



» 2019/20 - Year End Financial Analysis

October 2020

ballina
shire council



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Table of Contents

Foreword	4
Income Statement	4
Income Statement Ratios	8
Statement of Financial Position	11
Statement of Financial Position Ratios	13
Infrastructure, Property, Plant and Equipment	15
Infrastructure Ratios	17
Debt Levels	19
Debt Ratios	20
New Accounting Standards	20
Significant Financial Impacts from COVID-19 Pandemic	21
Special Purpose Financial Statements	23

Foreword

To help interpret the 2019/20 financial statements this report provides an overview of how Council performed financially during 2019/20 and the financial position as at 30 June 2020.

Income Statement

This section provides an overview of the Income Statement including commentary on key elements of the financial results.

Consolidated Results

Consolidated Operating Result	2019/20 (\$'000)	2018/19 (\$'000)
Income from continuing operations (excluding capital income and fair value increment)	94,779	90,096
Fair value increment on investment properties	550	680
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(69,088)	(64,458)
Depreciation expense	(22,426)	(18,924)
Net loss from disposal of assets	(4,511)	(3,956)
Operating Result from Continuing Operations	(696)	3,438
Capital grants and contributions	26,000	38,896
Consolidated Surplus	25,304	42,334

The Operating Result before capital grants and contributions is a deficit, compared to a surplus in 2018/19. Further detail on the differences between the years is outlined later in this report as part of the Major Revenue and Expense Movements commentary.

Income from continuing operations was higher due to increased rates, annual charges and operating grant income, offset in part by a decrease in user charges.

Expenses from continuing operations (excluding depreciation and loss from disposal of assets) were \$69.008m, which represents a 6.7% (\$4.63m) increase from 2018/19 to 2019/20. The depreciation expense increased by 18.5% (\$3,502,000). This increase is impacted by a revaluation of roads, bridges and footpaths assets and a change in the accounting standard for leases.

Council's consolidated surplus from all activities for 2019/20 was \$25.304m. This compares to a surplus in 2018/19 of \$42.334m.

The consolidated surplus is significantly impacted by variations in capital grants and contributions received. Both 2019/20 and 2018/19 had significant capital grants and contributions, however, they were \$12.896m less in 2019/20.

The difference between years was largely due to section 7.11 developer contributions and developer dedications which reached historical highs for Council during 2018/19.

Fund Results

Operating Result by Fund (as per Financial Statements)	General		Water		Wastewater	
	2019/20 (\$'000)	2018/19 (\$'000)	2019/20 (\$'000)	2018/19 (\$'000)	2019/20 (\$'000)	2018/19 (\$'000)
Income from continuing operations (excluding capital income and fair value increment)	60,984	56,998	13,384	13,463	20,411	19,635
Net loss from disposal of assets	(3,699)	(3,425)	0	0	(812)	(531)
Fair value increment	550	680	0	0	0	0
Expenses from continuing operations (excluding depreciation and loss from disposal of assets)	(44,124)	(41,012)	(10,724)	(9,879)	(13,902)	(13,567)
Depreciation expense	(16,909)	(13,747)	(1,607)	(1,501)	(3,910)	(3,676)
Operating result from Continuing Operations	(3,536)	2,454	1,053	2,083	1,787	1,861
Capital grants and contributions	21,742	31,264	1,363	2,090	2,895	5,542
Surplus	18,206	33,718	2,416	4,173	4,682	7,403

For both the Water Fund and Wastewater Fund, the operating results from continuing operations were again in surplus.

The General Fund had an operating deficit of \$3.536m. This is a key indicator in assessing whether Council is “fit for the future” and it is imperative that the General Fund move towards a surplus to ensure Council is financially sustainable.

The General Fund result for 2019/20 was negatively impacted by the COVID-19 pandemic, particularly in relation to airport revenues and rental incomes. Council’s current long term financial plan shows the General Fund moving into a sustainable surplus position in 2026/27.

Major Revenue and Expense Movements

Revenue / Expense	Increase/ (Decrease) on Prior Year	Comment
Revenue		
Rates and annual charges	3,006	Total rates and annual charges of \$53.720m in the 2019/20 year include ordinary rates of \$24.567m (increased by 7.1% due to special rate variation totalling 5.9% plus growth); wastewater annual charges of \$17.699m (2.7% price increase plus growth); water annual charges of \$4.100m (0% price increase plus growth); domestic waste management charges of \$6.768m (2.7% price increase plus growth); and waste management charges of \$569k (2.5% price increase plus growth).
User charges and fees	(1,557)	Total user charges and fees of \$22.697m in the 2019/20 year include water and wastewater usage charges, airport, planning and building regulation income, ferry tolls, cemeteries, swimming pools and other smaller income streams. The larger variations were: <ul style="list-style-type: none"> • Increase of \$501k in waste management charges, with large increases in volumes compared to the previous year. • Increase of \$563k in waste disposal landfill fees. • Decrease in aerodrome income of \$1.116m, representing a 16.6% reduction. Airport revenues from passenger fees and taxes were significantly impacted for the second half of 2019/20 due to the impact of the COVID-19 pandemic. • Decrease in other smaller income streams of \$1.067m, impacted by section 7.11 administration fees and developer engineer inspection fees, which had been \$560k higher in 2018/19.
Interest and investment revenue	(715)	Total interest revenue recognised is \$715k lower than the previous year, corresponding to lower average interest rates available on cash and investments throughout the 2019/20 year.
Other revenues	(1,139)	The large items impacting on the movement in Other Revenues are: <ul style="list-style-type: none"> • Rental income for investment property of \$1.872m was included in this line item for 2018/19. This income has been separately disclosed on the face of the income statement for the 2019/20 year, in accordance with a change in presentation as per the Code of Accounting Practice. Rental income for investment properties of \$1.720m was realised for 2019/20, a decrease of \$152k impacted by the COVID-19 pandemic. • A decrease of \$158k in rental income from other Council properties. These income streams were also impacted by the COVID-19 pandemic.

2019/20 - Year End Financial Analysis

		<ul style="list-style-type: none"> An increase in recycling income (non-domestic) of \$153k. An increase in insurance claim recoveries of \$318k, with \$441k for 2019/20 compared to \$123k in 2018/19, due to two significant property claims arising from fires at Council's Fripp Oval and Kingsford Smith amenity buildings. An increase of \$126k, to \$610k, for the accounting impact of a reassessment of the remediation provisions for landfills and quarries. A reduction in interest rates was the main contributor to a movement in the remediation provisions as at 30 June 2020.
Operating grants and contributions	2,973	<p>Total operating grants and contributions of \$10.717m were received in 2019/20, compared to \$7.744m in 2018/19.</p> <p>A large contributor to this variance was the receipt of \$1.325m grants for Bushfire Resilience and Recovery.</p> <p>Another large contributor was Roads to Recovery \$880k received in 2019/20 compared to \$198k received in 2018/19.</p>
Capital grants and contributions	(12,896)	<p>Total capital grants and contributions of \$26.0m were received in 2019/20, compared to \$38.896m in 2018/19.</p> <p>Capital grants of \$3.878m were recognised in 2019/20, compared to \$8.730m recognised in 2018/19.</p> <p>Cash developer contributions of \$7.101m were \$4.156m less than that received in 2018/19.</p> <p>Non-cash contributions of \$14.402m were recognised in 2019/20, compared to \$16.329m in 2018/19. A break-down of the non-cash contributions is been provided later in this report.</p>
Expense		
Employee benefits and on costs	1,641	Contributors to the overall increase in employee costs were the increase of 2.5% attributable to the local government state award increase and an increase in full time equivalent employees.
Depreciation	3,502	<p>Overall depreciation expense as a percentage of total infrastructure, property, plant and equipment moved from 1.5% to 1.7%.</p> <p>A comparison by asset class is shown later in this report.</p> <p>The largest increase was for roads, bridges and footpaths. These assets were revalued as at 1 July 2019.</p>
Net Loss on assets	555	<p>Gains/losses on disposal include the accounting write-off of infrastructure, property, plant and equipment and sale of real estate assets.</p> <p>There was a net loss on disposal of assets of \$4.511m in 2019/20 compared to a net loss of \$3.956m in 2018/19, a variation of \$555k.</p> <p>It is usual to have a net loss on the disposal of assets as infrastructure assets when renewed, typically have a written down value in Council's financial records. The loss on disposal represents the write-off of that value as the asset is renewed. In the 2019/20 year, a large portion of the assets written off related to the airport terminal expansion.</p>

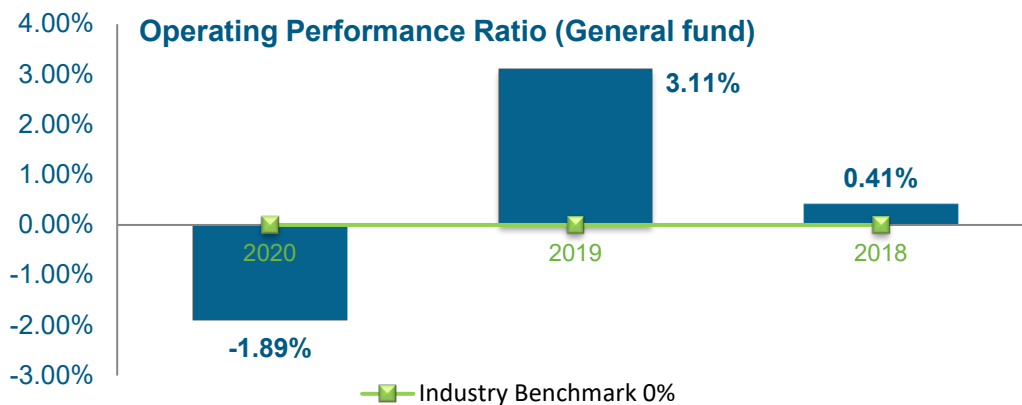
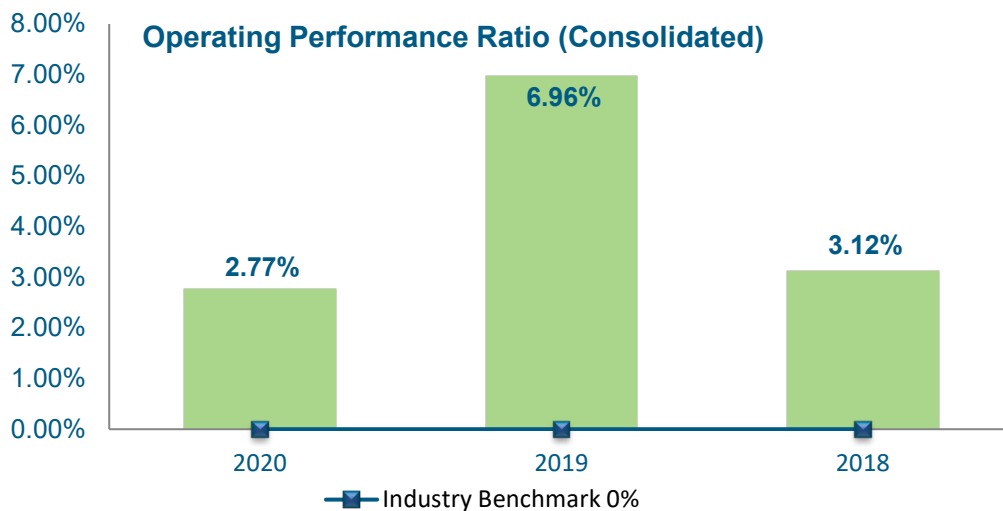
		The 2019/20 result was positively impacted by land sales within Council’s land development section in that year, with a net gain of \$1,480k recognised from the sale of these assets.
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Income Statement Ratios

Operating Performance Ratio

This ratio measures how Council is containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital items). The benchmark is greater than 0%.

This ratio is focusing on operating performance, which means capital grants and contributions and fair value adjustments are excluded.

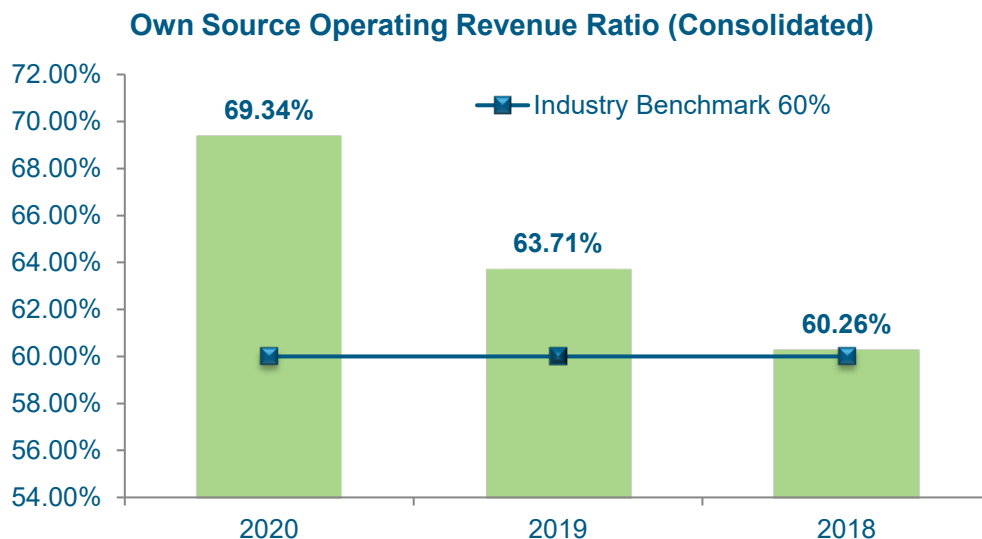


Council’s General Fund Operating Performance was negative in 2019/20, recognising that the COVID-19 pandemic had a significant negative financial impact during the last quarter of 2019/20, with many of Council’s community facilities having to close, and airport and property revenues also foregone due to Council approved rent waivers and the cancellation of flights.

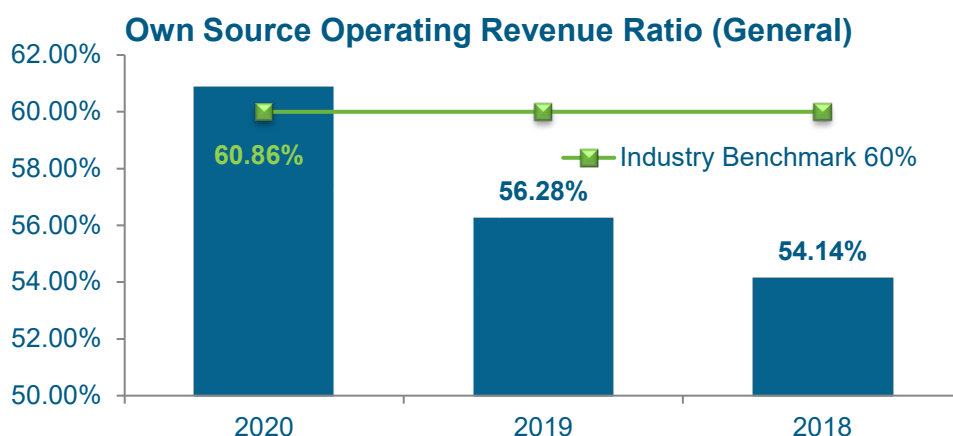
The challenge for the General Fund is to achieve a positive operating performance ratio on an ongoing basis, and this is a fundamental benchmark requirement in order to meet the “Fit for the Future” requirements.

Own Source Operating Revenue Ratio

This ratio analyses the ability of Council to generate its own revenue sources rather than having an over-reliance on grants and contributions (capital and operating).



Council, as a consolidated entity, sourced 69.34% of its consolidated revenue from rates, annual charges, user charges, interest etc. comparable with an industry benchmark of 60%. The denominator used for the calculation of this ratio includes capital grants and contributions, which as noted previously in this report, have been very high in recent years due to large non-cash contributions.



The General Fund met the 60% benchmark in 2019/20.

Capital Grants and Contributions

Total capital grants received during the year amounted to \$3,878,000 and included \$1,314,000 for the Lennox Head Cultural Centre Enhancement Project and \$1,143,000 for the construction of the new coastal shared path and coastal walk.

Capital contributions received during 2019/20 totalled \$22,122,000 compared to \$30,166,000 in 2018/19. The next table summarises the contributions by type.

Capital Contribution Type	2019/20 (\$'000)	2018/19 (\$'000)
Section 7.11 - Contributions towards amenities / services	4,644	7,657
Section 64 - Water supply contributions	763	1,151
Section 64 - Wastewater service contributions	1,694	2,449
Total Developer Contributions (Cash)	7,101	11,257
Non-cash dedications from developer subdivisions	7,468	16,209
Non-cash dedications other sources	6,934	120
Other contributions	619	2,580
Total Contributions	22,122	30,166

Developer contributions (Section 7.11 and Section 64) can vary significantly each year. Although the 2019/20 contributions are well below the 2018/19 amounts, they are still above earlier years due to an extremely high level of land development currently taking place.

The use of the cash developer contributions is restricted and they are not available for Council's general operations.

Non-cash dedications (for example, infrastructure assets received on finalisation of a development or transfers of assets from Federal or State Governments) can also vary significantly and a dissection by type is shown in the following table.

Non-cash Dedications	2019/20 (\$'000)	2018/19 (\$'000)
Ballina Heights, Cumbalum	1,517	1,404
EPIQ, Lennox Head	1,362	6,899
River Oaks, Ballina	1,312	-
Wollongbar Park Estate	966	-
39-45 North Creek Road, Ballina	924	-
Elevations, Lennox Head	745	401
Henderson Drive, Lennox Head	-	2,116
56 Greenfield Road, Lennox Head	-	1,669
Avalon Estate, Wollongbar	-	1,483
67 Swift Street, Ballina	-	1,181
Other	642	1,056
Non-cash dedications from developers	7,468	16,209
Ballina to Woolgoolga Bypass Handover	5,801	-
Crown Land - Ballina Seagulls Clubhouse	881	-
Rural Fire Service Plant and Equipment	207	-
Other	44	120
Non-cash dedications other sources	6,934	120

Statement of Financial Position

The consolidated statement of financial position for 2019/20 and 2018/19 is as follows.

Item	2019/20 (\$'000)	2018/19 (\$'000)
Current assets	86,834	82,342
Non-current assets	1,355,208	1,322,144
Total Assets	1,442,042	1,404,486
Current liabilities	28,019	26,430
Non-current liabilities	79,786	74,531
Total Liabilities	107,805	100,961
Equity	1,334,237	1,303,525

Commentary on some of the major assets and liabilities appearing in Council's statement of financial position, as at 30 June 2020, together with related Office of Local Government benchmark data is as follows.

Unrestricted Net Current Assets

Item	2019/20 (\$'000)	2018/19 (\$'000)
Current Assets	86,834	82,342
Externally restricted cash and investments	(36,692)	(30,514)
Externally restricted receivables and other assets	(4,460)	(3,875)
Current Assets less all External Restrictions	45,682	47,953
Current Liabilities	28,019	26,430
Externally restricted liabilities	(3,949)	(4,691)
Current Liabilities less Specific Purpose Liabilities	24,070	21,739
Unrestricted Current Net Assets before Internal Reserves	21,612	26,214

Council's unrestricted current asset position provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

At 30 June 2020 Council held \$21.612m in unrestricted current net assets. This is a financially sound result and trends in the General Fund's unrestricted current ratio are shown later in this report.

Cash and Investments

The next table illustrates that the majority of the cash and investments is restricted in its use.

Cash and Investments	2019/20 (\$'000)	2018/19 (\$'000)
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreements or developer contribution plan specifications</i>	53,527	51,421
Internally Restricted <i>Money set aside for special projects by Council resolution</i>	32,643	32,794
Unrestricted <i>Funds forming part of working capital used for day-to-day Council operations</i>	7,402	5,446
Total Cash and Investments	93,572	89,661

A breakdown of the internally restricted reserves is shown in the following table.

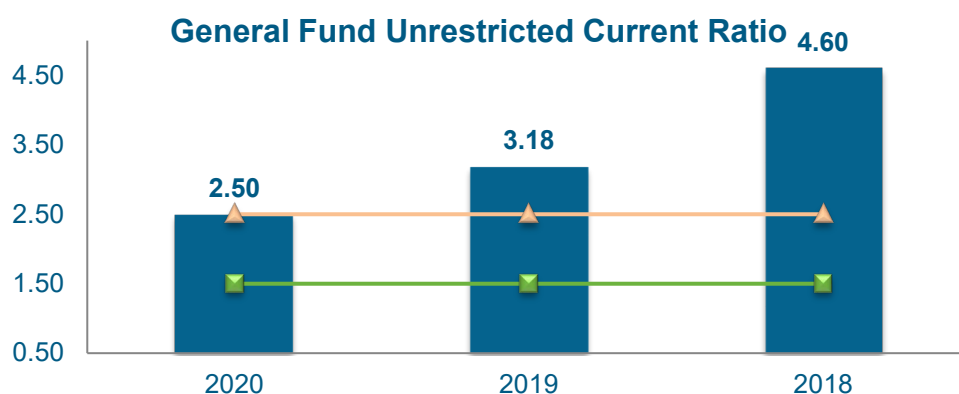
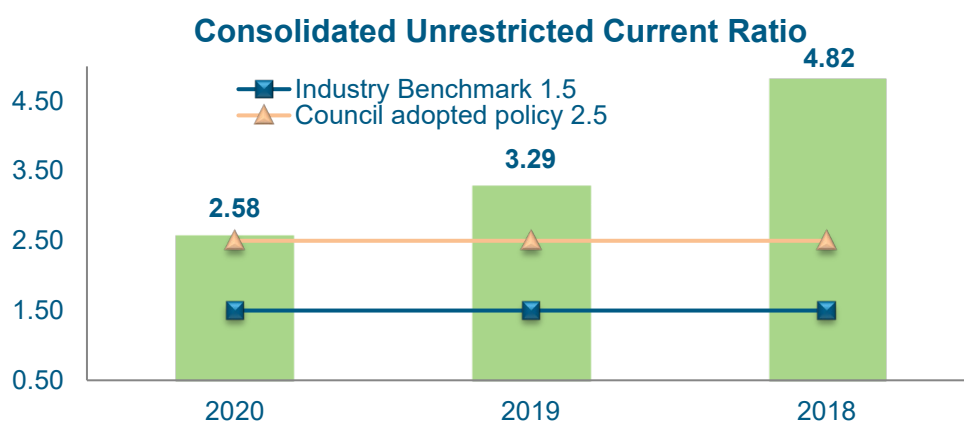
Internally Restricted Cash	2019/20 (\$'000)	2018/19 (\$'000)
Plant and Vehicle Replacement	552	1,302
Employees Leave Entitlements	2,994	3,133
Works Carried Forward	4,062	2,579
Highway Bypass	4,053	3,632
Cemetery Management	238	338
Financial Assistance Grant	2,418	2,339
Property Development and Community Infrastructure	3,996	5,268
Airport	2,337	424
Landfill and Resource Management	926	792
Management Plans and Studies	1,769	1,102
Quarry Management	871	857
Commercial Properties	679	787
Roads and Bridges	3,251	4,008
Community Facilities	674	767
Strategic Planning	503	486
Skennars Head Sportsfields	592	1,746
Other	2,728	3,234
Total Internal Restrictions	32,643	32,794

Statement of Financial Position Ratios

Unrestricted Current Ratio

The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.



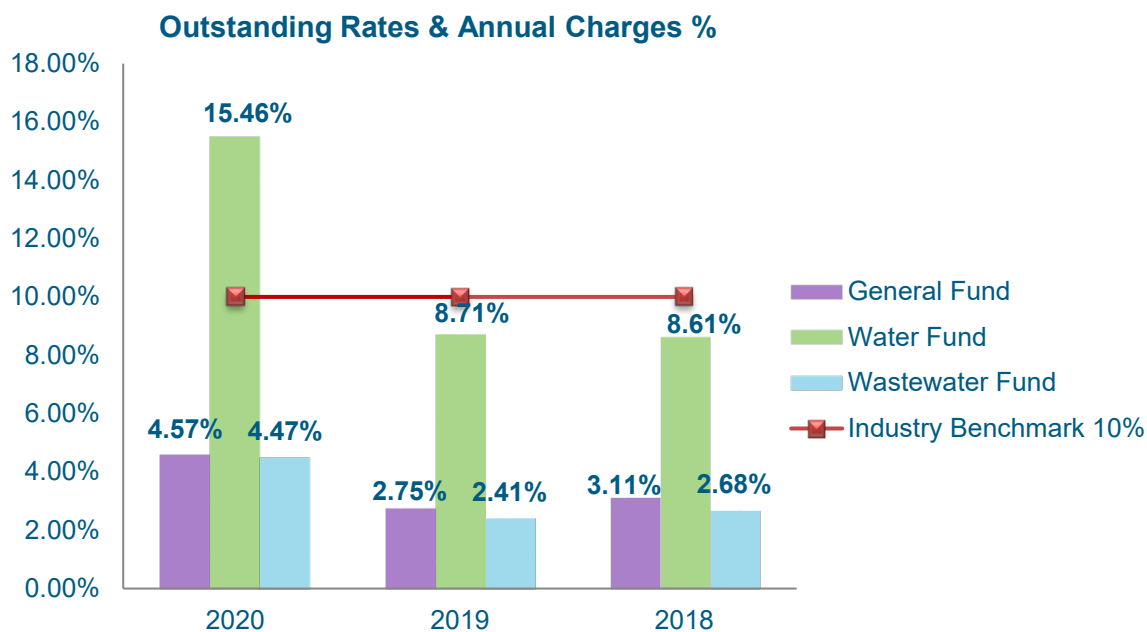
At 30 June 2019 Council's General Fund has \$2.50 in liquid current assets for every \$1 of current liabilities.

This is a sound financial result.

Rates and Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes, with a low ratio being favourable.

The NSW Office of Local Government benchmark is less than 10%.



While still meeting the benchmark, Council's General Fund outstanding ratio has increased from 2.75% as at 30 June 2019 to 4.57% as at 30 June 2020.

This movement reflects the impact of COVID-19 and the financial support measures provided to ratepayers including the nil interest rate and suspended formal debt recovery activities.

The Wastewater Fund rates and annual charges outstanding ratio is consistent with the previous year and satisfies the industry benchmark.

The ratio for Water Fund, whilst still satisfying the benchmark, is high as a result of Council levying annual charges for non-residential fixed charges in arrears.

Infrastructure, Property, Plant and Equipment

Note 10 to the general purpose financial statements outlines Council's infrastructure, property, plant and equipment (IPP&E).

Council Constructed / Purchased Additions

Property, Plant and Equipment capitalised over the past two years is as follows.

Asset Type	2019/20 (\$'000)	2018/19 (\$'000)
Infrastructure under construction – Work in progress	31,652	28,715
Plant and equipment	5,374	1,611
Land, buildings and other structures	3,137	1,224
Roads and drainage network	9,462	13,919
Water supply network	394	1,309
Wastewater network	1,704	4,606
Total Additions	51,723	51,384
Assets – Renewals	17,909	18,211
Assets – New	33,814	33,173

There were total asset additions of \$51.723m in 2019/20.

Asset additions include the non-cash developer dedications and other dedications, which totalled \$14.697m in 2019/20 compared to \$16.329m in 2018/19.

Large other additions for 2019/20 included:

- River Street Beautification \$2.586m
- Domestic Waste Garbage Trucks \$2.139m
- Lake Ainsworth Southern & Eastern Precinct \$1.002m
- Airport Terminal Building Expansion \$972k

Large capital projects included in work in progress as at 30 June 2020 include:

- Ballina to Woolgoolga Bypass works \$5.801m
- Hutley Drive \$4.632m
- Airport Boulevard \$3.867m
- Skennars Head Fields Expansion \$2.789m

Depreciation

Note 10 highlights that Council is responsible for maintaining assets with a written down value of approximately \$1.3 billion as per the next table.

The table also highlights that Council needs to generate approximately \$22m in surplus funds to finance the rate at which IPP&E is being consumed (i.e. the depreciation expense).

Asset Class	2019/20		2018/19	
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000
Plant and equipment	11,866	1,750	8,010	1,733
Operational land	66,915	0	66,385	0
Community land	79,543	0	82,670	0
Land under roads	2,078	0	2,003	0
Land improvements	18,862	95	18,431	95
Buildings	111,498	2,592	99,944	2,612
Other structures	32,647	1,525	33,727	503
Roads, bridges & footpaths	418,159	9,128	402,453	7,239
Bulk earthworks	151,359	151	139,457	138
Stormwater drainage	71,187	1,429	85,654	1,627
Water supply infrastructure	75,270	1,487	75,486	1,399
Wastewater supply infrastructure	218,582	3,700	217,857	3,494
Other assets	202	73	275	84
Work in progress	46,073	0	42,198	0
	1,304,241	21,930	1,274,550	18,924

The largest asset or liability appearing on Council's statement of financial position is IPP&E.

Asset Revaluations

In accordance with the requirement to maintain assets at fair value, infrastructure assets are comprehensively revalued on a five year rotational basis in line with the Office of Local Government stipulation, and are assessed for fair value (and indexed) on the years between full revaluations.

All transport assets (roads, bridges and footpaths) were subject to a comprehensive revaluation in 2019/20. The net impact of the revaluation was an increase in fair value of transport assets of \$8.422k recorded in 2019/20.

Indexation of water and sewerage networks has increased their value by \$2.729m.

During 2019/20, a number of prior period errors were identified. The impacts of these errors, which have been adjusted retrospectively, are shown in Note 16(b) of the financial statements.

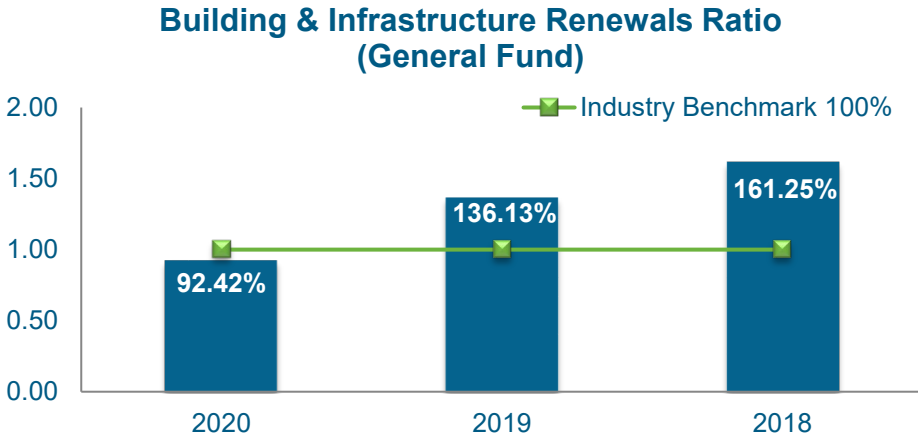
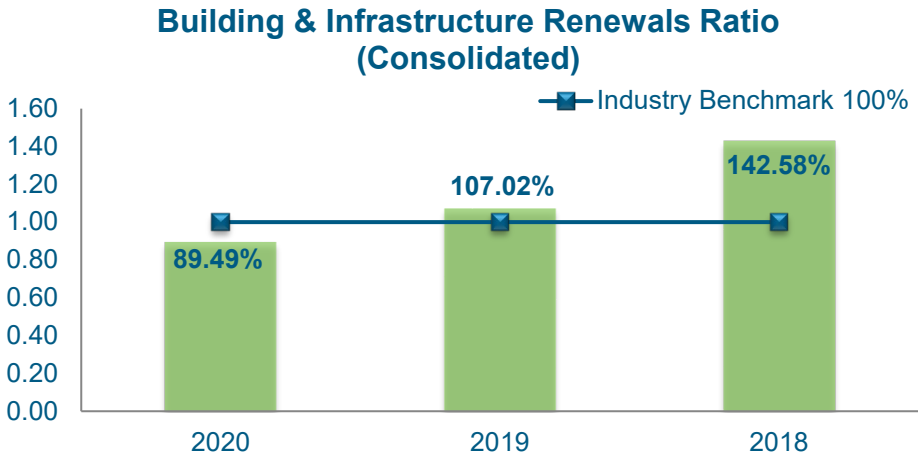
Infrastructure Ratios

Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are renewed against the rate at which they are depreciating.

The building and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets.

Expenditure incurred to add capacity to existing assets is excluded from this ratio. Industry benchmarking recommends that asset renewals equate to 100% of the related depreciation expense.



The challenge facing all local government authorities is to maintain this ratio and consistently satisfy this industry benchmark, particularly for the General Fund.

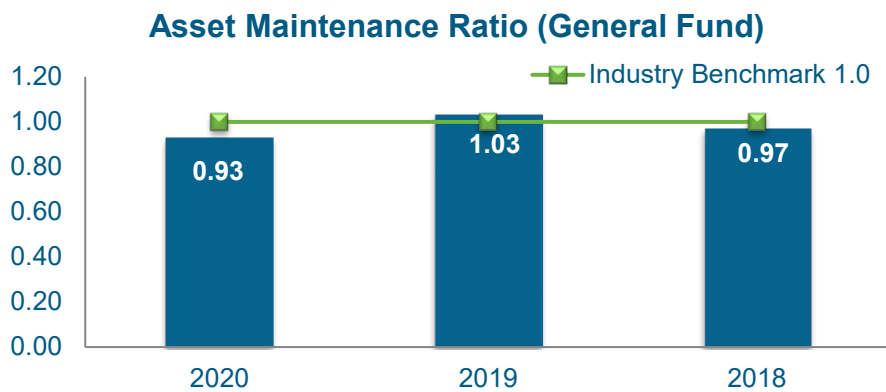
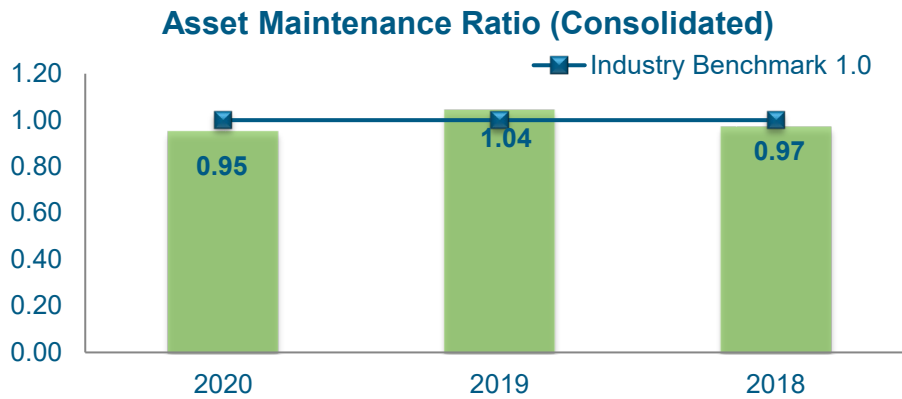
Both the Consolidated entity and the General Fund did not meet this benchmark for the 2019/20 year.

Asset Maintenance Ratio

This ratio compares actual versus required (as estimated by Council staff) annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing.

This ratio is highly dependent on accurate and consistent required maintenance data and quantified infrastructure backlog calculations.

The benchmark for this ratio is greater than 1.0.



It is important that Council spend sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Debt Levels

Loan Liability

Item	2019/20 (\$'000)	2018/19 (\$'000)
Current Loan Liability	5,930	6,636
Non-current Loan Liability	73,542	70,418
Total Loan Liability	79,472	77,054
By Fund		
General Fund (including Domestic Waste)	29,920	24,035
Water Fund	0	0
Wastewater Fund	49,552	53,019
Total	79,472	77,054

New borrowings of \$9,000,000 were taken during 2019/20 for the General Fund.

These comprised:

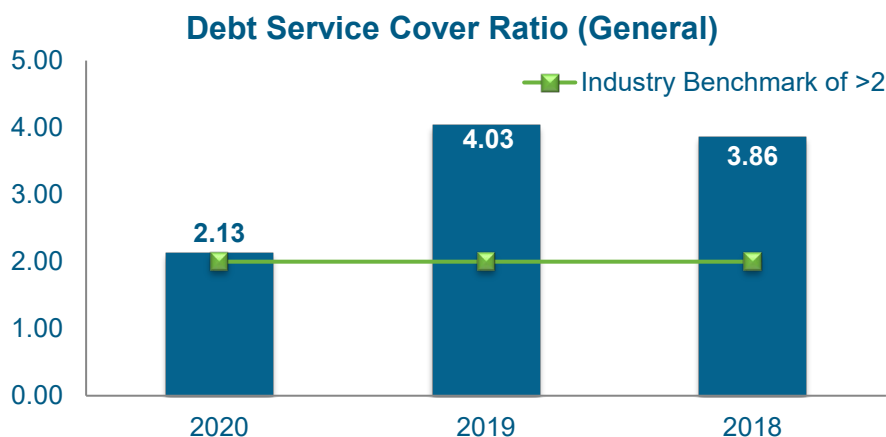
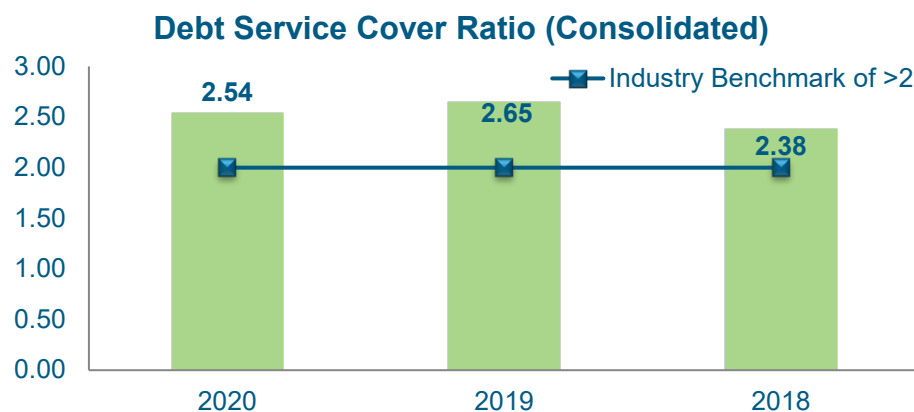
- Airport Terminal Expansion - \$2,400,000
- River Street Beautification - \$3,000,000
- Boeing Avenue, Ballina - Industrial Land Development - \$3,600,000

The Wastewater Fund's debt levels continue to fall as a result of the repayment of debt in accordance with the loan repayment programs.

Debt Ratios

Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for the ratio is greater than 2.



Council is satisfying the industry benchmark.

This means that Council is generating sufficient cash to satisfy its debt repayment obligations.

New Accounting Standards

During the year ended 30 June 2020, Council adopted AASB 15 Revenue from contracts with customers, AASB 1058 Income of Not-for-profit entities and AASB 16 Leases.

All adjustments on adoption of these new accounting standards have been taken to retained earnings as at the mandatorily effective date of 1 July 2019.

Significant Financial Impacts from COVID-19 Pandemic

The following items represent estimates of the significant transactions impacting on the 2019-20 financial year in response to the COVID-19 pandemic.

Operating Statement <i>Significant expense and revenue items arising from COVID-19</i>	2019/20 (\$'000)
Pandemic Leave paid	13
Additional Information Technology costs to facilitate working from home	7
Additional cleaning products and personal protective equipment / clothing	13
Refunds of previously levied fees and charges	39
Refunds or waivers of rental charges for commercial property and airport tenants including car hire companies	384
Waivers of casual and season-pass ferry fees*	179
Waiver of car parking fines*	60
Waiver of footpath rental fees for local businesses	5
Waiver of venue hire for community organisations	11
Additional impairment of receivables specifically due to COVID-19 impacts	210
Reduction in interest revenue and dishonour fees relating to rates**	15
Other concessions given	3
Total	939

*Council waived the collection of ferry fees and car parking fines (other than those issued for safety, health and disability access reasons) from 1 April 2020 to 30 June 2020. The amount of revenue forgone is calculated to be \$239,000 based on the ferry fees received and fines issued in the 2019/20 year up to 1 April 2020.

** Rates relief measures provided short-term and immediate relief to all ratepayers. The interest charge on overdue rates was reduced to nil from 1 March 2020 to 30 June 2021. The impact on Council's interest revenue is estimated at \$15,000 for the April to June 2020 period.

Statement of Financial Position <i>Significant changes in assets arising from COVID-19</i>	2019/20 (\$'000)
Additional impairment of receivables specifically due to COVID-19 impacts	210

Council's investment property assets were subject to independent valuation as at 30 June 2020 due to COVID-19. Each property was valued on the basis of material valuation uncertainty. Due to this basis, the valuer stated that, consequently, less certainty and a high degree of caution should be attached to the valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuations need to be kept under frequent review to ensure the inputs and assumptions are still appropriate.

Special Purpose Financial Statements

Under the Federal Government's National Competition Policy (NCP), councils are required to declare business activities, and prepare special purpose financial statements, for individual reporting/business units that meet certain criteria.

The principle of competitive neutrality is that government businesses should operate without net competitive advantages over other businesses as a result of their public ownership.

Council has the following declared business activities:

- Water Supplies
- Wastewater Service
- Landfill and Resource Recovery
- Airport
- Land Development

As reviewed by the Audit, Risk and Improvement Committee, and subsequently resolved by Council on 23 April 2020, Quarries, Wigmore Arcade and Private Works are no longer declared business activities.

The water and wastewater business units have already been considered earlier in this report, as they are separated out within the general purpose financial statements.

The only point of difference being that the special purpose financial statements include a calculated tax equivalent, debt guarantee fee and a corporate tax (27.5% of surplus).

Special purpose financial statements also show dividends paid to or received from the general fund.

In the case of water and wastewater, there were nil dividends.

This section provides a brief overview of the financial results and key elements of the financial statements for the additional business units.

Landfill and Resource Recovery

Operating Result	2019/20 (\$'000)	2018/19 (\$'000)
Income from continuing operations (excluding capital income)	6,263	5,533
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(6,111)	(4,624)
Calculated tax equivalent and debt guarantee fee	(12)	(16)
Operating Result from Continuing Operations	140	893
Corporate tax equivalent (27.5%)	(39)	(246)
Surplus after tax	101	647
Dividend (paid) to General Fund	0	(2,240)

The Operating Result from Continuing Operations in 2019/20 is impacted by a number of factors including provision adjustments and depreciation, as well as operational factors.

This business, as can be seen in the Statement of Financial Position below, carries a provision for remediation of the tip sites.

Each year, a review of the provision is completed including an assessment of the assumptions including the estimated costs of remediation and time period, and interest rate applied for the net present value calculation.

During 2019/20, the review of the provision resulted in (accounting) income of \$174k, with the main contributor to this change being a reduction in the underlying interest rate.

This compares to income of \$340k recognised in 2018/19, with the major contributor in that year being a review of costs and time periods.

Excluding the impact of the remediation adjustment, income increased by \$896k, being an increase in user charges of \$946k offset slightly by a decrease in interest income of \$50k.

User charges were \$946k higher in 2019/20 than the prior year. This is due to the significant increase in the volume of waste received at Council's waste centre in 2019/20 (16,160 tonnes, in comparison to 13,783 tonnes in 2018/19).

Expenses are higher in 2019/20, increased by \$1.487m.

The increase in expenses is due to an increase in the depreciation expense of \$163k and an increase in materials and contracts of \$1.415m.

The increase in depreciation expense is consequential of a revaluation of buildings, land improvements and other structures that occurred in the 2018/19 year.

For the 2018/19 year, the dividend of \$2.240m paid to General Fund includes contributions of \$2.22m for the Ballina Indoor Sports Centre and \$19.8k for mobile garbage stickers for the Domestic Waste Management business unit.

There were no dividends paid to General Fund for the 2019/20 year.

Statement of Financial Position	2019/20 (\$'000)	2018/19 (\$'000)
Current Assets (cash, cash equivalents and other)	1,039	924
Non-current assets (infrastructure, property, plant and equipment)	11,682	11,993
Current Liabilities	0	0
Non-current liabilities (provisions for tip remediation)	(2,162)	(2,355)
Net Equity	10,559	10,562

During 2019/20 roads and other transport assets were revalued.

The movement in non-current assets represents a revaluation decrement of \$154k, capital expenditure of \$125k and depreciation expense of \$283k.

Airport

Operating Result	2019/20 (\$'000)	2018/19 (\$'000)
Income from continuing operations (excluding capital income)	5,753	6,927
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(7,879)	(5,140)
Calculated tax equivalent and debt guarantee fee	(60)	(78)
Operating Result from Continuing Operations	(2,186)	1,709
Capital grants and contributions	742	3,232
Corporate tax equivalent (27.5%)	0	(470)
(Deficit) / Surplus after tax	(1,444)	4,471
Dividend (paid) / Subsidy received to General Fund	(30)	(100)

The Operating Result from Continuing Operations in 2019/20 is impacted significantly by a reduction in income of \$1.174m and an increase in expenses of \$2.739m. The large decrease in income is a direct consequence of the COVID-19 pandemic.

The expenses for 2019/20 include a loss of disposal of assets of \$2.342m, with the capitalisation of the airport terminal project identifying these assets as disposed or replaced assets. Expenses for 2019/20 also include a provision for doubtful debts expense of \$216k, in relation to amounts owed from Virgin Airlines, with the airline having gone into administration. Excluding the impact of the loss on disposal of assets and the doubtful debts expense, expenses increased by \$181k.

In 2018/19 and previous years a dividend of \$100k was paid to General Fund, however this was discontinued for 2019/20 and is not forecast for future years. The dividend of \$30k paid in 2019/20 was a contribution for the purchase of a vehicle.

Statement of Financial Position	2019/20 (\$'000)	2018/19 (\$'000)
Current Assets (cash, cash equivalents)	2,337	424
Non-current assets (infrastructure, property, plant and equipment)	36,192	46,250
Current liabilities (provisions)	(147)	(130)
Current liabilities (borrowings)	(561)	(1,251)
Non-current liabilities (borrowings)	(5,725)	(3,930)
Net Equity	32,096	41,363

During 2019/20 roads and other transport assets were revalued.

The movement in non-current assets represents a revaluation decrement of \$8.002m, capital expenditure of \$1.072m, disposals of \$2.342m, and depreciation expense of \$786k.

The large revaluation decrement relates to a reassessment of useful lives of road assets, in particular the aircraft wearing course and pavements.

Additional borrowings of \$2.4m were taken in 2019/20 to partially fund the terminal expansion project, with total principal repayments for all borrowings totalling \$1.3m made during the year.

Land Development

Operating Result	2019/20 (\$'000)	2018/19 (\$'000)
Income from continuing operations (excluding capital income)	3,677	724
Expenses from continuing operations (excluding tax equivalent/debt guarantee)	(2,127)	(551)
Calculated tax equivalent and debt guarantee fee	(148)	(136)
Operating Result from Continuing Operations	1,402	37
Corporate tax equivalent (27.5%)	(386)	(10)
Surplus after tax	1,016	27
Dividend paid to General Fund	(3,547)	(640)

The income for 2020 includes:

- Sale of land 54 North Creek Rd \$2.521m
- Sale of land Russellton estate \$327k
- Rental income of \$380k from the Southern Cross Norfolk Homes and ARC buildings
- Increase in value of investment properties \$440k

The income for 2019 included:

- \$270k recognised for the (internal) sale of residual land from the 54 North Creek Rd subdivision to the wastewater fund.
- Rental income of \$411k from the Southern Cross Norfolk Homes and ARC buildings

Forecast land sales for 2020/21 include \$317k residual sales from 54 North Creek Rd.

The 2019/20 expenses consist primarily of cost of sales for the land sales made in the year.

The 2018/19 expenses included transfer of land with value of \$202k to the General Fund and a revaluation decrement of \$250k.

For 2019/20, the dividend of \$3.547m to the General Fund consisted of:

- Contribution to fund the construction of Airport Boulevard \$3.5m
- Contribution to fund Shelly Beach Café site improvements \$46,700

For 2018/19, the dividend of \$640k to General Fund consisted of:

- Contribution to fund the construction of Airport Boulevard \$400,000
- General Fund operations \$391,600
- Biodiversity Pilot Project \$40,000
- Southern Cross Industrial Precinct Review \$10,000
- Less transfer of land (old "prawn farm") \$202,060 from land inventory to General Fund operational land.

Statement of Financial Position	2019/20 (\$'000)	2018/19 (\$'000)
Current Assets (cash, cash equivalents)	(598)	(137)
Non-current assets (land inventory)	7,567	5,943
Non-current assets (investment properties)	6,270	5,830
Net Equity	13,239	11,636

Land inventory on hand has increased, with the largest portion of land stock holdings at 30 June 2020 relating to Southern Cross / Boeing Avenue, Ballina.

Investment properties were independently revalued during the year, given that there was uncertainty of the fair value of these properties in light of the possible impact of the COVID-19 pandemic.

This resulted in a net increase to the valuation of \$440k (with an increase of \$390k in the value of the Norfolk home site and an increase of \$50k in the value of the ARC Building site).