of 16 Hely Street, Wyong New South Wales 2320</p> <p>(Council)</p> <p>Applicant Entity Pty Ltd ABN x</p> <p>P.O. x Suburb (Applicant)</p> <p>NSW 2xxx</p>
Background	<p>A. The Applicant has been granted the Development Consent or is otherwise entitled to act upon the Development Consent</p> <p>B. Condition x of the Section 306 Requirements Letter requires the Applicant to make the DSP Monetary Contributions</p> <p>C. Condition x of the Section 306 Requirements Letter requires the Applicant to carry out the Works on the Land</p> <p>D. The Applicant offered to enter into this Agreement by letter to the Council dated x/x/20xx</p> <p>E. The Council and the Applicant wish to enter into this Agreement to make provision for the carrying out of the Works by the Applicant in partial satisfaction of the Applicant's obligation to pay the DSP Monetary Contributions under condition x of the associated Section 306 Notice of Requirements Letter.</p> <p>F. The Act authorises the Council and the Applicant to enter into this Agreement to make provision for the carrying out of the Works by the Applicant in partial satisfaction of the Monetary Contributions.</p>

Agreement

Definitions and Interpretation

1.1 In this Agreement the following definitions apply:

Act means the *Water Management Act 2000* (NSW).

Certificate of Compliance means a Certificate provided by the Water Authority following the completion of all requirements listed on the associated Section 306 requirements letter.

Development Servicing Plan (DSP) means the Northern/Southern Region Water Supply and Sewerage Development Servicing Plan 2019 made by the Council under Determination by the Independent Pricing and Regulatory Tribunal (IPART).

DSP Contribution Value means the amount specified in Section 3.1 of Schedule 3.

DSP Monetary Contributions means the DSP Monetary Contributions required to be paid to the Council under the following conditions of the Section 306 Requirements Letter for the following public purposes and in the following amounts:

Condition	Public Purpose	Section 306 DSP Monetary Contributions Requirements	
		Water (\$2020/21)	Sewerage (\$2020/21)
Condition x	Water & Sewer Services / Infrastructure	\$x	\$y

DSP Surplus Value means the amount by which the sum of all DSP Contribution Values exceeds the value of the DSP Monetary Contributions (if applicable).

Defects Liability Period means the period specified for that item in Section 3.5 of Schedule 3, commencing on the date of the notice referred to in clause 9.5.

Development means the development the subject of the Development Consent.

Development Application means development application DA xxxx/xxx made by the Applicant to the Council on xx/xx/xxx

Development Consent means the development consent granted by the Council under s4.16 of the Act to the Development Application on "[Insert date] as notified by the Council to the Applicant in accordance with s4.18 of the Act on [Insert date]..

DSP Contribution means a monetary contribution.

GST has the same meaning as in the GST Law.

GST Law has the meaning given to that term in A New Tax System (Goods and Services Tax) Act 1999 (Cth) and any other Act or regulation relating to the imposition or administration of the GST.

Hand-Over means the hand-over to the Council of the Works in accordance with this Agreement.

Item of Works means an item of the Works.

Land means the land specified or described in Schedule 1.

Location Plan means the plan contained in Schedule 2.

Party means a party to this agreement, including its successors and assigns.

Regulation means the *Water Management (General) Regulation 2018*.

Section 306 Requirements Letter means a list of requirements imposed by the Water Authority which must be met before a Water Management Act Certificate of Compliance (Section 307 Certificate) is granted.

Security means an unconditional bond or bank guarantee in a form, and on terms otherwise acceptable, to the Council.

Works means the works specified or described in Section 3.2 of Schedule 3 to this Agreement and includes any Item of Works and any part of any Item of Works.

Works-As-Executed-Plan means detailed plans and specifications of the completed Works.

- 1.2 In the interpretation of this Agreement, the following provisions apply unless the context otherwise requires:
- 1.2.1 Headings are inserted for convenience only and do not affect the interpretation of this Agreement. '
 - 1.2.2 A reference in this Agreement to a business day means a day other than a Saturday or Sunday on which banks are open for business generally in Sydney.
 - 1.2.3 If the day on which any act, matter or thing is to be done, under this Agreement is not a business day, the act, matter or thing must be done on the next business day,
 - 1.2.4 A reference in this Agreement to dollars or \$ means Australian dollars and all amounts, payable under this Agreement are payable in Australian dollars.
 - 1.2.5 A reference in this Agreement to any law, legislation or legislative, provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision.
 - 1.2.6 A reference to an applicable law includes a reference to anything required to be done by or under the law in relation to the Works, including anything required to be done by reason of a requirement lawfully imposed by a person or body exercising functions under the law.
 - 1.2.7 A reference in this Agreement to any agreement, deed or document is to that agreement, deed or document as amended, novated, supplemented or replaced.
 - 1.2.8 A reference to a clause, part, schedule or attachment is a reference to a clause, part, schedule or attachment of or to this Agreement.
 - 1.2.9 An expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency.

- 1.2.10 Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.
- 1.2.11 A word which denotes the singular denotes the plural, a word which denotes the plural denotes the singular, and a reference to any gender. denotes the other gender.
- 1.2.12 References to the word 'include' or 'including' are to be construed without limitation.
- 1.2.13 A reference to this Agreement includes the agreement recorded in this Agreement.
- 1.2.14 A reference to a party to this Agreement includes a reference to the servants, agents and contractors of the party, and the party's successors and assigns.
- 1.2.15 Any schedules, appendices and attachments form part of this Agreement.

Obligation to Carry Out Works

- 2.1 The Applicant is to carry out and complete the Works on the Land at the locations shown on the Location Plan.
- 2.2 The Applicant's obligation under clause 2.1 exists irrespective of whether the Applicant:
 - 2.2.1 carries out the Works itself, or
 - 2.2.2 enters into an agreement with another person under which the other person carries, out the Works on the Applicant's behalf.
- 2.3 The Applicant is to carry out and complete the Works in a good and workmanlike manner having regard to the intended purpose of the Works and otherwise to the satisfaction of Council in accordance with:
 - 2.3.1 the Development Consent, and
 - 2.3.2 the Section 306 Requirements Letter, and
 - 2.3.3 all applicable laws, including those relating to occupational health and safety, and
 - 2.3.4 this Agreement to the extent that it is not inconsistent with the Development Consent or an applicable law.
- 2.4 In the event of an inconsistency between this Agreement and the Development Consent or any applicable law, the Development Consent or the law prevails to the extent of the inconsistency.
- 2.5 It is the Applicant's responsibility to ensure that everything necessary for the proper performance of its obligations under this Agreement is supplied or made available.
- 2.6 The Work is to be Handed-Over to the Council in accordance with this Agreement.

Ownership of Works, etc

- 3.1 Nothing in, or done under, this Agreement gives the Applicant any right, title or interest in the Works.

Effect of Applicant's Compliance with this Agreement

- 4.1 For the purposes of condition 1 of the Section 306 Requirements Letter and the Act:
- 4.1.1 the performance of this Agreement by the Applicant satisfies the Applicant's obligation under the Section 306 Requirements Letter to make the Monetary Contributions to the extent of the sum of Contribution Values to the value of \$x(as indexed from the relevant financial year to the current financial year), and
- 4.1.2 the Applicant is not required to pay the DSP Monetary Contributions to that extent.

Determination of Value

- 5.1 For the purposes of this Agreement, the Parties acknowledge that the Contribution Value in relation to the Works is the value of the Works specified by, or determined in accordance with, the Development Servicing Plan or as otherwise agreed between the Parties
- 5.2 If the Applicant's actual cost of carrying out the Works, including any costs incurred pursuant to this Agreement, determined at the date on which the Works is Handed-Over to the Council, differs from the Contribution Value, then no party to this Agreement shall be entitled to claim credit or reimbursement, as the case may be, for the difference.

Access to the Land

- 6.1 Subject to any applicable law, the Party that owns the Land authorises the other Party to enter the Land for the purposes of this Agreement.

Protection of People and Property

- 7.1 The Applicant is to ensure in relation to the carrying out of the Works that:
- 7.1.1 necessary measures are taken to protect people and property, and
- 7.1.2 unnecessary interference with the passage of people and vehicles is avoided, and
- 7.1.3 nuisances and unreasonable noise and disturbances are prevented.

Damage and Repairs to the Works

- 8.1 The Applicant, at its own cost, is to repair and make good to the satisfaction of the Council any loss or damage to the Works from any cause whatsoever which occurs prior to the date on which the Works is Handed-Over to the Council.

Hand-Over of Works

- 9.1 The Applicant is to give the Council not less than 20 calendar days written notice of the date on which it proposes to Hand-Over the Works to the Council.
- 9.2 The Council may, at any time before the date specified in the notice referred to in clause 9.1, direct the Applicant in writing:

- 9.2.1 to carry out work specified in the notice to complete the Works in accordance with clause 2.3 before it is Handed-Over to the Council, and
- 9.2.2 to Hand-Over the Works, as completed in accordance with the Council's direction to the Council by a specified date, that is prior to the Hand-Over Date.
- 9.3 The Applicant is to comply with a direction referred to in clause 9.2 according to its terms and at the Applicants own cost.
- 9.4 Before the Works is handed-over to the Council, the Applicant is to remove from the Land:
- 9.4.1 any rubbish or surplus material, and
- 9.4.2 any temporary works, and
- 9.4.3 any construction plant and equipment;
- relating to the carrying out of the Works as the case requires.
- 9.5 The Works is taken, to be Handed-Over to the Council when the Council gives the Applicant written notice to that effect.

Works-As-Executed-Plan

- 10.1 Council will not accept the Hand Over of any works until the relevant Work as Executed Documentation has been prepared by the Applicant and accepted as satisfactory by Council.

Rectification. of Defects

- 11.1 During the Defects Liability Period the Council may give to the Applicant a Rectification Notice in relation to the Works specifying:
- 11.1.1 the Works requiring rectification,
- 11.1.2 the action required to be undertaken by the Applicant to rectify those Works, and
- 11.1.3 the date on which those Works are to be rectified.
- 11.2 The Applicant must comply with a Rectification Notice at its own cost according to the terms of the Notice.
- 11.3 When the Applicant considers that rectification is complete, the Applicant may give to the Council a Rectification Certificate relating to the Works the subject of the relevant Rectification Notice (Rectification Certificate).
- 11.4 A Rectification Certificate discharges the Applicant from any further obligation to comply with the relevant Rectification Notice.
- 11.5 If the Applicant does not comply with a Rectification Notice, the Council may do such things as are necessary to rectify the defect and may:
- 11.5.1 call upon the Security to meet its costs in rectifying the defect, and

- 11.5.2 recover, as a debt due in a court of competent jurisdiction, any difference between the amount of the Security and the costs incurred by the Council in rectifying the defect.

Cost of Works carried out by the Council

- 12.1 The Parties acknowledge and agree that where, in accordance with this Agreement, the Council incurs a cost in carrying out, completing or rectifying a defect in the Works caused by the Applicant or its contractor, the Council may recover from the Applicant in a court of competent jurisdiction its full costs, including costs determined in accordance with clause 12.2.1-12.2.3.
- 12.2 The Council's costs of carrying out, completing or rectifying the Works in accordance with this Agreement include, but are not limited to:
- 12.2.1 the reasonable costs of the Council's servants, agents and contractors reasonably incurred for that purpose
- 12.2.2 all fees and charges necessarily or reasonably incurred by the Council in order to have the Works carried out, completed or rectified,
- 12.2.3 without limiting the generality of the preceding sub-clause, all legal costs and expenses reasonably incurred by the Council, by reason of the Applicant's failure to comply with this Agreement.

Indemnity and Insurance

- 13.1 The Applicant indemnifies the Council, its employees, officers, agents, contractors and workmen from and against all losses, damages, costs (including legal costs on a full indemnity basis), charges, expenses, actions, claims and demands whatsoever which may be sustained, suffered, recovered or made arising in connection with the carrying out by the Applicant of the Works and any other obligation under this Agreement.
- 13.2 The Applicant is to take out and keep current to the satisfaction of the Council the following insurances in relation to the Works up until the relevant date of Hand-Over to Council:
- 13.2.1 contract works insurance, noting the Council as an interested party, for the full replacement value of the Works (including the cost of demolition and removal of debris, consultants' fees and authorities' fees), to cover the Applicant's liability in respect of damage to or destruction of the Works,
- 13.2.2 public liability insurance for at least \$5,000,000 for a single occurrence, which covers the Council, the Applicant and any subcontractor of the Applicant, for liability to any third party,
- 13.2.3 workers compensation insurance as required by law, and
- 13.2.4 any other insurance required by law.
- 13.3 If the Applicant fails to comply with clause 13.2, the Council may affect and keep in force such insurances and pay such premiums as may be necessary for that purpose and the amount so paid shall be a debt due from the Applicant to the Council and may be recovered by the Council as it deems appropriate including:

- 13.3.1 by calling upon the Security provided by the Applicant to the Council under this Agreement, or
- 13.3.2 recovery as a debt due in a court of competent jurisdiction.
- 13.4 The Applicant is not to commence to carry out the Works unless it has first provided to the Council satisfactory written evidence of all the insurances specified in clause 13.2.

Provision of Security

- 14.1 Within 7 days of the date of this Agreement, the Applicant is to provide the Council with the Security in the amount of \$x(indexed as required) being 5% of the total DSP allowance subject to this Agreement.
- 14.2 The Council may call upon the Security if the Council considers that the Applicant has failed to comply with a notice referred to in clause 19.1 or the Council gives the Applicant a termination notice under clause 20.3.
- 14.3 If the Council calls on the Security under clause 19.1, the Council may, by notice in writing to the Applicant require the Applicant to provide a further Security in an amount which, together with any unused portion of any existing Security does not exceed the amount specified in clause 14.1.
- 14.4 The Council may apply the Security in satisfaction of:
- 14.4.1 the carrying out of the Works, and
- 14.4.2 any liability, loss, cost, charge or expense directly or indirectly incurred by the Council because of the failure by the Applicant to comply with this Agreement.
- 14.5 The Council is to release and return the Security to the Applicant, less any amount of the Security called upon by the Council in accordance with clause 19.1, within 14 days of the completion of the Works by the Applicant in accordance with this Agreement.
- 14.6 The Council is not required to return any part of the Security to the Applicant if the Council has given the Applicant a termination notice under clause 20.3.

Assignment and Novation

- 15.1 Unless the matters specified in clause 15.2 are satisfied, the Applicant is not to do any of the following:
- 15.1.1 if the Applicant is the owner of the Land, to transfer the Land to any person, or
- 15.1.2 assign or novate to any person the Applicant's rights or obligations under this Agreement.
- 15.2 The matters required to be satisfied for the purposes of clause 15.1 are as follows:
- 15.2.1 the Applicant has, at no cost to the Council, first procured the execution by the person to whom the Applicant's rights or obligations under this Agreement are to be assigned or novated, of an agreement in favour of the Council on terms satisfactory to the Council, and

15.2.2 the Council, by notice in writing to the Applicant, has stated that evidence satisfactory to the Council has been produced to show that the assignee or novatee, is reasonably capable of performing its obligations under the Agreement, and

15.2.3 the Applicant is not in breach of this Agreement.

Dispute Resolution – Expert Determination

- 16.1 This clause applies to a dispute under this Agreement which relates to a matter that, in the opinion of the Council, can be determined by an appropriately qualified expert.
- 16.2 Any dispute between the Parties as to whether a dispute to which this clause applies can be determined by an appropriately qualified expert is to be referred to the Chief Executive Officer of the professional body that represents persons with the relevant expertise for determination, which is to be final and binding on the Parties.
- 16.3 Such a dispute is taken to arise if one Party gives another Party a notice in writing specifying particulars of the dispute.
- 16.4 If a notice is given under Clause 16.3, the Parties are to meet within 14 days of the notice in an attempt to resolve the dispute.
- 16.5 If the dispute is not resolved within a further 28 days, the dispute must be referred to the President of the NSW Law Society to appoint an Expert for Expert Determination.
- 16.6 Expert Determination is binding on the Parties except in the case of fraud or misfeasance by the Expert.
- 16.7 Each Party must bear its own costs arising from or in connection with the appointment of the Expert and the Expert Determination.

Dispute Resolution - Mediation

- 17.1 This clause applies to any dispute under this Agreement other than a dispute to which clause 16 applies.
- 17.2 Such a dispute is taken to arise if one Party gives another Party a notice in writing specifying particulars of the dispute.
- 17.3 If a notice is given under 17.2, the Parties are to meet within 14 days of the notice in an attempt to resolve the dispute.
- 17.4 If the dispute is not resolved within a further 28 days, the Parties must mediate the dispute in accordance with the Mediation Rules of the Law Society of New South Wales published from time to time and must request the President of the Law Society, or the President's nominee, to select a mediator.
- 17.5 If the dispute is not resolved by mediation within a further 28 days, or such longer period as may be necessary to allow any mediation process which has been commenced to be completed, then the Parties may exercise their legal rights in relation to the dispute, including by the commencement of legal proceedings in a court of competent jurisdiction in New South Wales.

Arbitration Excluded

- 18.1 The arbitration of any dispute between the Parties arising under or in connection with Agreement is expressly excluded.'

Failure to Carry out Works

- 19.1 Subject to clause 20, if the Council considers the Applicant is in breach of any obligation under this Agreement relating to the carrying out of the Works, the Council may but is not obliged to give the Applicant a notice requiring:
- 19.1.1 the breach to be rectified to the Council's satisfaction, or
 - 19.1.2 the carrying out of the Works immediately cease and the breach to be rectified to the Council's satisfaction.
- 19.2 A notice given under clause 19.1 is to allow the Applicant a period of not less than 28 days to rectify the breach.
- 19.3 A notice given under clause 19.1 does not prevent the Applicant from rectifying the breach the subject of the notice to the Council's satisfaction.
- 19.4 Without limiting any other rights Council has to enforce this Agreement, the Council may, if the Applicant does not comply with a notice given under clause 19.1:
- 19.4.1 call upon the Security in accordance with clause 14, and
 - 19.4.2 carryout and complete the Works.
- 19.5 For the purposes of clause 19.4, any difference between the amount of the Security called upon by the Council and the costs incurred by the Council in completing the Works may be recovered by the Council from the Applicant as a debt due in a court of competent jurisdiction.
- 19.6 Clauses 16 and 17 do not prevent a notice being given under clause 19.1 and do not apply to such a notice or the circumstances relating to the giving of that notice, and any procedure commenced under clause 16 or clause 17 ceases to apply when such a notice is given.

Termination

- 20.1 If the Applicant commits a breach of this Agreement, the Council may, despite any other provision of this Agreement, give the Applicant a written notice requiring the Applicant to show cause why the Council should not terminate this Agreement.
- 20.2 A notice under clause 20.1 is to:
- 20.2.1 state that the notice is given under this Agreement, and
 - 20.2.2 particularise the nature of the breach by the Applicant, and
 - 20.2.3 require the Applicant to show cause by notice to the Council why the Council should not terminate this Agreement, and
 - 20.2.4 specify a date by which the Applicant is to show cause as provided for in clause 20.2.3.

- 20.3 If the Applicant fails to show cause to the reasonable satisfaction of the Council why the Council should not terminate this Agreement in relation to the Applicant's breach, the Council may terminate this Agreement by written notice to the Applicant.
- 20.4 If the Council terminates this Agreement under clause 20.3 the rights and liabilities of the Parties are the same as they would have been at common law had the Applicant repudiated this Agreement and the Council elected to treat this Agreement as at an end and recover damages.
- 20.5 Clauses 16 and 17 do not prevent a notice being given under clause 20.1 or 20.3 and do not apply such a notice or the circumstances relating to the giving of that notice, and procedure commenced under clause 16 or clause 17 ceases to apply to when such a notice is given.

Governing Law & Enforcement

- 21.1 This Agreement is governed by the law of New South Wales.
- 21.2 This Agreement may be enforced by either Party in any court of competent jurisdiction.
- 21.3 Clauses 16 and 17 do not prevent the enforcement of this Agreement in any court of competent jurisdiction and any procedure commenced under clause 16 or 17 ceases to apply when such proceedings are commenced in such a court.
- 21.4 The Parties, submit to the non-exclusive jurisdiction of its courts and courts of appeal from them.
- 21.5 The Parties will not object to the exercise of jurisdiction by those courts on any basis.

Notices

- 22.1 Any notice, consent, information, application or request that must or may be given or made to a Party under this Agreement is only given or made if it is in writing and sent in one of the following ways:
- 22.1.1 delivered or posted to that Party at its address set out in Schedule 4.
 - 22.1.2 faxed to that Party at its fax number set out in Schedule 4.
 - 22.1.3 emailed to that Party at its email address set out in Schedule 4.
- 22.2 If a Party gives the other Party 3 business days' notice of a change of its address or fax number, any notice, consent, information, application or request is only given or made by that other Party if it is delivered, posted or faxed to the latest address or fax number.
- 22.3 Any notice, consent, information, application or request is to be treated as given or made if it is:
- 22.3.1 delivered, when it is left at the relevant address.
 - 22.3.2 sent by post, 2 business days after it is posted.
 - 22.3.3 sent by fax, as soon as the sender receives/from the sender's fax machine a report of an error free transmission to the correct fax number.

- 22.4 If any notice, consent, information, application or request is delivered, or an error free transmission report in relation to it is received, on a day that is not a business day, or if on a business day after 5pm on that day in the place of the Party to whom it is sent, it is to be treated as having been given or made at the beginning of the next business day.

Approvals and Consent

- 23.1 Except as otherwise set out in this Agreement, and subject to any statutory obligations, a Party may give or withhold an approval or consent to be given under this Agreement in the Party's absolute discretion and subject to any conditions determined by the Party.
- 23.2 A Party is not obliged to give its reasons for giving or withholding consent or for giving. Consent subject to conditions.

Costs

- 24.1 The Applicant is to pay to the Council, within 7 days of receipt of a written demand by the Council, the Council's additional costs of preparing, negotiating, executing and stamping the final version of this Agreement and any document related to this Agreement.

Entire Agreement

- 25.1 Subject to anything expressly provided for to the contrary in this Agreement:
- 25.1.1 this Agreement contains everything to which the Parties have agreed in relation to the matters it deals with, and
 - 25.1.2 no Party can rely on an earlier document, or anything said or done by another Party, or by a director, officer, agent or employee of that Party, before this Agreement was executed, except as permitted by law.

Further Acts

- 26.1 Each Party must promptly execute all documents and do all things that another Party from time to time reasonably requests to effect, perfect or complete this Agreement and all transactions incidental to it.

Joint and Individual Liability and Benefits

- 27.1 Except as otherwise set out in this Agreement, any agreement, covenant, representation or warranty under this Agreement by 2 or more persons binds them jointly and each of them individually, and any benefit in favour of 2 or more persons is for the benefit of them jointly and each of them individually.

No Fetter

- 28.1 Nothing in this Agreement shall be construed as requiring Council to do anything that would cause it to be in breach of any of its obligations at law, and without limitation, nothing shall be construed as limiting or fettering in any way the exercise of any statutory discretion or duty.

Representations and Warranties

- 29.1 The Parties represent and warrant that they have power to enter into this Agreement and comply with their obligations under the Agreement and that entry into this Agreement will not result in the breach of any law.

Severability

- 30.1 If a clause or part of a clause of this Agreement can be read in a way that makes it illegal, unenforceable or invalid, but can also be read in a way that makes it legal, enforceable and valid, it must be read in the latter way.
- 30.2 If any clause or part of a clause is illegal, unenforceable or invalid, that clause or part is to be treated as removed from this Agreement, but the rest of this Agreement is not affected.

Modification

- 31.1 No modification of this Agreement will be of any force or effect unless it is in signed by the Parties to this Agreement.

Waiver

- 32.1 The fact that a Party fails to do, or delays in doing, something the Party is entitled to do under this Agreement, does not amount to a waiver of any obligation of, or breach of obligation by, another Party.
- 32.2 A waiver by a Party is only effective if it is in writing.
- 32.3 A written waiver by a Party is only effective in relation to the particular obligation or breach in respect of which it is given and is not to be taken as an implied waiver of any other obligation or breach or as an implied waiver of that obligation or breach in relation to any other occasion.

GST

- 33.1 In this clause:

Adjustment Note, Consideration, GST, GST Group, Margin Scheme, Money, Supply and Tax Invoice have the meaning given by the GST Law.

GST Amount means in relation to a Taxable Supply the amount of GST payable in respect of the Taxable Supply.

GST Law has the meaning given by the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Input Tax Credit has the meaning given by the GST Law and a reference to an Input Tax Credit entitlement of a party includes an Input Tax Credit for an acquisition made by that party but to which another member of the same GST Group is entitled under the GST Law.

Taxable Supply has the meaning given by the GST Law excluding (except where expressly agreed otherwise) a supply in respect of which the supplier chooses to apply the margin scheme in working out the amount of GST on that supply.

- 33.2 Subject to clause 33.4, if GST is payable on a Taxable Supply made under, by reference to or in connection with this Agreement, the Party providing the consideration for that Taxable Supply must also pay the GST Amount as additional consideration.
- 33.3 Clause 33.2 does not apply to the extent that the Consideration for the Taxable Supply is expressly stated in this Deed to be GST inclusive.
- 33.4 No additional amount shall be payable by the; Council under clause 33.2 unless, and only to the extent that the Council (acting reasonably and in accordance with the GST Law) determines that it is entitled to an Input Tax Credit for its acquisition of the Taxable Supply giving rise to the liability to pay GST.
- 33.5 If there are Supplies for consideration which is not consideration expressed as an amount of Money under this Agreement by one Party to the other Party that are not subject to Division 82 of the GST Law, the Parties agree:
- 33.5.1 to negotiate in good faith to agree the GST inclusive market value of those Supplies prior to issuing Tax Invoices in respect of those Supplies; and
- 33.5.2 that any amounts payable by the Parties in accordance with clause 33:2 (as limited by clause 33.4) to each other in respect of those Supplies will be set off against each other to the extent that they are equivalent in amount.
- 33.6 No payment of any amount pursuant to this clause 33, and no payment of the GST Amount where the consideration for the Taxable Supply is expressly agreed to be GST inclusive, is required until the supplier has provided a Tax Invoice or Adjustment Note as the case may be to the recipient.
- 33.7 Any reference in the calculation of consideration or of any indemnity, reimbursement or similar amount to a cost, expense or other liability incurred by a party, must exclude the amount of any Input Tax Credit entitlement of that party in relation to the relevant cost, expense or other liability.
- 33.8 This clause continues to apply after expiration or termination of this Agreement.

Schedule 1 (Clause 1.1)

1.1 The Land

The Land and Works being within the Stages x of the approved subdivision of Lot x sec y in D.P. z (DA x/20xx), Suburb.

Schedule 2 (Clause 1.1)

2.1 Location Plan

"[Insert plan]"

Schedule 3 (Clause 1.1)

3.1 DSP Monetary Contributions

The table below shows the DSP Monetary Contributions applicable for WMA/xxx/20xx, as provided by Council in the Section 306 Certificate.

DEVELOPMENT	ET's Payable	DSP MONETARY CONTRIBUTIONS (total)	
		WATER	SEWER
<i>Development Description – DA x/20xx – WMA/x/20xx</i>	x	\$x	\$x
Sub-Total		\$260,579.50	

3.2 The Works

The items and associated cost allocations listed in the DSP to be delivered through this Agreement are shown in the table below. Approved design drawings for which this Agreement relates are listed in Schedule 5

DSP ITEMS	Quantity (m or no.)	Size (mm for pipes or L/s for pumpstation)	Rate from DSP (\$/m) (\$20xx ex. GST)	COST ALLOWANCE
WATER	(a)		(b)	(c) = (a) x (b)
Asset Type (e.g. 200mm Water Main)	Describe Asset Location e.g. 215m	200mm	x	x
SEWER				
Asset Type (e.g. Sewer Pumpstation SPS x)	Describe Asset Location Eg. 1 SPS	100L/s	x	x
TOTAL				\$x

The above assets are the only assets within this agreement eligible for Works In Kind as per the CCC Works-In-Kind Procedure and Assessment Guidelines – Water Management Act Matters. All other assets as part of the development will be donated to Council.

3.3 DSP Monetary Contributions vs DSP Cost Allowance

The Applicant proposes to deliver the Works in lieu of payment of DSP Monetary contributions for the proposed development.

A summary of the DSP Monetary Contributions vs the applicable credit amounts for the Works appears in the table below.

DESCRIPTION OF INFRASTRUCTURE WORKS TO BE DELIVERED THROUGH WIK	ET's Payable	DSP MONETARY CONTRIBUTIONS (\$20xx)	ITEMS TO BE DELIVERD (COSTS SHOWN BASED UPON DSP CREDIT - \$20xx)	Balance Payable to Council (CONTRIBUTIONS \$20xx)
WATER		(a)	(b)	(c) = (a) – (b)

Asset	x	\$x	\$x	\$x
SEWER				
Asset or N/A	x	\$x	\$x	\$x
TOTAL (excl. GST)				\$x

From the table above, it can be seen that the balance payable to Council is approximately \$x OR it can be seen that a refund of approximately \$x is payable to the applicant. The final amount payable will be confirmed based on the final length of DSP assets constructed and confirm on Work as Executed documentation.

3.4 Defects Liability Period

The defects liability period for all DSP works included within this Agreement is 12 months, commencing after the date of practical completion.

3.5 Cashflow and Timing of Payment from Council to Applicant

If balance payable to Council

As part of this Agreement, the Applicant will forward fund the full costs to deliver the Works and not be liable to pay any DSP Monetary Contributions for Stages x of DA x/20xx prior to construction commencing. The agreed costs associated with the Works (defined in Section 3.2) will be recoverable in full as part of the total sum applicable to this Agreement.

The Applicant will pay Council approximately \$x (based on final constructed quantities) being the difference between the total of the DSP Monetary Contributions and the allowance to deliver the Works contained within this Agreement, prior to the granting of a Section 307 Certificate.

If balance payable to Applicant.

As part of this Agreement, the Applicant will forward fund the full costs to deliver the Works and not be liable to pay any DSP Monetary Contributions for Stages x of DA x/20xx prior to construction commencing. The agreed costs associated with the Works (defined in Section 3.2) will be recoverable in full as part of the total sum applicable to this Agreement.

Council will pay the Applicant approximately \$x (based on final constructed quantities) being the difference between the DSP allowance to deliver the Works contained within this Agreement and the total of the applicable DSP Monetary Contributions, at the time of practical completion of the Works is achieved.

Schedule 4 (Clause 22)

4.1 Contact for Notices

4.1.1 Council

Attention: Luke Drury, Section Manager, Water Services and Design

Address: Central Coast Council 16 Hely Street Wyong/ 49 Mann Street Gosford

Phone Number: 0400 734 217

Email: Luke.Drury@centralcoast.nsw.gov.au

4.1.2 Applicant

Attention: Name

Address: P.O. Box x

Phone Number: (02) x

Email. x

Schedule 5 – Approved Plans

The Works are to be undertaken generally in accordance with the approved development plans and specifications listed below:

Drawing Number	Title

Executed as an Agreement

Signed, Sealed and Delivered for and on behalf)
of **Central Coast Council ABN 88 651 380 372**)
by authority of the directors in the presence of:)
)
)

.....
Council Delegated Officer (CEO or Director)

.....
Council Delegated Witness

.....
Name (please print)

.....

Signed Sealed and Delivered for and on behalf)
of **x Pty Ltd ABN x and address P.O. Box x** by)
authority of the directors in the presence of:)

.....
Secretary/Director

.....
Director

.....
Name (please print)

.....
Name (please print)

History of revisions

Amendment history	Details
Original approval authority details	<p>Chief Executive Officer</p> <hr/> <p>XX/XX/20XX</p> <hr/> <p>This document establishes the procedures and assessment guidelines for the assessment and negotiation of proposals seeking to provide a material public material public benefit in the form of WIK, in lieu of full or partial satisfaction of development consent conditions requiring payment of Contributions levied in accordance with a Section 7.11 Contribution Plan under the provisions of the <i>Environmental Planning & Assessment Act, 1979 (NSW)</i>.</p> <hr/>
	<p>CM document number:</p>



Item No: 8.1
Title: Meeting Dates for 2021
Department: Governance

10 December 2020 Audit Risk and Improvement Committee Meeting

Reference: F2018/00028-002 - D14311758
Author: Zoie Magann, Advisory Group Support Officer
Manager: Shane Sullivan, Unit Manager Governance and Business Services
Executive: Krystie Bryant, Executive Manager, People and Culture

Summary

This report seeks to set the Audit, Risk and Improvement Committee (ARIC) meeting dates for 2021, in accordance with Clause 55 of the [ARIC Charter](#).

Recommendation

- 1 That the Committee set the meeting dates for 2021 as set out in this report.
- 2 That the Committee make a recommendation that this report be made publicly available, pursuant to Clause 78 of the Audit, Risk and Improvement Committee Charter.

Clause 55 of the [ARIC Charter](#) states that forward meeting dates for the following year will be agreed by the Committee in December each year. The proposed meeting dates for 2021 are as follows.

#	Date	Location	Time
1	Wednesday 10 March 2021	Microsoft Teams	2pm – 5pm
2	Tuesday 15 June 2021	Microsoft Teams	2pm – 5pm
3	Wednesday 15 September 2021	Microsoft Teams	2pm – 5pm
4	October/November 2021 – Date TBC (Additional meeting to discuss 2020-21 Financial Statements)	Microsoft Teams	2pm – 5pm
5	Tuesday 7 December 2021	Microsoft Teams	2pm – 5pm

At the 6 November 2020 ARIC meeting, the Committee agreed to continue with a hybrid meeting approach. This means meetings will continue to be conducted via Microsoft Teams, noting that it may be beneficial for Independent External Members to alternate in person attendance at either the Gosford or Wyong Committee Rooms.

In addition to the above, an extraordinary meeting to review the 2019-20 Financial Statements will also be required. As advised at the 6 November 2020 ARIC Meeting, Council applied for an extension with the NSW Audit Office for submission of the 2019-20 Financial Statements, and it is yet to be determined when they will be available for the Committee.

8.1 Meeting Dates for 2021 (contd)

It is noted the Committee may also determine to have additional meetings as required.

Attachments

Nil.