

ATTACHMENT 3 TO DRAFT FINANCIAL STATEMENTS 2020/21 REPORT - ORDINARY MEETING 28 OCTOBER 2021

Attachment 3 – Draft Annual Financial Statements 2020/21

Part A – Auditor’s Report on the Conduct of the Audit

This is the draft (long form) audit report on the general purpose financial statements, noting an intention to issue an unmodified audit opinion.

Part B – General Purposes Financial Statements

These statements provide the consolidated operating results for 2020/21 and the consolidated financial position of Council as at 30 June 2021. The notes included with the statements provide details on income and expenditure, assets and liabilities. The notes also highlight the cash position of Council and identify which funds are externally restricted.

Part C – Special Purpose Financial Statements

These statements are prepared as a result of National Competition Policy and relate to those aspects of Council’s operations that are considered to be business activities.

Part D – Special Schedules

These schedules are prepared primarily for the Australian Bureau of Statistics and are used to gather information for comparative purposes.

PART A

Draft Conduct of the Audit



Cr David Wright
Mayor
Ballina Shire Council
PO Box 450
BALLINA NSW 2478

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref:

XX October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Ballina Shire Council**

I have audited the general purpose financial statements (GPFS) of the Ballina Shire Council (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	56.2	53.7	↑ 4.7
Grants and contributions revenue	51.2	36.7	↑ 39.5
User charges and fees	27.2	23.0	↑ 18.3

Operating result from continuing operations	42.7	25.3	68.8
Net operating result before capital grants and contributions	1.4	-0.7	300

The Council's operating result from continuing operations (\$42.7 million including depreciation and amortisation expense of \$24.6 million) was \$17.4 million higher than the 2019–20 result. The increase is largely attributable to the following:

Rates and annual charges revenue (\$56.2 million) increased by \$2.5 million (4.7 per cent) in 2020–21 due to:

- the IPART approved rate peg, which increased general rates revenue by 2.6 per cent in 2020–21
- an increase in domestic waste management annual charges of 11.4 per cent (\$0.8 million) and wastewater annual charges by 4.8 per cent (\$0.8 million).

Grants and contributions revenue (\$51.2 million) increased by \$14.5 million (39.5 per cent) in 2020–21 due to:

- \$10.6 million increase in non-cash dedications received
- \$1.3 million of grants received under the new Local Roads and Community Infrastructure program
- \$1.7 million increase in funding received from Transport NSW.

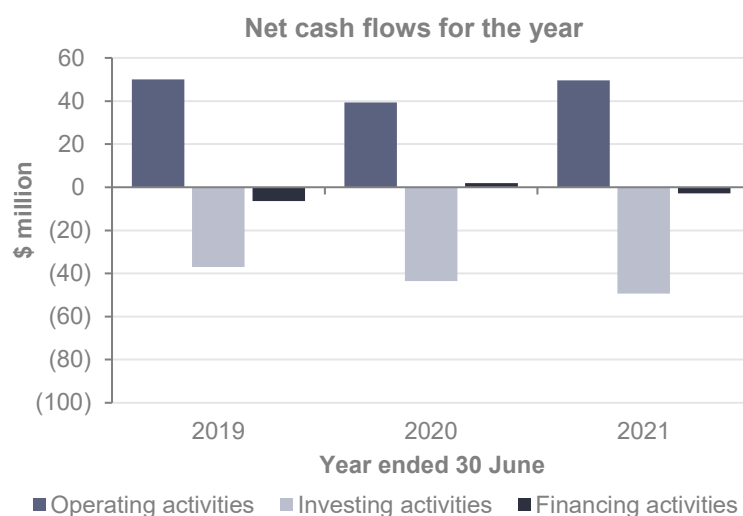
User charges and fees (\$27.2 million) increased by \$4.2 million (18.3 per cent). \$2.3 million of this increase relates to additional revenue generated from the Ballina Byron Gateway Airport.

Expenses from continuing operations (\$101.9 million) increased by \$5.9 million (6.1 per cent) in 2020–21 due to:

- \$1.5 million increase in materials and services expense
- \$2.1 million increase in depreciation and amortisation expense
- \$1.6 million increase in net losses from the disposal of assets.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$10.3 million. This is largely due Council's improved operating result.
- Net cash used in investing activities increased by \$5.9 million. The majority of this increase relates to additional purchases of investment securities (\$8.6 million) offset by decreased capital expenditure (\$3.5 million).
- Financing activities remained reasonably consistent.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	105.8	93.6	<ul style="list-style-type: none"> Externally restricted cash and investments has increased by \$7.7 million. Developer contributions (\$35.3 million) increased by \$3.9 million and Wastewater (\$8.7 million) increased by \$5.6 million.
Restricted cash and investments:			
• External restrictions	61.0	53.3	<ul style="list-style-type: none"> Internally restricted cash and investments has increased by \$5.7 million. Landfill and resource management (\$1.3 million) and property reserves (\$1.4 million) were notable increases.
• Internal restrictions	38.6	32.9	

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.

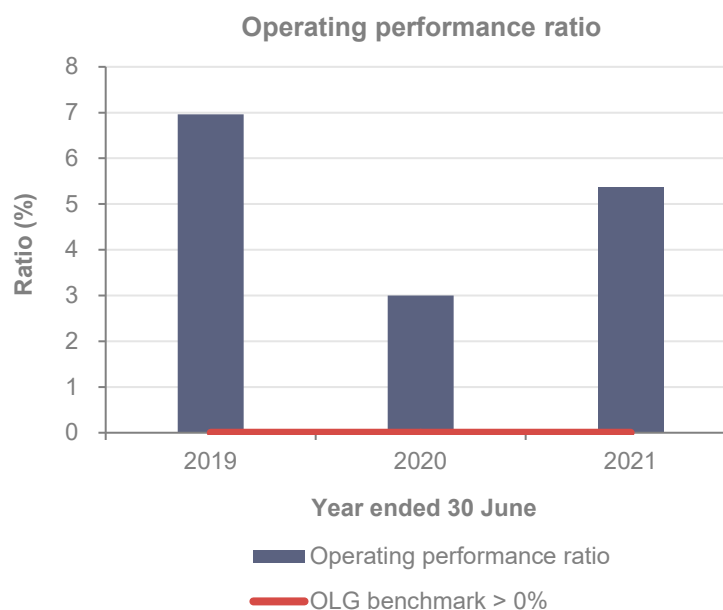
Operating performance ratio

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 exceeded OLG benchmark for the current reporting period.

An improvement in Councils 2020–21 operating result (before all capital items) led to an increased operating performance ratio.

General funds' operating performance ratio for 2020-21 is -0.70%.



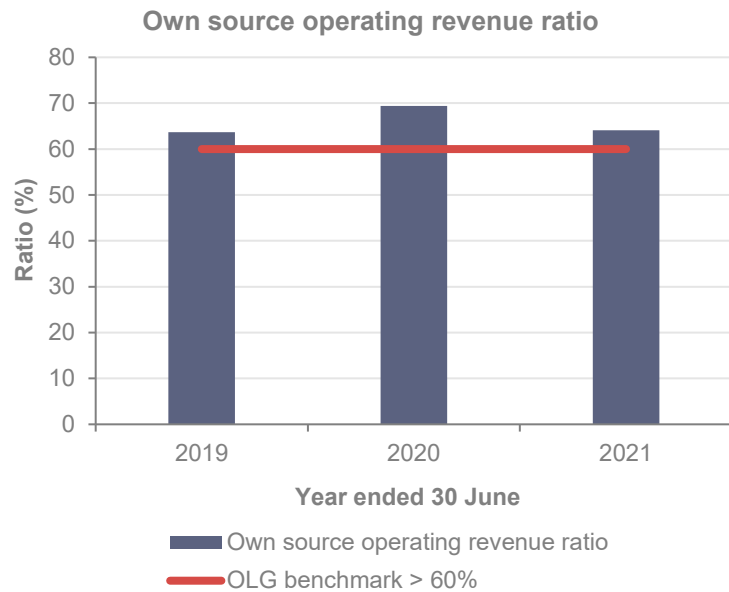
Own source operating revenue ratio

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

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

The ratio was negatively impacted in 2018-19 and 2020-21 due to higher levels of capital grants and contributions.

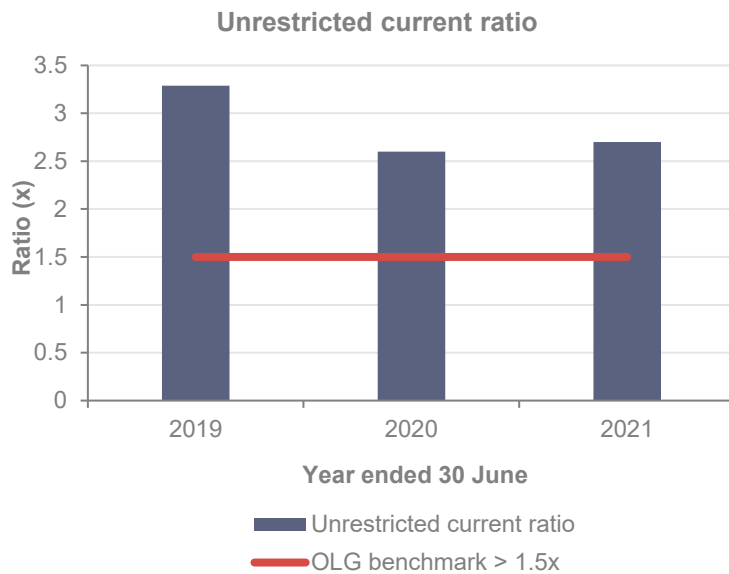
General funds' own source operating revenue ratio for 2020-21 is 57.22%.



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 current reporting period.

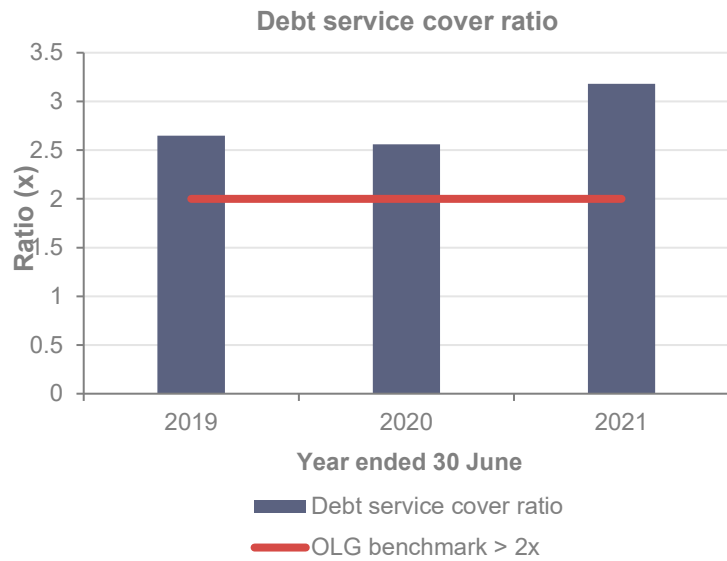


Debt service cover ratio

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 current reporting period.

During 2020-21 there was a reduction in loan principal payments of \$0.6million.

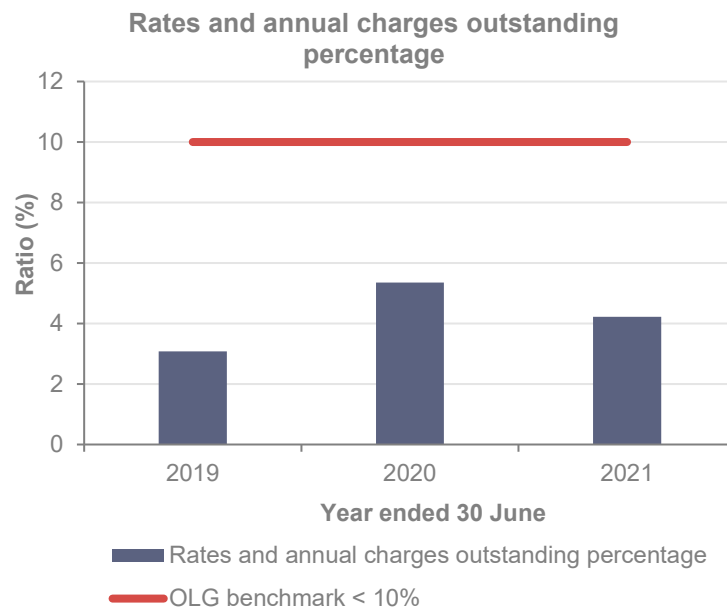


Rates and annual charges outstanding percentage

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 10 per cent for regional and rural councils.

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

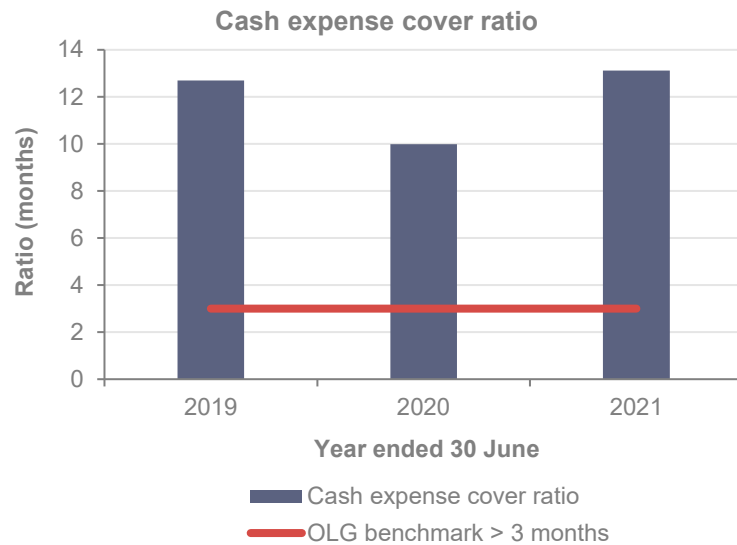
The ratio increased during 2019–20 as a result of COVID-19 and Council's support package measures implemented in response to the pandemic. Council's formal debt recovery activities recommenced during 2020-21.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2020–21 year was \$15.2 million (2019–20: \$17.9 million). In 2021 there was a major road renewal program including Uralba Road and Kays Lane as well as two significant watermain renewal projects.

OTHER MATTERS

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.

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Paul Hickey, General Manager
Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

PART B

General Purpose Financial Statements

Ballina Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*The Ballina Shire is safe, with a connected community, a
healthy environment and a thriving economy.*



Ballina Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

40 Cherry Street
Ballina NSW 2478

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.ballina.nsw.gov.au.

Ballina Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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 28 October 2021.

David Wright

Mayor

28 October 2021

Ben Smith

Deputy Mayor

28 October 2021

Paul Hickey

General Manager

28 October 2021

Linda Coulter

Responsible Accounting Officer

28 October 2021

Ballina Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Income from continuing operations				
55,298	Rates and annual charges	B2-1	56,190	53,720
25,785	User charges and fees	B2-2	27,219	23,035
850	Other revenue	B2-3	3,805	2,370
8,889	Grants and contributions provided for operating purposes	B2-4	9,932	10,717
21,504	Grants and contributions provided for capital purposes	B2-4	41,226	26,000
1,908	Interest and investment income	B2-5	822	1,849
2,647	Other income	B2-6	5,362	3,638
116,881	Total income from continuing operations		144,556	121,329
Expenses from continuing operations				
26,613	Employee benefits and on-costs	B3-1	27,733	26,674
41,649	Materials and services	B3-2	36,712	35,217
4,498	Borrowing costs	B3-3	4,462	4,671
20,682	Depreciation, amortisation and impairment for non-financial assets	B3-4	24,574	22,426
1,968	Other expenses	B3-5	2,340	2,526
–	Net losses from the disposal of assets	B4-1	6,073	4,511
95,410	Total expenses from continuing operations		101,894	96,025
21,471	Operating result from continuing operations		42,662	25,304
21,471	Net operating result for the year attributable to Council		42,662	25,304
(34)	Net operating result for the year before grants and contributions provided for capital purposes		1,436	(696)

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

Ballina Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		42,662	25,304
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>2,122</u>	<u>6,425</u>
Total items which will not be reclassified subsequently to the operating result		2,122	6,425
Total other comprehensive income for the year		2,122	6,425
Total comprehensive income for the year attributable to Council		44,784	31,729

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

Ballina Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	7,454	10,034
Investments	C1-2	84,300	66,638
Receivables	C1-4	10,964	7,576
Inventories	C1-5	2,698	820
Contract assets and contract cost assets	C1-6	2,462	1,192
Other		578	574
Total current assets		108,456	86,834
Non-current assets			
Investments	C1-2	14,000	16,900
Receivables	C1-4	224	290
Inventories	C1-5	5,304	6,222
Infrastructure, property, plant and equipment	C1-7	1,334,993	1,304,241
Investment property	C1-8	25,340	23,255
Right of use assets	C2-1	2,633	3,089
Investments accounted for using the equity method	D2-1	1,145	1,211
Total non-current assets		1,383,639	1,355,208
Total assets		1,492,095	1,442,042
LIABILITIES			
Current liabilities			
Payables	C3-1	14,854	12,656
Contract liabilities	C3-2	1,368	501
Lease liabilities	C2-1	545	464
Borrowings	C3-3	6,281	5,930
Employee benefit provisions	C3-4	8,993	8,468
Total current liabilities		32,041	28,019
Non-current liabilities			
Lease liabilities	C2-1	2,152	2,664
Borrowings	C3-3	70,762	73,542
Employee benefit provisions	C3-4	458	397
Provisions	C3-5	7,661	3,183
Total non-current liabilities		81,033	79,786
Total liabilities		113,074	107,805
Net assets		1,379,021	1,334,237
EQUITY			
Accumulated surplus		827,587	784,925
IPPE revaluation reserve	C4-1	551,434	549,312
Council equity interest		1,379,021	1,334,237
Total equity		1,379,021	1,334,237

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

Ballina Shire Council

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		784,925	549,312	1,334,237	760,638	542,887	1,303,525
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(989)	-	(989)
Changes due to AASB 16 adoption		-	-	-	(28)	-	(28)
Restated opening balance		784,925	549,312	1,334,237	759,621	542,887	1,302,508
Net operating result for the year		42,662	-	42,662	25,304	-	25,304
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	-	2,122	2,122	-	6,425	6,425
Other comprehensive income		-	2,122	2,122	-	6,425	6,425
Total comprehensive income		42,662	2,122	44,784	25,304	6,425	31,729
Closing balance at 30 June		827,587	551,434	1,379,021	784,925	549,312	1,334,237

Ballina Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
55,298	Rates and annual charges		57,064	52,363
29,729	User charges and fees		28,295	24,164
1,908	Investment and interest revenue received		955	2,236
30,393	Grants and contributions		26,051	23,497
–	Bonds, deposits and retention amounts received		–	1,385
2,647	Other		8,590	12,138
<i>Payments:</i>				
(26,613)	Employee benefits and on-costs		(26,986)	(26,420)
(45,593)	Materials and services		(40,444)	(34,252)
(4,498)	Borrowing costs		(3,638)	(5,106)
–	Bonds, deposits and retention amounts refunded		(244)	–
(1,968)	Other		–	(10,710)
41,303	Net cash flows from operating activities	G1-1a	49,643	39,295
Cash flows from investing activities				
<i>Receipts:</i>				
10,436	Redemption of financial investments (including term deposits)		–	–
–	Sale of real estate assets		314	2,849
–	Sale of infrastructure, property, plant and equipment		704	708
–	Deferred debtors receipts		–	17
<i>Payments:</i>				
–	Purchase of financial investments (including term deposits)		(14,762)	(6,123)
(56,631)	Purchase of infrastructure, property, plant and equipment		(33,794)	(37,306)
–	Purchase of real estate assets		(1,799)	(3,613)
(46,195)	Net cash flows from investing activities		(49,337)	(43,468)
Cash flows from financing activities				
<i>Receipts:</i>				
10,900	Proceeds from borrowings		3,500	9,000
<i>Payments:</i>				
(6,008)	Repayment of borrowings		(5,929)	(6,582)
–	Principal component of lease payments		(457)	(457)
4,892	Net cash flows from financing activities		(2,886)	1,961
–	Net change in cash and cash equivalents		(2,580)	(2,212)
10,034	Cash and cash equivalents at beginning of year		10,034	12,246
10,034	Cash and cash equivalents at end of year	C1-1	7,454	10,034
98,300	plus: Investments on hand at end of year	C1-2	98,300	83,538
108,334	Total cash, cash equivalents and investments		105,754	93,572

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

Ballina Shire Council

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Ballina Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 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.

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 operate a range of volunteering programs whereby volunteers provide services to perform activities including bush generation, weed control and plantings as part of Landcare and Coastcare groups; and the provision of information to visitors at both the visitor services desk at the Ballina Byron Gateway Airport and at the Visitor Information Centre. In addition, volunteers provide front-of-house service at the Northern Rivers Community Gallery (NRCG). This includes promoting gallery exhibitions and programs, greeting and sharing their knowledge of local artists and art with gallery visitors, and monitoring and keeping artwork safe while the gallery is open.

Under AASB 1058 *Income of Not-for-Profit Entities*, Council is required to recognise the volunteer services at fair value when the following criteria are met:

- Volunteer services can be reliably measured;
- The services would be purchased if they were not donated; and
- The value would be material.

Council has assessed the volunteer services for materiality and in relation to Council's overall operations, the value of the volunteer services are not material. Further, there is limitations on the ability for Council to reliably measure the services, and not all volunteer services would be purchased if they were not donated.

Significant accounting estimates and judgements

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

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

A1-1 Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

- (i) estimated fair values of investment properties –refer Note C1-8,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7,
- (iii) estimated asset remediation provisions – refer Note C3-5,
- (iv) employee benefit provisions – refer Note C3-4.

COVID-19 impact

The COVID-19 pandemic continued to have a significant impact on Council's operations throughout the 2020/21 financial year. Council continued to support its community throughout this crisis. Many of Council's services had to either cease or adapt to comply with the NSW Public Health Orders and to meet emerging needs in the community.

These financial statements reflect the financial impact of the pandemic to date, incorporating a number of economic stimulus and recovery measures that were initiated in the 2019/20 year following the onset of the pandemic in March 2020. These included initiatives to support residents and businesses such as the 0.0% interest rate on overdue rates and water accounts that applied from 1 July 2020 to 30 June 2021, and rental concessions that applied from 1 July 2020 up to 30 September 2020.

The total estimated cost of the pandemic reflected in these financial statements is difficult to estimate. This would include the revenue loss from not charging interest on overdue rates (estimated at \$50,000) and the concessions on lease and license fees, as well as the costs of providing an additional COVID-19 testing clinic during the late March / April 2021 set-back.

Whilst many businesses on the NSW Far North Coast showed signs of recovery in late June / July 2020 and the NSW Public Health Orders ceased to operate in the first quarter of the 2020/21 year, and the short set-back in late March / April 2021 was less than 10 days in time span, in late June / July 2021 a significant outbreak of the Delta variant of the COVID-19 virus occurred. Predominantly the cases were in Western and South Western Sydney, however, multiple incursions presented in regional local government areas including Newcastle / Hunter, Armidale, Dubbo, Tamworth and Byron Bay. In accordance with the NSW Public Health Orders, all of regional NSW, including the Ballina Shire Council local government area were in a state of lockdown from 14 August 2021. Lockdown orders also applied to Victoria, Queensland, Australian Capital Territory and South Australia.

As a result of the uncertain length and impact of the latest lockdowns and the significant impact of these on Council's venues, commercial properties and the Ballina Byron Gateway Airport, a number of financial risks to Council's 2021/22 financial situation are evolving.

Council has considered its Delivery Program and Operational Plan 2021 – 2025 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty.

Despite the impact of COVID-19 on the 2020/21 financial year and its impact on the 2021/22 financial year to date, as at the date of preparing and signing Council's financial statements, Council has sufficient resources to continue managing possible future funding requirements and the cost of revenue losses from operations for the foreseeable future. Council conclude that using the going concern basis is appropriate in preparing its financial statements.

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*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General purpose operations
- Water services
- Wastewater service

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

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

New accounting standards and interpretations issued 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.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

None of these standards are likely to have a significant impact on Council.

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
Corporate and Community Division	46,691	44,236	16,449	16,548	30,242	27,688	6,344	5,627	201,225	162,232
Civil Services Division	47,510	36,732	45,659	40,298	1,851	(3,566)	33,183	21,695	718,045	915,460
Planning and Environmental Health Division	6,119	3,852	8,703	9,539	(2,584)	(5,687)	11,631	9,395	197,846	2,772
Water Operations	14,371	14,006	13,497	11,856	874	2,150	–	–	112,128	110,247
Wastewater Operations	29,865	22,503	17,586	17,784	12,279	4,719	–	–	262,851	251,331
Total functions and activities	144,556	121,329	101,894	96,025	42,662	25,304	51,158	36,717	1,492,095	1,442,042

B1-2 Components of functions or activities

Corporate and Community Division covers the following programs:

Governance

This program relates to expenses associated with the General Manager's office, the elected Council and the Corporate and Community Division along with specialised procurement and contract management staff, including the Council store.

Community Facilities

This program includes revenues and expenses for the operation of the Kentwell Centre, Lennox Head Cultural Centre, Alstonville Cultural Centre, the Richmond Room, the Ballina Surf Club, Naval Museum and a number of small halls.

Library Services

Costs associated with the operation of the Council owned libraries, which are managed by the Richmond Tweed Regional Library, through Lismore City Council.

Swimming Pools

Revenues and expenses associated with the operation of the Ballina War Memorial Pool and the Alstonville Aquatic Centre.

Tourism

Includes costs associated with the management of a range of activities including visitor services, marketing and grant administration.

Communications

Includes costs associated with the corporate communications function which includes statutory management reporting and customer service.

Financial Services

This program outlines the financial services such as creditors, debtors, purchasing and rates.

Information Services

This program comprises the expenses associated with the provision of information services to Council. This includes computer equipment, software and geographical information services.

People and Culture

Costs associated with the human resource management function, payroll.

Risk Management

Provision for insurance premiums for items such as public liability and professional indemnity.

Property Management

Includes costs associated with Council's commercial property portfolio.

Ballina Byron Gateway Airport

Revenue and expenses associated with the operation of the airport.

Fleet Management and Workshop

Revenues and expenses related to the management of Council's fleet and workshop.

Depot and Ancillary Building management

Includes costs to manage and maintain a number of corporate and community buildings including the Council Administration Centre and the Council depot.

Civil Services Division covers the following programs:

Asset Management

Includes costs related to the supervision and administration of the programs provided by Civil Services.

Stormwater and Environmental Management

Relates to services such as flood plain management and pollution control activities such as stormwater drainage.

Roads and Bridges

Provision of urban and rural road services and the maintenance and improvement of bridges.

B1-2 Components of functions or activities (continued)

Ancillary Transport Services

Includes ancillary transport services such as street lighting, footpaths, kerb and gutter and parking.

Transport for NSW

All revenues and expenses related to works funded through the Transport for NSW for roads controlled by Transport for NSW.

Rural Fire Services

Costs associated with the provision of rural fire services.

Quarries and Sandpit

Revenues and expenses associated with the lease and operation of the quarries owned by Council.

Landfill and Resource Management

This represents the operation of the Ballina landfill site, along with other waste initiatives.

Domestic Waste Management

Provision of domestic waste collection services to residential properties.

Planning and Environmental Health Division covers the following programs:

Strategic Planning

This program includes all revenues and expenses related to strategic planning projects such as planning proposals (land rezonings), local environmental plans, development control plans, heritage studies and economic development programs.

Northern Rivers Community Gallery

This program includes revenues and expenses for the operation of the Northern Rivers Community Gallery.

Development Services

Revenues and expenses associated with the assessment and management of development applications.

Building Services

Revenues and expenses associated with the provision of building certification services and the assessment of the building application section of development applications.

Environmental and Public Health Services

Revenues and expenses associated with the provision of services such as environmental health, food premise inspections and licences required under the Local Government Act.

Public Order

Revenues and expenses associated with the delivery of ranger services and a parking officer.

Open Spaces and Reserves

Costs associated with the maintenance of all Council parks, reserves, public amenities, cemeteries, beaches and sporting grounds.

Water Operations

This program includes the revenue raised to finance the water programs and management and operational expenses associated with the delivery of those programs.

Wastewater Operations

This program includes the revenue raised to finance the wastewater programs, management expenses and expenses associated with the delivery of wastewater services to the local government area.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	19,122	18,764
Farmland	1,713	1,655
Business	4,648	4,435
Less: pensioner rebates (mandatory)	(635)	(637)
Rates levied to ratepayers	24,848	24,217
Pensioner rate subsidies received	349	350
Total ordinary rates	25,197	24,567
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	7,540	6,768
Stormwater management services	400	390
Water supply services	4,280	4,100
Wastewater services	18,541	17,699
Waste management services (non-domestic)	606	569
Less: pensioner rebates (mandatory)	(833)	(831)
Annual charges levied	30,534	28,695
Pensioner subsidies received:		
– Water	161	161
– Wastewater	160	160
– Domestic waste management	138	137
Total annual charges	30,993	29,153
Total rates and annual charges	56,190	53,720

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)			
Water supply services	1	7,682	7,918
Wastewater services	1	1,468	1,377
Waste management services (non-domestic)	1	2,806	1,630
Total specific user charges		11,956	10,925
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	3,029	2,494
Private works – section 67	2	54	37
Total fees and charges – statutory/regulatory		3,083	2,531
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	7,904	5,611
Cemeteries	2	417	379
Swimming centres	2	1,073	990
Waste disposal tipping fees	2	1,580	1,622
Ferry tolls	2	557	445
Plant hire	2	318	410
Other	2	331	122
Total fees and charges – other		12,180	9,579
Total user charges and fees		27,219	23,035
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		11,956	10,925
User charges and fees recognised at a point in time (2)		15,263	12,110
Total user charges and fees		27,219	23,035

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 the tent park, indoor sport and leisure centre, swimming pools and other community facilities, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as for fixed-term swimming pool passes, the fee revenue, if material, is recognised on a straight-line basis over the expected term of the pass.

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Fines – parking	2	195	214
Fines – other	2	86	101
Legal fees recovery – rates and charges (extra charges)	2	–	112
Legal fees recovery – other	2	2,495	–
Commissions and agency fees	2	29	31
Insurance claims recoveries	2	85	441
Recycling income (non-domestic)	2	481	312
Miscellaneous sales	2	142	185
Reassessment of provision for remediation	2	–	610
Other	2	292	364
<u>Total other revenue</u>		<u>3,805</u>	<u>2,370</u>

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)		2,370
<u>Total other revenue</u>		<u>2,370</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	2	2,249	2,281	–	–
Payment in advance - future year allocation					
Financial assistance	2	2,409	2,418	–	–
Amount recognised as income during current year		4,658	4,699	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Bushfire and emergency services	2	116	1,354	–	–
Library	2	171	166	–	–
LIRS subsidy	2	123	123	–	–
NSW Rural Fire Services	2	113	113	–	–
Recreation and culture	2	296	31	391	–
Natural disaster funding	1	45	77	–	–
Airport	1	–	–	405	742
Lennox Cultural Centre Enhancement Project	1	–	–	520	1,314
Stronger Country - Skennars Head	1	–	–	–	663
Coastal paths and walks	1	–	–	906	897
Environmental (including coastal and estuary) programs ¹		1,216	746	409	–
Contribution to employee costs	2	364	359	–	–
Roads to Recovery	2	880	634	–	246
Transport for NSW contributions (regional roads, block grant)	2	1,076	1,365	1,978	–
Local Roads and Community Infrastructure	2	228	–	1,092	–
Other roads and bridges ¹		135	667	2,838	615
Other	2	151	383	69	20
Total special purpose grants and non-developer contributions – cash		4,914	6,018	8,608	4,497
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	21,229	7,468
Dedications - non-current assets	2	–	–	3,730	6,934
Total other contributions – non-cash		–	–	24,959	14,402
Total special purpose grants and non-developer contributions (tied)		4,914	6,018	33,567	18,899
Total grants and non-developer contributions		9,572	10,717	33,567	18,899
Comprising:					
– Commonwealth funding		6,054	5,924	4,029	599
– State funding		2,781	1,163	7,682	3,278
– Other funding		737	3,630	21,856	15,022
		9,572	10,717	33,567	18,899

(1) Grants and contributions included in this line item are either recognised over time or at a point in time.

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):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	360	–	5,151	4,644
S 64 – water supply contributions		2	–	–	780	763
S 64 – sewerage service contributions		2	–	–	1,728	1,694
Total developer contributions – cash			360	–	7,659	7,101
Total developer contributions			360	–	7,659	7,101
Total grants and contributions			9,932	10,717	41,226	26,000

Timing of revenue recognition for grants and contributions

Grants and contributions recognised over time (1)	45	77	6,962	4,481
Grants and contributions recognised at a point in time (2)	9,887	10,640	34,264	21,519
Total grants and contributions	9,932	10,717	41,226	26,000

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 funds at 1 July	1,967	954	31,888	30,697
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,233	1,689	8,458	7,535
Add: Funds received and not recognised as revenue in the current year	–	–	1,368	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(58)	(676)	(3,977)	(6,344)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(96)	–	(405)	–
Unspent funds at 30 June	3,046	1,967	37,332	31,888

B2-4 Grants and contributions (continued)

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 but include the provision of research, bush regeneration activities and art gallery cultural events, such as short courses and workshops. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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)	–	44
– Cash and investments	822	1,805
<u>Total interest and investment income (losses)</u>	<u>822</u>	<u>1,849</u>

Accounting policy

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

B2-6 Other income

\$ '000	2021	2020
Reversal of impairment losses on receivables	55	–
Fair value increment on investment properties	2,085	550
Rental income	3,222	3,031
Net share of interests in associates using the equity method	–	57
<u>Total other income</u>	<u>5,362</u>	<u>3,638</u>

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	22,608	22,152
Employee leave entitlements (ELE)	4,452	4,218
Superannuation – defined contribution plans	2,329	2,155
Superannuation – defined benefit plans	448	466
Workers' compensation insurance	500	489
Fringe benefit tax (FBT)	17	13
Payroll tax	279	291
Training costs (other than salaries and wages)	123	143
Other	84	77
Total employee costs	30,840	30,004
Less: capitalised costs	(3,107)	(3,330)
Total employee costs expensed	27,733	26,674
Number of 'full-time equivalent' employees (FTE) at year end	337	331

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
Raw materials and consumables		30,304	28,675
Contractor and consultancy costs		226	185
Auditors' remuneration	F2-1	163	169
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	324	282
Advertising		94	138
Bank charges		148	135
Electricity and heating		2,075	1,915
Insurance		1,467	1,389
Street lighting		514	502
Subscriptions and publications		91	82
Telephone and communications		220	301
Other expenses		127	68
Legal expenses:			
– Legal expenses: planning and development		733	983
– Legal expenses: other		114	224
Expenses from leases of low value assets		56	119
Expenses from short-term leases		56	50
Total materials and services		36,712	35,217
<u>Total materials and services</u>		<u>36,712</u>	<u>35,217</u>

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on leases	96	121
Interest on loans	4,358	4,411
Total interest bearing liability costs	4,454	4,532
(ii) Other borrowing costs		
Unwinding of present value discounts and premiums	8	139
Total other borrowing costs	8	139
<u>Total borrowing costs expensed</u>	<u>4,462</u>	<u>4,671</u>

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		2,067	1,722
Office equipment		15	23
Furniture and fittings		5	5
Land improvements (depreciable)		112	95
Infrastructure:			
	C1-7		
– Buildings		4,372	2,592
– Other structures		1,096	1,525
– Roads		8,301	7,959
– Bridges		687	680
– Footpaths		565	489
– Stormwater drainage		1,498	1,429
– Water supply network		1,535	1,487
– Sewerage network		3,610	3,700
– Bulk earthworks		156	151
Reinstatement, rehabilitation and restoration assets:			
Future reinstatement costs – tips	C3-5,C1-7	19	19
Future reinstatement costs – quarries	C3-5,C1-7	54	54
Right of use assets	C2-1	482	496
Total gross depreciation and amortisation costs		24,574	22,426
<u>Total depreciation, amortisation and impairment for non-financial assets</u>		24,574	22,426

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.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		–	208
Total impairment of receivables	C1-4	–	208
Net share of interests in joint ventures and associates using the equity method			
Associates		66	19
Total net share of interests in joint ventures and associates using the equity method	D2-1	66	19
Other			
Contributions/levies to other levels of government			
– Planning levy		152	164
– Emergency Services levy		85	68
– Waste levy		–	(9)
– Other contributions/levies (includes FRNSW and RFS levies)		344	217
Donations, contributions and assistance to other organisations		1,693	1,859
Total other		2,274	2,299
Total other expenses		2,340	2,526

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 property (excl. investment property)			
Proceeds from disposal – property		–	220
Less: carrying amount of property assets sold/written off		(1,535)	(2,640)
Gain (or loss) on disposal		(1,535)	(2,420)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		704	488
Less: carrying amount of plant and equipment assets sold/written off		(307)	(147)
Gain (or loss) on disposal		397	341
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(5,061)	(3,912)
Gain (or loss) on disposal		(5,061)	(3,912)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		314	2,849
Less: carrying amount of real estate assets sold/written off		(188)	(1,369)
Gain (or loss) on disposal		126	1,480
Net gain (or loss) on disposal of assets		(6,073)	(4,511)

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 25/06/2020 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				
Rates and annual charges	55,298	56,190	892	2% F
User charges and fees	25,785	27,219	1,434	6% F
Other revenues	850	3,805	2,955	348% F
<i>Other revenues</i> includes the recovery of legal fees totalling \$2.495m. Due to the uncertainty associated with court proceedings and non-court settlements, income from legal fees recovered are not included in the budget.				
Operating grants and contributions	8,889	9,932	1,043	12% F
<i>The actual amount of grant income often depends on decisions made by the State and Commonwealth governments after Council's original budget was adopted. Subsequent to the adoption of the budget, Council received a number of grants which were not included in the original budget. This resulted in the favourable variance from budget.</i>				
Capital grants and contributions	21,504	41,226	19,722	92% F
<i>Capital grants and contributions</i> were significantly higher than the original adopted budget. This has largely resulted from significant unbudgeted non-cash dedications of non-current assets, including the Woolgoolga to Ballina Bypass.				
Interest and investment revenue	1,908	822	(1,086)	(57)% U
<i>Due to the continued decline in the cash rate, resulting from the adverse economic impact of the COVID-19 pandemic, Council's interest and investment revenue</i> did not meet the original budget. Council's investment portfolio returned a positive margin against both the cash rate and the 90 day Bank Bill Swap Rate (BBSW) throughout the year.				
Other income	2,647	5,362	2,715	103% F
<i>Other income</i> includes the Fair Value increment on investment properties. Due to the market based nature of independent valuations and other assumptions incorporated in valuation models, this income item is not included in Council's budget.				
EXPENSES				
Employee benefits and on-costs	26,613	27,733	(1,120)	(4)% U
Materials and services	41,649	36,712	4,937	12% F
<i>Materials and services</i> are favourable to budget due to lower than expected expenditure in the areas of Strategic Planning, Public and Environmental Health, and Asset Management. As reflected in the budget carried forwards and reserve movements, there have been a number of projects deferred to the 2021/22 year.				
Borrowing costs	4,498	4,462	36	1% F
Depreciation, amortisation and impairment of non-financial assets	20,682	24,574	(3,892)	(19)% U
<i>Depreciation</i> is difficult to predict, and is impacted by the timing of asset additions, disposals and revaluation of assets				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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classes year on year. The unfavourable movement in depreciation in 2020/21 was largely due to higher than budgeted depreciation on buildings.

Other expenses	1,968	2,340	(372)	(19)%	U
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Other expenses is unfavourable against budget due to the higher than forecast emergency levies.

Net losses from disposal of assets	-	6,073	(6,073)	∞	U
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STATEMENT OF CASH FLOWS

Cash flows from operating activities	41,303	49,643	8,340	20%	F
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The favourable variance against budget in *Cash flows from operating activities* is due to higher than expected revenues from the Ballina Byron Gateway Airport and Council Waste Centre, and the receipt of unanticipated legal settlements.

Cash flows from investing activities	(46,195)	(49,337)	(3,142)	7%	U
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Cash flows from financing activities	4,892	(2,886)	(7,778)	(159)%	U
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Due to the deferral of Wollongbar Urban Expansion Area - Stage 3 project and other changes in the scheduling of capital works projects, Council's drawdown of new loans (to finance these projects), was less than budgeted.

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	7,454	10,034
<u>Total cash and cash equivalents</u>	<u>7,454</u>	<u>10,034</u>

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7,454	10,034
<u>Balance as per the Statement of Cash Flows</u>	<u>7,454</u>	<u>10,034</u>

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	77,500	–	59,500	–
NCD's, FRN's (with maturities > 3 months) ¹	6,800	14,000	7,138	16,900
<u>Total financial investments</u>	<u>84,300</u>	<u>14,000</u>	<u>66,638</u>	<u>16,900</u>
<u>Total cash assets, cash equivalents and investments</u>	<u>91,754</u>	<u>14,000</u>	<u>76,672</u>	<u>16,900</u>

(1) NCDs are negotiable certificates of deposit; FRNs are floating rate notes

Financial assets

All recognised financial assets are measured in their entirety at amortised cost.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	91,754	14,000	76,672	16,900
attributable to:				
External restrictions	46,951	14,000	36,398	16,900
Internal restrictions	38,604	–	32,872	–
Unrestricted	6,199	–	7,402	–
	91,754	14,000	76,672	16,900

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Deposits and retentions	3,975	4,219
Water and wastewater ELE's	1,008	916
External restrictions – included in liabilities	4,983	5,135

External restrictions – other

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

Developer contributions – general	15,064	12,584
Developer contributions – water fund	10,782	10,116
Developer contributions – wastewater fund	9,383	8,651
Specific purpose unexpended grants (recognised as revenue) – general fund	1,321	2,352
Water fund	9,869	10,164
Wastewater services	8,674	3,061
Domestic waste management	875	1,235
External restrictions – other	55,968	48,163
Total external restrictions	60,951	53,298

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

\$ '000	2021	2020
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Airport	2,929	2,337
Bypass maintenance funding	3,602	4,053
Carry over works	3,336	2,741
Commercial properties	852	679
Community facilities (other)	854	674
Employees leave entitlement	2,994	2,994
Facilities Management	989	798
Financial assistance grant in advance	2,418	2,418
Management plans and studies	1,898	1,769
Landfill and resource management	2,207	926
Open Spaces and Reserves	1,774	1,005
Plant and vehicle replacement	1,391	552
Property reserves	5,357	3,996
Quarries	773	871
Road works	3,543	3,709
Strategic Planning	1,062	985
Wollongbar District and Skate Park	957	1,413
Other	1,668	952
Total internal restrictions	38,604	32,872
Total restrictions	99,555	86,170

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	2,331	90	2,740	134
Interest and extra charges	52	22	68	29
User charges and fees	2,881	112	2,596	127
Accrued revenues				
– Interest on investments	220	–	330	–
Airport charges	3,857	–	570	–
Government grants and subsidies	549	–	582	–
Net GST receivable	639	–	565	–
Waste centre fees	430	–	70	–
Other debtors	206	–	314	–
Total	11,165	224	7,835	290
Less: provision for impairment				
User charges and fees	(201)	–	(259)	–
Total provision for impairment – receivables	(201)	–	(259)	–
Total net receivables	10,964	224	7,576	290
Externally restricted receivables				
Water supply				
– Other	2,531	56	2,538	57
Sewerage services				
– Other	1,494	79	1,536	81
Domestic waste management	254	10	297	15
Stormwater management	60	–	17	–
Total external restrictions	4,339	145	4,388	153
Unrestricted receivables	6,625	79	3,188	137
Total net receivables	10,964	224	7,576	290

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	259	51
+ new provisions recognised during the year	4	219
– amounts already provided for and written off this year	(1)	–
– amounts provided for but recovered during the year	(61)	(11)
Balance at the end of the year	201	259

C1-4 Receivables (continued)

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 estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a 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.

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

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

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Trading stock	16	–	18	–
Stores and materials	854	–	631	–
Real estate for resale	1,828	5,304	171	6,222
Total inventories at cost	2,698	5,304	820	6,222
Total inventories	2,698	5,304	820	6,222

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	2,698	5,304	820	6,222
Total inventories	2,698	5,304	820	6,222

(i) Other disclosures

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development				
Industrial/commercial	1,828	3,683	171	5,432
Residential	–	1,621	–	790
Total real estate for resale	1,828	5,304	171	6,222
(Valued at the lower of cost and net realisable value)				
Represented by:				
Development costs	1,828	5,304	171	6,222
Total real estate for resale	1,828	5,304	171	6,222

Accounting policy

Stores and materials

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.

Trading stock

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	2,462	1,192
Total contract assets and contract cost assets		2,462	1,192

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Work relating to infrastructure grants	2,409	-	928	-
Other	53	-	264	-
Total contract assets	2,462	-	1,192	-

Significant changes in contract assets

The significant change in contract assets is due to the timing of capital works, with a number of projects in progress as at 30 June 2021, in comparison to 30 June 2020. These projects include the construction of Airport Boulevard and the Coastal Shared Walk.

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total unrestricted assets	2,462	-	1,192	-
Total contract assets and contract cost asset	2,462	-	1,192	-

Accounting policy

Contract assets

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

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

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

C1-7 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	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets	Revaluation movement to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	46,073	–	46,073	14,100	19,939	–	–	(32,595)	(418)	872	(527)	47,444	–	47,444
Plant and equipment	26,770	(14,963)	11,807	–	2,389	(484)	(2,067)	274	–	–	–	24,478	(12,559)	11,919
Office equipment	1,451	(1,406)	45	–	–	–	(15)	–	–	–	–	1,451	(1,421)	30
Furniture and fittings	423	(409)	14	–	–	–	(5)	4	–	–	–	427	(414)	13
Land:														
– Operational land	66,915	–	66,915	–	20	–	–	1,854	–	–	–	68,789	–	68,789
– Community land	49,112	–	49,112	–	–	–	–	–	–	–	–	49,112	–	49,112
– Crown land	30,431	–	30,431	–	–	–	–	–	–	–	–	30,431	–	30,431
– Land under roads (post 30/6/08)	2,078	–	2,078	–	121	–	–	907	–	–	–	3,106	–	3,106
Land improvements – non-depreciable	15,080	–	15,080	–	–	–	–	1,015	(526)	–	–	15,569	–	15,569
Land improvements – depreciable	7,603	(3,821)	3,782	–	–	–	(112)	608	526	–	–	8,737	(3,933)	4,804
Infrastructure:														
– Buildings	164,029	(52,531)	111,498	651	634	(1,535)	(4,372)	2,759	–	–	–	166,115	(56,480)	109,635
– Other structures	45,046	(12,399)	32,647	80	13	(126)	(1,096)	1,432	–	–	–	46,394	(13,444)	32,950
– Roads	469,877	(120,195)	349,682	233	6,227	(2,213)	(8,301)	11,057	–	–	–	483,293	(126,608)	356,685
– Bridges	53,983	(17,670)	36,313	–	–	(6)	(687)	108	–	–	–	54,064	(18,336)	35,728
– Footpaths	37,420	(5,256)	32,164	–	1,183	(80)	(565)	860	–	–	–	39,356	(5,794)	33,562
– Bulk earthworks	152,052	(693)	151,359	48	859	(608)	(156)	1,582	–	–	–	153,930	(846)	153,084
– Stormwater drainage	111,596	(40,409)	71,187	–	3,444	(91)	(1,498)	3,475	–	–	–	118,298	(41,781)	76,517
– Water supply network	121,261	(45,991)	75,270	65	1,455	(933)	(1,535)	4,166	–	–	677	126,068	(46,903)	79,165
– Sewerage network	298,152	(79,570)	218,582	14	3,223	(825)	(3,610)	2,494	–	–	1,972	304,478	(82,628)	221,850
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	1,737	(1,624)	113	–	4,175	–	(19)	–	–	–	–	5,912	(1,643)	4,269
– Quarry assets	1,050	(961)	89	–	296	–	(54)	–	–	–	–	1,345	(1,014)	331
Total infrastructure, property, plant and equipment	1,702,139	(397,898)	1,304,241	15,191	43,978	(6,901)	(24,092)	–	(418)	872	2,122	1,748,797	(413,804)	1,334,993

C1-7 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	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation movement to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	42,198	–	42,198	14,212	17,440	–	–	(26,459)	(14)	187	(1,491)	46,073	–	46,073
Plant and equipment	22,908	(14,985)	7,923	63	5,311	(147)	(1,722)	379	–	–	–	26,770	(14,963)	11,807
Office equipment	1,519	(1,451)	68	–	–	–	(23)	–	–	–	–	1,451	(1,406)	45
Furniture and fittings	423	(404)	19	–	–	–	(5)	–	–	–	–	423	(409)	14
Land:														
– Operational land	66,385	–	66,385	–	400	(242)	–	480	–	–	(108)	66,915	–	66,915
– Community land	49,078	–	49,078	–	–	–	–	–	–	–	34	49,112	–	49,112
– Crown land	33,592	–	33,592	–	–	–	–	–	–	–	(3,161)	30,431	–	30,431
– Land under roads (post 30/6/08)	2,003	–	2,003	–	62	–	–	13	–	–	–	2,078	–	2,078
Land improvements – non-depreciable	14,554	–	14,554	–	45	–	–	481	–	–	–	15,080	–	15,080
Land improvements – depreciable	7,602	(3,725)	3,877	–	–	–	(95)	–	–	–	–	7,603	(3,821)	3,782
Infrastructure:														
– Buildings	149,772	(49,828)	99,944	678	1,927	(2,391)	(2,592)	13,932	–	–	–	164,029	(52,531)	111,498
– Other structures	44,598	(10,871)	33,727	–	25	(7)	(1,525)	427	–	–	–	45,046	(12,399)	32,647
– Roads	449,282	(107,045)	342,237	1,060	3,430	(1,885)	(7,959)	6,988	123	–	5,688	469,877	(120,195)	349,682
– Bridges	51,035	(19,320)	31,715	–	–	–	(680)	–	237	–	5,041	53,983	(17,670)	36,313
– Footpaths	37,471	(8,970)	28,501	761	882	(132)	(489)	434	(639)	–	2,846	37,420	(5,256)	32,164
– Bulk earthworks (non-depreciable)	140,123	(666)	139,457	608	464	(1,083)	(151)	716	515	–	10,833	152,052	(693)	151,359
– Stormwater drainage	134,788	(49,134)	85,654	–	2,257	–	(1,429)	928	(237)	–	(15,986)	111,596	(40,409)	71,187
– Water supply network	119,558	(44,072)	75,486	–	394	–	(1,487)	177	–	–	700	121,261	(45,991)	75,270
– Sewerage network	293,118	(75,261)	217,857	527	1,177	(812)	(3,700)	1,504	–	–	2,029	298,152	(79,570)	218,582
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	1,737	(1,605)	132	–	–	–	(19)	–	–	–	–	1,737	(1,624)	113
– Quarry assets	1,050	(907)	143	–	–	–	(54)	–	–	–	–	1,050	(961)	89
Total infrastructure, property, plant and equipment	1,662,794	(388,244)	1,274,550	17,909	33,814	(6,699)	(21,930)	–	(15)	187	6,425	1,702,139	(397,898)	1,304,241

C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

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

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.

Useful lives of IPPE

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	10 to 20	Playground equipment	10 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 8		
Vehicles	3 to 5	Buildings	
Heavy plant/road making equipment	8 to 15	Buildings: masonry	80 to 100
Other plant and equipment	2 to 20	Buildings: other	30 to 40
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	80 to 200	Culverts	60 to 80
Bores	30 to 50	Flood control structures	80 to 100
Reticulation pipes: PVC and other	60 to 182		
Pumps and telemetry	10 to 60		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	1000
Sealed roads: surface	17 to 30	Swimming pools	40 to 60
Sealed roads: structure	20 to 40	Other open space/recreational assets	20
Unsealed roads	100 to 1000	Other infrastructure	20
Bridge: concrete	80 to 100		
Bridge: other	40 to 80		
Road pavements	50 to 100		
Kerb, gutter and footpaths	60 to 90		

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. 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.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Land under roads

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

C1-7 Infrastructure, property, plant and equipment (continued)

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. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C1-8 Investment properties

\$ '000	2021	2020
Owned investment property		
Investment property on hand at fair value	25,340	23,255
Total owned investment property	25,340	23,255
At fair value		
Opening balance at 1 July	23,255	22,705
Net gain/(loss) from fair value adjustments	2,085	550
Closing balance at 30 June	25,340	23,255

Accounting policy

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

C2 Leasing activities

C2-1 Council as a lessee

Extension options

Council may negotiate the inclusion of options in the leases to provide flexibility and certainty to Council operations and reduce costs of change, including moving premises. The extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses whether it is reasonably certain that the extension options will be exercised.

As at 30 June 2021, Council assessed that the exercise of any options is reasonably certain. Therefore there are no potential future lease payments not included in the lease liabilities as at 30 June 2021.

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

Terms and conditions of leases

Plant and equipment

Council leases vehicles and equipment with lease terms varying from 3 to 6 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Leases for office and IT equipment are generally for low value assets, except for significant items such as servers and multi-functional devices. The leases are for between 2 and 5 years with no renewal option. The payments are predominantly fixed, however some of the leases include variable payments based on usage.

Land

Land - Operational

Council has a long term lease to a coastal car park and adjoining land area. The lease is 99 years and does not have a renewal option.

The lease payments are fixed and the lease contains an annual pricing mechanism determined by the movement in the Consumer Price Index between rent review dates.

Land - Crown

On community land where Council is not the appointed Crown land manager, Council leases the land from the Department of Planning, Industry and Environment in their role in managing the Crown estate. Council uses this land for the provision of providing community facilities including the art gallery and the local surf lifesaving club.

The lease terms are between 10 and 20 years with no option periods. The lease payments are fixed and the leases contain annual pricing mechanisms determined by the movement in the Consumer Price Index between rent review dates.

(a) Right of use assets

\$ '000	Plant and equipment	Land Operational	Land Crown	Total
2021				
Opening balance at 1 July	979	1,202	908	3,089
Additions to right-of-use assets	46	–	–	46
Adjustments to right-of-use assets due to re-measurement of lease liability	(65)	47	(2)	(20)
Depreciation charge	(387)	(14)	(81)	(482)
Balance at 30 June	573	1,235	825	2,633
2020				
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	1,149	1,215	981	3,345
Additions to right-of-use assets	234	–	–	234
Adjustments to right-of-use assets due to re-measurement of lease liability	(3)	–	8	5
Depreciation charge	(402)	(13)	(81)	(496)
Balance at 30 June	979	1,202	908	3,089

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	545	2,152	464	2,664
Total lease liabilities	545	2,152	464	2,664

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	491	723	4,107	5,321	2,697
2020					
Cash flows	561	1,201	4,263	6,025	3,128

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	96	121
Depreciation of right of use assets	482	496
Expenses relating to short-term leases	56	50
Expenses relating to low-value leases	56	119
	690	786

(e) Statement of Cash Flows

Total cash outflow for leases	668	739
	668	739

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

Council has a number of land and building leases with lease payments that are significantly below market terms and conditions principally to enable Council to fulfil its objectives. These sites are used for various purposes including the local surf lifesaving clubs.

The leases are generally long term spanning up to 20 years. They 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 and 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.

C2-1 Council as a lessee (continued)

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

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-8)

– property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-7).

(i) Assets held as investment property

Investment property operating leases relate to the leasing of industrial and retail properties to commercial and retail tenants.

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

\$ '000	2021	2020
Lease income (excluding variable lease payments not dependent on an index or rate)	1,728	1,720
Total income relating to operating leases for investment property assets	1,728	1,720
Operating lease expenses		
Direct operating expenses that generated rental income	130	122
Direct operating expenses that did not generate rental income	93	164
Total expenses relating to operating leases	223	286

C2-2 Council as a lessor (continued)

\$ '000	2021	2020
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(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for community purposes. The table below relates to operating leases on assets disclosed in C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	1,494	1,311
Total income relating to operating leases for Council assets	1,494	1,311

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	1,253	1,559
1–2 years	746	1,041
2–3 years	323	612
3–4 years	138	282
4–5 years	43	97
Total undiscounted lease payments to be received	2,503	3,591

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services	7,873	–	6,085	–
Accrued expenses:				
– Borrowings	339	–	288	–
– Salaries and wages	1,008	–	826	–
Security bonds, deposits and retentions	3,975	–	4,219	–
Prepaid rates and rental income	1,659	–	1,238	–
Total payables	14,854	–	12,656	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	48	–	42	–
Sewer	142	–	170	–
Payables relating to externally restricted assets	190	–	212	–
Total payables relating to restricted assets	190	–	212	–
Total payables relating to unrestricted assets	14,664	–	12,444	–
Total payables	14,854	–	12,656	–

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	1,541	1,405
Total payables and borrowings	1,541	1,405

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:				
Unexpended capital grants (to construct Council controlled assets)	1,368	-	501	-
Total grants received in advance	1,368	-	501	-
Total contract liabilities	1,368	-	501	-

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

\$ '000	2021	2020
Capital grants (to construct Council controlled assets)	405	989
Total revenue recognised that was included in the contract liability balance at the beginning of the period	405	989

Significant changes in contract liabilities

As at 30 June 2021, Council had received the initial milestone funding for significant projects that have either yet to commence or are in their early stages of construction. These include Kingsford Smith Regional Sporting Facility Upgrade and the Your High Street Lennox Head Village Vision projects.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	6,281	70,762	5,930	73,542
Total borrowings	6,281	70,762	5,930	73,542

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements			2021
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	79,472	(2,429)	–	–	–	77,043
Lease liability (Note C2-1b)	3,128	(457)	46	–	(20)	2,697
Total liabilities from financing activities	82,600	(2,886)	46	–	(20)	79,740

\$ '000	2019		Non-cash movements			2020
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	77,054	(6,582)	9,000	–	–	79,472
Lease liability (Note C2-1b)	–	(457)	234	3,345	6	3,128
Total liabilities from financing activities	77,054	(7,039)	9,234	3,345	6	82,600

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Loan Facilities	77,043	79,472
Credit cards/purchase cards	750	750
Total financing arrangements	77,793	80,222
Drawn facilities		
– Loan Facilities	77,043	79,472
– Credit cards/purchase cards	6	144
Total drawn financing arrangements	77,049	79,616
Undrawn facilities		
– Credit cards/purchase cards	744	606
Total undrawn financing arrangements	744	606

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	3,022	–	2,792	–
Sick leave	1,746	–	1,688	–
Long service leave	4,225	458	3,988	397
Total employee benefit provisions	8,993	458	8,468	397

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	218	24	216	10
Sewer	689	77	661	29
Domestic waste management	213	10	189	10
Employee benefit provisions relating to externally restricted assets	1,120	111	1,066	49
Total employee benefit provisions relating to restricted assets	1,120	111	1,066	49
Total employee benefit provisions relating to unrestricted assets	7,873	347	7,402	348
Total employee benefit provisions	8,993	458	8,468	397

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,114	5,061
	5,114	5,061

C3-4 Employee benefit provisions (continued)

Description of and movements in non-employee benefit provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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.

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	7,661	–	3,183
Sub-total – asset remediation/restoration	–	7,661	–	3,183
Total provisions	–	7,661	–	3,183

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	3,183	3,183
– Revised discount rate	765	765
– Revised costs	3,705	3,705
Unwinding of discount	8	8
Total other provisions at end of year	7,661	7,661
2020		
At beginning of year	3,752	3,752
– Revised discount rate	(492)	(492)
– Revised life	(118)	(118)
Unwinding of discount	41	41
Total other provisions at end of year	3,183	3,183

continued on next page ...

C3-5 Provisions (continued)

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarries as a result of past operations.

Accounting policy

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

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

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

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General ¹ 2021	Water 2021	Wastewater 2021
Income from continuing operations			
Rates and annual charges	33,586	3,988	18,616
User charges and fees	17,132	8,615	1,472
Interest and investment revenue	510	176	136
Other revenues	896	–	2,909
Grants and contributions provided for operating purposes	9,612	161	159
Grants and contributions provided for capital purposes	31,769	2,060	7,397
Other income	5,362	–	–
Total income from continuing operations	98,867	15,000	30,689
Expenses from continuing operations			
Employee benefits and on-costs	20,941	2,467	4,325
Materials and services	22,029	8,634	6,049
Borrowing costs	1,281	–	3,181
Depreciation, amortisation and impairment of non-financial assets	18,662	1,679	4,233
Other expenses	1,944	132	264
Net losses from the disposal of assets	4,310	944	819
Total expenses from continuing operations	69,167	13,856	18,871
Operating result from continuing operations	29,700	1,144	11,818
Net operating result for the year	29,700	1,144	11,818
Net operating result attributable to each council fund	29,700	1,144	11,818
Net operating result for the year before grants and contributions provided for capital purposes	(2,069)	(916)	4,421

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

D1-2 Statement of Financial Position by fund

\$ '000	General ¹ 2021	Water 2021	Wastewater 2021
ASSETS			
Current assets			
Cash and cash equivalents	7,454	–	–
Investments	50,239	17,918	16,143
Receivables	6,939	2,531	1,494
Inventories	2,698	–	–
Contract assets and contract cost assets	2,462	–	–
Other	529	49	–
Total current assets	70,321	20,498	17,637
Non-current assets			
Investments	8,345	2,975	2,680
Receivables	(474)	619	79
Inventories	5,304	–	–
Infrastructure, property, plant and equipment	1,004,502	88,036	242,455
Investments accounted for using the equity method	1,145	–	–
Investment property	25,340	–	–
Right of use assets	2,633	–	–
Total non-current assets	1,046,795	91,630	245,214
TOTAL ASSETS	1,117,116	112,128	262,851
LIABILITIES			
Current liabilities			
Payables	14,664	48	142
Contract liabilities	1,368	–	–
Lease liabilities	545	–	–
Borrowings	3,361	–	2,920
Employee benefit provision	8,086	218	689
Total current liabilities	28,024	266	3,751
Non-current liabilities			
Lease liabilities	2,152	–	–
Borrowings	26,845	–	43,917
Employee benefit provision	357	24	77
Provisions	7,661	–	–
Total non-current liabilities	37,015	24	43,994
TOTAL LIABILITIES	65,039	290	47,745
Net assets	1,052,077	111,838	215,106
EQUITY			
Accumulated surplus	640,882	54,229	132,476
Revaluation reserves	411,195	57,609	82,630
Council equity interest	1,052,077	111,838	215,106
Total equity	1,052,077	111,838	215,106

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

D1-3 Details of internal loans

(in accordance with s410(3) of the *Local Government Act 1993*)

	LED Street Lighting Upgrade project
Details of individual internal loans	
Borrower (by purpose)	General Fund
Lender (by purpose)	Water Fund
Date of Minister's approval	24 June 2019
Date raised	1 July 2019
Term years	9 years
Dates of maturity	30 June 2028
Rate of interest (%)	3%
Amount originally raised (\$'000)	722
Total repaid during year (principal and interest) (\$'000)	109
Principal outstanding at end of year (\$'000)	560

D2 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		
Associates	1,145	1,211
Total net share of interests in joint ventures and associates using the equity method – assets	1,145	1,211
Total Council's share of net assets	1,145	1,211

D2-1 Interests in associates

The nature and extent of significant restrictions relating to associates

Council signed a new Richmond Tweed Regional Library (RTRL) deed with 3 other local Councils on 29 November 2017 resulting in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to on termination of this deed equal share of the total equity at 30 June 2017, and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

Summarised financial information for individually immaterial associates

Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

\$ '000	2021	2020
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,145	1,211
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(66)	57
Total comprehensive income – individually immaterial associates	(66)	57

Accounting policy

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated. Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

D2-2 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2021	2021
		Net profit	Net assets
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles. Joint Venture	8	28

Reasons for non-recognition

Councils share of NEWLOG net assets is 13.33%, Council considers this immaterial to the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

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	7,454	10,034	7,454	10,034
Receivables	11,188	7,866	11,188	7,866
Investments				
– Debt securities at amortised cost	98,300	83,538	98,300	83,538
Total financial assets	116,942	101,438	116,942	101,438
Financial liabilities				
Payables	14,854	12,656	14,854	12,656
Loans/advances	77,043	79,472	99,727	107,812
Total financial liabilities	91,897	92,128	114,581	120,468

Fair value is determined as follows:

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

The risks associated with the instruments held are:

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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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	997	916
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(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.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council received detailed reports where appropriate.

Council makes suitable provision for expected credit losses 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, annual charges and user fees

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	–	5,414	–	–	–	5,414
2020						
Gross carrying amount	–	5,597	–	–	–	5,597

Receivables - non-rates, annual charges and user fees

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, 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	1,751	768	478	506	2,472	5,975
Expected loss rate (%)	0.00%	1.00%	1.00%	2.00%	2.00%	1.21%
ECL provision	–	8	5	10	49	72
2020						
Gross carrying amount	4,424	529	16	85	197	5,251
Expected loss rate (%)	0.00%	1.00%	1.00%	2.00%	2.00%	0.21%
ECL provision	–	5	–	2	4	11

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	3,975	10,879	–	–	14,854	14,854
Loans and advances	5.72%	–	10,256	34,950	57,481	102,687	77,043
Total financial liabilities		3,975	21,135	34,950	57,481	117,541	91,897
2020							
Trade/other payables	0.00%	4,219	7,199	–	–	11,418	11,418
Loans and advances	5.72%	–	10,234	36,727	68,226	115,187	79,472
Total financial liabilities		4,219	17,433	36,727	68,226	126,605	90,890

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2021	2020
		2021	2020	2021	2020	2021	2020
Investment property	C1-8						
Land and buildings		25,340	23,255	–	–	25,340	23,255
Total investment property		25,340	23,255	–	–	25,340	23,255
Infrastructure, property, plant and equipment	C1-7						
Plant and equipment		–	–	11,919	11,807	11,919	11,807
Office equipment		–	–	30	45	30	45
Furniture and fittings		–	–	13	14	13	14
Operational land		68,789	66,915	–	–	68,789	66,915
Community land		–	–	49,112	49,112	49,112	49,112
Crown land		–	–	30,431	30,431	30,431	30,431
Land under roads		–	–	3,106	2,078	3,106	2,078
Land improvements – non-depreciable		–	–	15,569	15,080	15,569	15,080
Land Improvements – depreciable		–	–	4,804	3,782	4,804	3,782
Buildings – non-specialised		8,803	9,129	–	–	8,803	9,129
Buildings – specialised		–	–	100,832	102,369	100,832	102,369
Other structures		–	–	32,950	32,647	32,950	32,647
Roads		–	–	356,685	349,682	356,685	349,682
Bridges		–	–	35,728	36,313	35,728	36,313
Footpaths		–	–	33,562	32,164	33,562	32,164
Bulk earthworks		–	–	153,084	151,359	153,084	151,359
Stormwater drainage		–	–	76,517	71,187	76,517	71,187
Water supply network		–	–	79,165	75,270	79,165	75,270
Wastewater network		–	–	221,850	218,582	221,850	218,582
Tip remediation		–	–	4,269	113	4,269	113
Quarries remediation		–	–	331	89	331	89
Total infrastructure, property, plant and equipment		77,592	76,044	1,209,957	1,182,124	1,287,549	1,258,168

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.

E2-1 Fair value measurement (continued)

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:

Investment property

Council assesses the carrying amount of its investment properties on an annual basis. Where there is an indication that a property's carrying amount may differ materially from fair value at the reporting date and at least bi-annually, the fair values are based on assessments determined by an independent and professionally qualified property valuer.

The fair value of each investment property as at 30 June 2021 are estimates based on valuations performed by certifying valuers, Martin Gooley and Jerrard Fairhurst, AAPI (Herron Todd White).

Each valuation adopts the direct comparison and capitalised income approach whereby sales of properties with similar characteristics were used to establish a value per square metre to apply to the total site area. A yield is then applied to the property's income return to assess its value and ensure it is aligned with market expectations. The key unobservable input to the valuations is the price per square metre and expected rates of return determined by the market.

As at 30 June 2021, due to the continued uncertainty resulting from COVID-19, the valuations were prepared on the basis of material valuation uncertainty. The valuer has 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.

Infrastructure, property, plant and equipment (IPPE)

Operational Land

This asset class comprises all of Council's land classified as Operational land under the NSW Local Government Act 1993.

Council obtains its fair values for operational land from an external valuer every 3 to 5 years (last valuation being 2019) using predominantly Level 2 inputs.

Level 1 and Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration.

The key unobservable inputs to the valuation are the rate per square metre and the description of the land. There has been no change to the valuation process during the reporting period.

Buildings - Non-Specialised

Non-specialised buildings were valued by Scott Fullerton Valuations Pty Ltd in 2019 using the "Market approach" utilising Level 2 inputs.

The properties fair values have been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

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

Plant and Equipment, Office Equipment, Furniture and Fittings

Plant and equipment, office equipment and furniture and fittings are valued at cost but are disclosed at fair value in the notes.

The carrying value of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Community and Crown Land

Council's "Community" land (Council-owned) and "Crown" land (Crown land that is controlled by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land

The Office of Local Government has determined that community land and controlled Crown land may be valued as follows: The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for land under clause 31 of AASB 116.

Valuations of all Council's Community land and Council controlled land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

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

Land under Roads

Council has elected to recognise land under roads where the road was acquired on or after 1 July 2008. Land under roads have been valued using the Englobo methodology which applies the square metre rates applicable for nearby or adjacent Community land having regard to the highest and best use for this land, with a 90% discount.

Land Improvements- Depreciable and Non-Depreciable

This asset class comprises land improvements such as spectator mounds, mulched areas, streetscaping and landscaping.

These assets are valued in-house (last valuation 2019) using the cost approach by experienced Council staff. The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors including but not limited to construction rates and industry construction cost benchmarks such as Rawlinson's Australian Construction handbook.

The unobservable Level 3 inputs used include gross replacement cost, asset condition, residual value and remaining useful life.

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

Buildings - Specialised and Other Structures

Specialised buildings and other structures were valued by Scott Fullerton Valuations Pty Ltd in 2019 using the "Cost approach" utilising Level 3 inputs.

The approach estimated the replacement cost of each building/other structure and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence, other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs.

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

Roads (including Bridges, Footpaths, Bulk Earthworks) and Stormwater Drainage

Roads are valued in-house by suitably qualified engineers and requires extensive professional judgement. All roads and stormwater assets are valued using Level 3 valuation inputs using the "Cost approach". Council staff completes the valuation of these assets internally using replacement cost approach and the last valuation was completed in 2020.

The 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 square metres or similar capacity could be supported from market evidence such as recently completed road constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive

E2-1 Fair value measurement (continued)

professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, we have adopted a policy that all road and stormwater assets are deemed be valued at Level 3.

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

Water Supply Network and Wastewater Network

Water and wastewater infrastructure assets were valued by APV Valuers & Asset Management in 2017 using the "Cost approach" utilising Level 2 and 3 inputs. The 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 square metres or similar capacity could be supported from market evidence such as recently completed constructions and industry construction cost data (Level 2), unobservable inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at Level 2, given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at Level 3, we have adopted a policy that all water and wastewater infrastructure assets are deemed be valued at Level 3.

Tip and Quarries Remediation Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of tip and quarries sites.

Evaluation of costs for tips and quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & equipment, office equipment and furniture & fittings	Cost used to approximate fair value	Gross replacement cost, useful lives and residual value
Community land	Land values obtained from the NSW Valuer- General	Land value, land area
Land under roads	Unimproved capital value provided by NSW Valuer-General	Land value, land area
Land improvements	Cost used to approximate fair value	Asset condition and remaining useful lives
Buildings	Cost used to approximate fair value	Asset condition and remaining useful lives
Other structures	Cost used to approximate fair value	Asset condition and remaining useful lives
Roads	Unit rates per m2 or length	Asset condition and remaining useful lives
Bridges	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Footpaths	Unit rates per m2	Asset condition and remaining useful lives
Bulk earthworks	Unit rates per m3	Asset condition and remaining useful lives
Stormwater drainage	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Water supply network	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Wastewater network	Unit rates per item, m2 or length	Asset condition and remaining useful lives
Tip and quarry remediation	Discounted remediation cost	Discount rate, cost escalation rate and timing of costs

E2-1 Fair value measurement (continued)

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 and Crown land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	11,807	7,923	45	68	14	19	79,543	82,670
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,663	5,753	–	–	4	–	–	–
Disposals (WDV)	(484)	(147)	–	–	–	–	–	–
Depreciation and impairment	(2,067)	(1,722)	(15)	(23)	(5)	(5)	–	–
Revaluation increments/ (decrements)	–	–	–	–	–	–	–	(3,127)
Closing balance	11,919	11,807	30	45	13	14	79,543	79,543

\$ '000	Land under roads		Land improvements		Buildings – specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	2,078	2,003	18,862	18,431	102,369	90,620	32,647	33,727
Total gains or losses for the period								
Other movements								
Purchases (GBV)	1,028	75	1,623	526	4,032	16,461	1,525	452
Disposals (WDV)	–	–	–	–	(1,535)	(2,391)	(126)	(7)
Depreciation and impairment	–	–	(112)	(95)	(4,034)	(2,321)	(1,096)	(1,525)
Closing balance	3,106	2,078	20,373	18,862	100,832	102,369	32,950	32,647

E2-1 Fair value measurement (continued)

\$ '000	Roads		Bridges		Footpaths		Bulk earthworks	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	349,682	342,237	36,313	31,715	32,164	28,501	151,359	139,457
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	123	-	237	-	(639)	-	515
Purchases (GBV)	17,517	11,478	108	-	2,043	2,077	2,489	1,788
Disposals (WDV)	(2,213)	(1,885)	(6)	-	(80)	(132)	(608)	(1,083)
Depreciation and impairment	(8,301)	(7,959)	(687)	(680)	(565)	(489)	(156)	(151)
Revaluation increments/(decrements)	-	5,688	-	5,041	-	2,846	-	10,833
Closing balance	356,685	349,682	35,728	36,313	33,562	32,164	153,084	151,359

\$ '000	Stormwater drainage		Water supply network		Wastewater network		Tip and quarry remediation	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	71,187	85,654	75,270	75,486	218,582	217,857	202	275
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	(237)	-	-	-	-	-	-
Purchases (GBV)	6,919	3,185	5,686	571	5,731	3,208	4,471	-
Disposals (WDV)	(91)	-	(933)	-	(825)	(812)	-	-
Depreciation and impairment	(1,498)	(1,429)	(1,535)	(1,487)	(3,610)	(3,700)	(73)	(73)
Revaluation increments/(decrements)	-	(15,986)	677	700	1,972	2,029	-	-
Closing balance	76,517	71,187	79,165	75,270	221,850	218,582	4,600	202

E2-1 Fair value measurement (continued)

\$ '000	Total	
	2021	2020
Opening balance	1,182,124	1,156,643
Transfers from/(to) another asset class	–	(1)
Purchases (GBV)	55,839	45,574
Disposals (WDV)	(6,901)	(6,457)
Depreciation and impairment	(23,754)	(21,659)
Revaluation increments/ (decrements)	2,649	8,024
Closing balance	1,209,957	1,182,124

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 for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) 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.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

E3-1 Contingencies (continued)

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 \$389,771.37. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$341,659.20.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$203,700 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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation, will be completed. The actuarial investigation is expected to be completed by December 2021.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity. StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

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

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Legal matters

Intrapac Skennars Head Pty Ltd v Ballina Shire Council

As at 30 June 2021, Council had a possible inflow of economic benefits in relation to NSW Land and Environmental Court appeal proceedings relating to a development consent modification. The Court dismissed the appeal on 10 August 2021 with the costs of the appeal awarded to Council.

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	1,241	1,172
Post-employment benefits	99	94
Other long-term benefits	39	41
Total	1,379	1,307

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Impairment provision on outstanding balances	Impairment expense
2021					
Employee and other expenses relating to key family members	1	187	-	-	-
2020					
Employee and other expenses relating to key family members	1	151	-	-	-

1 There is one close family member of Council's KMP employed by Ballina Shire Council under current Council award on an arms length basis.

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	60	44
Councillors' fees	243	203
Other Councillors' expenses (including Mayor)	21	35
Total	324	282

F1-3 Other related parties

\$ '000	Ref	Transactions during the year	Outstanding balances including commitments	Impairment provision on outstanding balances	Impairment expense
2021					
Associate - Richmond Tweed Regional Library	1	1,460	-	-	-
2020					
Associate - Richmond Tweed Regional Library	1	1,421	-	-	-

1 Contributions to the Richmond Tweed Regional Library are based on formula parameters set in the Richmond Tweed Regional Library Deed of Agreement.

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:		
(i) Audit services: NSW Auditor-General		
Audit and review of financial statements	86	101
Total fees paid or payable to the Auditor-General	86	101
(ii) Other non-assurance services: Other firms		
Internal audit services	77	68
Total fees paid or payable for non-assurance services	77	68
Total audit fees	163	169

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

\$ '000	Notes	2021	2020
Net operating result from Income Statement		42,662	25,304
Adjust for non-cash items:			
Depreciation and amortisation		24,574	22,426
Net losses/(gains) on disposal of assets		6,073	4,511
Non-cash capital grants and contributions	G1.1(b)	(24,959)	(14,402)
Adoption of AASB 15/1058		–	(989)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(2,085)	(550)
Unwinding of discount rates on reinstatement provisions		773	(451)
Share of net (profits)/losses of associates/joint ventures using the equity method		66	(57)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,264)	2,900
Increase/(decrease) in provision for impairment of receivables		(58)	208
Decrease/(increase) in inventories		(221)	49
Decrease/(increase) in other current assets		(4)	(183)
Decrease/(increase) in contract assets		(1,270)	(1,192)
Increase/(decrease) in payables		1,788	(290)
Increase/(decrease) in accrued interest payable		51	44
Increase/(decrease) in other accrued expenses payable		182	310
Increase/(decrease) in other liabilities		177	1,259
Increase/(decrease) in contract liabilities		867	501
Increase/(decrease) in provision for employee benefits		586	15
Increase/(decrease) in other provisions		3,705	(118)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		49,643	39,295

(b) Non-cash investing and financing activities

Developer contributions 'in kind'	21,229	7,468
Other dedications	3,730	6,934
Total non-cash investing and financing activities	24,959	14,402

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings and other structures	2,629	1,326
Infrastructure	5,824	1,405
Plant and equipment	176	900
Inventory		
Real estate for resale	1,171	238
Total commitments	9,800	3,869

Details of capital commitments

Capital expenditure commitments as at 30 June 2021 relate to the Airport Boulevard, Wollongbar Urban Expansion Area Stage 3, Wollongbar District Park and other projects.

G3-1 Events occurring after the reporting date

Council has disclosed the impact that COVID-19 has had on operations, and financial reporting for the year ended 30 June 2021 at Note A1-1. As COVID-19 is ongoing, it is not practical, as at the date of reporting, to estimate its potential impact after 30 June 2021.

There are no other known events occurring after the reporting date that would have a significant effect on the financial report.

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					
Roads	8,256	2,927	–	83	(1,838)	–	9,428	–
Car parking	796	–	–	7	–	–	803	–
Open space and community facilities	2,008	1,795	–	27	(640)	–	3,190	2,126
Heavy haulage	781	258	–	7	(186)	(130)	730	–
Wollongbar Urban Expansion Area	156	10	–	2	–	–	168	1,950
Cumalum Urban Release Area Precinct A	587	152	–	6	–	–	745	–
S7.11 contributions – under a plan	12,584	5,142	–	132	(2,664)	(130)	15,064	4,076
Total S7.11 and S7.12 revenue under plans	12,584	5,142	–	132	(2,664)	(130)	15,064	4,076
S64 contributions	18,767	2,508	–	183	(1,293)	–	20,165	–
Total contributions	31,351	7,650	–	315	(3,957)	(130)	35,229	4,076

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					
CONTRIBUTIONS PLAN – ROADS								
Road plan (current plan)	1,680	37	–	16	(963)	–	770	–
Roads (old plan)	6,576	2,890	–	67	(875)	–	8,658	–
Total	8,256	2,927	–	83	(1,838)	–	9,428	–

G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTIONS PLAN – CAR PARKING								
Ballina	772	–	–	7	–	–	779	–
Lennox Head	11	–	–	–	–	–	11	–
Alstonville Village Centre	13	–	–	–	–	–	13	–
Total	796	–	–	7	–	–	803	–
CONTRIBUTIONS PLAN – OPEN SPACE AND COMMUNITY FACILITIES								
Local parks	126	13	–	8	(120)	–	27	–
District parks	458	285	–	2	(369)	–	376	–
Playing fields	248	210	–	4	–	–	462	–
Regional level recreation facilities	214	405	–	2	–	–	621	–
Multi-purpose community centres and meeting halls	566	380	–	6	–	–	952	845
Regional level community facilities	285	502	–	5	(40)	–	752	1,281
Open Space (old plan)	111	–	–	–	(111)	–	–	–
Total	2,008	1,795	–	27	(640)	–	3,190	2,126
CONTRIBUTIONS PLAN – HEAVY HAULAGE								
Shire Wide	781	258	–	7	(186)	(130)	730	–
Total	781	258	–	7	(186)	(130)	730	–

G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTIONS PLAN – WOLLONGBAR URBAN EXPANSION AREA								
Transportation works	156	6	–	2	–	–	164	–
Link Road works	–	4	–	–	–	–	4	1,950
Total	156	10	–	2	–	–	168	1,950
CONTRIBUTIONS PLAN - CUMBALUM URBAN RELEASE AREA PRECINCT A (CURA A)								
CURA A	587	152	–	6	–	–	745	–
Total	587	152	–	6	–	–	745	–

G4-3 S64 contributions

Section 64 – Water

Shire Wide	10,116	780	–	98	(212)	–	10,782	–
Total	10,116	780	–	98	(212)	–	10,782	–

Section 64 – Wastewater

Shire Wide	8,651	1,728	–	85	(1,081)	–	9,383	–
Total	8,651	1,728	–	85	(1,081)	–	9,383	–

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}	5,435	5.37%	3.00%	6.96%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	101,190				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	91,258	64.08%	69.43%	63.71%	> 60.00%
Total continuing operating revenue ¹	142,416				
3. Unrestricted current ratio					
Current assets less all external restrictions	57,117	2.70x	2.60x	3.29x	> 1.50x
Current liabilities less specific purpose liabilities	21,156				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	34,471	3.18x	2.56x	2.65x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	10,848				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	2,495	4.22%	5.35%	3.08%	< 10.00%
Rates and annual charges collectable	59,161				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	84,954	13.12	9.99	12.69	> 3.00
Monthly payments from cash flow of operating and financing activities	6,475	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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Wastewater Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.70)%	(1.51)%	0.50%	8.14%	25.00%	12.95%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	57.22%	61.02%	85.19%	88.65%	75.38%	86.89%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.64x	2.53x	79.08x	81.76x	2.83x	1.45x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.06x	3.76x	∞	∞	2.15x	1.35x	> 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	3.83%	4.57%	10.39%	15.46%	3.45%	4.47%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.74 mths	8.04 mths	22.41 mths	23.06 mths	14.14 mths	8.19 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 above.

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

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

**40 Cherry Street
Ballina NSW 2478**

Contact details

Mailing Address:

Telephone: 1300 864 444 or 02 6686 1257

**PO Box 450
Ballina NSW 2478**

Internet: www.ballina.nsw.gov.au

Email: council@ballina.nsw.gov.au

Ballina Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Ballina Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

PART C

Special Purpose Financial Statements

Ballina Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

*The Ballina Shire is safe, with a connected community, a
healthy environment and a thriving economy.*



Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year
- accord with Council's accounting and other records, and
- present overhead reallocation charges to the water and wastewater businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 28 October 2021.

David Wright

Mayor

28 October 2021

Ben Smith

Deputy Mayor

28 October 2021

Paul Hickey

General Manager

28 October 2021

Linda Coulter

Responsible Accounting Officer

28 October 2021

Ballina Shire Council

Income Statement of Water Supply Business Activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	3,988	3,809
User charges	7,695	7,932
Fees	920	911
Interest	176	421
Grants and contributions provided for non-capital purposes	161	311
Total income from continuing operations	12,940	13,384
Expenses from continuing operations		
Employee benefits and on-costs	2,467	2,367
Materials and services	1,754	1,953
Depreciation, amortisation and impairment	1,679	1,607
Water purchase charges	6,844	6,109
Calculated taxation equivalents	37	37
Loss on disposal of assets	944	–
Other expenses	131	258
Total expenses from continuing operations	13,856	12,331
Surplus (deficit) from continuing operations before capital amounts	(916)	1,053
Grants and contributions provided for capital purposes	2,060	1,363
Surplus (deficit) from continuing operations after capital amounts	1,144	2,416
Surplus (deficit) from all operations before tax	1,144	2,416
Less: corporate taxation equivalent [based on result before capital]	–	(290)
Surplus (deficit) after tax	1,144	2,126
Plus accumulated surplus	53,085	50,669
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	37	37
– Corporate taxation equivalent	–	290
Less:		
– Tax equivalent dividend paid	(37)	(37)
Closing accumulated surplus	54,229	53,085
Return on capital %	(1.0)%	1.2%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,144	2,126
Less: capital grants and contributions (excluding developer contributions)	(2,060)	(1,363)
Surplus for dividend calculation purposes	–	763
Potential dividend calculated from surplus	–	382

Ballina Shire Council

Income Statement of Wastewater Business Activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	18,616	17,801
User charges	1,292	1,227
Liquid trade waste charges	180	162
Interest	136	201
Grants and contributions provided for non-capital purposes	159	160
Other income	2,909	860
Total income from continuing operations	23,292	20,411
Expenses from continuing operations		
Employee benefits and on-costs	4,325	4,368
Borrowing costs	3,181	3,429
Materials and services	5,465	5,516
Depreciation, amortisation and impairment	4,233	3,910
Loss on sale of assets	819	812
Calculated taxation equivalents	45	44
Debt guarantee fee (if applicable)	539	530
Other expenses	264	545
Total expenses from continuing operations	18,871	19,154
Surplus (deficit) from continuing operations before capital amounts	4,421	1,257
Grants and contributions provided for capital purposes	7,397	2,895
Surplus (deficit) from continuing operations after capital amounts	11,818	4,152
Surplus (deficit) from all operations before tax	11,818	4,152
Less: corporate taxation equivalent [based on result before capital]	(1,149)	(346)
Surplus (deficit) after tax	10,669	3,806
Plus accumulated surplus	120,119	115,437
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	45	44
– Debt guarantee fees	539	530
– Corporate taxation equivalent	1,149	346
Less:		
– Tax equivalent dividend paid	(45)	(44)
Closing accumulated surplus	132,476	120,119
Return on capital %	3.1%	2.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	10,669	3,806
Less: capital grants and contributions (excluding developer contributions)	(7,397)	(2,895)
Surplus for dividend calculation purposes	3,272	911
Potential dividend calculated from surplus	1,636	456

Ballina Shire Council

Income Statement of Airport

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	8,040	5,753
Total income from continuing operations	8,040	5,753
Expenses from continuing operations		
Employee benefits and on-costs	1,014	888
Borrowing costs	273	308
Materials and services	4,022	3,555
Depreciation, amortisation and impairment	1,011	786
Loss on disposal of assets	–	2,342
Calculated taxation equivalents	4	8
Debt guarantee fee (if applicable)	63	52
Total expenses from continuing operations	6,387	7,939
Surplus (deficit) from continuing operations before capital amounts	1,653	(2,186)
Grants and contributions provided for capital purposes	405	742
Surplus (deficit) from continuing operations after capital amounts	2,058	(1,444)
Surplus (deficit) from all operations before tax	2,058	(1,444)
Less: corporate taxation equivalent [based on result before capital]	(430)	–
Surplus (deficit) after tax	1,628	(1,444)
Plus accumulated surplus	20,810	22,224
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	4	8
– Debt guarantee fees	63	52
– Corporate taxation equivalent	430	–
Add:		
– Subsidy paid/contribution to operations	–	(30)
Closing accumulated surplus	22,935	20,810
Return on capital %	5.3%	(5.2)%
Subsidy from Council	–	2,196

Ballina Shire Council

Income Statement of Land Development

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	1,386	3,670
Interest	10	7
Total income from continuing operations	1,396	3,677
Expenses from continuing operations		
Materials and services	449	2,127
Calculated taxation equivalents	213	148
Total expenses from continuing operations	662	2,275
Surplus (deficit) from continuing operations before capital amounts	734	1,402
Surplus (deficit) from continuing operations after capital amounts	734	1,402
Surplus (deficit) from all operations before tax	734	1,402
Less: corporate taxation equivalent [based on result before capital]	(191)	(386)
Surplus (deficit) after tax	543	1,016
Plus accumulated surplus	9,639	11,636
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	213	148
– Corporate taxation equivalent	191	386
Less:		
– Dividend paid	22	(3,547)
Closing accumulated surplus	10,608	9,639

Ballina Shire Council

Income Statement of Landfill and Resource Recovery

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	8,479	6,002
Interest	15	5
Grants and contributions provided for non-capital purposes	82	82
Other income	197	174
Total income from continuing operations	8,773	6,263
Expenses from continuing operations		
Employee benefits and on-costs	1,008	891
Materials and services	6,411	4,937
Depreciation, amortisation and impairment	337	283
Loss on sale of assets	5	–
Calculated taxation equivalents	5	12
Total expenses from continuing operations	7,766	6,123
Surplus (deficit) from continuing operations before capital amounts	1,007	140
Surplus (deficit) from continuing operations after capital amounts	1,007	140
Surplus (deficit) from all operations before tax	1,007	140
Less: corporate taxation equivalent [based on result before capital]	(262)	(39)
Surplus (deficit) after tax	745	101
Plus accumulated surplus	(535)	(687)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	5	12
– Corporate taxation equivalent	262	39
Less:		
Closing accumulated surplus	477	(535)
Return on capital %	6.4%	1.2%

Ballina Shire Council

Statement of Financial Position of Water Supply Business Activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	17,918	16,794
Receivables	2,531	2,538
Other	49	72
Total current assets	20,498	19,404
Non-current assets		
Investments	2,975	3,712
Receivables	616	688
Other	3	5
Infrastructure, property, plant and equipment	88,036	86,483
Total non-current assets	91,630	90,888
Total assets	112,128	110,292
LIABILITIES		
Current liabilities		
Payables	48	42
Employee benefit provisions	218	216
Total current liabilities	266	258
Non-current liabilities		
Employee benefit provisions	24	10
Total non-current liabilities	24	10
Total liabilities	290	268
Net assets	111,838	110,024
EQUITY		
Accumulated surplus	54,229	53,085
Revaluation reserves	57,609	56,939
Total equity	111,838	110,024

Ballina Shire Council

Statement of Financial Position of Wastewater Business Activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	16,143	10,157
Receivables	1,494	1,536
Total current assets	17,637	11,693
Non-current assets		
Investments	2,680	2,245
Receivables	79	81
Infrastructure, property, plant and equipment	242,455	237,186
Total non-current assets	245,214	239,512
Total assets	262,851	251,205
LIABILITIES		
Current liabilities		
Payables	142	170
Borrowings	2,920	2,716
Employee benefit provisions	689	661
Total current liabilities	3,751	3,547
Non-current liabilities		
Borrowings	43,917	46,836
Employee benefit provisions	77	29
Total non-current liabilities	43,994	46,865
Total liabilities	47,745	50,412
Net assets	215,106	200,793
EQUITY		
Accumulated surplus	132,476	120,119
Revaluation reserves	82,630	80,674
Total equity	215,106	200,793

Ballina Shire Council

Statement of Financial Position of Airport

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,862	2,337
Total current assets	2,862	2,337
Non-current assets		
Infrastructure, property, plant and equipment	36,347	36,192
Total non-current assets	36,347	36,192
Total assets	39,209	38,529
LIABILITIES		
Current liabilities		
Borrowings	521	561
Employee benefit provisions	110	147
Total current liabilities	631	708
Non-current liabilities		
Borrowings	4,357	5,725
Total non-current liabilities	4,357	5,725
Total liabilities	4,988	6,433
Net assets	34,221	32,096
EQUITY		
Accumulated surplus	22,935	20,810
Revaluation reserves	11,286	11,286
Total equity	34,221	32,096

Ballina Shire Council

Statement of Financial Position of Land Development

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	815	(598)
Total current assets	815	(598)
Non-current assets		
Inventories	8,294	7,567
Investment property	6,960	6,270
Total non-current assets	15,254	13,837
Total assets	16,069	13,239
LIABILITIES		
Current liabilities		
Borrowings	141	138
Total current liabilities	141	138
Non-current liabilities		
Borrowings	5,320	3,462
Total non-current liabilities	5,320	3,462
Total liabilities	5,461	3,600
Net assets	10,608	9,639
EQUITY		
Accumulated surplus	10,608	9,639
Total equity	10,608	9,639

Ballina Shire Council

Statement of Financial Position of Landfill and Resource Recovery

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	2,228	926
Total current assets	2,228	926
Non-current assets		
Infrastructure, property, plant and equipment	15,686	11,795
Total non-current assets	15,686	11,795
Total assets	17,914	12,721
LIABILITIES		
Non-current liabilities		
Remediation provision	6,343	2,162
Total non-current liabilities	6,343	2,162
Total liabilities	6,343	2,162
Net assets	11,571	10,559
EQUITY		
Accumulated surplus	477	(535)
Revaluation reserves	11,094	11,094
Total equity	11,571	10,559

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

The supply of water to households and businesses in Ballina Shire.

b. Wastewater Service

The collection and treatment of sewerage from households and businesses in Ballina Shire.

c. Landfill & Resource Recovery

The Waste Management Centre is located at Southern Cross Drive Ballina. The Waste Management Centre receives, disposes and recycles waste that is brought to the centre from private and commercial sources. It also includes the collection of commercial waste in the Ballina Shire by Council but does not include the collection of domestic waste in Ballina Shire by Council.

d. Airport

The provision of aerodrome infrastructure and facilities for commercial and private air traffic. The airport is situated at Southern Cross Drive Ballina.

e. Land Development

The construction of industrial and residential land estates. Council is progressively developing an industrial estate at Wollongbar and another in Ballina. Council also has residential land inventory at Wollongbar.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses,

Note – Significant Accounting Policies (continued)

such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements.

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

Notional rate applied (%)

Corporate income tax rate – 26% (19/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts 0%. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is \$100 + 1.6%. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

Payroll tax – 4.85% on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

Achievement of substantial compliance to the DPIE – Water guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE –Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIE - Water.

Ballina Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

PART D

Special Schedules

Ballina Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

*The Ballina Shire is safe, with a connected community, a
healthy environment and a thriving economy.*



Ballina Shire Council

Special Schedules

for the year ended 30 June 2021

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Ballina Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	24,469	25,646
Plus or minus adjustments ²	b	500	264
Notional general income	c = a + b	24,969	25,910
Permissible income calculation			
Rate peg percentage	e	2.60%	2.00%
Plus rate peg amount	i = e x (c + g)	649	518
Sub-total	k = (c + g + h + i + j)	25,618	26,428
Plus (or minus) last year's carry forward total	l	9	2
Less valuation objections claimed in the previous year	m	-	(21)
Sub-total	n = (l + m)	9	(19)
Total permissible income	o = k + n	25,627	26,409
Less notional general income yield	p	25,646	26,418
Catch-up or (excess) result	q = o - p	(19)	(9)
Income lost due to reduction in valuation claimed			
Plus income lost due to valuation objections claimed ³	r	21	33
Carry forward to next year ⁴	t = q + r + s	2	24

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 (NSW).
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) 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.

Ballina Shire Council

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	90	100	75	67	10,441	16,571	31.0%	62.0%	6.0%	1.0%	0.0%
	Works Depot	128	100	101	102	13,081	18,586	56.0%	37.0%	5.0%	2.0%	0.0%
	Halls	262	150	50	49	2,280	5,580	6.0%	42.0%	42.0%	10.0%	0.0%
	Dwellings	274	100	–	–	798	2,508	0.0%	30.0%	32.0%	38.0%	0.0%
	Airport	30	30	75	69	8,967	10,585	31.0%	64.0%	5.0%	0.0%	0.0%
	Shops/Offices	235	200	60	54	4,646	9,571	8.0%	46.0%	45.0%	1.0%	0.0%
	Library	13	25	35	31	4,467	7,062	40.0%	56.0%	4.0%	0.0%	0.0%
	Community Centres	121	150	200	205	20,525	28,577	63.0%	29.0%	8.0%	0.0%	0.0%
	Childcare Centres	212	25	25	–	4,192	8,758	21.0%	31.0%	48.0%	0.0%	0.0%
	Waste Centre	72	50	150	155	3,340	5,645	29.0%	54.0%	15.0%	2.0%	0.0%
	Amenities/Toilets	506	250	365	384	36,899	52,672	54.0%	33.0%	12.0%	1.0%	0.0%
Sub-total		1,943	1,180	1,136	1,116	109,635	166,115	43.7%	40.2%	14.4%	1.7%	0.0%
Other structures	Other structures	475	350	450	475	23,810	36,789	39.0%	45.0%	14.0%	2.0%	0.0%
	Other	–	–	100	94	9,140	9,605	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	475	350	550	569	32,950	46,394	51.6%	35.7%	11.1%	1.6%	0.0%
Roads	Sealed roads	547	666	1,000	1,060	276,203	372,773	25.0%	44.0%	25.0%	5.0%	1.0%
	Unsealed roads	87	96	500	504	17,793	21,599	85.0%	0.0%	0.0%	15.0%	0.0%
	Bridges	722	450	20	7	35,728	54,064	80.0%	18.0%	2.0%	0.0%	0.0%
	Footpaths/Cycleways	50	54	200	174	33,562	39,356	81.0%	17.0%	2.0%	0.0%	0.0%
	Kerb & Gutter	14	15	–	–	32,833	50,533	34.0%	46.0%	19.0%	1.0%	0.0%
	Bulk earthworks	–	–	–	–	153,084	153,930	100.0%	0.0%	0.0%	0.0%	0.0%
	Road Furniture	197	100	50	51	29,856	38,388	67.0%	23.0%	10.0%	0.0%	0.0%
	Sub-total	1,617	1,381	1,770	1,796	579,059	730,643	52.5%	29.1%	14.9%	3.1%	0.5%
Water supply network	Treatment Plants	165	250	40	28	2,583	5,731	3.0%	19.0%	75.0%	3.0%	0.0%
	Pump Stations	47	250	40	37	1,891	2,575	85.0%	1.0%	8.0%	6.0%	0.0%
	Reservoirs	1,799	1,000	100	92	14,898	20,676	18.0%	0.0%	71.0%	0.0%	11.0%
	Water Connections	198	200	300	314	2,383	4,212	41.0%	18.0%	31.0%	6.0%	4.0%
	Pipelines	4,742	4,000	650	632	57,410	92,874	15.0%	41.0%	35.0%	7.0%	2.0%
	Sub-total	6,951	5,700	1,130	1,103	79,165	126,068	17.2%	31.7%	42.0%	5.6%	3.4%

Ballina Shire Council

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

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
Sewerage network	Treatment	3,011	975	800	786	60,229	91,218	50.0%	2.0%	44.0%	3.0%	1.0%
	Pumping Stations	2,413	2,150	850	807	31,657	55,483	16.0%	8.0%	69.0%	2.0%	5.0%
	Mains	603	500	400	396	111,016	136,131	23.0%	70.0%	6.0%	0.0%	1.0%
	Recycled Water	–	–	100	76	18,950	21,646	82.0%	18.0%	0.0%	0.0%	0.0%
	Sub-total	6,027	3,625	2,150	2,065	221,850	304,478	34.0%	34.6%	28.4%	1.3%	1.7%
Stormwater drainage	Pollution Control	–	10	20	15	5,319	5,808	97.0%	3.0%	0.0%	0.0%	0.0%
	Outfall Structures	2	10	10	–	194	338	21.0%	37.0%	37.0%	5.0%	0.0%
	Reticulation – Pipe	137	175	450	512	45,963	72,019	28.0%	54.0%	18.0%	0.0%	0.0%
	Reticulation – Pit	47	50	25	–	18,443	28,026	32.0%	52.0%	16.0%	0.0%	0.0%
	Culverts	83	50	25	–	6,598	12,107	26.0%	20.0%	50.0%	4.0%	0.0%
Sub-total	269	295	530	527	76,517	118,298	32.1%	47.5%	20.0%	0.4%	0.0%	
Total – all assets		17,282	12,531	7,266	7,176	1,099,176	1,491,996	43.1%	33.3%	20.2%	2.5%	0.9%

(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

Ballina Shire Council

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	15,191	69.62%	89.49%	107.02%	>= 100.00%
Depreciation, amortisation and impairment	21,820				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	17,282	1.51%	1.61%	1.68%	< 2.00%
Net carrying amount of infrastructure assets	1,146,620				
Asset maintenance ratio					
Actual asset maintenance	7,176	98.76%	94.69%	104.06%	> 100.00%
Required asset maintenance	7,266				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	12,531	0.84%	0.88%	0.82%	
Gross replacement cost	1,491,996				

(*) 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.

Ballina Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	77.14%	92.42%	108.63%	164.95%	24.89%	44.71%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.42%	0.52%	8.46%	9.26%	2.84%	2.94%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.95%	92.68%	96.95%	98.31%	95.87%	95.45%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.30%	0.27%	4.45%	5.09%	1.16%	1.16%	

(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.