

Kiama Municipal Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

*A municipality working together for a healthy, sustainable,
and caring community.*



KIAMA MUNICIPAL COUNCIL
your council, your community

Kiama Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*A municipality working together for a healthy, sustainable,
and caring community.*



KIAMA MUNICIPAL COUNCIL
your council, your community

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

11 Manning St
Kiama NSW 2533

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

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 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements (continued)

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

Kiama Municipal Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

During the year, and in preparation of the financial statements, Council identified underlying issues in relation to its internal control environment and the maintenance of appropriate books and records. These issues relate to the year ended 30 June 2021. There were several factors contributing to these issues including:

- High turnover in key management and senior staff positions which resulted in a loss of corporate knowledge.
- Finance team turnover and vacancies.
- Operational challenges and additional costs due to the impact of the COVID 19 pandemic.
- Insufficient controls and testing over the implementation of a new finance IT system.
- Weaknesses in internal controls over reconciliations and working papers.

Whilst Council has prepared the financial report based on its underlying books and records, due to the pervasive nature of the issues identified above, Management and Councillors are unable to warrant the completeness and reliability of the financial statements taken as a whole. These matters have been documented in the Council's State of the Organisation Report and Strategic Improvement Plan. These public documents share insights into the issues and challenges identified, the improvement opportunities, and progress to date.

Council is implementing the detailed Strategic Improvement Plan and continues to work on strengthening the governance, capability, financial reporting, internal control systems and process and financial sustainability of the organisation.

Because of the issues raised above we are unable to certify that the attached general purpose financial statements have been prepared in accordance with:

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

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

Signed in accordance with a resolution of Council made on 18 April 2023.



Neil Reilly
Mayor



Imogen Draisma
Deputy Mayor



Jane Stroud
Chief Executive Officer



Joe Gaudiosi
Chief Operating Officer

Kiama Municipal Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
Income from continuing operations				
25,519	Rates and annual charges	B2-1	25,411	23,713
24,607	User charges and fees	B2-2	21,543	20,322
894	Other revenue	B2-3	5,011	4,711
12,675	Grants and contributions provided for operating purposes	B2-4	14,625	10,452
1,583	Grants and contributions provided for capital purposes	B2-4	4,746	11,352
–	Interest and investment income	B2-5	247	460
5,505	Other income	B2-6	10,803	1,313
70,783	Total income from continuing operations		82,386	72,323
Expenses from continuing operations				
33,119	Employee benefits and on-costs	B3-1	35,526	33,393
23,104	Materials and services	B3-2	26,195	24,270
1,618	Borrowing costs	B3-3	1,248	799
7,812	Depreciation, amortisation and impairment for non-financial assets	B3-4	11,314	8,247
4,387	Other expenses	B3-5	924	1,008
–	Net losses from the disposal of assets	B4-1	1,164	1,210
70,040	Total expenses from continuing operations		76,371	68,927
743	Operating result from continuing operations		6,015	3,396
743	Net operating result for the year attributable to Council		6,015	3,396
(800)	Net operating result for the year before grants and contributions provided for capital purposes		1,269	(7,956)

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

Kiama Municipal Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
Net operating result for the year – from Income Statement		6,015	3,396
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	26,451	62,168
Other comprehensive income – joint ventures and associates	D1-1	(59)	–
Total items which will not be reclassified subsequently to the operating result		26,392	62,168
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of other reserves		(5,350)	–
Gain (loss) on revaluation of equity instruments at fair value through Other Comprehensive Income - CivicRisk Mutual		59	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(5,291)	–
Total other comprehensive income for the year		21,101	62,168
Total comprehensive income for the year attributable to Council		27,116	65,564

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

Kiama Municipal Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	15,429	13,946	18,141
Investments	C1-2	22,214	11,000	14,001
Receivables	C1-4	3,233	2,326	2,606
Inventories	C1-5	246	201	259
Contract assets and contract cost assets	C1-6	1,218	155	–
Current assets classified as 'held for sale'	C1-7	3,752	3,752	3,750
Total current assets		46,092	31,380	38,757
Non-current assets				
Investments	C1-2	9,014	1,009	3,509
Receivables	C1-4	233	233	302
Infrastructure, property, plant and equipment	C1-8	508,009	484,249	432,754
Investment property	C1-9	139,078	128,267	82,051
Intangible Assets	C1-10	–	5,350	5,350
Right of use assets	C2-1	168	277	–
Investments accounted for using the equity method	D1-1	–	59	174
Total non-current assets		656,502	619,444	524,140
Total assets		702,594	650,824	562,897
LIABILITIES				
Current liabilities				
Payables	C3-1	128,454	104,191	77,580
Contract liabilities	C3-2	3,931	1,352	961
Lease liabilities	C2-1	99	115	–
Borrowings	C3-3	1,219	1,394	705
Employee benefit provisions	C3-4	7,404	7,779	7,242
Total current liabilities		141,107	114,831	86,488
Non-current liabilities				
Payables	C3-1	27	15	5
Lease liabilities	C2-1	78	170	–
Borrowings	C3-3	52,520	54,109	61,752
Employee benefit provisions	C3-4	768	721	229
Total non-current liabilities		53,393	55,015	61,986
Total liabilities		194,500	169,846	148,474
Net assets		508,094	480,978	414,423
EQUITY				
Accumulated surplus		205,928	199,913	224,663
IPPE revaluation reserve	C4-1	302,166	275,715	186,810
Other reserves	C4-1	–	5,350	2,950
Council equity interest		508,094	480,978	414,423
Total equity		508,094	480,978	414,423

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

Kiama Municipal Council

Statement of Changes in Equity

for the year ended 30 June 2021

		as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Other reserves (specify)	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Other reserves (specify) Restated	Total equity Restated
\$ '000	Notes								
Opening balance at 1 July		199,913	275,715	5,350	480,978	223,651	186,810	2,950	413,411
Correction of prior period errors	G4-1	–	–	–	–	2,805	–	–	2,805
Changes due to AASB 1058 and AASB 15 adoption	G4-1	–	–	–	–	(802)	–	–	(802)
Equity Changes to prior year	G4-1	–	–	–	–	(29,137)	26,737	2,400	–
Restated opening balance		199,913	275,715	5,350	480,978	196,517	213,547	5,350	415,414
Net operating result for the year		6,015	–	–	6,015	1,638	–	–	1,638
Correction of prior period errors	G4-1	–	–	–	–	1,758	–	–	1,758
Restated net operating result for the period		6,015	–	–	6,015	3,396	–	–	3,396
Other comprehensive income									
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	26,451	–	26,451	–	62,168	–	62,168
Realised (gain) loss on financial assets at fair value through other comprehensive income		–	–	(5,350)	(5,350)	–	–	–	–
Other comprehensive income		–	26,451	(5,350)	21,101	–	62,168	–	62,168
Total comprehensive income		6,015	26,451	(5,350)	27,116	3,396	62,168	–	65,564
Closing balance at 30 June		205,928	302,166	–	508,094	199,913	275,715	5,350	480,978

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

Kiama Municipal Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
25,489	Rates and annual charges		25,199	23,976
24,800	User charges and fees		21,842	22,510
969	Investment and interest revenue received		510	472
13,976	Grants and contributions		19,894	21,290
22,444	Bonds, deposits and retention amounts received		27	16
1,550	Other		3,086	4,571
Payments:				
(33,119)	Employee benefits and on-costs		(35,966)	(31,901)
(21,315)	Materials and services		(25,900)	(26,360)
(1,614)	Borrowing costs		(1,665)	(160)
(4,387)	Other		5,523	(4,576)
28,793	Net cash flows from operating activities	G1-1	12,550	9,838
Cash flows from investing activities				
Receipts:				
7,789	Sale of investment securities		–	50,000
1,000	Sale of real estate assets		–	–
1,163	Sale of infrastructure, property, plant and equipment		588	864
Payments:				
–	Purchase of investment securities		(65)	(44,500)
–	Acquisition of term deposits		(19,154)	–
–	Purchase of investment property		(8)	–
(16,242)	Purchase of infrastructure, property, plant and equipment		(13,051)	(43,659)
–	Contributions paid to joint ventures and associates		59	–
(6,290)	Net cash flows from investing activities		(31,631)	(37,295)
Cash flows from financing activities				
Receipts:				
3,600	Proceeds from borrowings		–	9,000
–	Proceeds from Retirement Village (loan licence agreements)		22,086	30,417
Payments:				
(1,610)	Repayment of borrowings		(1,395)	(15,986)
–	Principal component of lease payments		(127)	(169)
1,990	Net cash flows from financing activities		20,564	23,262
24,493	Net change in cash and cash equivalents		1,483	(4,195)
13,946	Cash and cash equivalents at beginning of year		13,946	18,141
38,439	Cash and cash equivalents at end of year	C1-1	15,429	13,946
12,009	plus: Investments on hand at end of year	C1-2	31,228	12,009
50,448	Total cash, cash equivalents and investments		46,657	25,955

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

Kiama Municipal Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 18 April 2023. 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.

Going Concern

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Council had net current liabilities of \$95,015,000 and negative unrestricted cash of \$1,248,000 as at 30 June 2021. The net current liabilities are due to the recording of all aged care and retirement village resident accommodation payments as current liabilities and not allocated across non-current liabilities in alignment with their expected period of tenancy. These are classified as current liabilities as Council has no right to defer settlement beyond 6 months if a resident departs.

In November 2022, Council received a Performance Improvement Order (PIO) from the NSW Office of Local Government due to concerns pertaining to the financial sustainability of the Council and its ability to operate as a going concern. The PIO has installed a Financial Advisor to assist the Council. The PIO has noted several criteria that the Council is required to progress and satisfy by June 2023. The Council believes it is well positioned to demonstrate progress and satisfy the criteria.

In the opinion of the Councillors and Management, the ability of the Council to continue as a going concern and pay its debts as and when they become due and payable depends upon the following items that are progressing in accordance with internal plans and forecasts as noted below:

- Successful achievement of Council's cashflow forecast. Key milestones have been met and cash reserves are in line with the forecast.
- Successful re-negotiation of Council's debt facility. Initial discussions and planning with the Financier have commenced. Management is currently reviewing various options.
- Successful execution of Council's asset divestment plan in accordance with the timings outlined in Note G3-1 Events Occurring after the Reporting Date. Expected sales have occurred as planned. Pre-sale processes involving other assets have also occurred as planned providing assurance regarding the timing of expected future cash inflows. Expected sales have occurred as planned providing assurance regarding timing of expected future cash inflows.

If the Council is unable to achieve successful outcomes in relation to the above matters, an uncertainty may emerge that may cast doubt as to the ability of the Council to continue as a going concern. No adjustments have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Council not continue as a going concern. All steps are being taken to ensure Council's going concern status is maintained.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

A1-1 Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of investment property – refer Note C1-9
- ii. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

(iv) Impairment of receivables

Council has reviewed the impairment of a number of its receivables – refer Note C1-4

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Waste Business Unit
- Kiama Coast Holiday Parks
- Blue Haven Retirement Village
- Kiama Leisure Centre
- Illawarra Shoalhaven Joint Organisation

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has not accounted for the volunteer services received in the income statement on the basis that the volunteer services were not material, not be purchased if not donated or could not be reliably measured during the reporting year. Council is to review the volunteer services received from time to time to recognise the revenue in the income statement.

A1-1 Basis of preparation (continued)

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods (and which have not been early adopted by Council).

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

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020 Restated
\$ '000										
Functions or activities										
Corporate Services	22,642	26,176	13,549	15,446	9,093	10,730	2,965	3,204	76,978	58,505
Community Services	5,244	469	5,367	1,781	(123)	(1,312)	4,849	624	7,290	72,747
Environmental Services	7,066	7,344	5,392	8,694	1,674	(1,350)	141	29	1,524	1,314
Engineering & Works	4,640	10,791	19,321	16,914	(14,681)	(6,123)	2,297	2,649	376,759	350,435
Commercial Activities	42,794	27,543	32,742	26,092	10,052	1,451	9,119	15,298	240,043	167,823
Total functions and activities	82,386	72,323	76,371	68,927	6,015	3,396	19,371	21,804	702,594	650,824

B1-2 Components of functions or activities

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

Corporate Services

Corporate and other support, governance, members services, risk management, tourism.

Governance costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

Community Services

Administration, community centre, youth services, aged and disabled, home nursing, family history centre, public libraries other community services.

Environmental Services

Administration, property maintenance, animal control, beach control, enforcement of local government regulations, food control, building control, waste management, public conveniences, public halls, immunisation, town planning, environmental protection.

Engineering and Works

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, parking areas, bus shelters, fire protection, RTA works, street lighting, emergency services, street cleaning, public cemeteries, swimming pools, sporting grounds, parks and gardens, private works, stormwater drainage, engineering support services.

Commercial Activities

Holiday and caravan parks, real estate development, indoor sports complex, leisure centre, retirement village and waste unit.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Timing	2021	2020
Ordinary rates			
Residential	1	16,867	15,518
Farmland	1	699	652
Business	1	1,518	1,441
Less: pensioner rebates (mandatory)	1	(190)	(182)
Less: pensioner rebates (Council policy)	1	(155)	(148)
Rates levied to ratepayers		18,739	17,281
Pensioner rate subsidies received	1	172	181
Total ordinary rates		18,911	17,462
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1	6,118	5,849
Stormwater management services	1	224	223
Waste management services (non-domestic)	1	222	254
Less: pensioner rebates (mandatory)	1	(70)	(68)
Less: pensioner rebates (Council policy)	1	(57)	(55)
Annual charges levied		6,437	6,203
Pensioner subsidies received:			
– Domestic waste management	1	63	48
Total annual charges		6,500	6,251
Total rates and annual charges		25,411	23,713
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised over time (1)		25,411	23,713
Total rates and annual charges		25,411	23,713

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 "over time",
- (2) indicates income recognised under AASB 15 or AASB 1058 "at a point in time".

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	175	—
Waste management services (non-domestic)	2	25	—
Contract plant and truck hire	2	995	1,617
Trade waste	2	13	—

continued on next page ...

B2-2 User charges and fees (continued)

\$ '000	Timing	2021	2020
Total specific user charges		1,208	1,617
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building services – other	1	293	245
Inspection services	1	55	–
Planning and building regulation	1	702	522
Registration fees	1	79	27
Section 603 certificates	1	55	44
Total fees and charges – statutory/regulatory		1,184	838
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Leisure centre	1	1,131	1,518
Waste disposal tipping fees	1	126	167
Blue Haven aged care	1	5,037	3,507
Blue Haven care – in home support packages	1	52	3,059
Council properties	1	1,426	638
Engineering services	2	114	148
Footpath Dining	1	1	–
Holiday parks	1	10,879	8,012
Library and family history centre	1	7	86
Public cemeteries	1	314	351
Saddleback mountain tower	1	(10)	158
Other	1	74	223
Total fees and charges – other		19,151	17,867
Total user charges and fees		21,543	20,322
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		20,221	–
User charges and fees recognised at a point in time (2)		1,322	20,322
Total user charges and fees		21,543	20,322

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Rental income – investment property	1	17	69
Rental income – other council properties (2019 only)	1	–	117
Fines – parking	1	10	62
Fines – other	1	175	48
Commissions and agency fees	1	103	–
Insurance claims recoveries	1	69	584
Recycling income (non-domestic)	1	107	51

B2-3 Other revenue (continued)

\$ '000	Timing	2021	2020
Sales – general	1	344	12
Deferred payment liabilities amortisation	1	3,468	1,935
Diesel fuel rebate	1	67	61
Motor vehicle leaseback	1	245	249
Other	1	46	897
Section 88 rebate	1	75	66
Visitor Information Centre	1	134	261
Return & Earn	1	41	155
Workers Compensation Rebate	1	101	75
Legal Settlements	1	9	69
Total other revenue		5,011	4,711

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	5,011	4,711
Other revenue recognised at a point in time (2)	–	–
Total other revenue	5,011	4,711

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	1	861	832	–	–
Payment in advance - future year allocation					
Financial assistance	1	922	881	–	–
Amount recognised as income during current year		1,783	1,713	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Bushfire and emergency services	2	250	129	–	–
Economic development	1	2	–	60	–
Environmental programs	1	91	29	–	–
Library	1	116	136	1,283	250
LIRS subsidy	1	42	65	–	–
Recreation and culture	1	–	–	693	487
Blue Haven care – in home support packages	1	–	1	–	–
Blue Haven retirement village	1	6,810	3,818	1,473	8,363
Community development	1	–	4	–	–
Community transport	1	343	303	–	–
Cultural development	1	41	80	–	–
Dementia friendly community program	1	–	3	–	–

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Street lighting	1	—	48	—	—
Regional carer respite centre	1	—	882	—	—
Road safety program	1	58	65	—	—
Traffic facilities/black spot program	2	—	—	—	336
Youth opportunities	1	165	48	—	—
Community support	1	3,636	1,157	—	—
Transport (roads to recovery)	1	323	323	—	—
Transport (other roads and bridges funding)	2	—	—	369	—
Other specific grants	1	74	67	—	573
Previously contributions:					
Community services	1	190	874	—	—
Transport for NSW contributions (regional roads, block grant)	1	660	660	—	—
Community bus	1	41	47	—	—
Contributed assets	1	—	—	—	5
Total special purpose grants and non-developer contributions – cash		12,842	8,739	3,878	10,014
Total special purpose grants and non-developer contributions (tied)		12,842	8,739	3,878	10,014
Total grants and non-developer contributions		14,625	10,452	3,878	10,014
Comprising:					
– Commonwealth funding		12,742	7,569	2,803	365
– State funding		1,801	1,288	1,079	9,130
– Other funding		82	1,595	(4)	519
		14,625	10,452	3,878	10,014

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 “over time”,
 (2) indicates income recognised under AASB 15 or AASB 1058 “at a point in time”.

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services	G5	—	—	857	1,338
Total developer contributions – cash		—	—	857	1,338
Non-cash contributions					
Other developer contributions		—	—	11	—
Total developer contributions non-cash		—	—	11	—
Total developer contributions		—	—	868	1,338
Total contributions		—	—	868	1,338
Total grants and contributions		14,625	10,452	4,746	11,352

Timing of revenue recognition for grants and contributions

B2-4 Grants and contributions (continued)

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Grants and contributions recognised over time (1)		–	–	–	–
Grants and contributions recognised at a point in time (2)		14,625	10,452	4,746	11,352
Total grants and contributions		14,625	10,452	4,746	11,352

Unspent grants and contributions

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

Council has received several Community Infrastructure grants during the 2020/21 financial year.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

B2-4 Grants and contributions (continued)

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	20	29
– Cash and investments	227	431
Total interest and investment income (losses)	247	460
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	20	29
General Council cash and investments	208	394
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	19	37
Total interest and investment income	247	460

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2021	2020
Fair value increment on investment properties			
Fair value increment on investment properties		10,803	1,313
Total fair value increment on investment properties	C1-9	10,803	1,313
Total other income		10,803	1,313

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	29,782	27,322
Employee leave entitlements (ELE)	2,545	3,562
Superannuation	2,809	2,674
Workers' compensation insurance	798	633
Fringe benefit tax (FBT)	134	75
Training costs (other than salaries and wages)	63	157
Other	193	—
Total employee costs	36,324	34,423
Less: capitalised costs	(798)	(1,030)
Total employee costs expensed	35,526	33,393
Number of 'full-time equivalent' employees (FTE) at year end	330	358

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		15,206	13,926
Contractor and consultancy costs		5,369	6,700
Audit Fees	F2-1	92	82
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	274	271
Advertising		315	—
Bank charges		252	—
Cleaning		330	—
Computer software charges		391	—
Electricity and heating		926	1,019
Insurance		1,199	546
Postage		86	—
Printing and stationery		340	—
Street lighting		315	278
Subscriptions and publications		477	86
Telephone and communications		167	705
Other expenses		6	53
Holiday parks promotion/membership		—	52
Legal expenses:			
– Legal expenses: planning and development		198	479
– Legal expenses: debt recovery		14	—

B3-2 Materials and services (continued)

\$ '000	2021	2020
– Legal expenses: other	204	56
Expenses from short-term leases	–	10
Expenses from leases of low value assets	–	7
Other	34	–
Total materials and services	26,195	24,270
Total materials and services	26,195	24,270

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on leases	16	22
Interest on loans	182	193
Interest on advances	1,415	549
Other debts	4	3
Total interest bearing liability costs	1,617	767
Total interest bearing liability costs expensed	1,617	767
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
Fair value adjustment on loans (to Council)	(369)	32
Total other borrowing costs	(369)	32
Total borrowing costs expensed	1,248	799

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		2,089	1,237
Office equipment		560	552
Furniture and fittings		195	168
Land improvements (depreciable)		163	158
Infrastructure:	C1-8		
– Buildings – non-specialised		508	492
– Buildings – specialised		2,530	1,757
– Other structures		206	55
– Roads		3,610	2,267
– Bridges		193	191
– Footpaths		330	328
– Stormwater drainage		318	304
– Swimming pools		24	8
– Other open space/recreational assets		228	322
Right of use assets	C2-1	128	177
Other assets:			
– Library books		86	91
– Other		146	140

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

Total gross depreciation and amortisation costs	11,314	8,247
Total depreciation and amortisation costs	11,314	8,247
Total depreciation, amortisation and impairment for non-financial assets	11,314	8,247

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C1-10 for intangible assets.

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		(2)	—
Total impairment of receivables	C1-4	(2)	—
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		—	115
Total net share of interests in joint ventures and associates using the equity method	D1-1	—	115
Other			
Contributions/levies to other levels of government			
– Crown reserve levy		348	418
– Emergency services levy (includes FRNSW, SES, and RFS levies)		412	302
Donations, contributions and assistance to other organisations (Section 356)		166	173
Total other		926	893
Total other expenses		924	1,008

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment	C1-8		
Proceeds from disposal – plant and equipment		536	651
Less: carrying amount of plant and equipment assets sold/written off		(1,248)	(801)
Gain (or loss) on disposal		(712)	(150)
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		52	–
Less: carrying amount of property assets sold/written off		(106)	(572)
Gain (or loss) on disposal		(54)	(572)
Gain (or loss) on disposal of infrastructure	C1-8		
Less: carrying amount of infrastructure assets sold/written off		(397)	(488)
Gain (or loss) on disposal		(397)	(488)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	44,500
Less: carrying amount of investments sold/redeemed/matured		–	(44,500)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Other (enter details...)			
Less: carrying amount of Other Assets sold/written off		(1)	–
Gain (or loss) on disposal		(1)	–
Net gain (or loss) on disposal of assets		(1,164)	(1,210)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
User charges and fees	24,607	21,543	(3,064)	(12)% U
The reduction of income is predominantly related to a downturn of business activities within certain business units like the Leisure centre due to closure for a period of time during the year as a result of the COVID-19 pandemic.				
Other revenues	894	5,011	4,117	461% F
The majority of the favourable variance relates to deferred management fee for the loan licence agreement for the age care facility.				
Operating grants and contributions	12,675	14,625	1,950	15% F
Additional grants of almost \$2M were received for home care packages				
Capital grants and contributions	1,583	4,746	3,163	200% F
Council received additional capital grants under the Stonger Country Communities program and the Infrastructure and Regional Development program				
Other income	5,505	10,803	5,298	96% F
The favourable variance relates to the revaluation of the investment properties.				
EXPENSES				
Employee benefits and on-costs	33,119	35,526	(2,407)	(7)% U
The variance is largely the result of annual wage increases and termination payments.				
Materials and services	23,104	26,195	(3,091)	(13)% U
Councils original budget allocated many of these costs to other expenses. The offset between these two accounts results in a small variation of 300k.				
Borrowing costs	1,618	1,248	370	23% F
Fair value movements in loans totalling 370k were not Included in the original budget.				
Depreciation, amortisation and impairment of non-financial assets	7,812	11,314	(3,502)	(45)% U
The variance relates to the increase in depreciation due to the revaluation of Bridges, Stormwater and Culvert assets, with a portion of Operational Land revalued and transferred in from Investment Property.				
Other expenses	4,387	924	3,463	79% F
Councils original budget allocated many of these costs to other expenses. The offset between these two accounts results in a small variation of 300k.				

B5-1 Material budget variations (continued)

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

STATEMENT OF CASH FLOWS

Cash flows from operating activities	28,793	12,550	(16,243)	(56)%	U
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Council's original budget included the proceeds from loan licence agreements in operating costs. They appear in the cashflows as financing activities

Cash flows from investing activities	(6,290)	(31,631)	(25,341)	403%	U
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The majority of this movement is in the acquisition of term deposits, which was not factored into Councils original cash flow budget.

Cash flows from financing activities	1,990	20,564	18,574	933%	F
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Council's original budget included the proceeds from loan licence agreements in operating costs. They appear in the cashflows as financing activities

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	15,429	13,946
Total cash and cash equivalents	15,429	13,946

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	15,429	13,946
Balance as per the Statement of Cash Flows	15,429	13,946

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	22,154	8,000	11,000	–
NCD's, FRN's (with maturities > 3 months)	–	1,014	–	1,009
Total	22,154	9,014	11,000	1,009
Equity securities at fair value through other comprehensive income				
CivicRisk Mutual	60	–	–	–
Total	60	–	–	–
Total financial investments	22,214	9,014	11,000	1,009
Total cash assets, cash equivalents and investments	37,643	9,014	24,946	1,009

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council 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 the 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.

CivicRisk West and CivicRisk Mutual was previously set up as a joint venture with a number of Council's for self-insurance purposes and was reported previously under Note D1-2 Interests in joint arrangements.

From 1 July 2020 CivicRisk West, CivicRisk Metro and CivicRisk Mutual has legally combined into CivicRisk Mutual Ltd, CivicRisk Mutual purchased a one off discretionary cover for all retrospective claims for the value of the net assets of the Mutual.

The differences in structure of the transfer relates to the different types of Deeds that were operational at the time of the transfer. Members will retain a right to surplus for old fund years transferred as identified in the Constitution and Membership Rules of CivicRisk Mutual Limited. Members will also still be able to report their share of these fund years in their financial statements subject to a fair valuation methodology being applied.

The accounting treatment in Council's financial statements is proposed to change from an equity accounting method for a joint venture to an Investment Asset valued using the Income Approach, which is an appropriate method under AASB 13 Fair Value.

CivicRisk Mutual Limited investment valued at fair value through profit or loss comprise of investment of \$60,000 in the Statement of Financial Position for Council's interest in CivicRisk Mutual Limited by comparison with the face value of \$72,000 in CivicRisk Mutual Limited's accounts at 30 June 2021.

The valuation of CivicRisk Mutual Limited investment was undertaken by David Minty FIAA from Finity Consulting.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	37,643	9,014	24,946	1,009
attributable to:				
External restrictions	32,208	9,014	17,633	1,009
Internal restrictions	6,683	–	10,962	–
Unrestricted	(1,248)	–	(3,649)	–
	37,643	9,014	24,946	1,009

continued on next page ...

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

\$ '000	2021	2020
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund	1,966	562
Specific purpose unexpended loans – general	500	1,116
External restrictions – included in liabilities	2,466	1,678
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	9,683	9,273
Holiday Parks (Crown Land)	446	959
Blue Haven care – residential	690	–
Domestic waste management	4,105	3,353
Illawarra Shoalhaven Joint Organisation	–	22
Loan Restrictions – TCorp	18,699	139
BHT - ILU Maintenance Levy carried forward surplus	1,640	1,385
BHB - ILU Maintenance Levy carried forward surplus	178	114
Blue Haven care – residential	3,000	1,400
CACP	–	4
Community bus	315	315
External restrictions – other	38,756	16,964
Total external restrictions	41,222	18,642
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Carry over works	1,477	4,207
Council Elections	145	145
Employees leave entitlement	1,500	1,500
Energy efficiency	122	213
Land development	1,601	1,601
Plant replacement	280	1,514
Risk Improvement Incentive	105	105
Unspent Loan Funding	–	–
Waste and sustainability	490	415
Waste business unit	963	1,262
Total internal restrictions	6,683	10,962
Total restrictions	47,905	29,604

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	665	–	453	–
User charges and fees	926	–	1,318	–
Private works	39	–	39	–
Accrued revenues				
– Interest on investments	–	–	98	–
– Other income accruals	392	–	–	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	536	–	41	–
Net GST receivable	142	–	433	–
Other – advances to public	–	233	–	233
Other – holiday park charges	347	–	–	–
Employee deductions and on costs	10	–	8	–
Other debtors	176	–	–	–
Total	3,233	233	2,390	233
Less: provision of impairment				
Rates and annual charges	–	–	(64)	–
Total provision for impairment – receivables	–	–	(64)	–
Total net receivables	3,233	233	2,326	233
Unrestricted receivables	3,233	233	2,326	233
Total net receivables	3,233	233	2,326	233

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	64	63
Balance at the end of the year	64	63

Accounting policy

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

Impairment

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

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

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

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

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

C1-4 Receivables (continued)

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Under Regulation 213 of the Local Government (General) Regulation 2005, the fact that a debt is written off under this clause does not prevent the Council concerned from taking legal proceedings to recover the debt.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	174	–	185	–
Trading stock	72	–	16	–
Total inventories at cost	246	–	201	–
Total inventories	246	–	201	–

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total unrestricted assets	246	–	201	–
Total inventories	246	–	201	–

(i) Other disclosures

(Valued at the lower of cost and net realisable value)

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6a	1,218	155
Total contract assets and contract cost assets		1,218	155

C1-6 Contract assets and Contract cost assets (continued)

(a) Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Other	1,218	–	155	–
Total contract assets	1,218	–	155	–

Significant changes in contract assets

Council has received grant funding towards various projects such as the construction of the Gerringong Library and Museum, the Jamberoo Sports Precinct and Minnamurra Bike Skills Track. The grant revenue will be recognised as Council constructs the assets.

(b) Contract cost assets

(i) The contract cost asset relates to the costs to recruit employees for specific grant programs and material developed to promote the program.

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

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

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Non-current assets held for sale				
Land	3,752	—	3,752	—
Total non-current assets held for sale	3,752	—	3,752	—
Total non-current assets classified as held for sale	3,752	—	3,752	—

Reconciliation of non-current assets held for sale and disposal groups – i.e. discontinued operations

\$ '000	2021 Assets 'held for sale'	2020 Assets 'held for sale'
Opening balance	3,752	3,752
Balance still unsold after 12 months:	3,752	3,752
Closing balance of held for sale non-current assets and operations	3,752	3,752

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	2,568	–	2,568	2,641	962	(45)	–	–	–	6,126	–	6,126
Plant and equipment	28,954	(14,074)	14,880	66	1,945	(1,247)	(2,089)	8	–	28,537	(14,974)	13,563
Office equipment	5,401	(3,707)	1,694	–	–	–	(560)	–	–	5,401	(4,267)	1,134
Furniture and fittings	3,675	(2,659)	1,016	44	97	(2)	(195)	1	–	3,815	(2,854)	961
Land:												
– Operational land	39,010	–	39,010	–	–	–	–	1	2,003	41,014	–	41,014
– Community land	82,292	–	82,292	113	–	(103)	–	–	–	82,302	–	82,302
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	4,751	(20)	4,731	–	–	–	–	(3)	–	4,728	–	4,728
Land improvements – depreciable	3,079	(1,487)	1,592	36	–	(2)	(163)	4	–	3,103	(1,636)	1,467
Infrastructure:												
– Buildings – non-specialised	22,565	(7,533)	15,032	324	20	(88)	(508)	–	–	22,747	(7,967)	14,780
– Buildings – specialised	146,157	(50,508)	95,649	869	117	(137)	(2,530)	(118)	–	146,738	(52,888)	93,850
– Other structures	5,982	(3,644)	2,338	195	57	(14)	(206)	4,812	–	13,042	(5,860)	7,182
– Roads	192,443	(55,928)	136,515	1,694	169	(130)	(3,610)	(1)	–	193,865	(59,228)	134,637
– Bridges	18,483	(6,980)	11,503	–	–	–	(193)	1	11,568	36,038	(13,159)	22,879
– Footpaths	15,472	(5,461)	10,011	34	94	(3)	(330)	–	–	15,594	(5,788)	9,806
– Bulk earthworks (non-depreciable)	22,294	(7)	22,287	18	–	(8)	–	14	–	22,311	–	22,311
– Stormwater drainage	38,188	(10,137)	28,051	161	–	–	(318)	–	12,880	56,571	(15,797)	40,774
– Swimming pools	461	(275)	186	123	–	(18)	(24)	634	–	1,208	(307)	901
– Other open space/recreational assets	13,637	(5,052)	8,585	–	300	–	(228)	(5,362)	–	6,526	(3,231)	3,295
Other assets:												
– Library books	2,076	(1,626)	450	–	73	–	(86)	(1)	–	2,148	(1,712)	436
– Other	6,004	(173)	5,831	133	17	(1)	(146)	1	–	6,154	(319)	5,835
Total infrastructure, property, plant and equipment	653,520	(169,271)	484,249	6,451	3,851	(1,798)	(11,186)	(9)	26,451	697,996	(189,987)	508,009

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	79,303	–	79,303	1,180	(35,832)	–	–	–	(42,799)	–	–	2,568	–	2,568
Plant and equipment	20,902	(11,103)	9,799	4,324	2,700	(802)	(1,239)	98	–	–	–	28,954	(14,074)	14,880
Office equipment	4,578	(3,159)	1,419	138	–	–	(553)	690	–	–	–	5,401	(3,707)	1,694
Furniture and fittings	3,131	(2,498)	633	480	–	–	(170)	73	–	–	–	3,675	(2,659)	1,016
Land:														
– Operational land	39,715	–	39,715	–	–	–	–	1,399	–	–	–	39,010	–	39,010
– Community land	60,361	–	60,361	–	1,214	–	–	1,591	–	–	19,126	82,292	–	82,292
– Land under roads (post 30/6/08)	28	–	28	–	–	–	–	–	–	–	–	28	–	28
Land improvements – non-depreciable	986	–	986	447	1,507	(131)	(20)	1,942	–	–	–	4,751	(20)	4,731
Land improvements – depreciable	720	(417)	303	430	–	(139)	(133)	1,131	–	–	–	3,079	(1,487)	1,592
Infrastructure:														
– Buildings – non-specialised	19,385	(7,759)	11,626	3,077	–	–	(487)	816	–	–	–	22,565	(7,533)	15,032
– Buildings – specialised	96,989	(48,839)	48,150	2,750	50,553	(572)	(1,757)	(3,475)	–	–	–	146,157	(50,508)	95,649
– Other structures	12,023	(5,816)	6,207	1,231	–	–	(55)	(5,045)	–	–	–	5,982	(3,644)	2,338
– Roads	145,831	(54,260)	91,571	2,042	–	(175)	(2,272)	(4,749)	–	–	50,098	192,443	(55,928)	136,515
– Bridges	14,979	(5,884)	9,095	120	–	–	(191)	2,479	–	–	–	18,483	(6,980)	11,503
– Footpaths	15,065	(5,230)	9,835	592	24	(4)	(328)	(108)	–	–	–	15,472	(5,461)	10,011
– Bulk earthworks (non-depreciable)	23,449	–	23,449	123	5,128	–	–	643	–	(7,056)	–	22,294	(7)	22,287
– Stormwater drainage	37,942	(9,840)	28,102	274	–	(21)	(304)	–	–	–	–	38,188	(10,137)	28,051
– Swimming pools	461	(267)	194	–	–	–	(8)	–	–	–	–	461	(275)	186
– Other open space/recreational assets	16,082	(4,721)	11,361	–	–	–	(322)	(2,454)	–	–	–	13,637	(5,052)	8,585
Other assets:														
– Library books	2,000	(1,535)	465	76	–	–	(91)	–	–	–	–	2,076	(1,626)	450
– Other	230	(78)	152	860	–	(10)	(140)	4,969	–	–	–	6,004	(173)	5,831
Total infrastructure, property, plant and equipment	594,160	(161,406)	432,754	18,144	25,294	(1,854)	(8,070)	–	(42,799)	(7,056)	69,224	653,520	(169,271)	484,249

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

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

Accounting policy

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

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

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

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

Land is not depreciated. 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	2 to 35	Playground equipment	5 to 15
Furniture & fittings	3 to 50	Benches, seats etc.	10 to 25
Computer equipment	3 to 5		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 200
Other plant and equipment	5 to 40	Buildings: other	20 to 40
Transportation assets		Other infrastructure assets	
Sealed roads: surface	12 to 30	Bulk earthworks	infinite
Sealed roads: structure	80 to 100	Swimming pools	50 to 100
Unsealed roads	20	Other open space/recreational assets	10
Bridge: concrete	100	Other infrastructure	15 to 95
Bridge: other	55		
Kerb, gutter and footpaths	40 to 190		
Stormwater assets			
Drains	80 to 120		
Culverts	50 to 100		
Flood control structures	20 to 120		

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. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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

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

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

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 not recognised as assets of the Council in these financial statements apart from Buildings.

C1-9 Investment properties

\$ '000	2021	2020
Owned investment property		
Investment property on hand at fair value	139,078	128,267
Total owned investment property	139,078	128,267

Owned investment property

At fair value

Opening balance at 1 July	128,267	82,051
Net gain/(loss) from fair value adjustments	10,803	1,313
Transfers from/(to) owner-occupied property (Note C1-8)	–	42,799
Other movements	8	2,104
Closing balance at 30 June	139,078	128,267

Accounting policy

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

C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Bed Licences		
Opening values at 1 July		
Gross book value	–	5,350
Net book value – opening balance	–	5,350
Closing values at 30 June		
Gross book value	–	5,350
Total intangible assets – net book value	–	5,350

Accounting policy

Blue Haven Bed Licence

In line with the Royal Commission in to Aged Care Quality and Safety recommendations, the legislation reforms seek to improve the choices available to people who require residential aged care and to provide control in managing their arrangements.

From 1 July 2024, Bed Licences will no longer be issued and will be discontinued, meaning that the licences will have to be fully amortised by this date as the assets will no longer exist in their current form.

Council has written off the total value of the Bed Licences in this financial year.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

- i. Land and buildings - Council office, car park space, office accommodation, and SES office
- ii. Office and IT equipment - photocopiers

Buildings

Council leases land and buildings for their corporate offices and other buildings; the leases are generally between 2 and 5 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for 3 years with 2 years 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 and reduce costs of moving premises; and 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.

There are \$130,000 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

\$ '000	Plant & Equipment	Property	Total
2021			
Opening balance at 1 July	153	124	277
Additions to right-of-use assets	18	–	18
Depreciation charge	(66)	(62)	(128)
Other movement	2	(1)	1
Balance at 30 June	107	61	168
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	184	270	454
Depreciation charge	(31)	(146)	(177)
Balance at 30 June	153	124	277

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	99	78	115	170
Total lease liabilities	99	78	115	170

(c) (i) The maturity analysis

C2-1 Council as a lessee (continued)

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	98	77	–	175	177
2020					
Cash flows	115	170	–	285	285

(ii) Lease liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total lease liabilities relating to unrestricted assets	99	78	115	170
Total lease liabilities	99	78	115	170

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	16	22
Depreciation of right of use assets	128	177
Expenses relating to short-term leases	–	10
Expenses relating to low-value leases	–	7
	144	216

(e) Statement of Cash Flows

Total cash outflow for leases	98	115
	98	115

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

Council does not have the concessionary and peppercorn leases in place that are individually material from a statement of financial position or performance perspective as at the reporting date.

Accounting policy

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

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

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

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

C2-1 Council as a lessee (continued)

of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

(a) Operating leases

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

(i) Assets held as investment property

Investment property operating leases relate to Blue Haven Independent Living Units.

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

Repairs and maintenance: investment property

Contractual obligations for future repairs and maintenance	254	207
Total repairs and maintenance: investment property	254	207

(b) Finance leases

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease to the Crown.

Maturity analysis of undiscounted lease payments to be received after reporting date for finance leases:

Accounting policy

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

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

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

C2-2 Council as a lessor (continued)

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Government departments and agencies	–	–	78	–
Prepaid rates	363	–	299	–
Goods and services – operating expenditure	1,577	–	1,594	–
Accrued expenses:				
– Borrowings	559	–	607	–
– Salaries and wages	351	–	463	–
– Other expenditure accruals	739	–	2,016	–
Residential aged care accommodation bonds	29,533	–	22,439	–
Retirement village loan licence agreement	92,519	–	73,901	–
Security bonds, deposits and retentions	1,901	–	1,874	–
Retirement village care packages	691	–	689	–
ELE oncosts	235	27	173	15
Other	(14)	–	58	–
Total payables	128,454	27	104,191	15
Total payables	128,454	27	104,191	15

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total payables relating to unrestricted assets	128,454	27	104,191	15
Total payables	128,454	27	104,191	15

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	33,887	29,588
Total payables	33,887	29,588

Accounting policy

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

Payables

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

Blue Haven Residential aged care accommodation bonds are required under the Aged Care Prudential Standards Policy to have an amount of \$3m held in Restricted Reserves at any one time.

Blue Haven Bonaira Retirement village loan licence deposits are required, under the TCorp loan agreement, to be held in Restricted Reserves for future repayment of the Loan.

C3-2 Contract Liabilities

C3-2 Contract Liabilities (continued)

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	2,524	–	443	–
Total grants received in advance		2,524	–	443	–
User fees and charges received in advance:					
Other	(ii)	1,407	–	909	–
Total user fees and charges received in advance		1,407	–	909	–
Total contract liabilities		3,931	–	1,352	–

Notes

(i)
Council has received funding to construct assets including sporting facilities and playgrounds, hindmarsh park upgrade, kiama showground upgrades, various footpaths and carparks, 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) Deposits received in advance for the Holiday Parks 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 in the following financial year.

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Operating grants (received prior to performance obligation being satisfied)	200	443
Total revenue recognised that was included in the contract liability balance at the beginning of the period	200	443

Significant changes in contract liabilities

Council has received grant funding in advance of the works being completed or the programs implemented. The grants funding include projects such as the Stronger Country Communities, Visitor Information Amenities upgrade, Showground Stimulus, Hindmarsh Park enhancement, Local Roads Infrastructure Grants, Youth programs and BlueHaven Building Improvement Fund.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	1,056	4,213	1,026	5,269
Government advances	163	48,307	368	48,840
Total borrowings	1,219	52,520	1,394	54,109

C3-3 Borrowings (continued)

(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 20.

Borrowings relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total borrowings relating to unrestricted assets	1,219	52,520	1,394	54,109
Total borrowings	1,219	52,520	1,394	54,109

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

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

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	6,295	(1,026)	–	–	–	–	5,269
Government advances	49,208	(738)	–	–	–	–	48,470
Lease liability (Note C2-1b)	285	(108)	–	–	–	–	177
Total liabilities from financing activities	55,788	(1,872)	–	–	–	–	53,916

	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	2,041	(746)	5,000	–	–	–	6,295
Government advances	60,416	(17,479)	4,000	2,271	–	–	49,208
Lease liability (Note C2-1b)	–	(169)	–	–	454	–	285
Total liabilities from financing activities	62,457	(18,394)	9,000	2,271	454	–	55,788

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	400	400
Total financing arrangements	2,400	2,400
Drawn facilities		
– Credit cards/purchase cards	171	66
Total drawn financing arrangements	171	66
Undrawn facilities		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	229	334
Total undrawn financing arrangements	2,229	2,334

C3-3 Borrowings (continued)

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loans secured over future cash flows

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	2,447	–	2,697	–
Sick leave	446	–	501	–
Long service leave	4,026	719	3,935	658
ELE on-costs	485	49	646	63
Total employee benefit provisions	7,404	768	7,779	721

Employee benefit provisions relating to restricted assets

Total employee benefit provisions relating to restricted assets	–	–	–	–
Total employee benefit provisions relating to unrestricted assets	7,404	768	7,779	721
Total employee benefit provisions	7,404	768	7,779	721

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,694	–
Other	579	–
	6,273	–

Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
2021					
At beginning of year	2,697	501	4,593	709	8,500
Other	(250)	(55)	152	(175)	(328)
Total ELE provisions at end of year	2,447	446	4,745	534	8,172
2020					
At beginning of year	2,064	477	4,605	325	7,471
Other	633	24	(12)	384	1,029
Total ELE provisions at end of year	2,697	501	4,593	709	8,500

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

C3-4 Employee benefit 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.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

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

Other reserves

Changes in the bed licences fair value of Blue Haven Retirement Village in accordance with an independent valuation report at 30 June 2021.

D Council structure

D1 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	–	59
Total net share of interests in joint ventures and associates using the equity method – assets	–	59
Total Council's share of net assets	–	59

D1-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	2021	2020
United Independent Pool	Joint venture	Penrith	–	6
Metro Pool	Joint venture	Penrith	–	53
Total carrying amounts – material joint ventures			–	59

Comment

Council's investment in CivicRisk is now disclosed in Note C1-2 Investments, due to a change in operating structure as at 1 July 2020

– –

Material joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Details

	Principal activity	Measurement method
Metro Pool	Public Liability & Prof Indemnity	Net equity
United Independent Pool	Property and vehicle etc.	Net equity

Relevant interests and fair values

	Interest in outputs	
	2021	2020
Metro Pool	0.0%	0.4%
United Independent Pool	0.0%	0.1%

Summarised financial information for joint ventures

\$ '000	Metro Pool		United Independent Pool	
	2021	2020	2021	2020

Statement of financial position

continued on next page ...

D1-1 Interests in joint arrangements (continued)

\$ '000	Metro Pool		United Independent Pool	
	2021	2020	2021	2020
Current assets				
Cash and cash equivalents	–	9,281	–	6,177
Other current assets	–	5,781	–	5,925
Non-current assets	–	6,711	–	5,102
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	–	1,762	–	5,923
Other current liabilities	–	3,451	–	490
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	–	3,796	–	3,635
Net assets	–	12,764	–	7,156
Statement of comprehensive income				
Income	–	2,116	–	14,679
Interest income	–	271	–	205
Other expenses	–	(2,676)	–	(14,673)
Profit/(loss) from continuing operations	–	(289)	–	211
Profit/(loss) for the period	–	(289)	–	211
Total comprehensive income	–	(289)	–	211
Summarised Statement of cash flows				
Cash flows from operating activities	–	1,511	–	1,614
Cash flows from investing activities	–	7,516	–	2,750
Net increase (decrease) in cash and cash equivalents	–	9,027	–	4,364
Reconciliation of the carrying amount				
Opening net assets (1 July)	–	14,648	–	7,540
Profit/(loss) for the period	–	(289)	–	211
Closing net assets	–	14,359	–	7,751
Council's share of net assets (%)	0.0%	0.4%	0.0%	0.1%
Council's share of net assets (\$)	–	51	–	7

D1-2 Unconsolidated structured entities

Council did not consolidate the following structured entities:

Kiama District Tourist Commerce and Industrial Association Limited (Kiama Tourism)

The principal activities undertaken include the operation of the Tourism Centre.

The purpose of Kiama Tourism is to raise the profile and performance of the tourism industry within the Kiama Local Government Area.

Kiama Tourism is financed primarily by the retail operations, commission and a levy paid by Council.

Jamberoo Youth Hall Committee is for care control and management of the Jamberoo Youth Hall.

Nature of risks relating to the Unconsolidated Structured Entity

Kiama Council has agreed to provide financial support to Kiama Tourism in form of a rental subsidy, commercial contribution towards Kiama Visitors Guide, Membership fees and a levy.

This agreement to provide financial support is outlined in the Memorandum of Understanding between the two organisations.

D1-2 Unconsolidated structured entities (continued)

Current intention to provide financial support

Council has a current intention to continue financial support as detailed in the Memorandum of Understanding between the two organisations.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	15,429	13,946	5,246	13,964
Receivables	3,466	2,559	3,465	5,346
Investments				
– Debt securities at amortised cost	31,168	12,009	41,351	12,009
Fair value through other comprehensive income				
Investments				
– Equity securities at fair value through other comprehensive income	60	–	60	–
Total financial assets	50,123	28,514	50,122	31,319
Financial liabilities				
Payables	128,481	104,206	128,481	108,750
Loans/advances	53,739	55,503	53,739	55,503
Total financial liabilities	182,220	159,709	182,220	164,253

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 measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified **at fair value through other comprehensive income** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	414	260
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	1,610

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	631	9	9	16	–	665
2020						
Gross carrying amount	415	10	10	9	9	453

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses,

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

non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	2,801	–	–	–	–	2,801
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	1,393	90	39	13	635	2,170
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; that is, the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	1,901	38,025	88,192	–	128,118	128,118
Loans and advances	5.30%	–	2,818	50,437	5,324	58,579	53,739
Total financial liabilities		1,901	40,843	138,629	5,324	186,697	181,857
2020							
Trade/other payables	0.00%	1,874	41,592	66,923	–	110,389	103,907
Loans and advances	5.30%	–	3,035	53,611	5,324	61,970	55,503
Total financial liabilities		1,874	44,627	120,534	5,324	172,359	159,410

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

- Non-current assets classified as ‘held for sale’

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).

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements									
Financial assets									
Other financial assets		30/06/21		60	–	–	–	1,074	–
Total financial assets				60	–	–	–	1,074	–
Investment property									
Blue Haven ILU	C1-9	30/06/21	30/06/17	139,078	126,163	–	–	139,078	126,163
Total investment property				139,078	126,163	–	–	139,078	126,163
Infrastructure, property, plant and equipment									
Work in Progress		30/06/21	30/06/20	–	–	6,126	1,560	6,126	1,560
Plant and equipment				–	–	13,563	14,880	13,563	14,880
Office equipment				–	–	1,134	1,694	1,134	1,694
Furniture and fittings				–	–	961	1,016	961	1,016
Operational land		30/06/21	30/06/18	44,766	41,114	–	–	44,766	41,114
Community land		30/06/20	30/06/20	–	–	82,302	82,292	82,302	82,292
Land under roads				–	–	28	28	28	28
Land improvements – non-depreciable				–	–	4,728	4,731	4,728	4,731
Land improvements – depreciable				–	–	1,467	1,592	1,467	1,592
Buildings – non-specialised		30/06/18	30/06/18	14,780	15,032	–	–	14,780	15,032
Buildings – specialised		30/06/18	30/06/18	93,850	95,649	–	–	93,850	95,649
Roads bridges footpaths		30/06/21	30/06/20	–	–	167,322	158,028	167,322	158,028
Stormwater drainage		30/06/21	30/06/15	–	–	40,774	28,051	40,774	28,051
Bulk earthworks – non depreciable		30/06/20	30/06/20	–	–	22,311	22,287	22,311	22,287
Other Open Space				–	–	4,196	11,109	4,196	11,109
Recreation Assets				–	–	7,182	–	7,182	–
Other structures				–	–	436	450	436	450
Library books				–	–	5,835	5,832	5,835	5,832
Other				–	–	–	–	–	–

E2-1 Fair value measurement (continued)

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Total infrastructure, property, plant and equipment				153,396	151,795	358,365	333,550	511,761	485,345
Non-recurring fair value measurements									
Non-current assets classified as held for sale	C1-7								
Land		30/06/17	30/06/17	-	-	-	3,752	-	3,752
Total NCA's classified as held for sale				-	-	-	3,752	-	3,752

Valuation techniques

E2-1 Fair value measurement (continued)

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

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

Cost Approach – A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

Income Approach – Valuation technique that converts future amounts (cash flow inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Investment property

Council obtains independent valuations of its investment property every 3 years by a qualified valuer who has experience in the location of the property. Every other year a desktop valuation is obtained. The best evidence of fair value is the current price in an active market for similar assets. The investment property valuation is included in level 2 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

As at 30 June 2021 the valuation of Blue Haven Independent Living Units was performed by Nelson Partners Australia. The valuation has been prepared on the basis of market value and realisation by the owners in a willing seller/willing purchaser situation, given appropriate marketing and on the basis of there being no financial pressure or a Receivership situation. The approach to valuation to determine the gross realisation is direct comparison based on resales in these complexes as the most appropriate evidence. A NPV calculation has been utilised to determine the "Owner's interest" with appropriate discount factor and based on resident data provided (this figure is separate to gross realisation).

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at Fair Value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment - Trucks, tractors, jet skis, ride on mowers, street sweepers, earth moving equipment, buses and motor vehicles
- Office Equipment – Refrigerators, monitors and computer equipment
- Furniture & Fittings – Chairs and desks

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input into the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Walsh & Monaghan Pty Ltd with a portion of the Blue Haven Bonaira land valued at 30 June 2021 by Nelson Partners Australia.

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

Community Land

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a

E2-1 Fair value measurement (continued)

land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

Land under Roads

Council has elected to recognise Land under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metre rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

Land Improvements – non depreciable

Non depreciable land improvements are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking into account the pattern of consumption, estimated useful life and the residual value. There has been no change to the valuation process during the reporting period.

Land Improvements – depreciable

This asset class comprises land improvements such as playgrounds. These assets may be located on parks, reserves and also within road reserves. 'Land Improvements' were valued in-house using the cost approach by experienced Council engineers and asset management staff.

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

Buildings – Specialised and Non Specialised

Buildings valuation was undertaken at 30 June 2018 and was performed by AssetVal Pty Ltd. The approach taken was to componentise each building into significant parts with different useful lives and took into account a range of factors. While all buildings were inspected, inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets are classified as being valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

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

Other Structures

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

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

Roads

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

The revaluation of Bridges and Culverts was undertaken by an Independent Valuer, Local Government Engineering Services, as at 30 June 2021.

Bulk Earthworks – non depreciable

The 'Cost Approach' estimated the replacement cost for each asset. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

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

Stormwater Drainage

E2-1 Fair value measurement (continued)

Stormwater drainage refers to the system for the collection, storage and removal of stormwater. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater drainage assets is undertaken every 5 years and the was undertaken as at 30 June 2021.

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

Library Books

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value.

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

Other

Assets within this class comprise Drainage inspection data. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

Non-current assets classified as 'held for sale'

This asset class comprises a parcel of land "held for sale" and is valued at cost but disclosed at fair value in the notes. The carrying amount of this asset is assumed to approximate fair value. There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

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

\$ '000	Investment property Blue Haven ILU		Plant and equipment		Office equipment		Furniture and fittings	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	126,163	82,051	14,880	9,800	1,695	1,419	1,016	633
Total gains or losses for the period								
Recognised in profit or loss – realised (refer to Note B4-1) ¹	10,803	1,313	–	–	–	–	–	–
Other movements								
Transfers from/(to) another asset class	2,104	42,799	–	97	–	690	1	73
Purchases (GBV)	12	–	2,011	7,024	–	138	141	480
Disposals (WDV)	–	–	(1,247)	(802)	–	–	(2)	–
Depreciation and impairment	–	–	(2,089)	(1,239)	(560)	(552)	(195)	(170)
Other movement (details here)	(4)	–	8	–	(1)	–	–	–
Closing balance	139,078	126,163	13,563	14,880	1,134	1,695	961	1,016

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

\$ '000	Operational land		Community land		Land under roads		Land improvements non-depreciable	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	39,010	39,714	82,292	60,361	28	28	4,731	986
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	2,003	–	–	19,126	–	–	–	–
Other movements								
Transfers from/(to) another asset class	1	1,400	–	1,591	–	–	(3)	1,942
Purchases (GBV)	–	–	113	1,214	–	–	–	1,954
Disposals (WDV)	–	–	(103)	–	–	–	–	(131)
Depreciation and impairment	–	–	–	–	–	–	–	(20)
Closing balance	41,014	41,114	82,302	82,292	28	28	4,728	4,731

\$ '000	Land improvements depreciable		Buildings non-specialised		Building specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	1,593	303	15,032	11,734	95,649	48,041	11,109	17,763
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	4	1,131	–	816	(118)	(3,475)	84	(7,500)
Purchases (GBV)	36	430	344	3,077	986	53,303	675	1,231
Disposals (WDV)	(2)	(138)	(88)	(572)	(137)	–	(32)	–
Depreciation and impairment	(163)	(133)	(508)	(487)	(2,530)	(1,757)	(458)	(385)

E2-1 Fair value measurement (continued)

\$ '000	Land improvements depreciable		Buildings non-specialised		Building specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
Other movement (details here)	(1)	–	–	–	–	–	–	–
Closing balance	1,467	1,593	14,780	14,568	93,850	96,112	11,378	11,109

\$ '000	Roads		Bulk earthworks		Stormwater drainage		Library books	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	158,028	110,502	22,287	23,449	28,051	28,102	450	465
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	11,568	50,542	–	(5,970)	12,880	–	–	–
Other movements								
Transfers from/(to) another asset class	1	(2,823)	14	(443)	–	–	–	–
Purchases (GBV)	1,991	2,778	18	5,251	161	274	73	76
Disposals (WDV)	(133)	(179)	(8)	–	–	(21)	–	–
Depreciation and impairment	(4,133)	(2,792)	–	–	(318)	(304)	(86)	(91)
Other movement (details here)	–	–	–	–	–	–	(1)	–
Closing balance	167,322	158,028	22,311	22,287	40,774	28,051	436	450

\$ '000	Other		WIP		Held for Sale		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	5,832	152	1,559	79,011	3,752	3,752	613,157	518,266
Recognised in profit or loss – realised (refer to Note B4-1) ¹	–	–	–	–	–	–	10,803	1,313
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	26,451	63,698
Transfers from/(to) another asset class	1	4,970	(51)	(77,452)	(3,752)	–	(1,714)	(36,184)
Purchases (GBV)	150	861	5,866	–	–	–	12,577	78,091
Disposals (WDV)	(1)	(11)	(1,249)	–	–	–	(3,002)	(1,854)
Depreciation and impairment	(146)	(140)	–	–	–	–	(11,186)	(8,070)
Other movement (details here)	(1)	–	1	–	–	–	1	–
Closing balance	5,835	5,832	6,126	1,559	–	3,752	647,087	615,260

(1) FV gains recognised in the Income Statement relating to assets still on hand at year end total

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

The Council's Policy, for determining when transfers are made into different levels of the hierarchy, occurs at the end of the reporting period. There have been no transfers from Level 1 to Level 2 or from Level 2 to Level 1. The valuation techniques employed by Council for Level 3 Assets/Liabilities has been detailed previously. Significant Professional judgement from Council Engineer's is required when determining the valuation process and whether external valuations are required.

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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.

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 2021 was \$418,515. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2020.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$346,013.

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

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

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

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 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

E3-1 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.

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,371	1,510
Termination benefits	180	38
Total	1,551	1,548

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	44	44
Councillors' fees	183	182
Other Councillors' expenses (including Mayor)	47	45
Total	274	271

F2 Other relationships

F2-1 Audit fees

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	81	79
--	----	----

Remuneration for audit and other assurance services

	81	79
--	----	----

Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services

	11	3
--	----	---

Remuneration for audit and other assurance services

	11	3
--	----	---

Total remuneration of non NSW Auditor-General audit firms

	92	82
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Total audit fees

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	6,015	3,396
Adjust for non-cash items:		
Depreciation and amortisation	11,314	8,247
Net losses/(gains) on disposal of assets	1,164	1,210
Adoption of AASB 15/1058	–	(802)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(10,803)	(1,313)
– Fair valuation adjustment (re-measurement) of existing loans to Council	(369)	32
Share of net (profits)/losses of associates/joint ventures using the equity method	–	115
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(843)	365
Increase/(decrease) in provision for impairment of receivables	(64)	(16)
Decrease/(increase) in inventories	(45)	58
Decrease/(increase) in contract assets	(1,063)	(155)
Increase/(decrease) in payables	(17)	(5,481)
Increase/(decrease) in accrued interest payable	(48)	607
Increase/(decrease) in other accrued expenses payable	(1,389)	1,564
Increase/(decrease) in other liabilities	6,447	(370)
Increase/(decrease) in contract liabilities	2,579	1,352
Increase/(decrease) in provision for employee benefits	(328)	1,029
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	12,550	9,838

G2-1 Commitments

Capital commitments (exclusive of GST)

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

Property, plant and equipment

Plant and equipment	2,969	3,135
Total commitments	2,969	3,135

These expenditures are payable as follows:

Within the next year	2,969	783
Later than one year and not later than 5 years	–	2,352
Total payable	2,969	3,135

Sources for funding of capital commitments:

Unrestricted general funds	2,969	3,135
Total sources of funding	2,969	3,135

Details of capital commitments

Kiama Municipal Council is constructing a new Gerringong Library and Museum along with Toologooa Road Reconstruction, Crooked River Bridge Concrete Remediation and Protection and the Bombo Eco Walk Stair Construction.

G3-1 Events occurring after the reporting date

Council received a Notice of Request for Information from the Federal Department of Health and Aged Care in August 2022 due to concerns pertaining to the financial management of resident accommodation deposits in accordance with the *Fees & Payments Principles of the Aged Care Act 1997*. The Council has addressed the concerns raised and the matter has been closed by the Department of Health and Aged Care in November 2022.

The Council's Blue Haven Residential Aged Care service underwent the Aged Care Quality and Safety Commission Accreditation Assessment in October 2022, achieving accreditation to April 2025.

The sale of a significant property within Council's asset divestment plan was completed and sale proceeds received in December 2022. The sale proceeds were in accordance with Council's cash flow forecast expectations. For commercial confidentiality reasons, the sale amount cannot be disclosed.

Council resolved in October 2022 to begin the sale process of its Blue Haven Aged Care and Retirement Living services at Bonaira. This forms part of Council's asset divestment initiatives and will assist Council's financial sustainability strategy. The sale process is expected to be finalised by December 2023.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior-period error

Software as a Service Costs

As part of the review of Intangible Work In Progress costs in line with the IFRIC published guidelines on cloud based software solution costs, it was identified that Software as a Service Costs for the new Technology One ERP computer system did not meet the criteria for Intangible assets. Therefore these costs were expensed in the 2021 financial year. These changes have been restated for 30 June 2020 balances in Work in Progress, Expenses from Continuing Operations and Retained Earnings.

Adjustment	2020
Materials	\$1,203,340
Carrying Amount of Work in Progress	(\$1,203,340)

Work In Progress costs previously Expensed

Gerringong School of Arts Building capital costs were incorrectly expensed in the 2019 and 2020 Financial Year, requiring a prior year adjustment to bring them back into Infrastructure, Property, Plant and Equipment.

Work In Progress previously Expensed	2020	2019	Total
	1,919,273	292,223	2,211,496

Investment Property previously reported as Operating Land

Glenbrook Farm Land and a portion of Blue Haven Bonaira Land previously reported in Infrastructure, property, plant and equipment as Operational Land.

Investment Property Previously Reported as Operating Land	2019
Glenbrook Farm	\$1,250,000
Blue Haven Bonaira Land	\$854,369

Double up on Operating Expenses

In the previous finance computer system (Authority) expenses were being realised upon Goods Receipt and then again upon Invoice, creating a double up of costs that required a journal to clear each month. Staff attrition had resulted in the journaling out of these extra costs being lost. The double up of costs resulted in a prior year adjustment this year of \$1,796,687.

Goods Received & Invoiced double up of costs	2019	2020	Total
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G4-1 Correction of errors (continued)

	719,843	1,076,844	1,796,687
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Loan Restrictions - TCorp prior year adjustment

The 2020 restricted balance was overstated by \$955,322.

2020 Financial Statement Balance	Amended Balance	Difference
1,094,000	138,678	955,322

Developer Contributions restatement of 2020 Restricted Balance

Investigations into the Developer Contributions over the last 5 years uncovered spending with no nexus to the Developer Contributions Plans. The below table itemises the expenditure. These amounts have been reinstated back into the Restricted Reserve for Developer Contributions and the 2020 comparative figures amended to include the \$4,918,000.

Year	Plan Number	Purpose	Expenditure	Total
2020	Contributions Plan No 1	Other Council Chambers money used on Blue Haven	2,200,000	2,200,000
2018	Contributions Plan No 1	Other Council Chambers money used on Blue Haven	1,231,000	1,231,000
2017	Contributions Plan No 1	Community Facilities unsupported spent	1,106,000	1,106,000
2017	Contributions Plan No 1	Community Facilities reversal of unsupported spent	-135,000	
2017	Contributions Plan No 1	Community Facilities reversal of unsupported spent	-10,000	
2017	Contributions Plan No 1	Community Facilities reversal of unsupported spent	-2,000	
2017	Contributions Plan No 1	Community Facilities reversal of unsupported spent	-46,000	
2017	Contributions Plan No 1	Community Facilities reversal of unsupported spent	-1,000	-194,000
2016	Contributions Plan No 1	Community Facilities unsupported spent	575,000	575,000
Total				4,918,000

Retirement Village Loan Licence Agreement Payables classification in prior year

In the 2020 financial year the retirement village loan licence agreement liability was classified between non-current and current. These amounts are current, being liable upon call.

Payables	Current	Non-Current
2020	7,149	66,752
2020 Restated	73,901	

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

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

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

Statement of Financial Position

	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
\$ '000			

G4-1 Correction of errors (continued)

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	432,462	(1,812)	430,650
Current Receivables	2,606	–	2,606
Investment Property	82,051	2,104	84,155
Total assets	562,605	292	562,897
Payables	78,300	(720)	77,580
Total liabilities	149,194	(720)	148,474
Accumulated Surplus	223,651	1,012	224,663
Revaluation Reserves	186,810	–	186,810
Total equity	413,411	1,012	414,423

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure, property, plant and equipment	485,345	1,008	486,353
Current Receivables	2,326	–	2,326
Total assets	649,816	1,008	650,824
Current Payables	39,236	(1,797)	37,439
Total liabilities	171,643	(1,797)	169,846
Accumulated Surplus	226,245	2,805	229,050
Revaluation Reserves	248,978	–	248,978
Other Reserves	2,950	–	2,950
Total equity	478,173	2,805	480,978

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
User Charges and Fees	20,322	1	20,323
Total income from continuing operations	72,323	1	72,324
Employee Benefits and on-costs	33,393	(34)	33,359
Materials and Contracts	21,260	(1,719)	19,541
Borrowing Costs	799	(2)	797
Other Income	1,313	(2)	1,311
Total expenses from continuing operations	68,927	(1,757)	67,170
Net operating result for the year	3,396	1,758	5,154

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
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G4-1 Correction of errors (continued)

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net operating result for the year	3,396	1,758	5,154
Other comprehensive income	62,168	–	–
Total comprehensive income for the year	65,564	1,758	5,154

G4-2 Changes in accounting estimates

From 1 July 2020 CivicRisk West, CivicRisk Metro and CivicRisk Mutual has legally combined into CivicRisk Mutual Ltd.

Council has previously recognised CivicRisk West and CivicRisk Metro as Joint ventures using the equity method and the liabilities and expenses have been incorporated in the financial statement under the appropriate headings. These separate entities that were set up as joint ventures with a number of Council's self-insurance and was reported previously under note D1-2 Interests in Joint arrangements.

CivicRisk West and CivicRisk Metro will now novate the assets, liabilities and members surpluses into CivicRisk Mutual Limited and CivicRisk Mutual will purchase one off discretionary cover for all retrospective claims for the value of the net assets of the Mutual. The differences in structure of the transfer relates to the different types of Deeds that were operational at the time of the transfer. Members will retain a right to surplus for old fund years transferred as identified in the Constitution and Membership Rules of CivicRisk Mutual Limited. Members will also still be able to report their share of these fund years in their financial statements subject to a fair valuation methodology being applied.

The accounting treatment in Councils financial statements is proposed to change from an equity accounting method for a joint venture to an Investment Asset valued using the Income Approach, which is an appropriate method Under AASB 13 Fair Value and can be found in note C1-2 Investments - Financial assets through profit or loss.

Council has engaged Finity Consulting in assessing the fair value of the investment in CivicRisk Mutual Limited, the fair value calculation method has been performed based on:

Approach to assessing fair value

- Estimating the expected future investment income and capital growth on the undistributed surplus funds over the payment period, which should not include forecasts for future protection program years.
- Estimating the expected payment profile and timing of the attributable surplus funds (including investment income and capital growth) until the surplus funds are fully paid to the Member
- Discounting the expected payment profile of the attributable surplus funds (including investment income and capital growth on invested surplus funds) using a discount rate which appropriately encapsulates the risk inherent in the forecast surplus distributions. The result will be the fair value of the Member's interest at the relevant balance date.

Future Investment Income and capital growth

For investment returns, our general assumption for financial projections for CivicRisk Mutual Limited has been that it will earn 0.5% per annum in excess of the risk-free rate of return on its investible funds, including surpluses. This is aimed to allow both for higher rates of return on the portion of the investment portfolio invested in equities and infrastructure over the longer term while also incorporating the impacts of occasional but sometimes dramatic falls in values that equity markets can demonstrate. Council agrees that from its perspective this is a suitable rate of investment return to expect CivicRisk Mutual Limited to achieve in excess of risk-free rates of return, incorporating both yield and capital gains over the timeframe of the projected surplus returns.

Discount rate allowing for risk

The policy for the return of surplus from CivicRisk Mutual Limited set out in its capital management policy is subject to the operating results of CRML the future. The timing of the return of surplus is therefore not guaranteed, although the timing was also not guaranteed under the previous joint venture arrangements. It is therefore appropriate to adopt a discount rate in excess of the risk-free rate of return to reflect those uncertainties, similar to what a member council would do in discounting future cashflows from a proposed development opportunity in assessing a project's economic potential.

Council has decided to use a rate of discount based on the rates applied under AASB 116 for Leases. Applying the zero-coupon rates applicable at 31 June 2021 for the purpose results in a discount rate of 3% p.a. for presenting the fair value of

G4-2 Changes in accounting estimates (continued)

its interest in the surplus of CivicRisk Mutual Limited. This rate has been chosen having regard to Council's own operations and its knowledge of the plans and policies of CivicRisk Mutual Limited given its representation in CivicRisk Mutual Limited's Members Assembly and Finance and Audit Committee. Finity, from our knowledge as actuaries to CivicRisk Mutual Limited, is not aware of any proposed changes to CivicRisk Mutual Limited's plans or operations that would invalidate that assumption.

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Traffic facilities	132	37	–	–	(137)	–	32	–
Parking	256	–	–	1	(74)	–	183	–
Open space	(27)	–	–	–	–	–	(27)	–
Community facilities	3,198	302	–	7	(222)	–	3,285	(3,431)
Other – Council chambers	3,647	95	–	1	(32)	–	3,712	(1,487)
Other	110	9	–	–	–	–	119	–
S7.11 contributions – under a plan	7,316	443	–	9	(465)	–	7,304	(4,918)
S7.12 levies – under a plan	1,957	414	–	8	–	–	2,379	–
Total S7.11 and S7.12 revenue under plans	9,273	857	–	17	(465)	–	9,683	(4,918)
Total contributions	9,273	857	–	17	(465)	–	9,683	(4,918)

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 1								
Traffic facilities	93	28	–	–	(63)	–	58	–
Community facilities	2,755	256	–	5	(45)	–	2,976	–
Other – Council chambers	3,647	95	–	1	(32)	–	3,712	–
Other	105	7	–	–	–	–	112	–
Total	6,600	386	–	6	(140)	–	6,858	–
CONTRIBUTION PLAN NUMBER 2								
Traffic facilities	15	5	–	–	–	–	20	–
Community facilities	204	39	–	1	(177)	–	66	–
Other	5	2	–	–	–	–	7	–
Total	224	46	–	1	(177)	–	93	–

CONTRIBUTION PLAN NUMBER 3

continued on next page ...

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Traffic facilities	20	4	–	–	(28)	–	(4)	–
Community facilities	32	7	–	–	–	–	39	–
Total	52	11	–	–	(28)	–	35	–
CONTRIBUTION PLAN NUMBER 4								
Parking	182	–	–	1	–	–	183	–
Total	182	–	–	1	–	–	183	–
CONTRIBUTION PLAN NUMBER 5								
Parking	74	–	–	–	(74)	–	–	–
Total	74	–	–	–	(74)	–	–	–
CONTRIBUTION PLAN NUMBER 7								
Traffic facilities	(17)	–	–	–	–	–	(17)	–
Open space	(28)	–	–	–	–	–	(28)	–
Community facilities	200	–	–	1	–	–	197	–
Total	155	–	–	1	–	–	152	–
CONTRIBUTION PLAN NUMBER 7a								
Traffic facilities	21	–	–	–	(46)	–	(25)	–
Open space	1	–	–	–	–	–	1	–
Community facilities	7	–	–	–	–	–	7	–
Total	29	–	–	–	(46)	–	(17)	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER A

Traffic facilities	466	123	–	2	–	–	613	–
Open space	1,491	291	–	6	–	–	1,766	–
Total	1,957	414	–	8	–	–	2,379	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(8,372)	(12.53)%	(13.32)%	(0.29)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	66,837				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	52,212	72.94%	69.29%	65.91%	> 60.00%
Total continuing operating revenue ¹	71,583				
3. Unrestricted current ratio					
Current assets less all external restrictions	13,884	0.14x	0.16x	1.88x	> 1.50x
Current liabilities less specific purpose liabilities	98,736				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,190	1.51x	0.06x	6.82x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,770				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	665	2.58%	1.61%	1.59%	< 10.00%
Rates and annual charges collectable	25,820				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	45,583	9.19	3.78	8.74	> 3.00
Monthly payments from cash flow of operating and financing activities	4,961	months	months	months	months

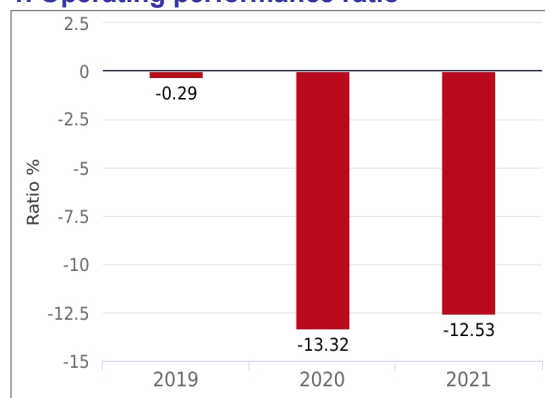
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(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

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (12.53)%

This ratio indicates that Council's operating revenue, excluding capital grants, is not sufficient to cover operating expenditures. The impacts of COVID, reductions in RBA cash rate, increased depreciation due to revaluations, higher employee and materials costs has resulted in the operating deficit being high again in 2021.

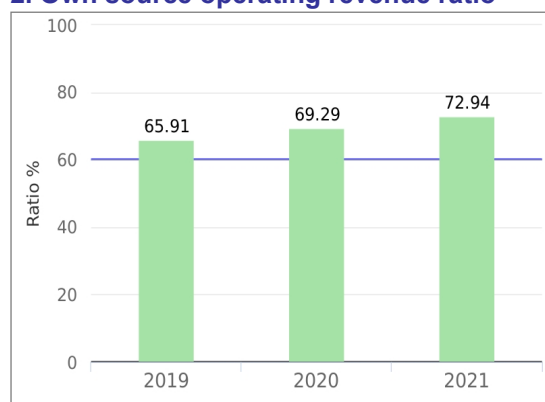
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 72.94%

Council's own source revenue ratio has remained above the Tcorp benchmark of greater than 60% over the last 4 years. The State Government benchmark requires Council's own source operating revenue to be greater than 60% over a three year average, which Council has achieved for the combined fund.

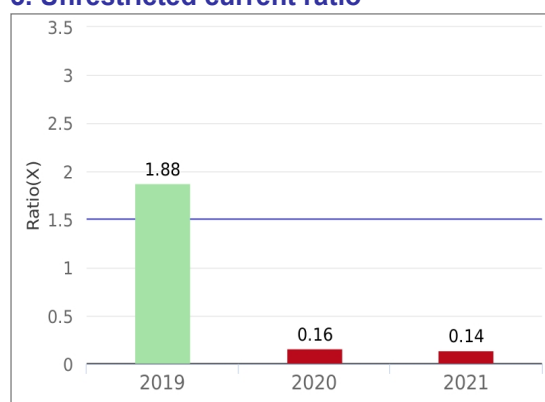
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 0.14x

This ratio indicates that Council is projected to have \$0.14 (excluding externally restricted funds) available to service every \$1.00 of debt as it falls due 0.14:1 is below the Tcorp benchmark of 1.5:1.

This ratio is at a point in time. i.e. 30 June 2021. Timing of the independent living unit sales will materially affect this ratio.

Benchmark: — > 1.50x

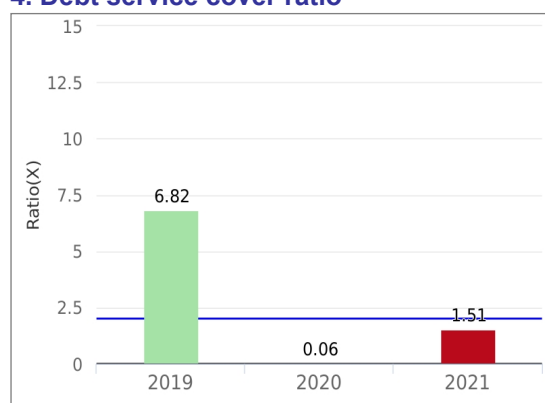
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 1.51x

The debt service cover ratio of 1.51 times indicates that Council has \$1.51 before interest and depreciation to pay each \$1.00 of interest and principal repayments on current borrowings. While this is below the benchmark of 2 is it an improvement on the 2020 financial year ratio of 0.06.

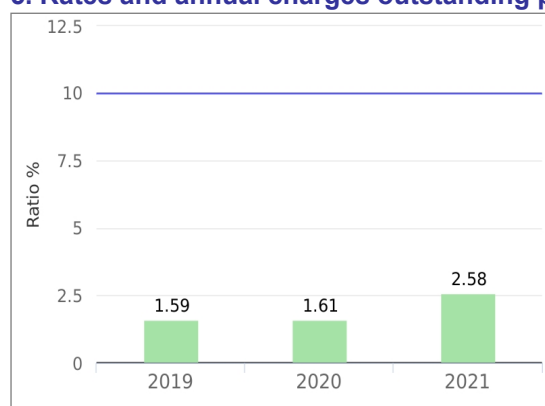
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 2.58%

The ratio indicates the percentage of rates and annual charges outstanding at the end of the financial year and is a measure of how well Council is managing debt recovery. Council's ratio of 2.58% is satisfactory and is better than the Tcorp benchmark of less than 10%. The impact of COVID-19 has seen this ratio increase from 2020.

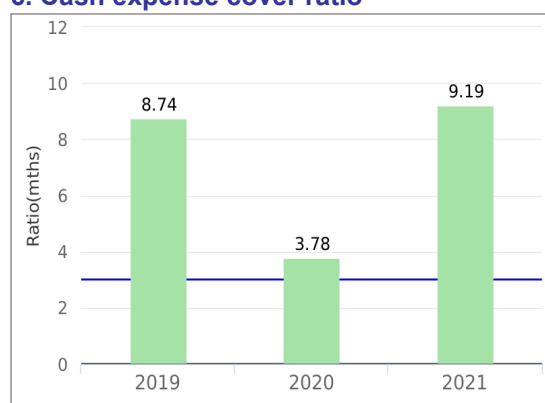
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 9.19 months

As indicated with a ratio of 9.19 months. Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and exceeds the Tcorp benchmark of 3 months.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Segment reporting and Financial review

Key financial figures of Council over the past 5 years

\$ '000	2021	2020	2019	2018	2017
Inflows:					
Rates and annual charges revenue	25,411	23,713	22,554	21,121	18,808
User charges revenue	21,543	20,322	20,555	19,440	17,376
Interest and investment revenue (losses)	247	460	1,337	1,015	1,677
Grants income – operating and capital	18,503	20,466	17,624	9,768	11,823
Total income from continuing operations	82,386	72,323	73,575	58,911	68,513
Sale proceeds from IPPE	588	864	455	1,615	1,034
New loan borrowings and advances	–	9,000	60,000	–	–
Outflows:					
Employee benefits and on-cost expenses	35,526	33,393	28,564	26,406	24,813
Borrowing costs	1,248	799	154	156	1
Materials and contracts expenses	26,195	24,270	18,680	18,781	17,172
Total expenses from continuing operations	76,371	68,927	59,471	58,773	53,177
Total cash purchases of IPPE	13,051	43,659	84,072	25,019	23,434
Total loan repayments (incl. finance leases)	1,523	16,155	893	440	1,694
Operating surplus/(deficit) (excl. capital income)	1,269	(7,956)	(702)	(2,773)	1,002
Financial position figures					
Current assets	46,092	31,380	38,757	39,121	43,028
Current liabilities	141,107	114,831	87,208	81,848	72,688
Net current assets	(95,015)	(83,451)	(48,451)	(42,727)	(29,660)
Available working capital (Unrestricted net current assets)	(89,086)	(72,727)	(72,142)	(67,451)	(58,180)
Cash and investments – unrestricted	(1,248)	(3,649)	504	573	283
Cash and investments – internal restrictions	6,683	10,962	23,715	24,999	29,441
Cash and investments – total	46,657	25,955	35,651	33,117	36,412
Total borrowings outstanding (loans, advances and finance leases)	53,739	55,503	62,457	3,350	4,632
Total value of IPPE (excl. land and earthworks)	547,613	505,145	469,329	390,702	350,919
Total accumulated depreciation	189,987	169,271	161,406	158,190	142,594
Indicative remaining useful life (as a % of GBV)	65%	66%	66%	60%	59%

Source: published audited financial statements of Council (current year and prior year)

H1-3 Council information and contact details

Principal place of business:

11 Manning Street
Kiama NSW 2533

Contact details**Mailing Address:**

PO Box75
Kiama NSW 2533

Telephone: 02 4232 0444

Facsimile: 02 4232 0555

Opening hours:

8:45am - 4:15pm
Monday to Friday

Internet: www.kiama.nsw.gov.au

Email: council@kiama.nsw.gov.au

Officers**Chief Executive Officer**

Jane Stroud

Chief Operating Officer

Joe Gaudiosi

Public Officer

Mike Dowd

Auditors

Audit Office of NSW
GPO Box 12, Sydney NSW 2001

Elected members**Mayor**

Neil Reilly

Councillors

Imogen Draisma

Matt Brown

Kathy Rice

Jodi Keast

Stuart Larkins

Karen Renkema-Lang

Warren Steel

Mark Croxford

Other information

ABN: 22 379 679 108



INDEPENDENT AUDITOR'S REPORT

Report on the general-purpose financial statements

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Disclaimer of Opinion

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

I do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

Basis for Disclaimer of Opinion

Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the *Local Government Act 1993* (the LG Act), they were unable to certify as to the completeness and reliability of the financial statements taken as a whole for the year ended 30 June 2021. As a result, I have disclaimed my opinion on the financial statements.

In the period leading up to the 30 June 2021 audit, the Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. These deficiencies in Council's books and records means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the following significant balances and related notes in the Council's financial statements:

Income Statement for the year ended 30 June 2021

- Income from continuing operations comprising:
 - Note B2-2 User charges and fees
 - Note B2-3 Other revenue
 - Note B2-4 Grants and contributions provided for operating purposes
 - Note B2-5 Grants and contributions provided for capital purposes
 - Note B2-6 Other income
- Expenses from continuing operations comprising:
 - Note B3-1 Employee benefits and on-costs
 - Note B3-2 Materials and services
 - Note B3-4 Depreciation, amortisation and impairment for non-financial assets

Statement of Comprehensive Income for the year ended 30 June 2021

- Note C1-8 Gain (loss) on revaluation of infrastructure, property, plant and equipment (IPPE)
- Gain (loss) on revaluation of other reserves (no note reference)

Statement of Financial Position as at 30 June 2021

- Assets comprising:
 - Note C1-2 Investments
 - Note C1-8 Infrastructure, property, plant and equipment
 - Note C1-9 Investment property.
- Liabilities comprising:
 - Note C3-1 Payables
- Equity comprising:
 - Note C4-1 IPPE revaluation reserve

Statement of Changes in Equity for the year ended 30 June 2021

- Movements in:
 - IPPE Revaluation Reserve
 - Other Reserves

In addition, I have been unable to obtain sufficient appropriate audit evidence in respect of the amounts in the Statement of Cash Flows for the year ended 30 June 2021.

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of these balances and amounts. The pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2021.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Berwick', with a stylized flourish at the end.

Lisa Berwick
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

20 April 2023
SYDNEY



Cr Neil Reilly
Mayor
Kiama Municipal Council
11 Manning Street
KIAMA NSW 2533

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2304543/FA1747

20 April 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Kiama Municipal Council**

I have audited the general-purpose financial statements (GPFS) and special-purpose financial statements (SPFS) of the Kiama Municipal Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

I issued a Disclaimer of Opinion on the Council's GPFS and SPFS. This means I do not express an opinion on either the Council's GPFS or SPFS.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The following significant matters came to my attention during the audit.

- Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the Act, they were unable to certify as to the completeness and reliability of the financial statements taken as a whole for the year ended 30 June 2021.
- In the period leading up to the preparation of the 30 June 2021 financial statements the Council implemented a new financial management information system. However, data was lost during the migration from the legacy system to the new system. During the implementation the Council also experienced high rates of staff turnover. The combination of these factors contributed to the loss of both data and corporate knowledge. As a result, there was insufficient data to support a significant number of financial statement line items and the staff who might have provided explanations had left the Council's employment.
- There was an inadequate system of internal control to support accurate financial reporting and to mitigate the risk of fraud. The Council's accounting records were insufficient to support reliable reporting or comply with legislative obligations.
- The deficiencies in books and records, which have been acknowledged by Councillors and Management in their Statement, mean I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the Council's financial statements as a whole.

As a result, I was unable to obtain sufficient appropriate audit evidence to issue an opinion on the financial statements and have issued a Disclaimer of Opinion.

FINANCIAL INFORMATION AND PERFORMANCE RATIOS

In the circumstances as described above, I do not believe it is meaningful to provide commentary on Financial Information or Performance Ratios in this report.

OTHER MATTERS

Legislative compliance

My audit procedures identified non-compliance with legislative requirements.

The Council did not maintain adequate accounting records as required by Section 412 of the Act. The Council staff were unable to provide all accounting records and information relevant to the audit.



Lisa Berwick
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Jane Stroud, Chief Executive Officer
Mr David Pendleton, Chair of the Audit, Risk and Improvement Committee
Mr Scott Phillips, Chief Executive, Local Government NSW

Kiama Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2021

*A municipality working together for a healthy, sustainable,
and caring community.*



KIAMA MUNICIPAL COUNCIL
your council, your community

Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Kiama Municipal Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

During the year, and in preparation of the financial statements, Council identified underlying issues in relation to its internal control environment and the maintenance of appropriate books and records. These issues relate to the year ended 30 June 2021. There were several factors contributing to these issues including:

- High turnover in key management and senior staff positions which resulted in a loss of corporate knowledge.
- Finance team turnover and vacancies.
- Operational challenges and additional costs due to the impact of the COVID 19 pandemic.
- Insufficient controls and testing over the implementation of a new finance IT system.
- Weaknesses in internal controls over reconciliations and working papers.

Whilst Council has prepared the financial report based on its underlying books and records, due to the pervasive nature of the issues identified above, Management and Councillors are unable to warrant the completeness and reliability of the financial statements taken as a whole. These matters have been documented in the Council's State of the Organisation Report and Strategic Improvement Plan. These public documents share insights into the issues and challenges identified, the improvement opportunities, and progress to date.

Council is implementing the detailed Strategic Improvement Plan and continues to work on strengthening the governance, capability, financial reporting, internal control systems and process and financial sustainability of the organisation.

Because of the issues raised above we are unable to certify that the attached special purpose financial statements have been prepared in accordance with:


- NSW Government Policy Statement, Application of National Competition Policy to Local Government
- Division of Local Government Guidelines, Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality,
- The Local Government Code of Accounting Practice and Financial Reporting,
- Sections 3 and 4 of the NSW Department of Planning and Environment, Water's Regulatory and assurance framework for local water utilities.

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

Signed in accordance with a resolution of Council made on 18 April 2023.



Neil Reilly
Mayor



Imogen Draisma
Deputy Mayor



Jane Stroud
Chief Executive Officer



Joe Gaudiosi
Chief Operating Officer

Kiama Municipal Council

Income Statement of Holiday Parks

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	10,692	8,051
Fees	94	28
Other income	4	40
Total income from continuing operations	10,790	8,119
Expenses from continuing operations		
Employee benefits and on-costs	318	129
Borrowing costs	57	70
Materials and services	4,381	4,114
Depreciation, amortisation and impairment	968	929
Loss on sale of assets	98	—
Calculated taxation equivalents	136	73
Debt guarantee fee (if applicable)	33	19
Other expenses	941	1,623
Total expenses from continuing operations	6,932	6,957
Surplus (deficit) from continuing operations before capital amounts	3,858	1,162
Grants and contributions provided for capital purposes	60	40
Surplus (deficit) from continuing operations after capital amounts	3,918	1,202
Surplus (deficit) from all operations before tax	3,918	1,202
Less: corporate taxation equivalent [based on result before capital]	(1,003)	(320)
Surplus (deficit) after tax	2,915	882
Plus accumulated surplus	14,931	13,898
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	136	73
– Debt guarantee fees	33	19
– Corporate taxation equivalent	1,003	320
Less:		
– Dividend paid	(2,993)	(2,559)
Closing accumulated surplus	16,025	12,633
Return on capital %	15.3%	4.8%

Kiama Municipal Council

Income Statement of Waste Unit

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	2,813	2,334
Fees	3,215	3,132
Profit from the sale of assets	–	127
Other income	768	752
Total income from continuing operations	6,796	6,345
Expenses from continuing operations		
Employee benefits and on-costs	1,669	1,436
Materials and services	1,726	2,146
Depreciation, amortisation and impairment	902	298
Loss on sale of assets	731	–
Other expenses	9	56
Total expenses from continuing operations	5,037	3,936
Surplus (deficit) from continuing operations before capital amounts	1,759	2,409
Surplus (deficit) from continuing operations after capital amounts	1,759	2,409
Surplus (deficit) from all operations before tax	1,759	2,409
Less: corporate taxation equivalent [based on result before capital]	(457)	(662)
Surplus (deficit) after tax	1,302	1,747
Plus accumulated surplus	7,081	4,673
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	457	661
Less:		
– Dividend paid	(1,902)	–
Closing accumulated surplus	6,938	7,081
Return on capital %	35.5%	52.8%

Kiama Municipal Council

Statement of Financial Position of Holiday Parks

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,179	1,463
Receivables	407	—
Total current assets	2,586	1,463
Non-current assets		
Infrastructure, property, plant and equipment	25,506	25,700
Investment property	—	83
Total non-current assets	25,506	25,783
Total assets	28,092	27,246
LIABILITIES		
Current liabilities		
Borrowings	570	770
Payables	1,240	839
Employee benefit provisions	29	29
Total current liabilities	1,839	1,638
Non-current liabilities		
Borrowings	3,767	4,216
Total non-current liabilities	3,767	4,216
Total liabilities	5,606	5,854
Net assets	22,486	21,392
EQUITY		
Accumulated surplus	16,025	14,931
Revaluation reserves	6,461	6,461
Total equity	22,486	21,392

Kiama Municipal Council

Statement of Financial Position of Waste Unit

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,189	833
Total current assets	2,189	833
Non-current assets		
Infrastructure, property, plant and equipment	4,957	6,569
Total non-current assets	4,957	6,569
Total assets	7,146	7,402
Net assets	7,146	7,402
EQUITY		
Accumulated surplus	6,938	7,194
Revaluation reserves	208	208
Total equity	7,146	7,402

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Kiama Coast Holiday Parks

Caravan and Camping Parks

b. Waste Business Unit

Domestic/Commercial Waste

Category 2

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

Nil

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Note – Significant Accounting Policies (continued)

Corporate income tax rate – 26%

Income tax

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Disclaimer of Opinion

I am required to audit the accompanying special purpose financial statements of Kiama Municipal Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- Holiday Parks
- Waste Unit.

I do not express an opinion on the accompanying special purpose financial statements of the Council's Declared Business Activities. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the special purpose financial statements.

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

Basis for Disclaimer of Opinion

Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) made pursuant to the Local Government Code of Accounting Practice and Financial Reporting (the LG Code), they were unable to certify as to the completeness and reliability of the special purpose financial statements taken as a whole for the year ended 30 June 2021. As a result, I have disclaimed my opinion on the special purpose financial statements.

In the period leading up to the 30 June 2021 audit, the Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. These deficiencies in the Council's books and records means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the following significant balances and amounts in the special purpose financial statements of Council's Declared Business Activities:

Income Statement for the year ended 30 June 2021

- Income from continuing operations comprising:
 - User charges
 - Fees
 - Other income
- Expenses from continuing operations comprising:
 - Employee benefits and on-costs
 - Materials and services

- Depreciation, amortisation and impairment
- Loss on sale of assets
- Other expenses

Statement of Financial Position as at 30 June 2021

- Assets comprising:
 - Investments
 - Infrastructure, property, plant and equipment
- Liabilities
 - Payables

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of these balances and amounts. The pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2021.

Emphasis of Matter - Basis of Accounting

I draw attention to the Significant Accounting Policies note to the special purpose financial statements which describes the basis of accounting. The special purpose financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, these special purpose financial statements may not be suitable for another purpose.

The Councillors' Responsibilities for the Special Purpose Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the special purpose financial statements.

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a stylized flourish at the end.

Lisa Berwick
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

20 April 2023
SYDNEY

Kiama Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*A municipality working together for a healthy, sustainable,
and caring community.*



KIAMA MUNICIPAL COUNCIL
your council, your community

Kiama Municipal Council

Special Schedules

for the year ended 30 June 2021

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Kiama Municipal Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	17,874	19,023
Plus or minus adjustments ²	b	75	(19)
Notional general income	$c = a + b$	17,949	19,004
Permissible income calculation			
Special variation percentage ³	d	6.00%	0.00%
Or rate peg percentage	e	0.00%	2.00%
Plus special variation amount	$h = d \times (c + g)$	1,077	—
Or plus rate peg amount	$i = e \times (c + g)$	—	380
Sub-total	$k = (c + g + h + i + j)$	19,026	19,384
Plus (or minus) last year's carry forward total	l	3	10
Less valuation objections claimed in the previous year	m	(3)	(7)
Sub-total	$n = (l + m)$	—	3
Total permissible income	$o = k + n$	19,026	19,387
Less notional general income yield	p	19,023	19,388
Catch-up or (excess) result	$q = o - p$	3	(1)
Plus income lost due to valuation objections claimed ⁴	r	7	8
Carry forward to next year ⁶	$t = q + r + s$	10	7

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) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Kiama Municipal Council

To the Councillors of Kiama Municipal Council

Opinion

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

I do not express an opinion on the accompanying Schedule. I draw attention to the audit of the general-purpose financial report for the Council for the year ending 30 June 2021 which was disclaimed. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Schedule.

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

Basis for Disclaimer of Opinion

Significant breakdowns in administrative, financial and governance internal controls have materially and pervasively impacted the reliability of financial reporting of the Council.

Councillors and Management declared, in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the *Local Government Act 1993* (the LG Act), they were unable to certify as to the completeness and reliability of the financial statements taken as a whole for the year ended 30 June 2021. As a result, I have disclaimed my opinion on the financial statements.

In the period leading up to the 30 June 2021 audit, Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. These deficiencies in Council's books and records means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the Council's books and records.

As a result, I do not have sufficient appropriate audit evidence, nor am I able to determine whether any adjustments may be necessary in respect of recorded or unrecorded transactions in the Schedule.

Emphasis of Matter - Basis of Accounting

I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Lisa Berwick
Director, Financial Audit Branch

Delegate of the Auditor-General for New South Wales

20 April 2023
SYDNEY

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	1,403	1,403	820	820	93,850	146,738	44.0%	15.0%	40.0%	1.0%	0.0%
	Buildings – non-specialised	498	498	–	–	14,780	22,747	32.0%	43.0%	23.0%	2.0%	0.0%
	Sub-total	1,901	1,901	820	820	108,630	169,485	42.4%	18.8%	37.7%	1.1%	0.0%
Other structures	Other structures	618	618	296	296	7,182	13,042	38.0%	5.0%	52.0%	3.0%	2.0%
	Sub-total	618	618	296	296	7,182	13,042	38.0%	5.0%	52.0%	3.0%	2.0%
Roads	Roads	2,009	2,009	2,119	2,119	134,638	193,865	43.0%	34.0%	23.0%	1.0%	(1.0%)
	Bridges	1,173	1,173	–	–	22,879	36,038	31.0%	34.0%	32.0%	3.0%	0.0%
	Footpaths	953	953	109	109	9,806	15,594	40.0%	22.0%	32.0%	4.0%	2.0%
	Bulk earthworks	–	–	–	–	22,310	22,310	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	4,135	4,135	2,228	2,228	189,633	267,807	37.6%	30.5%	22.8%	1.4%	7.7%
Stormwater drainage	Other	–	–	157	157	40,774	56,571	24.0%	70.0%	5.0%	0.0%	1.0%
	Sub-total	–	–	157	157	40,774	56,571	24.0%	70.0%	5.0%	0.0%	1.0%
Open space / recreational assets	Swimming pools	–	–	39	39	901	1,208	67.0%	1.0%	32.0%	0.0%	0.0%
	Recreation	1,563	1,563	1,880	1,880	3,295	6,526	25.0%	22.0%	29.0%	23.0%	1.0%
	Sub-total	1,563	1,563	1,919	1,919	4,196	7,734	31.6%	18.7%	29.5%	19.4%	0.8%
Other Assets	Land Improvements - Depreciable	614	614	–	–	1,467	3,103	22.0%	22.0%	36.0%	17.0%	3.0%
	Other Assets - Other	78	78	–	–	5,834	6,154	97.0%	1.0%	0.0%	1.0%	1.0%
	Sub-total	692	692	–	–	7,301	9,257	71.9%	8.0%	12.1%	6.4%	1.7%
Total – all assets		8,909	8,909	5,420	5,420	357,716	523,896	38.2%	29.7%	26.3%	1.5%	4.1%

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

Infrastructure asset condition assessment 'key'

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

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2021 (continued)

5	Very poor	Urgent renewal/upgrading required
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NOTES FOR REPORT ON INFRASTRUCTURE ASSETS REPORT

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

Infrastructure asset condition assessment 'key'

- (1) Cost to bring assets to 'satisfactory standard' refers to the estimated cost to replace/renew the calculated percentage of each asset type that are below satisfactory. Satisfactory standard is generally defined as condition 3; that is those assets requiring regular (funded) maintenance to provide continued levels of service. That is calculated as the cost of bringing condition 4 and 5 assets to condition 1. Cost estimates are based on adopted valuation methodologies and do not include the cost of enhancements or upgrades to existing assets. This approach is consistent with Council's adopted Asset Management Strategy and Plans.
- (2) Cost to bring assets to the agreed level of service set by Council is the same as the above on the basis of Council's adopted Asset Management Strategy and Plans.
- (3) Required Annual Maintenance is the amount that should be spent to maintain assets in a satisfactory standard and to ensure that the estimated remaining life of the asset is achieved. These figures also include the operating expenses required to keep the asset in a functional state for community use.
- (4) Current Annual Maintenance is the total expenditure incurred during the year to maintain assets. It also includes the actual expenditure on operational costs to keep the asset in a functional state for community use, which includes costs such as mowing, painting, lighting, cleaning, energy supply etc. It does not include operational overheads (e.g. administration staff) or capital expenditure.

Below is a summary of asset types included in Asset Class:

Buildings: Community Facilities, Cultural Facilities, Childcare Centres, Public Toilets, Exeloos, Grandstands, Surf Life Saving Clubs, Amenities, Office/Shops, Industrial, Residences, Cabins and Leisure Centres

Other structures: Minor Structures such as Bus Shelters, Lighting Structures, Picnic Shelters, Waste Facility Structures and Dam Walls

Roads: Road Seal, Base, Sub-base, Kerb and Gutter, Guardrails and Traffic Facilities (Roundabouts, Speed-humps, Medians etc), Road and Pedestrian Bridges, Boardwalks and Jetties, Footpaths and Cycleways, Car Parks and Boat Ramps

Stormwater: Pits, Pipes, Headwalls, Culverts and Riparian Assets

Open Space / Recreation: Pools, Playgrounds, Sport Courts, Park Furniture, and Landscaping.

The above table does not include non-depreciable land.

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	8,321	104.71%	178.35%	114.19%	>= 100.00%
Depreciation, amortisation and impairment	7,947				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	8,909	2.45%	4.28%	1.73%	< 2.00%
Net carrying amount of infrastructure assets	363,842				
Asset maintenance ratio					
Actual asset maintenance	5,420	100.00%	100.00%	107.25%	> 100.00%
Required asset maintenance	5,420				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	8,909	1.70%	3.18%	1.21%	
Gross replacement cost	523,896				

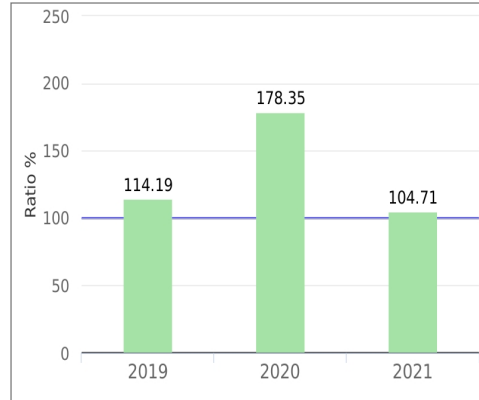
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 104.71%

This ratio is above the benchmark target of 100. The ratio has reduced since the previous year predominantly due to an increase in depreciation resulting from asset revaluations. Future trends are forecasted to retain the ratio above the benchmark target.

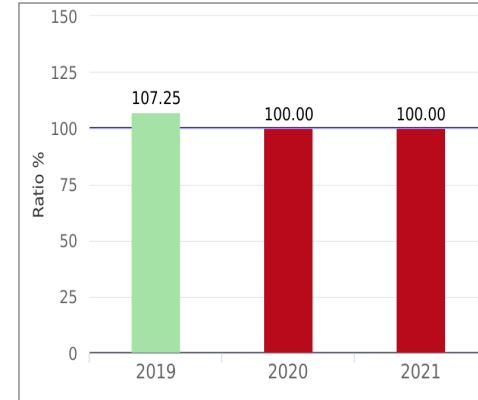
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

20/21 ratio 100.00%

This ratio matches the benchmark target.

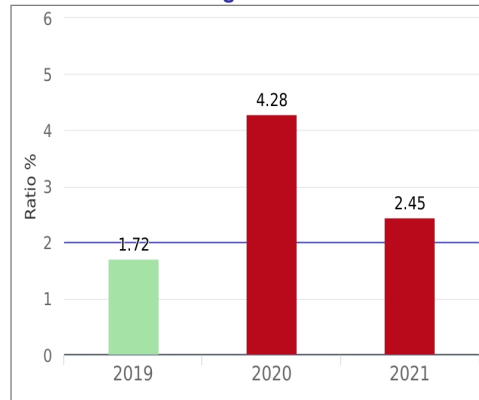
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 2.45%

The ratio is slightly above the benchmark target and has reduced significantly since the previous year due to an increase in the Net Carrying Amount following revaluations and a reduction in estimated costs to bring assets to satisfactory following a review of completed works.

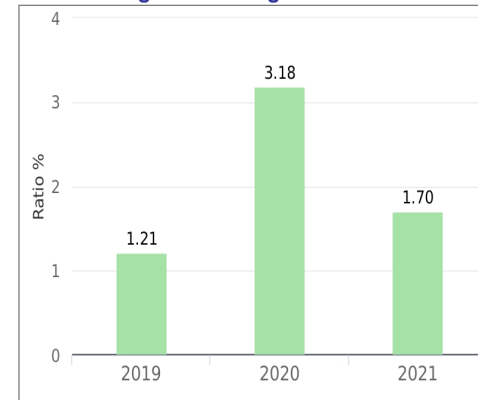
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 1.70%

The ratio has reduced since the previous year due to an increase in the Gross Replacement Cost following revaluations and a reduction in estimated costs to bring assets to satisfactory following a review of completed works.

Kiama Municipal Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Benchmark
	2021	2020	
Buildings and infrastructure renewals ratio			
Asset renewals ¹			
Depreciation, amortisation and impairment	104.71%	178.35%	>= 100.00%
Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	2.45%	4.28%	< 2.00%
Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	100.00%	100.00%	> 100.00%
Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council			
Gross replacement cost	1.70%	3.18%	

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