

The Council of the Municipality of Hunter's Hill

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021



The Council of the Municipality of Hunter's Hill

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

Hunter's Hill Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

22 Alexandra Street
Hunters Hill NSW 2110

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.huntershill.nsw.gov.au.

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present 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.

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

The Council of the Municipality of Hunter's Hill

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

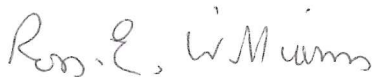
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

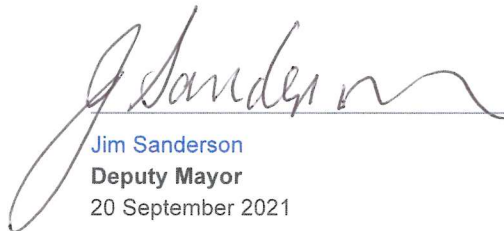
Signed in accordance with a resolution of Council made on 20 September 2021.



Ross Williams

Mayor

20 September 2021



Jim Sanderson

Deputy Mayor

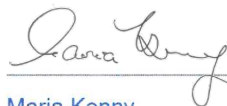
20 September 2021



Nick Tobin

A/General Manager

20 September 2021



Maria Kenny

Responsible Accounting Officer

20 September 2021

The Council of the Municipality of Hunter's Hill

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Income from continuing operations				
12,619	Rates and annual charges	B2-1	12,654	12,323
1,266	User charges and fees	B2-2	1,396	1,982
877	Other revenue	B2-3	1,292	2,057
810	Grants and contributions provided for operating purposes	B2-4	1,072	836
438	Grants and contributions provided for capital purposes	B2-4	1,829	765
413	Interest and investment income	B2-5	173	376
27	Net gains from the disposal of assets	B4-1	–	57
16,450	Total income from continuing operations		18,416	18,396
Expenses from continuing operations				
5,950	Employee benefits and on-costs	B3-1	5,518	5,216
7,649	Materials and services	B3-2	8,371	8,020
2,347	Depreciation, amortisation and impairment for non-financial assets	B3-3	3,870	2,378
980	Other expenses	B3-4	890	1,486
230	Net losses from the disposal of assets	B4-1	157	–
17,156	Total expenses from continuing operations		18,806	17,100
(706)	Net operating result for the year attributable to Council		(390)	1,296
(1,144)	Net operating result for the year before grants and contributions provided for capital purposes		(2,219)	531

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

The Council of the Municipality of Hunter's Hill

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		(390)	1,296
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	4,825	13,502
Other comprehensive income – joint ventures and associates	D1-1	–	1
Total items which will not be reclassified subsequently to the operating result		4,825	13,503
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		46	(1)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		46	(1)
Total other comprehensive income for the year		4,871	13,502
Total comprehensive income for the year attributable to Council		4,481	14,798

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

The Council of the Municipality of Hunter's Hill

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	4,234	4,683
Investments	C1-2	17,615	18,334
Receivables	C1-4	1,696	1,333
Inventories	C1-5	3	13
Other		32	161
Total current assets		23,580	24,524
Non-current assets			
Investments	C1-2	545	–
Receivables	C1-4	34	31
Infrastructure, property, plant and equipment	C1-6	229,328	223,131
Investments accounted for using the equity method	D1-1	–	499
Total non-current assets		229,907	223,661
Total assets		253,487	248,185
LIABILITIES			
Current liabilities			
Payables	C3-1	4,258	4,599
Contract liabilities	C3-2	2,642	1,189
Employee benefit provisions	C3-3	1,099	1,385
Total current liabilities		7,999	7,173
Non-current liabilities			
Employee benefit provisions	C3-3	14	19
Total non-current liabilities		14	19
Total liabilities		8,013	7,192
Net assets		245,474	240,993
EQUITY			
Accumulated surplus	C4-1	110,546	110,890
IPPE revaluation reserve	C4-1	134,928	130,103
Council equity interest		245,474	240,993
Total equity		245,474	240,993

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

The Council of the Municipality of Hunter's Hill

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		110,890	130,103	240,993	110,633	116,601	227,234
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(1,040)	-	(1,040)
Restated opening balance		110,890	130,103	240,993	109,593	116,601	226,194
Net operating result for the year		(390)	-	(390)	1,296	-	1,296
Restated net operating result for the period		(390)	-	(390)	1,296	-	1,296
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	-	4,825	4,825	-	13,502	13,502
Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		46	-	46	-	-	-
Joint ventures and associates	D1-1	-	-	-	1	-	1
Other comprehensive income		46	4,825	4,871	1	13,502	13,503
Total comprehensive income		(344)	4,825	4,481	1,297	13,502	14,799
Closing balance at 30 June		110,546	134,928	245,474	110,890	130,103	240,993

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

The Council of the Municipality of Hunter's Hill

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:				
12,619	Rates and annual charges		12,522	12,169
1,266	User charges and fees		1,507	1,798
413	Investment and interest revenue received		188	376
1,249	Grants and contributions		4,198	1,655
–	Bonds, deposits and retention amounts received		68	–
903	Other		1,055	3,132
Payments:				
(5,949)	Employee benefits and on-costs		(5,809)	(5,579)
(7,649)	Materials and services		(8,038)	(7,103)
–	Bonds, deposits and retention amounts refunded		–	(49)
(1,378)	Other		(822)	(3,317)
1,474	Net cash flows from operating activities	G1-1	4,869	3,082
Cash flows from investing activities				
Receipts:				
141	Sale of infrastructure, property, plant and equipment		267	115
Payments:				
–	Purchase of investment securities		(1,999)	(18,334)
–	Acquisition of term deposits		2,234	–
(4,702)	Purchase of infrastructure, property, plant and equipment		(6,319)	(2,696)
–	Contributions paid to joint ventures and associates		499	–
(4,561)	Net cash flows from investing activities		(5,318)	(20,915)
(3,087)	Net change in cash and cash equivalents		(449)	(17,833)
–	Cash and cash equivalents at beginning of year		4,683	22,516
(3,087)	Cash and cash equivalents at end of year	C1-1	4,234	4,683
17,761	plus: Investments on hand at end of year	C1-2	18,160	18,334
14,674	Total cash, cash equivalents and investments		22,394	23,017

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

The Council of the Municipality of Hunter's Hill

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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 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6.
- ii. employee benefit provisions – refer Note C3-3.

Significant judgements in applying the Council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General purpose operations

A1-1 Basis of preparation (continued)

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.

No trust funds are currently held by Council.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council does not have material dependence on volunteer services. Volunteers are utilised in Cultural Events & Bushland. These services are not recognised due to their nature as a large percentage would not go ahead should there not be volunteers to undertake the roles and their non-material value.

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 (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

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

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Maintain Character and Manage Growth Planning	635	476	1,708	1,296	(1,073)	(820)	–	–	56	11
Focus on the Community	1,490	1,018	3,893	3,496	(2,403)	(2,478)	452	114	105,216	103,687
Manage and Preserve Our Environment	3,577	3,226	3,754	3,748	(177)	(522)	233	54	112	15,521
Make Getting Around Easier	2,353	3,349	4,526	4,081	(2,173)	(732)	1,912	1,099	107,550	89,993
Leadership and Governance	10,361	10,327	4,925	4,479	5,436	5,848	304	334	40,553	38,973
Total functions and activities	18,416	18,396	18,806	17,100	(390)	1,296	2,901	1,601	253,487	248,185

B1-2 Components of functions or activities

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

Maintain Character & manage Growth Planning

Urban growth is well managed by applying 'excellence in design' principles. Development meets tight controls and complies with Local Environment Plans (LEPs) and Development Control Plans (DCPs). There is a balanced view of 'built form' to ensure the area continues to remain vibrant and diverse, but at the same time there is a strong desire to limit overdevelopment and retain the existing streetscape. We provide a range of flexible and adaptable buildings for a mix of retail, commercial, community and residential spaces in addition to our thriving village centres being used by our engaged and supportive community.

We champion our conservation zones and remain committed to fighting against high rise urbanisation. Our community and Council work in partnership to continue to strive for retention of our harbour access and foreshores and the remarkable harbour views, which are iconic to our Municipality.

Focus on the Community

Residents are inspired to lead an active lifestyle by the provision of multipurpose community facilities that are accessible and maximise participation opportunities. Open spaces, parks, reserves and playgrounds are attractive places where people can find sanctuary amongst urban living.

A range of arts and cultural activities that are respected and celebrated enhance our strong sense of place and belonging and assist in shaping our unified community. We look to create opportunities through a lively events calendar that promotes friendly neighbourhoods and vibrant village centres.

Volunteering is a way of life for many Hunters Hill residents and we aim to expand on this by encouraging the community to realise the benefits of a harmonious, well supported and positive place that improves the happiness of our entire community.

Manage and Preserve Our Environment

Together, we respond proactively to pressure facing our environment and endeavour to enhance the way we conserve our resources and natural systems. Striving towards an ecological sound future and measuring the extent of our human footprint is critical for the long term sustainability.

We regularly review our operations and processes to identify opportunities to reduce, recycle and reuse products generated by our changing lifestyles. We understand that this is an important process in the development of all future programs, policies and partnerships. With an impressive 14km of harbour foreshore and abundant flora and fauna that we are so blessed to inhabit, we acknowledge that sound environmental management is fundamental in ensuring the high quality of life we all enjoy.

Make Getting Around Easier

Efficient and reliable major public transport options that are safe and integrated will see a future that is less dependent on cars and a reduction in congestion and carbon footprint. We recognise the importance of targeted programs to encourage the community to make public transport options a way of daily life.

Alternate methods of transport, such as walking and cycling require paths that are well designed and maintained. Safe and convenient footpaths and cycle ways will promote walking and cycling as a viable option that will reduce reliance on private motor vehicles. While private transport is a popular preference, focus will be given to the development and implementation of local area traffic management plans and parking schemes, which will effectively manage traffic flow and safety.

In order to improve all modes of transport choices, our planning controls will require a co-ordinated approach to support movement in, around and beyond our Municipality.

Leadership & Governance

Through widespread community involvement, Council succeeds with responsible and transparent management that promotes best practice initiatives. A consultative approach creates an informed and educated community who are empowered to identify, participate and offer solutions in any decision making process.

To ensure that statutory and financial management obligations are met, strategic outcomes are delivered to ensure social, environmental, economic and civic issues are addressed in the best interest of the community.

Our staff are essential to the success of the organisation and we strive to attract, retain and develop a committed team that encompasses a workplace culture that values ethical behaviours and safe working practices. Council's internal values reflect the HEART of what we do and who we are: Honesty, Excellence, Accountability, Respect, Teamwork and Safety. Simply explained, these values will guide our future choices and how we can best add value to the community.

B1-2 Components of functions or activities (continued)

Council will advocate for strong partnering programs with other governing bodies, neighbouring councils and key stakeholders to ensure we reflect a commitment to a whole-of-government approach to undertaking important issues. Aligning ourselves in this manner will ensure the successful implementation and execution of integrated plans.

Impact of COVID-19 on Council operations

Hunter's Hill Council has not been affected by COVID-19 to the extent of other Sydney metropolitan councils, as it does not operate high-volume indoor customer facing services such as swimming and leisure centres, or child care centres.

Council resolved a COVID relief package for fees, leases and licence waivers to the value of \$95,000 along with a \$15,000 local business grants program. Materials and contractor costs for additional cleaning associated with the pandemic increased by \$80,000 from the previous financial year. Conversely, Council received additional grant income of \$500,633 from the federal government's pandemic economic stimulus program.

This financial year, the outstanding percentage of unpaid rates and annual charges increased to 4.7%, as compared to 2.97% at 30 June, 2020.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	8,016	7,813
Less: pensioner rebates (mandatory)	(51)	(51)
Business	238	235
Rates levied to ratepayers	8,203	7,997
Pensioner rate subsidies received	28	28
Total ordinary rates	8,231	8,025
Special rates		
Environmental	187	182
Infrastructure	396	385
Other	531	516
Community facilities	346	348
Rates levied to ratepayers	1,460	1,431
Total special rates	1,460	1,431
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,927	2,818
Section 611 charges	48	61
Less: pensioner rebates (mandatory)	(26)	(26)
Annual charges levied	2,949	2,853
Pensioner subsidies received:		
– Domestic waste management	14	14
Total annual charges	2,963	2,867
Total rates and annual charges	12,654	12,323

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	4	6
Waste management services (non-domestic)	2	169	162
Total specific user charges		173	168
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	16	26
Planning and building regulation	2	507	475
Section 10.7 certificates (EP&A Act)	2	49	47
Section 603 certificates	2	22	18
Total fees and charges – statutory/regulatory		594	566
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Community centres	2	116	160
Lease rentals	2	33	17
Leaseback fees – Council vehicles	2	23	24
Park rents	2	59	65
Parking fees	2	184	156
Restoration charges	2	214	826
Total fees and charges – other		629	1,248
Total user charges and fees		1,396	1,982
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		1,396	1,982
Total user charges and fees		1,396	1,982

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 – other council properties	1	438	312
Bus shelter contract - License fee	15	–	1,000
Fines -other	2	4	26
Fines – parking	2	510	447
Commissions and agency fees	2	6	1
Sundry rents and charges	2	150	193
Waste rebate	2	59	60
Other	2	125	18
Total other revenue		<u>1,292</u>	<u>2,057</u>

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,292	2,057
Total other revenue		<u>1,292</u>	<u>2,057</u>

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 – general component	2	147	162	–	–
Financial assistance – local roads component	2	67	74	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	157	172	–	–
Financial assistance – local roads component	2	72	79	–	–
Amount recognised as income during current year		443	487	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Community care	2	12	23	–	–
Economic development	2	162	–	–	–
Environmental programs	2	71	2	–	–
Library	2	94	91	–	–
Recreation and culture	2	79	–	238	10
Stormwater drainage	2	–	40	–	–
Street lighting	2	47	35	–	–
Traffic route subsidy	2	10	8	–	–
Transport (roads to recovery)	2	–	–	289	93
Other specific grants	2	20	23	–	–
Previously contributions:					
Kerb and gutter	2	11	14	–	–
Transport for NSW contributions (regional roads, block grant)	2	93	93	501	–
Tourism		10	–	–	–
Other contributions	2	20	20	–	34
Total special purpose grants and non-developer contributions – cash		629	349	1,028	137
Total special purpose grants and non-developer contributions (tied)		629	349	1,028	137
Total grants and non-developer contributions		1,072	836	1,028	137
Comprising:					
– Commonwealth funding		443	487	–	–
– State funding		579	222	966	103
– Other funding		50	127	62	34
		1,072	836	1,028	137

B2-4 Grants and contributions (continued)**Developer contributions**

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	696	358
Other developer contributions		2	–	–	105	270
Total developer contributions – cash			–	–	801	628
Total developer contributions			–	–	801	628
Total contributions			–	–	801	628
Total grants and contributions			1,072	836	1,829	765
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			1,072	836	1,829	765
Total grants and contributions			1,072	836	1,829	765

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	44	90	1,133	1,040
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	477	65	877	103
Add: Funds received and not recognised as revenue in the current year	-	-	-	-
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(166)	(111)	(939)	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	(10)
Unspent funds at 30 June	355	44	1,071	1,133
Contributions				
Unspent funds at 1 July	-	-	1,788	1,701
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	801	655
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(1,212)	(568)
Unspent contributions at 30 June	-	-	1,377	1,788

Unspent contributions refer to Section 7.11 contributions received but not yet spent.

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 the completion of specific works or projects. 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

B2-4 Grants and contributions (continued)

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.

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	138	347
Fair value adjustments		
– Movements in investments at fair value through profit and loss	15	–
Total interest and investment income (losses)	173	376
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	141	320
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	12	27
Total interest and investment income	173	376

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	4,405	4,043
Employee leave entitlements (ELE)	326	483
Superannuation	541	447
Workers' compensation insurance	121	92
Fringe benefit tax (FBT)	16	20
Other Employee benefits		
Travel expenses	60	56
Training costs (other than salaries and wages)	49	75
Total employee costs	5,518	5,216
Total employee costs expensed	5,518	5,216

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Advertising		53	66
Raw materials and consumables		796	739
Contractor and consultancy costs		5,764	5,677
Audit Fees	F2-1	103	103
Bank charges		41	37
Previously other expenses:			
Electricity and heating		108	184
Insurance		224	239
Printing and stationery		47	48
Street lighting		330	145
Subscriptions and publications		149	131
Telephone and communications		23	21
Councillor and Mayoral fees and associated expenses	F1-2	195	205
Legal expenses:			
– Legal expenses: planning and development		357	313
– Legal expenses: other		89	73
Expenses from Peppercorn leases		–	7
Variable lease expense relating to usage		80	26
Other		12	6
Total materials and services		8,371	8,020
Total materials and services		8,371	8,020

Accounting policy

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

B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		155	139
Office equipment		402	92
Furniture and fittings		35	17
Infrastructure:	C1-6		
– Buildings – non-specialised		173	111
– Buildings – specialised		383	267
– Other structures		861	204
– Roads		1,155	962
– Footpaths		183	283
– Kerb and guttering		233	130
– Other road assets		56	58
– Stormwater drainage		234	115
Total gross depreciation and amortisation costs		3,870	2,378
Total depreciation and amortisation costs		3,870	2,378
Total depreciation, amortisation and impairment for non-financial assets		3,870	2,378

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

B3-4 Other expenses

\$ '000	Notes	2021	2020
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	127
Total net share of interests in joint ventures and associates using the equity method	D1-1	–	127
Contributions/levies to other levels of government			
– Department of planning levy		69	61
– NSW fire brigade levy		533	473
– Regional library		251	774
– Other contributions/levies		24	22
Donations, contributions and assistance to other organisations (Section 356)		13	29
Total other expenses		890	1,486

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	C1-6		
Proceeds from disposal – plant and equipment		267	115
Less: carrying amount of plant and equipment assets sold/written off		(115)	(58)
Gain (or loss) on disposal		152	57
Gain (or loss) on disposal of infrastructure	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(309)	–
Gain (or loss) on disposal		(309)	–
Net gain (or loss) on disposal of assets		(157)	57

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 22/06/2020 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				
Other revenues	877	1,292	415	47% F
Council originally budgeted very conservatively due to Covid. Many of the targets were exceeded. As an example, parking fines receipts doubled the initial budget estimate. These estimates were revised through Quarterley Budget Statements to Council.				
Operating grants and contributions	810	1,072	262	32% F
Council had received new funding for Local Council transition fund for textile and food organics, Australia Day, Place Summer fund and Weeds Control.				
Capital grants and contributions	438	1,829	1,391	318% F
Council received additional grant funding from the Roads to Recovery program, and the new Local Road Community Infrastructure Program (round 2) and higher receipts from Other contributions and section 7.12				
Interest and investment revenue	413	173	(240)	(58)% U
Council's investment portfolio is predominantly comprised of term deposits, with 10% of cash holdings in TCorp managed funds. Interests rates in the market continues to be at historically low levels due to monetary policy being implemented by the Reserve Bank of Australia.				
Net gains from disposal of assets	27	-	(27)	(100)% U
This financial year, Council disposed excess fleet vehicles where gains were made. However, in reference to B4-1, this was offset by a higher amount written off from civic infrastructure.				
EXPENSES				
Materials and services	7,649	8,371	(722)	(9)% U
Staff shortages have resulted in use of contractors to maintain services and contractors to maintain essential services.				
Net losses from disposal of assets	230	157	73	32% F
The actual disposal of Infrastructure assets was \$306K and this was offset by the gain sale \$152K which gave a favourable				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	1,474	4,869	3,395	230% F
Council had received new grants funding for capital and operational projects such as Figtree Park (Reibys Green), Gladesville Reserve sporting facilities and Local roads community infrastructure round 2, weeds control and previous funding for play space. This project had been undertaken but not completed for the financial year. Council originally budgeted very low revenues due to Covid. Many of these tragets were exceeded.				
Cash flows from investing activities	(4,561)	(5,318)	(757)	17% U
The transfer of CivicRisk from a joint venture to an invesstment was the major movement in cash flows from Investments.				

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	639	928
Cash-equivalent assets		
– Short-term deposits	3,595	3,755
Total cash and cash equivalents	4,234	4,683

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	4,234	4,683
Balance as per the Statement of Cash Flows	4,234	4,683

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	1,515	–	–	–
Total	1,515	–	–	–
Debt securities at amortised cost				
Long term deposits	16,100	–	18,334	–
Equity securities at fair value through other comprehensive income				
CivicRisk	–	545	–	–
Total	–	545	–	–
Total cash assets, cash equivalents and investments	21,849	545	23,017	–

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.

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.

Council's financial assets measured at fair value through profit or loss comprise investments of \$16,100,000 in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	21,849	545	23,017	–
attributable to:				
External restrictions	5,684	545	4,794	–
Internal restrictions	5,724	–	5,582	–
Unrestricted	10,441	–	12,641	–
	21,849	545	23,017	–

\$ '000	2021	2020
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Details of restrictions

External restrictions – other

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

Developer contributions – general	1,221	1,594
Other developer contributions	148	195
Specific purpose unexpended grants (recognised as revenue) – general fund	2,692	1,177
Domestic waste management	908	680
Other special levies	1,260	1,148
External restrictions – other	6,229	4,794

Total external restrictions

6,229	4,794
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Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Plant and vehicle replacement	489	434
Employees leave entitlement	595	596
Deposits, retentions and bonds	2,766	2,704
Construction of buildings	419	249
Office equipment	298	520
Road reconstruction	183	306
Elections	166	106
Insurance reserve	238	108
Property strategy	–	146
Sustainability Reserve	223	300
Other	57	113
Council work depot - LC	290	–
Total internal restrictions	5,724	5,582

Total restrictions

11,953	10,376
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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	566	23	458	17
Interest and extra charges	21	11	13	14
User charges and fees	450	-	404	-
Accrued revenues				
– Interest on investments	26	-	61	-
– Other income accruals	146	-	109	-
Net GST receivable	295	-	307	-
Other debtors	101	-	-	-
Payroll Debtor	111	-	-	-
Total	1,716	34	1,352	31
Less: provision of impairment				
User charges and fees	(20)	-	(19)	-
Total provision for impairment – receivables	(20)	-	(19)	-
Total net receivables	1,696	34	1,333	31

C1-4 Receivables (continued)

\$ '000	2021	2020
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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 presentation that a financial asset is in default when:

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

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	3	-	13	-
Total inventories at cost	3	-	13	-
Total inventories	3	-	13	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	1,406	–	1,406	–	793	–	–	(1,067)	–	1,132	–	1,132
Plant and equipment	1,306	(728)	578	396	–	(107)	(155)	–	–	1,297	(585)	712
Office equipment	1,152	(1,039)	113	651	–	–	(402)	216	–	2,018	(1,440)	578
Furniture and fittings	309	(214)	95	185	–	–	(35)	–	–	495	(250)	245
Land:												
– Operational land	33,282	–	33,282	–	–	–	–	–	–	33,282	–	33,282
– Community land	78,544	–	78,544	–	–	–	–	–	4,825	83,369	–	83,369
Infrastructure:												
– Buildings – non-specialised	8,339	(3,812)	4,527	698	–	–	(173)	639	–	9,677	(3,986)	5,691
– Buildings – specialised	17,565	(8,384)	9,181	552	–	–	(383)	–	–	18,115	(8,765)	9,350
– Other structures	15,972	(6,539)	9,433	11	–	–	(861)	–	–	15,982	(7,399)	8,583
– Roads	66,428	(19,168)	47,260	877	–	(133)	(1,155)	166	–	67,238	(20,223)	47,015
– Footpaths	13,244	(4,360)	8,884	1,179	–	(163)	(183)	–	–	14,115	(4,398)	9,717
– Kerb and guttering	18,625	(5,590)	13,035	–	–	–	(233)	–	–	18,625	(5,823)	12,802
– Other road assets (including bulk earthworks)	1,873	(312)	1,561	252	–	(5)	(56)	39	–	2,159	(368)	1,791
– Stormwater drainage	23,329	(8,097)	15,232	64	–	(8)	(234)	7	–	23,354	(8,293)	15,061
Total infrastructure, property, plant and equipment	281,374	(58,243)	223,131	4,865	793	(416)	(3,870)	–	4,825	290,858	(61,530)	229,328

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	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	12	–	12	1,394	–	–	–	–	–	1,406	–	1,406
Plant and equipment	1,466	(878)	588	–	187	(58)	(139)	–	–	1,306	(728)	578
Office equipment	1,089	(947)	142	63	–	–	(92)	–	–	1,152	(1,039)	113
Furniture and fittings	309	(197)	112	–	–	–	(17)	–	–	309	(214)	95
Land:												
– Operational land	33,282	–	33,282	–	–	–	–	–	–	33,282	–	33,282
– Community land	78,544	–	78,544	–	–	–	–	–	–	78,544	–	78,544
Infrastructure:												
– Buildings – non-specialised	8,043	(2,802)	5,241	–	–	–	(111)	(603)	–	8,339	(3,812)	4,527
– Buildings – specialised	16,295	(6,023)	10,272	88	–	–	(267)	(912)	–	17,565	(8,384)	9,181
– Other structures	9,108	(2,830)	6,278	113	–	–	(204)	–	3,246	15,972	(6,539)	9,433
– Roads	54,081	(9,469)	44,612	393	–	–	(962)	–	3,217	66,428	(19,168)	47,260
– Footpaths	10,554	(3,342)	7,212	299	–	–	(283)	–	1,656	13,244	(4,360)	8,884
– Other road assets (including bulk earthworks)	1,397	(241)	1,156	406	–	–	(58)	–	57	1,873	(312)	1,561
– Stormwater drainage	9,539	(1,733)	7,806	259	–	–	(115)	–	7,282	23,329	(8,097)	15,232
– Kerb and guttering	14,806	(1,377)	13,429	177	–	–	(130)	(441)	–	18,625	(5,590)	13,035
Total infrastructure, property, plant and equipment	238,525	(29,839)	208,686	3,192	187	(58)	(2,378)	(1,956)	15,458	281,374	(58,243)	223,131

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

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

Accounting policy

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

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.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	5 to 10
Vehicles	5 to 8		
Other plant and equipment	5 to 15	Buildings	
		Buildings: masonry	50 to 100
		Buildings: other	50 to 100
Transportation assets		Stormwater assets	
Sealed roads: surface	10 to 25	Drains	60 to 100
Sealed roads: structure	60 to 100		
Kerb, gutter and footpaths	10 to 70		
Other Infrastructure	10 to 70		

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.

C2 Leasing activities

C2-1 Council as a lessee

Council leases a photocopier. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Council has an operating lease for the photocopiers and the lease is for 5 years.

(a) Income Statement

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

\$ '000	2021	2020
Variable lease payments based on usage not included in the measurement of lease liabilities	80	26
Expenses relating to Peppercorn leases	-	7
	80	33

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

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

Provide general indication of the use of the assets under a concessionary arrangement e.g.

- boat ramp

The leases are generally between years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

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-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

C2-1 Council as a lessee (continued)

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.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	797	–	474	–
Goods and services – capital expenditure	209	–	862	–
Accrued expenses:				
– Other expenditure accruals	378	–	439	–
Security bonds, deposits and retentions	2,779	–	2,711	–
Prepaid rates	95	–	113	–
Total payables	4,258	–	4,599	–
Total payables	4,258	–	4,599	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total payables relating to unrestricted assets	4,258	–	4,599	–
Total payables	4,258	–	4,599	–

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	2,364	2,331
Total payables	2,364	2,331

Accounting policy

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

The financial liabilities of the Council comprise trade payables.

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.

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	2,337	-	1,040	-
Total grants received in advance		2,337	-	1,040	-
User fees and charges received in advance:					
Other		305	-	149	-
Total user fees and charges received in advance		305	-	149	-
Total contract liabilities		2,642	-	1,189	-

Notes

(i) Council has received funding to construct assets including sporting facilities and playspace. 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.

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total contract liabilities relating to unrestricted assets	2,642	-	1,189	-
Total contract liabilities	2,642	-	1,189	-

Significant changes in contract liabilities

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

Accounting policy

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 Employee benefit provisions

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Annual leave	378	–	390	–
Sick leave	–	–	56	–
Long service leave	616	14	929	19
Other leave	105	–	10	–
Total employee benefit provisions	1,099	14	1,385	19

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	573	789
	573	789

Accounting policy

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

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.

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	–	499
Total net share of interests in joint ventures and associates using the equity method – assets	–	499
Total Council's share of net assets	–	499

D1-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	Nature of relationship	Place of business	Interest in ownership			
			2021	2020	2021	2020
CivicRisk Mutual	Joint venture	Penrith NSW	0.0%	0.9%	–	67
CivicRisk Metro	Joint venture	Penrith NSW	0.0%	3.4%	–	431
Total carrying amounts – material joint ventures					–	498

CivicRisk Metro

Councils investment in CivicRisk is now disclosed in C1-2 Investments, due to a change in operating structure as at 1/7/20

CivicRisk Mutual

Councils investment in CivicRisk is now disclosed in C1-2 Investments, due to a change in operating structure as at 1/7/20

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
CivicRisk Metro	Liability insurance and risk management	Equity accounting
CivicRisk Mutual	Liability insurance and risk management	Equity accounting

Relevant interests and fair values

	Interest in outputs	
	2021	2020
CivicRisk Metro	0.0%	3.4%
CivicRisk Mutual	0.0%	0.9%

D1-1 Interests in joint arrangements (continued)

Summarised financial information for joint ventures

\$ '000	CivicRisk Metro		CivicRisk Mutual	
	2021	2020	2021	2020
Statement of financial position				
Current assets				
Cash and cash equivalents	–	9,281	–	6,177
Other current assets	–	15,062	–	12,101
Non-current assets	–	6,711	–	5,102
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	–	3,451	–	5,923
Other current liabilities	–	1,762	–	3,635
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	–	5,558	–	3,635
Net assets	–	20,283	–	10,187
Statement of comprehensive income				
Income	–	2,116	–	14,679
Interest income	–	271	–	205
Profit/(loss) from continuing operations	–	2,387	–	14,884
Profit/(loss) for the period	–	2,387	–	14,884
Total comprehensive income	–	2,387	–	14,884
Share of income – Council (%)	0.0%	3.4%	0.0%	0.9%
Profit/(loss) – Council (\$)	–	81	–	134
Total comprehensive income – Council (\$)	–	81	–	134
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)	14,359	14,648	7,155	6,944
Profit/(loss) for the period	–	(289)	–	211
Closing net assets	14,359	14,359	7,155	7,155
Council's share of net assets (%)	0.0%	3.4%	0.0%	0.9%
Council's share of net assets (\$)	–	690	–	92

County Councils

Council is not a member of any county councils.

Accounting policy

Joint ventures

Council is a member of Mutual Management Services Ltd, 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 dependant on its past performance. Council's share of the net assets or liabilities reflects our contributions to the pool and insurance claims within each of the funds years.

Council's accounting policy regarding the measurement and disclosure of the potential liability or benefit is to book Council's share of net asset or liability value, as advised by Mutual management Service Ltd taking into account their audited figures for the year ended 30 June 2019.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	4,234	4,683	4,234	4,683
Receivables	1,730	1,364	1,730	1,365
Investments				
– Debt securities at amortised cost	16,100	18,334	16,100	18,334
Fair value through other comprehensive income				
Investments				
– Equity securities at fair value through other comprehensive income	545	–	545	–
Fair value through profit and loss				
Investments				
– Amortised cost	1,515	–	1,515	–
Total financial assets	24,124	24,381	24,124	24,382
Financial liabilities				
Payables	4,258	4,599	4,215	5,412
Total financial liabilities	4,258	4,599	4,215	5,412

Fair value is determined as follows:

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

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

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

The risks associated with the instruments held are:

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

(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	210	230
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(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	–	454	74	33	28	589
2020						
Gross carrying amount	1	392	29	22	31	475

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	721	143	23	13	261	1,161
Expected loss rate (%)	0.00%	0.00%	0.00%	10.00%	7.30%	1.75%
ECL provision	-	-	-	1	19	20
2020						
Gross carrying amount	528	122	22	21	215	908
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	9.00%	2.13%
ECL provision	-	-	-	-	19	19

(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:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	2,779	1,342	-	-	4,121	4,163
Total financial liabilities		2,779	1,342	-	-	4,121	4,163
2020							
Trade/other payables	0.00%	2,711	1,771	-	-	4,482	4,486
Total financial liabilities		2,711	1,771	-	-	4,482	4,486

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

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).

\$ '000	Notes	Fair value measurement hierarchy							
		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									
Infrastructure, property, plant and equipment C1-6									
		30/06/21	30/06/20	–	–	712	578	712	578
		30/06/21	30/06/20	–	–	578	113	578	113
		30/06/21	30/06/20	–	–	245	95	245	95
		30/06/18	30/06/18	33,282	33,282	–	–	33,282	33,282
		30/06/21	30/06/17	–	–	83,369	78,544	83,369	78,544
		30/06/20	30/06/20	–	–	5,691	12,151	5,691	12,151
		30/06/20	30/06/20	–	–	9,350	1,558	9,350	1,558
		30/06/20	30/06/20	–	–	8,583	9,432	8,583	9,432
		30/06/20	30/06/20	–	–	47,015	26,759	47,015	26,759
		30/06/20	30/06/20	–	–	9,717	17,604	9,717	17,604
		30/06/20	30/06/20	–	–	12,802	24,215	12,802	24,215
		30/06/20	30/06/20	–	–	1,791	2,161	1,791	2,161
		30/06/20	30/06/20	–	–	15,061	15,232	15,061	15,232
		Total infrastructure, property, plant and equipment		33,282	33,282	194,914	188,442	228,196	221,724

Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

This asset class comprises all of Council's land classified as Operational Land and Community Land under the NSW Local Government Act 1993. The key unobservable inputs to the valuation are the price per square metre and market price. The operational Land valuation was undertaken at 30 June 2018 and was performed by APV Valuers and Asset Management. The Community Land valuation was performed by Valuer General at 1 July 2016.

E2-1 Fair value measurement (continued)

Where there is directly comparable market evidence, Level 2 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Land assets that have no comparable observable market evidence were subsequently valued at the Level 3 valuation input hierarchy using the professional judgement of a Registered Valuer adjusted for price per square metre of sales sites not in close proximity which provided only a low level of comparability.

Council's Plant, Office Equipment and Furniture & Fittings include:

- Plant: Truck, tractors, mowers
- Fleet: Cars, Utes
- Office Equipment: Computer hardware/software, document management
- Furniture & Fittings: Desks, chairs, window coverings

Plant, Office Equipment, Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. Level 3 unobservable inputs include consumption pattern, useful life, residual value and asset condition.

Buildings were valued by Assetic Valuers and Asset Management at 30 June 2020. Residential properties were valued on Level 3 valuation inputs using comparable properties after adjusting for differences in attributes such as property size.

Specialised buildings were valued using the cost approach by estimating the replacement cost for each building by componentising the buildings and subsequent useful lives. Level 3 valuation inputs required Professional Judgement to estimate unobservable inputs such as residual value, useful life, consumption patterns, asset condition and remaining service potential.

This asset class comprises of Road, Kerb and Channel, Structure, Car Park, Bridge, Footpath, Traffic Signs, Stormwater Drain, Stormwater Pit and were valued using Level 3 valuation inputs using the cost approach.

This approach estimates the replacement cost for each asset into component level with differing useful lives. While the unit rates based on square metres or similar capacity could be supported from market evidence (Level 2), other inputs such as estimated residual life, useful life, consumption patterns and asset condition required professional judgement and impacted significantly on the determination of fair value. These assets were valued using Level 3 valuation inputs.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

The council engaged external, independent and qualified valuers to determine the fair value of the infrastructure assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 3 fair values are analysed at the end of each reporting period and discussed between the valuation team and Council.

Community Land was valued based on the Land Value provided by the Valuer-General. Where the Valuer-General did not provide Land Value an average unit rate based on the Land Value for similar community land was used.

As at 30 June 2018 a comprehensive valuation was undertaken for Operational Land was performed by APV.

As 30 June 2020 all Buildings revaluation was performed by Assetic and Non-Specialised Buildings have been valued at market value from the sales evidence of similar or reference assets. Specialised Buildings have been valued using depreciated replacement cost. The method is based on determine the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors.

Valuation of Roads was undertaken at 30 June 2020 by Assetic. This asset class comprises the Road Carriageway, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the Kerb and gutter. The Cost Approach using Level 3 inputs was used to value the road and other road infrastructure. Valuation for the road carriageway, comprising surface, pavement and formation were based on calculations undertaken by the external valuation process.

Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on a physical inspection. Condition information is updated as changes in the network are observed through regular inspections. Valuation of the Footpaths and Kerb & Gutter was undertaken at 30 June 2020.

E2-1 Fair value measurement (continued)

Stormwater Drainage comprise pits, pipes, open channels, headwalls and various types of water quality devices. The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported through extensive professional judgement and market evidence. Valuation of the stormwater drainage was undertaken at 30 June 2020 by Assetic.

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

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

\$ '000	Fair value (30/6/21) 2021	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Community Land	83,369	Land values obtained from the NSW Valuer General	Land value and land area
Plant & Equipment	712	Cost approach	Gross Replacement Cost, remaining useful life
Office Equipment	578	Cost approach	Gross Replacement Cost, remaining useful life
Furniture & Fittings	245	Cost approach	Gross Replacement Cost, remaining useful life
Specialised Buildings	9,350	Cost approach	Gross Replacement Cost, remaining useful life
Other Structures	8,583	Cost approach	Gross Replacement Cost, remaining useful life
Roads	47,015	Cost approach	Gross Replacement Cost, remaining useful life
Footpaths	9,717	Cost approach	Gross Replacement Cost, remaining useful life
Kerb & Gutter	12,802	Cost approach	Gross Replacement Cost, remaining useful life
Other Road Assets	1,791	Cost approach	Gross Replacement Cost, remaining useful life
Stormwater Drainage	15,061	Cost approach	Gross Replacement Cost, remaining useful life

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Community Land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	578	587	114	143	95	112	78,544	78,544
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	4,825	–
Other movements								
Purchases (GBV)	396	188	866	63	185	–	–	–
Disposals (WDV)	(107)	(58)	–	–	–	–	–	–
Depreciation and impairment	(155)	(139)	(402)	(92)	(35)	(17)	–	–
Closing balance	712	578	578	114	245	95	83,369	78,544

\$ '000	Building specialised		Other structures		Roads		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	9,181	10,272	9,433	6,278	47,260	44,612	8,884	7,212

E2-1 Fair value measurement (continued)

\$ '000	Building specialised		Other structures		Roads		Footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	(912)	–	3,246	–	3,217	–	1,656
Other movements								
Purchases (GBV)	552	88	11	113	1,043	393	1,179	299
Disposals (WDV)	–	–	–	–	(133)	–	(163)	–
Depreciation and impairment	(383)	(267)	(861)	(204)	(1,155)	(962)	(183)	(283)
Closing balance	9,350	9,181	8,583	9,433	47,015	47,260	9,717	8,884

\$ '000	Kerb and guttering		Other road assets		Stomwater drainage		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	13,035	13,429	1,561	1,156	15,232	7,806	183,917	170,151
Recognised in other comprehensive income – revaluation surplus	–	(441)	–	57	–	7,282	4,825	14,105
Purchases (GBV)	–	177	291	406	71	259	4,594	1,986
Disposals (WDV)	–	–	(5)	–	(8)	–	(416)	(58)
Depreciation and impairment	(233)	(130)	(56)	(58)	(234)	(115)	(3,697)	(2,267)
Closing balance	12,802	13,035	1,791	1,561	15,061	15,232	189,223	183,917

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 \$120,737.62. The last valuation of the Scheme was performed by Richard Boyfield FIAA as at 30 June 2019, and covers the period ended 30 June 2020.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$129,369.36.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$63,000 as at 30 June 2021.

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) Mutual Management Services Ltd

Mutual Management Services Ltd (MMS) is a company limited by guarantee and was created to provide administration services to the three CivicRisk self-insurance pools CivicRisk West (previously West Pool), CivicRisk Metro (previously Metro Pool) and CivicRisk Mutual (previously United Independent Pools).

MMS operates as a mutual for the benefit of the members who are the sixteen Councils which make up our combined CivicRisk membership being Blacktown, Blue Mountains, Burwood, Bayside, Cumberland, Camden, Hawkesbury, Fairfield, Hunters Hill, Kiama, Lane Cove, Liverpool, Penrith, Parramatta, Shellharbour and Wollongong.

The CivicRisk Self-insurance pools have been operating since the late 1980's when Councils could not purchase insurance in the market and the Councils decided to work together to share the risks and self-fund their claims costs.

MMS was created to move the administration staff and responsibilities from West Pool (now CivicRisk West) to a separate entity that provides the services to all three pools. The creation of obligations rather than a change in the underlying operations.

(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.

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by Revenue NSW.

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	1,339	1,280
Post-employment benefits	135	136
Total	1,474	1,416

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	126	142
Other Councillors' expenses (including Mayor)	25	19
Total	195	205

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	47	50
Remuneration for audit and other assurance services	47	50
Total Auditor-General remuneration	47	50
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Internal auditors	56	53
Remuneration for audit and other assurance services	56	53
Total remuneration of non NSW Auditor-General audit firms	56	53
Total audit fees	103	103

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	(390)	1,296
Adjust for non-cash items:		
Depreciation and amortisation	3,870	2,378
Net losses/(gains) on disposal of assets	157	(57)
Adoption of AASB 15/1058	-	(1,040)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(15)	-
Share of net (profits)/losses of associates/joint ventures using the equity method	-	127
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(367)	(268)
Increase/(decrease) in provision for impairment of receivables	1	-
Decrease/(increase) in inventories	10	(5)
Decrease/(increase) in other current assets	129	(102)
Increase/(decrease) in payables	323	(154)
Increase/(decrease) in other accrued expenses payable	(61)	269
Increase/(decrease) in other liabilities	50	(39)
Increase/(decrease) in contract liabilities	1,453	1,040
Increase/(decrease) in provision for employee benefits	(291)	(363)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	4,869	3,082

G2-1 Commitments

Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note D1

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Other	1,594	695	–	12	(1,080)	–	1,221	–
S7.11 contributions – under a plan	1,594	695	–	12	(1,080)	–	1,221	–
Total S7.11 and S7.12 revenue under plans	1,594	695	–	12	(1,080)	–	1,221	–
Total contributions	1,594	695	–	12	(1,080)	–	1,221	–

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 27 NOVEMBER 2013								
Other	1,594	695	–	12	(1,080)	–	1,221	–
Total	1,594	695	–	12	(1,080)	–	1,221	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,077)	(12.53)%	3.42%	(4.23)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	16,572				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	15,500	84.23%	91.27%	85.49%	> 60.00%
Total continuing operating revenue ¹	18,401				
3. Unrestricted current ratio					
Current assets less all external restrictions	17,896	3.54x	5.06x	8.07x	> 1.50x
Current liabilities less specific purpose liabilities	5,062				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	1,793	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	621	4.71%	3.95%	2.97%	< 5.00%
Rates and annual charges collectable	13,176				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	20,334	16.63	17.21	18.84	> 3.00
Monthly payments from cash flow of operating and financing activities	1,222	mths	mths	mths	mths

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

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Council of the Municipality of Hunters Hill

To the Councillors of the Council of the Municipality of Hunters Hill

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY



Clr Ross Williams
 Mayor
 The Council of the Municipality of Hunter's Hill
 PO Box 21
 Hunter's Hill NSW 2110

Contact: Unaib Jeffrey
 Phone no: 02 9275 7450
 Our ref: D2120210/1742

26 October 2021

Dear Mayor

Report on the Conduct of the Audit
for the year ended 30 June 2021
The Council of the Municipality of Hunter's Hill

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

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

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.7	12.3	↑ 3.3
Grants and contributions revenue	2.9	1.6	↑ 81.3
Operating result for the year	(0.4)	1.3	↓ 133.3
Net operating result before capital grants and contributions	(2.2)	0.5	↓ 540

Council's operating result of a loss of \$0.4 million (which included the effect of depreciation and amortisation expense of \$3.9 million) was \$1.7 million lower than the 2019–20 result. The is mainly attributable to the following:

- \$0.3 million increase in rates and annual charges as approved in the Special Rate Variation
- \$0.6 million decrease in user charges and fees
- \$1.3 million increase in government grants received during the year
- \$0.3 million increase in materials and contracts costs as Council has initiated several new projects in 2020-21
- \$1.5 million increase in depreciation and amortisation expense.

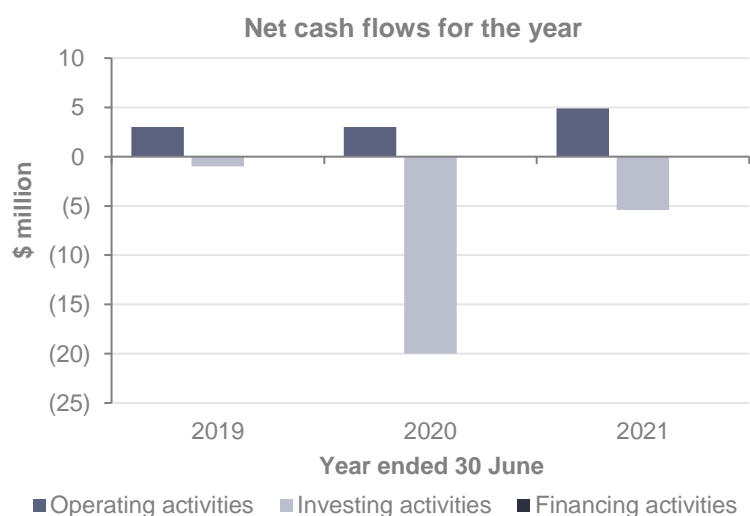
The net operating result before capital grants and contributions (a loss of \$2.2 million) was \$2.7 million lower than the 2019-20 result. The primary reasons for the decline are outlined above.

Rates and annual charges revenue (\$12.7 million) increased by \$0.4 million (or 3.3%) in 2020–21 due to the Council's approved Special Rate Variation, which increased general rates revenue by 3.3% in the current year.

Grants and contributions revenue (\$2.9 million) increased by \$1.3 million (81.3%) in 2020-21 due to the fact that the Council received higher Federal Grant Funding following COVID-19 i.e. the new funding from Local Roads and Community Infrastructure Program and additional funding from the Roads to Recovery Program in the current year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash balances and cash equivalents moving in and out of Council during the year and reveals that cash decreased marginally by \$0.4 million to \$4.2 million at the end of the year. This marginal decrease is mainly due to the increase of \$3.6 million in purchases of IPPE assets offset by increase in grant receipts in the current year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
External restrictions	6.2	4.8	• External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges and special levies.
Internal restrictions	5.7	5.6	
Unrestricted	10.4	12.6	• Balances are internally restricted due to Council policy or decisions for forward plans including works programs.
Cash and investments	22.3	23.0	

- Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

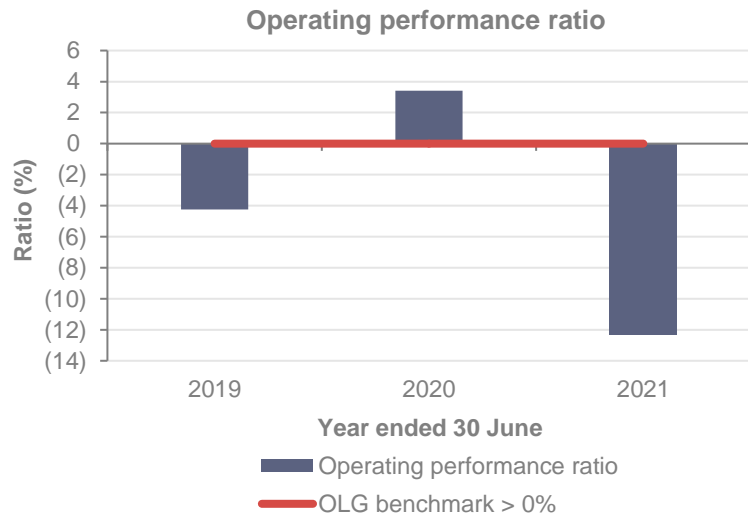
Performance measures

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

Operating performance ratio

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

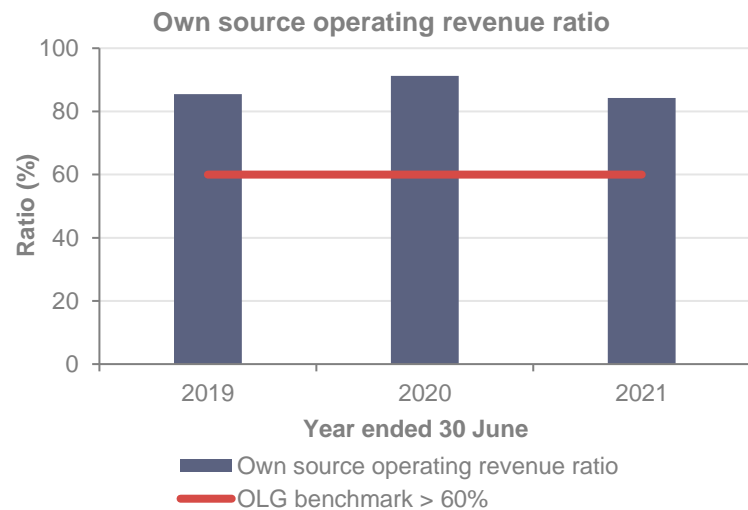
The Council did not meet the OLG benchmark for the current reporting period. This was primarily attributable to a \$0.6 million decrease in restoration charges and the there was no bus shelter contract income recorded in 2021 – license fee (\$1 million recorded in 2020).



Own source operating revenue ratio

The ‘own source operating revenue ratio’ measures council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

The Council exceeded the OLG benchmark for the past three years.

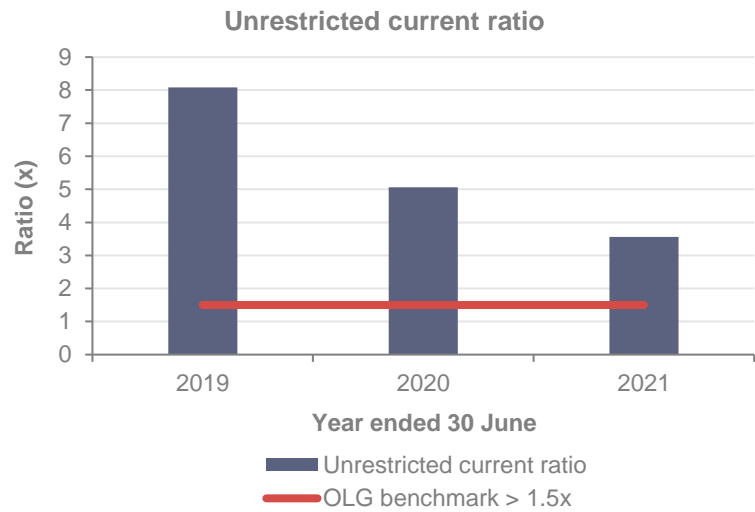


Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

The Council exceeded the OLG benchmark for the past three years.

This ratio indicates that Council currently has \$3.56 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

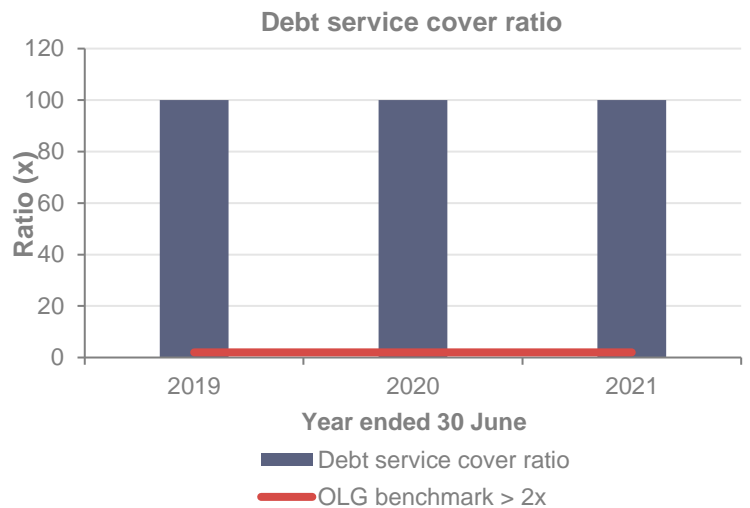


Debt service cover ratio

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

The Council exceeded the OLG benchmark for the past three years.

The Council has no external borrowings.

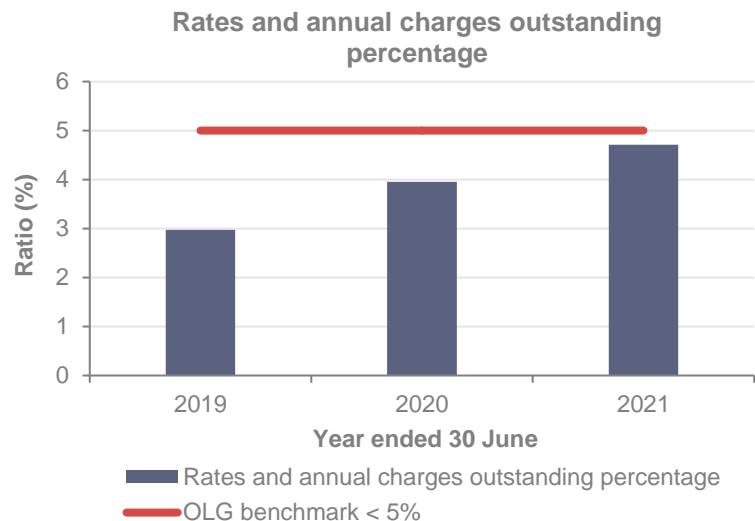


Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.

The Council exceeded the OLG benchmark for the past three years.

This ratio has been impacted primarily by the economic conditions resulting from the COVID-19 pandemic.

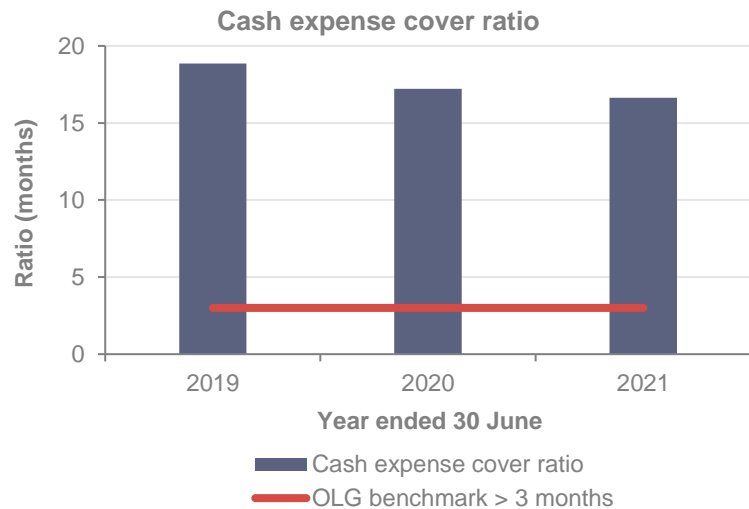


Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the past three years.

This indicates that Council had the capacity to cover 16.6 months of cash expenditure without additional cash inflows at 30 June 2021.



Infrastructure, property, plant and equipment renewals

The Council had asset renewals of \$4.9 million in the 2021 financial year as against \$3.2 million in the prior year. Asset renewals in 2020-21 were carried out in accordance with Council's capital works program. Majority of the asset renewals expenditure was within the roads and footpath assets (\$2.0 million), building assets (\$1.3 million) and office equipment (\$0.7 million) asset class categories. Asset renewals were \$4.9 million as against a depreciation charge of \$3.9 million which indicates the Council is renewing its assets faster than they are depreciating in the current year.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors

The Council's assessment has not identified any arrangements with private sector operators that should be classified as either service concession arrangements within AASB 1059, leases or outsourcing arrangements. As such, AASB 1059 did not have a material impact on Council's financial statements.

Legislative compliance

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

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

Unaib Jeffrey
Delegate of the Auditor-General for New South Wales

cc: Mr Nick Tobin, General Manager
Mr Brian Robertson, Chair of the Audit and Risk Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

The Council of the Municipality of Hunter's Hill

SPECIAL SCHEDULES
for the year ended 30 June 2021



The Council of the Municipality of Hunter's Hill

Special Schedules

for the year ended 30 June 2021

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The Council of the Municipality of Hunter's Hill

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	9,519	9,754
Plus or minus adjustments ²	b	14	(6)
Notional general income	c = a + b	9,533	9,748
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	248	195
Sub-total	k = (c + g + h + i + j)	9,781	9,943
Plus (or minus) last year's carry forward total	l	(13)	14
Less valuation objections claimed in the previous year	m	(1)	(1)
Sub-total	n = (l + m)	(14)	13
Total permissible income	o = k + n	9,767	9,956
Less notional general income yield	p	9,754	9,957
Catch-up or (excess) result	q = o - p	12	(1)
Plus income lost due to valuation objections claimed ⁴	r	1	2
Carry forward to next year ⁵	t = q + r + s	13	1

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

INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Council of the Municipality of Hunters Hill

To the Councillors of Council of the Municipality of Hunters Hill

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping flourish extending to the right.

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

26 October 2021
SYDNEY

The Council of the Municipality of Hunter's Hill

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	–	–	49	97	4,301	6,782	58.0%	6.0%	36.0%	0.0%	0.0%
	Council Works Depot	294	–	26	166	485	1,042	14.0%	4.0%	53.0%	28.0%	1.0%
	Council Public Halls	3,193	584	273	129	5,077	10,999	17.0%	17.0%	36.0%	23.0%	7.0%
	Other Buildings	642	27	93	220	5,210	9,002	15.0%	46.0%	32.0%	6.0%	1.0%
	Sub-total	4,129	611	441	612	15,041	27,825	26.2%	23.2%	35.3%	12.1%	3.1%
Other structures	Other structures	1,329	416	276	33	8,583	15,982	1.0%	30.0%	61.0%	6.0%	2.0%
	Sub-total	1,329	416	276	33	8,583	15,982	1.0%	30.0%	61.0%	6.0%	2.0%
Roads	Sealed roads	1,984	3,259	516	1,409	47,022	67,239	20.0%	47.0%	29.0%	4.0%	0.0%
	Footpaths	163	–	172	321	9,717	14,115	14.0%	27.0%	58.0%	1.0%	0.0%
	Kerb and guttering	107	315	242	14	12,802	18,625	0.0%	36.0%	63.0%	1.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	14	1,791	2,159	81.0%	19.0%	0.0%	0.0%	0.0%
	Sub-total	2,254	3,574	930	1,758	71,325	102,138	16.8%	41.6%	38.6%	3.0%	0.0%
Stormwater drainage	Stormwater drainage	54	54	389	64	15,062	23,354	17.0%	1.0%	82.0%	0.0%	0.0%
	Sub-total	54	54	389	64	15,061	23,354	17.0%	1.0%	82.0%	0.0%	0.0%
Total – all assets		7,766	4,655	2,036	2,467	110,010	169,299	16.9%	31.9%	46.2%	4.3%	0.7%

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

Infrastructure asset condition assessment 'key'

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

The Council of the Municipality of Hunter's Hill

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	4,484	147.26%	56.85%	26.38%	>= 100.00%
Depreciation, amortisation and impairment	3,045				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	7,766	7.90%	7.63%	8.23%	< 2.00%
Net carrying amount of infrastructure assets	98,340				
Asset maintenance ratio					
Actual asset maintenance	2,467	121.17%	112.53%	37.26%	> 100.00%
Required asset maintenance	2,036				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	4,655	2.75%	3.25%	22.49%	
Gross replacement cost	169,299				

(*) 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.