

Eurobodalla Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021



Eurobodalla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Eurobodalla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	81
On the Financial Statements (Sect 417 [3])	84

Overview

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

Cnr Vulcan & Campbell Streets
Moruya NSW 2537

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.esc.nsw.gov.au.

Eurobodalla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Eurobodalla Shire Council

General Purpose Financial Statements for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 12 October 2021.



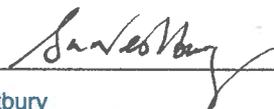
L Innes
Mayor
12 October 2021



R Pollock
Councillor
12 October 2021



Dr C Dale
General Manager
12 October 2021



S Westbury
Responsible Accounting Officer
12 October 2021

Eurobodalla 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		50,176	33,262
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>30,416</u>	<u>131,397</u>
Total items which will not be reclassified subsequently to the operating result		30,416	131,397
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		<u>2,274</u>	<u>411</u>
Total items which will be reclassified subsequently to the operating result when specific conditions are met		2,274	411
Total other comprehensive income for the year		32,690	131,808
Total comprehensive income for the year attributable to Council		82,866	165,070

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

Eurobodalla Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020 ¹
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	26,320	19,110
Investments	C1-2	130,000	121,020
Receivables	C1-4	22,416	23,704
Inventories	C1-5	2,611	789
Contract assets and contract cost assets		10,430	–
Non-Current assets classified as 'held for sale'	C1-6	183	2,454
Other	C1-8	819	818
Total current assets		192,779	167,895
Non-current assets			
Receivables	C1-4	5	56
Infrastructure, property, plant and equipment	C1-7	1,550,457	1,474,212
Right of use assets	C2-1	495	549
Total non-current assets		1,550,957	1,474,817
Total assets		1,743,736	1,642,712
LIABILITIES			
Current liabilities			
Payables	C3-1	21,220	10,602
Income received in advance	C3-1	531	824
Contract liabilities	C3-2	9,587	5,376
Lease liabilities	C2-1	84	73
Borrowings	C3-3	9,636	5,611
Employee benefit provisions	C3-4	12,342	11,141
Provisions	C3-5	7	3
Total current liabilities		53,407	33,630
Non-current liabilities			
Lease liabilities	C2-1	532	502
Borrowings	C3-3	50,327	52,774
Employee benefit provisions	C3-4	528	892
Provisions	C3-5	2,875	1,713
Total non-current liabilities		54,262	55,881
Total liabilities		107,669	89,511
Net assets		1,636,067	1,553,201
EQUITY			
Accumulated surplus	C4-1	914,810	858,395
IPPE revaluation reserve	C4-1	721,257	694,806
Council equity interest		1,636,067	1,553,201
Total equity		1,636,067	1,553,201

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*. Council has restated comparatives to reflect the correction of prior period errors disclosed in Note 13.

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

Eurobodalla 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		858,395	694,806	1,553,201	826,702	566,126	1,392,828
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(4,720)	-	(4,720)
Changes due to AASB 16 adoption	G4-1c-iii	-	-	-	23	-	23
Restated opening balance		858,395	694,806	1,553,201	822,005	566,126	1,388,131
Net operating result for the year		50,176	-	50,176	33,262	-	33,262
Restated net operating result for the period		50,176	-	50,176	33,262	-	33,262
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	-	30,416	30,416	-	131,397	131,397
Other reserves movements		6,239	(3,965)	2,274	3,128	(2,717)	411
Other comprehensive income		6,239	26,451	32,690	3,128	128,680	131,808
Total comprehensive income		56,415	26,451	82,866	36,390	128,680	165,070
Closing balance at 30 June		914,810	721,257	1,636,067	858,395	694,806	1,553,201

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

Eurobodalla 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>				
67,061	Rates and annual charges		68,482	66,463
34,526	User charges and fees		43,809	39,433
3,120	Investment and interest revenue received		1,063	2,725
87,112	Grants and contributions		63,199	37,734
–	Bonds, deposits and retention amounts received		241	102
3,150	Other		13,937	5,748
<i>Payments:</i>				
(42,400)	Employee benefits and on-costs		(41,997)	(41,926)
(16,754)	Materials and services		(53,070)	(36,967)
(2,034)	Borrowing costs		(1,686)	(2,379)
(21,754)	Other		(2,640)	(10,984)
112,027	Net cash flows from operating activities	G1-1a	91,338	59,949
Cash flows from investing activities				
<i>Receipts:</i>				
–	Redemption of term deposits		200,020	54,103
–	Sale of real estate assets		1,300	–
780	Sale of infrastructure, property, plant and equipment		2,705	1,110
–	Deferred debtors receipts		43	17
<i>Payments:</i>				
–	Acquisition of term deposits		(209,000)	(74,020)
(123,323)	Purchase of infrastructure, property, plant and equipment		(78,286)	(39,541)
–	Purchase of real estate assets		(2,406)	–
16	Deferred debtors and advances made		–	–
(122,527)	Net cash flows from investing activities		(85,624)	(58,331)
Cash flows from financing activities				
<i>Receipts:</i>				
10,558	Proceeds from borrowings		7,188	7,912
<i>Payments:</i>				
(4,951)	Repayment of borrowings		(5,610)	(7,873)
–	Principal component of lease payments		(82)	(85)
5,607	Net cash flows from financing activities		1,496	(46)
(4,893)	Net change in cash and cash equivalents		7,210	1,572
19,110	Cash and cash equivalents at beginning of year		19,110	17,538
14,217	Cash and cash equivalents at end of year	C1-1	26,320	19,110
130,000	plus: Investments on hand at end of year	C1-2	130,000	121,020
144,217	Total cash, cash equivalents and investments		156,320	140,130

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

Eurobodalla Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	17
B2 Sources of income	20
B2-1 Rates and annual charges	20
B2-2 User charges and fees	20
B2-3 Other revenue	21
B2-4 Grants and contributions	22
B2-5 Interest and investment income	25
B2-6 Other income	26
B3 Costs of providing services	27
B3-1 Employee benefits and on-costs	27
B3-2 Materials and services	27
B3-3 Borrowing costs	28
B3-4 Depreciation, amortisation and impairment of non-financial assets	28
B3-5 Other expenses	29
B4 Gains or losses	30
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	30
B5 Performance against budget	31
B5-1 Material budget variations	31
C Financial position	33
C1 Assets we manage	33
C1-1 Cash and cash equivalents	33
C1-2 Financial investments	33
C1-3 Restricted cash, cash equivalents and investments	34
C1-4 Receivables	35
C1-5 Inventories	37
C1-6 Non-current assets classified as held for sale	38
C1-7 Infrastructure, property, plant and equipment	39
C1-8 Other	43
C2 Leasing activities	44
C2-1 Council as a lessee	44
C2-2 Council as a lessor	46
C3 Liabilities of Council	47
C3-1 Payables	47
C3-2 Contract Liabilities	47
C3-3 Borrowings	48
C3-4 Employee benefit provisions	50
C3-5 Provisions	51

Eurobodalla Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C4 Reserves	54
C4-1 Nature and purpose of reserves	54
D Council structure	55
D1 Results by fund	55
D1-1 Income Statement by fund	55
D1-2 Statement of Financial Position by fund	55
E Risks and accounting uncertainties	57
E1-1 Risks relating to financial instruments held	57
E2-1 Fair value measurement	60
E3-1 Contingencies	65
F People and relationships	68
F1 Related party disclosures	68
F1-1 Key management personnel (KMP)	68
F1-2 Councillor and Mayoral fees and associated expenses	69
F2 Other relationships	70
F2-1 Audit fees	70
G Other matters	71
G1-1 Statement of Cash Flows information	71
G2-1 Commitments	72
G3-1 Events occurring after the reporting date	73
G4 Statement of developer contributions as at 30 June 2021	74
G4-1 Summary of developer contributions	74
G4-2 Developer contributions by plan	74
G4-3 Contributions not under plans	76
G4-4 S64 contributions	76
G5 Statement of performance measures	77
G5-1 Statement of performance measures – consolidated results	77
G5-2 Statement of performance measures by fund	78
H Additional Council disclosures (unaudited)	79
H1-1 Statement of performance measures – consolidated results (graphs)	79

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 02 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (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.

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- ii. estimated tip remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water Supply Fund
- Sewerage Fund
- Domestic and Non-Domestic Waste Fund
- Environmental Fund
- Broulee Tennis Courts Committee
- Moruya Showground Committee
- Tuross Memorial Gardens Committee
- Kyla Hall Committee

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

- J Britten Award
- K E Snell Land Acquisition Compensation
- Unidentified cash receipts and deposits
- Bushfire Donation Fund

Unidentified cash receipts and deposits are monies held in trust relating to net proceeds on the sale of property for unpaid rates, and other receipts and deposits normally returned to the owner or applied to their accounts where they can be identified and contacted. These funds are held for six years, after which time they are remitted to the Office of State Revenue.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council uses volunteers to provide Community Transport and group and individual Social Support services to older people, under the Commonwealth Home Support Program grants. These services are 'early intervention' entry level services. Volunteer time means they are cost efficient and would not be viable if provided by paid workers.

New accounting standards and interpretations issued 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.

Comparative Figures

Adjustments have been made to the presentation of prior year comparatives in Council's Annual Financial Statements. The changes are either to improve presentation or as a result of format changes in the Local Government Code of Accounting Practice and Financial Reporting.

Costs previously classed as "Other Expenses" has been reallocated to the expenditure class "Materials and Services" due to the format changes. Remediation remeasurement previously presented under "Other Revenue" has been reclassified as "Other Expenses" to improve presentation due to the current year result being an expense. These changes have impacted the Income Statement and Statement of Cash Flows.

In the Statement of Financial Position, Income Received in Advance has been presented as "Income Received in Advance" reallocated from "Other Payables" and "Provisions" has been split into "Employee Benefit Provisions" and "Provisions".

The changes are reclassifications only and hence has resulted in changes to the presentation of the Financial Statements and not the underlying results.

A1-1 Basis of preparation (continued)

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

The newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

COVID 19 Impacts

There were no significant financial impacts from Covid-19 for the financial year 2020-21.

Revenue from caravan parks, camp grounds and airports were materially impacted. Council owned caravan parks and camp grounds actually enjoyed increased patronage. This was offset by decreased revenues for leased caravan parks due to rent reviews based on the previous years results which were impacted by both Covid-19 and the bushfires.

The Statement of Financial Position is also not impacted materially by Covid-19. There are no impacts to the fair values of Property, Plant and Equipment or Inventories and no impact due to additional credit losses.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Business Development	396	171	504	557	(108)	(386)	389	151	–	–
Children's Services	2,652	1,862	2,172	2,058	480	(196)	486	591	1	–
Commercial Entities	6,832	7,770	8,428	5,339	(1,596)	2,431	946	2,873	29,098	25,280
Communications and Community Engagement	–	12	787	719	(787)	(707)	–	7	–	–
Community and Corporate Leadership	1,266	(7)	3,378	2,100	(2,112)	(2,107)	1,261	(7)	10	22
Community and Cultural Development	388	515	1,118	1,044	(730)	(529)	355	497	–	–
Community Care	7,746	8,766	7,794	8,453	(48)	313	2,253	1,563	20	–
Community Facilities	458	349	2,832	2,825	(2,374)	(2,476)	109	16	9,803	10,205
Corporate Overheads	–	–	(17,140)	(17,043)	17,140	17,043	–	–	–	–
Customer Service and Records	34	24	932	973	(898)	(949)	–	16	–	–
Development Assessment and Building Certification	2,256	1,941	3,613	3,560	(1,357)	(1,619)	200	213	–	–
Environmental Management	789	502	1,964	1,533	(1,175)	(1,031)	702	493	3	3
Finance and Central Treasury	348	2,179	2,594	3,670	(2,246)	(1,491)	121	1,998	2	–
Fleet and Plant	72	49	57	517	15	(468)	–	–	13,367	7,295
Information Technology	54	165	3,840	3,704	(3,786)	(3,539)	44	–	7,288	5,716
Libraries	283	354	2,003	2,063	(1,720)	(1,709)	243	311	13,304	12,924
Property	662	832	(592)	1,728	1,254	(896)	(40)	10	190,689	180,807
Public and Environmental Health	267	262	897	870	(630)	(608)	18	11	–	1
Public Order and Safety	3,033	5,427	5,053	7,853	(2,020)	(2,426)	2,817	5,254	14,442	12,741
Rates and General Revenues	38,282	37,222	(24)	397	38,306	36,825	5,391	5,573	–	–
Recreation	31,220	1,621	8,669	7,823	22,551	(6,202)	30,682	1,039	51,571	46,026
Risk and Insurance	53	207	1,347	1,068	(1,294)	(861)	–	–	–	–
Sewer Services	24,759	24,805	21,438	20,536	3,321	4,269	3,086	2,753	297,968	293,483
Stormwater	474	471	1,946	2,024	(1,472)	(1,553)	–	–	119,397	110,142
Strategic Planning	246	2,986	1,485	1,295	(1,239)	1,691	231	2,968	23	23
Technical Services	17	21	1,862	1,719	(1,845)	(1,698)	–	3	6	–
Tourism	299	74	1,559	1,180	(1,260)	(1,106)	250	31	1,010	1,002
Transport	27,223	19,089	30,717	22,002	(3,494)	(2,913)	23,344	17,672	715,563	670,228
Waste Management	15,714	22,660	13,744	14,725	1,970	7,935	122	377	16,726	10,635
Water Services	21,234	21,064	18,032	17,356	3,202	3,708	2,600	1,838	247,277	241,829
Workforce Development	226	334	1,589	1,617	(1,363)	(1,283)	72	79	–	–

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

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
Works and Operations	120	247	4,356	3,979	(4,236)	(3,732)	–	4	16,168	14,350
Youth Services	316	14	589	482	(273)	(468)	301	11	–	–
Other	–	–	–	–	–	–	–	1	–	–
Total functions and activities	187,719	161,988	137,543	128,726	50,176	33,262	75,983	46,346	1,743,736	1,642,712

B1-2 Components of functions or activities

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

Business Development

Provides advocacy, support, training, and advice to businesses, investors, employers and event organisers to assist economic growth and development.

Children's Services

Provides education and care opportunities, support, resources and facilities to children aged 0-16 years and families.

Commercial Entities

Supports diversification of the economy and tourism industries. Deliver a return to the community from Council controlled commercial entities.

Communications and Community Engagement

Provides timely information about Council's services, activities, events and opportunities, and oversees community engagement.

Community and Corporate Leadership

Provides strategic leadership, advocacy and decision-making in the best interests of the community based on good governance and corporate outcomes.

Community and Cultural Development

Develops and implements programs that address identified social needs and shapes Eurobodalla's community identity through arts, cultural and creative experiences.

Community Care

Provides flexible, community based services to support the independence and wellbeing of older people, people with a disability and their carers.

Community Facilities

Provides safe, accessible and affordable facilities to support community activities and events.

Corporate Overheads

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Customer Service and Records

Provides the first point of call for residents and visitors contacting Council via telephone, mail, email and face-toface front counter enquiries.

Development Assessment and Building Certification

Applies Australian, NSW and local planning policies and codes to achieve sustainable development across Eurobodalla.

Environmental Management

Provides information, education and action to conserve our natural environment and mitigate environmental impacts.

Finance and Central Treasury

Responsible for Council's financial obligations, management and planning.

Fleet and Plant

Manages and maintains Council's vehicles, plant and equipment.

Information Technology

continued on next page ...

B1-2 Components of functions or activities (continued)

Provides advice and support to staff and Councillors.

Libraries

Provides information, education, recreation opportunities and resources for Eurobodalla residents and visitors.

Property

Responsible for purchasing, developing and managing Council's property.

Public and Environmental Health

Delivers programs and activities to protect our community and the environment.

Public Order and Safety

Contributes to the safety of the community and the environment in relation to pets, parking, beach patrol and emergency services.

Rates and General Revenues

Urban local and urban regional (including sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes).

Recreation

Provides planning, programs, infrastructure and open space that enables residents and visitors to participate in recreational activities throughout the year.

Risk and Insurance

Responsible for the management of strategic and operational risks and insurance for the organisation.

Sewer Services

Provision of a safe, reliable and sustainable sewer service.

Stormwater

Provides and maintains infrastructure that collects, controls and manages stormwater.

Strategic Planning

Plans for the housing, business and environmental needs and impacts of our current and future population.

Technical Services

Plans, designs, project manage and monitors infrastructure delivery and performance.

Tourism

Promotes Eurobodalla to attract new and repeat visitors both within Australia and internationally; provides visitor information services and advice and support to tourism businesses.

Transport

Provides the infrastructure such as roads and paths that enables the movement of people, vehicles and goods into and throughout Eurobodalla.

Waste Management

Responsible for waste collection, disposal, recycling, illegal dumping, infrastructure and education.

Water Services

Provision of a safe, reliable and secure town water supply.

B1-2 Components of functions or activities (continued)

Workforce Development

Responsible for human resource management, learning and development, payroll and work health and safety services to the organisation.

Works and Operations

Coordinates, maintains and supplies facilities and equipment to assist service delivery across Council.

Youth Services

Provides opportunities and activities for young people aged 12-25.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Timing	2021	2020
Ordinary rates			
Residential	1	25,606	24,892
Farmland	1	458	443
Business	1	4,614	4,533
Less: pensioner rebates (mandatory)	1	(898)	(910)
Rates levied to ratepayers		29,780	28,958
Pensioner rate subsidies received	1	492	502
Total ordinary rates		30,272	29,460
Special rates			
Environmental	1	1,072	1,043
Less: pensioner rebates (mandatory)	1	(35)	(35)
Rates levied to ratepayers		1,037	1,008
Total special rates		1,037	1,008
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1	5,943	5,735
Stormwater management services	1	474	471
Water supply services	1	7,797	7,533
Sewerage services	1	21,397	20,866
Waste management services (non-domestic)	1	1,402	1,361
Less: pensioner rebates (mandatory)	1	(945)	(951)
Annual charges levied		36,068	35,015
Pensioner subsidies received:			
– Water	1	199	203
– Sewerage	1	188	192
– Domestic waste management	1	130	131
– Other	1	19	19
Total annual charges		36,604	35,560
Total rates and annual charges		67,913	66,028

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			
<small>(per s.502 - specific 'actual use' charges)</small>			
Water supply services	2	10,874	10,782
Sewerage services	2	694	656
Liquid trade waste	2	119	133

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B2-2 User charges and fees (continued)

\$ '000	Timing	2021	2020
Total specific user charges		11,687	11,571
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	1,978	1,692
Private works – section 67	2	163	218
Section 10.7 certificates (EP&A Act)	2	141	103
Section 603 certificates	2	153	104
Onsite sewerage management	1	134	131
Sewer connection	2	2	4
Water connection	2	125	109
Total fees and charges – statutory/regulatory		2,696	2,361
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	161	223
Caravan park / camping	2	4,057	2,815
Cemeteries	2	204	186
Child care	2	1,426	1,248
Licence fees and Lease rentals	1	206	215
Library and art gallery	2	26	22
Recycling income (non-domestic)	2	561	593
Roads and Maritime Services charges (state roads)	2	3,724	1,490
Community service programs	2	5,321	7,163
Landfill	2	7,552	14,476
Other	2	327	410
Total fees and charges – other		23,565	28,841
Total user charges and fees		37,948	42,773
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		340	–
User charges and fees recognised at a point in time (2)		37,608	42,773
Total user charges and fees		37,948	42,773

Accounting policy

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

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

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.

Income from operating leases, where Council is the lessor, has been presented as rental income in Note C2-2 - Operating Leases.

B2-3 Other revenue

\$ '000	Timing	2021	2020
Hire income – Council facilities	1	468	389
Fines	2	239	189
Legal fees recovery – rates and charges (extra charges)	2	195	128
Commissions and agency fees	2	102	110
Insurance claims recoveries	2	1,323	913
Sales – general	2	188	149

continued on next page ...

B2-3 Other revenue (continued)

\$ '000	Timing	2021	2020
WHS incentive	2	143	245
Other	1	319	279
Total other revenue		2,977	2,402

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	787	1,136
Other revenue recognised at a point in time (2)	2,190	1,266
Total other revenue	2,977	2,402

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)					
Relating to the current year					
Financial assistance – general component	2	2,596	2,707	–	–
Financial assistance – local roads component	2	831	834	–	–
Prepayment received in advance for subsequent year					
Financial assistance – general component	1	2,777	2,866	–	–
Financial assistance – local roads component	1	892	886	–	–
Amount recognised as income during current year		7,096	7,293	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Previously specific grants:

Pensioners' rates subsidies:

Water supplies	2	–	–	1,200	–
Sewerage services	2	–	–	828	218
Bushfire and emergency services	2	2,460	2,144	43	–
Community care	2	3,003	2,001	–	20
Economic development	2	–	–	124	1,100
Environmental programs	2	838	455	–	308
Heritage and cultural	2	217	81	367	4,415
Library	2	84	96	–	–
Recreation and culture	2	110	2	29,859	519
Aerodrome	2	–	–	632	1,075
Cycleways		–	–	–	583
Street lighting	1	103	103	–	–
Transport (roads to recovery)	1	1,058	1,039	–	–
Transport (other roads and bridges funding)	1	61	–	6,588	3,663
Other specific grants	2	139	102	602	851
Previously contributions:					
Bushfire services	2	43	4,074	–	1,374
Business development	2	67	55	–	–

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Community services	2	112	150	–	–
Heritage/cultural		–	240	–	–
Kerb and gutter	2	–	–	67	105
Recreation and culture		–	5	–	–
Roads and bridges		–	198	–	–
Transport for NSW contributions (regional roads, block grant)	2	1,180	1,060	–	28
Sewerage (excl. section 64 contributions)	2	3	3	–	10
Water supplies (excl. section 64 contributions)		–	–	–	11
Other contributions	2	2	151	352	85
Arts and culture	2	20	32	–	–
Employment and training program	2	88	78	–	–
Libraries		–	60	–	–
Roadworks	2	–	–	11,708	(111)
Sports grounds, parks and recreation	2	3	9	148	–
Waste management	2	146	376	–	–
Total special purpose grants and non-developer contributions – cash		9,737	12,514	52,518	14,254
Non-cash contributions					
Bushfire services		–	–	–	1,175
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	1,620	7,052
Roads and bridges	2	–	–	1,779	713
Total other contributions – non-cash		–	–	3,399	8,940
Total special purpose grants and non-developer contributions (tied)		9,737	12,514	55,917	23,194
Total grants and non-developer contributions		16,833	19,807	55,917	23,194
Comprising:					
– Commonwealth funding		11,222	10,106	1,779	1,032
– State funding		5,318	2,952	50,231	11,719
– Other funding		293	6,749	3,907	10,443
		16,833	19,807	55,917	23,194

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):	G5					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	35	32	590	436
S 7.12 – fixed development consent levies		2	–	–	321	304
S 64 – water supply contributions		2	–	–	1,009	1,373
S 64 – sewerage service contributions		2	–	–	1,278	1,200
Total developer contributions – cash			35	32	3,198	3,313
Total developer contributions			35	32	3,198	3,313
Total contributions			35	32	3,198	3,313

B2-4 Grants and contributions (continued)

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Total grants and contributions			16,868	19,839	59,115	26,507
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			-	-	-	-
Grants and contributions recognised at a point in time (2)			16,868	19,839	59,115	26,507
Total grants and contributions			16,868	19,839	59,115	26,507

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	3,286	2,716	4,939	6,651
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,358	1,532	6,693	-
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	-	-	(13,663)	(1,528)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,936)	(2,617)	-	(3,071)
Unspent funds at 30 June	3,708	3,286	(2,031)	4,939
Contributions				
Unspent funds at 1 July	14,925	11,842	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	3,657	5,355	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(2,498)	(2,272)	-	-
Unspent contributions at 30 June	16,084	14,925	-	-

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 agreements. 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).

B2-4 Grants and contributions (continued)

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)	(2)	222
– Cash and investments	848	2,035
Total interest and investment income (losses)	846	2,257
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	–	223
General Council cash and investments	329	930
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	27	56
– Section 7.12	17	30
– Section 64	68	142
Water fund operations	282	513
Sewerage fund operations	123	363
Total interest and investment income	846	2,257

Accounting policy

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

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Other lease income			
Caravan Parks		901	1,051
Airport Hangars		201	156
Leaseback fees - council vehicles		232	253
Land		718	722
Total Other lease income		2,052	2,182
Total rental income	C2-2	2,052	2,182
Total other income		2,052	2,182

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	35,093	35,245
Travel expenses	218	263
Employee leave entitlements (ELE)	6,075	5,661
Superannuation	4,015	4,085
Workers' compensation insurance	1,805	1,930
Fringe benefit tax (FBT)	261	214
Payroll tax	399	341
Training costs (other than salaries and wages)	350	465
Other	312	385
Total employee costs	48,528	48,589
Less: capitalised costs	(5,694)	(6,348)
Total employee costs expensed	42,834	42,241
Number of 'full-time equivalent' employees (FTE) at year end (excluding casuals)	532	505

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		7,894	8,528
Contractor and consultancy costs		25,286	23,386
Audit Fees	F2-1	139	98
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	260	277
Advertising		405	257
Bank charges / cash collection expenses		295	262
Computer software charges		1,425	1,329
Electricity and heating		2,212	2,224
Insurance		1,658	1,430
Postage		415	442
Printing and stationery		162	156
Street lighting		291	458
Subscriptions and publications		171	179
Telephone and communications		709	683
Valuation fees		169	168
Commissions		591	466
Community care outsourced		261	1,591
Other expenses		3,029	2,227
Remediation remeasurement		1,286	(468)
Venue / facility hire		152	22
Legal expenses:			

B3-2 Materials and services (continued)

\$ '000	2021	2020
– Legal expenses: debt recovery	169	132
– Legal expenses: other	147	157
Expenses from short-term leases	–	59
Expenses from leases of low value assets	103	41
Total materials and services	47,229	44,104
Total materials and services	47,229	44,104

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		2,200	2,326
Total interest bearing liability costs		2,200	2,326
Total interest bearing liability costs expensed		2,200	2,326
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	(123)	188
– Lease liabilities		123	–
Interest applicable on interest free (and favourable) loans to Council		–	30
Total other borrowing costs		–	218
Total borrowing costs expensed		2,200	2,544

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		2,010	2,588
Office equipment		1,084	988
Furniture and fittings		41	41
Land improvements (depreciable)		14	14
Infrastructure:			
	C1-7		
– Buildings		1,614	1,836
– Other structures		899	934
– Roads		11,311	8,278
– Bridges		682	704
– Footpaths		799	656
– Stormwater drainage		1,261	977
– Water supply network		6,345	6,281
– Sewerage network		7,875	7,709
– Swimming pools		121	304
– Other open space/recreational assets		1,779	1,744
Right of use assets	C2-1	52	85
Other assets:			
– Library books		176	184
Total gross depreciation and amortisation costs		36,063	33,323

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

\$ '000	Notes	2021	2020
Total depreciation and amortisation costs		36,063	33,323
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-7		
– Buildings		–	74
– Other open space/recreational assets		–	16
Total gross IPPE impairment / revaluation decrement costs		–	90
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	90
Total depreciation, amortisation and impairment for non-financial assets		36,063	33,413

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		166	504
Total impairment of receivables	C1-4	166	504
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		74	59
– NSW fire brigade levy		185	166
– NSW rural fire service levy		1,025	602
– Other contributions/levies		243	222
Donations, contributions and assistance to other organisations (Section 356)		198	143
Bushfire Donations		193	–
Total other		1,918	1,192
Total other expenses		2,084	1,696

Accounting policy

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

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		9	–
Less: carrying amount of property assets sold/written off		(8)	(915)
Gain (or loss) on disposal		1	(915)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		1,015	776
Less: carrying amount of plant and equipment assets sold/written off		(621)	(682)
Gain (or loss) on disposal		394	94
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(8,898)	(4,455)
Gain (or loss) on disposal		(8,898)	(4,455)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		1,300	–
Less: carrying amount of real estate assets sold/written off		(665)	–
Gain (or loss) on disposal		635	–
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	1,103
Less: carrying amount of investments sold/redeemed/matured		–	(555)
Gain (or loss) on disposal		–	548
Gain (or loss) on disposal of land held for resale			
	C1-6		
Proceeds from disposal – land held for resale		1,681	–
Less: carrying amount of land held for resale assets sold/written off		(946)	–
Gain (or loss) on disposal		735	–
Net gain (or loss) on disposal of assets		(7,133)	(4,728)

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 23/06/2020 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	67,061	67,913	852	1%	F
User charges and fees	34,526	37,948	3,422	10%	F
Favourable variation as a result of increased RMS funded works on the Kings Highway, continued tipping fees received from State Funded Bushfire Recovery cleanup works and stronger than expected fees from the Batemans Bay Beach Resort.					
Other revenues	1,506	2,977	1,471	98%	F
Bushfire damage insurance proceeds received (including business interruption insurance).					
Operating grants and contributions	14,197	16,868	2,671	19%	F
Favourable variations relating to significant grants received for bushfire recovery works including the Bushfire Recovery Service, vegetation control/tree management and support for the increased Emergency Services Levy. Grant funded works in the recreation, environmental services and community development areas of Council.					
Capital grants and contributions	72,915	59,115	(13,800)	(19)%	U
Revised timing of work/grants claims for significant projects including water & sewer works and construction of Bay Pavilions. Significant transport grants received including continued Emergency Renewal for Bridges damaged by 2019/20 Bushfires, Grandfather Gully Bends upgrade, Fixing Local Roads & Safety Upgrade programs and 4 Natural Disaster storm/flood events. Recognition of significant subdivider assets and developer contributions.					
Interest and investment revenue	3,120	846	(2,274)	(73)%	U
Lower than anticipated interest rates across Council wide portfolio.					
Other income	1,644	2,052	408	25%	F
Improved lease income on Council owned land.					
EXPENSES					
Employee benefits and on-costs	42,400	42,834	(434)	(1)%	U
Materials and services	16,754	47,229	(30,475)	(182)%	U
Expenses classified as 'other expenses' are generally materials and service related and are combined therein for reporting purposes. Variations relating to significant grant funded bushfire recovery works including the Bushfire Recovery Service, vegetation control/tree management and increased Emergency Services Levy. Increased funded operational spend for various significant programs including bushfire disaster work, storm/flood events and additional RMS works on the Kings Highway. Note that some of the budget for these sits within the Other Expenses line shown further below, hence these lines should be read together as a net impact of \$10.8 M due to the factors outlined.					
Borrowing costs	2,034	2,200	(166)	(8)%	U

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
Depreciation, amortisation and impairment of non-financial assets	33,558	36,063	(2,505)	(7)% U
Other expenses	21,754	2,084	19,670	90% F
Expenses classified as 'other expenses' are generally materials and service related and are combined therein for reporting purposes. Note that some of the expenses against this budget sit within the Materials and Services line, as per the above comment in that section.				
Net losses from disposal of assets	-	7,133	(7,133)	∞ U
Loss on disposal of assets primarily related to bushfire impacted roads, infrastructure and building assets partially offset by sales of council owned land and equipment.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	112,027	91,338	(20,689)	(18)% U
Timing of significant grant funded construction works on Bay Pavilions, with a partial offset from continued higher tipping fees from State Funded Bushfire Recovery clean up works and bushfire related insurance proceeds.				
Cash flows from investing activities	(122,527)	(85,624)	36,903	(30)% F
Favourable variation due to timing of capital works and revised work scheduling for Bay Pavilions and significant water infrastructure works.				
Cash flows from financing activities	5,607	1,496	(4,111)	(73)% U
Variation as a result of lower borrowings due to revised timing and funding of significant water infrastructure capital works.				

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	13,215	8,099
Cash-equivalent assets		
– Deposits at call	13,105	11,011
Total cash and cash equivalents	26,320	19,110

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	26,320	19,110
Balance as per the Statement of Cash Flows	26,320	19,110

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				
Term deposits	130,000	–	121,020	–
Total	130,000	–	121,020	–
Total financial investments	130,000	–	121,020	–
Total cash assets, cash equivalents and investments	156,320	–	140,130	–

Equity securities designated as at fair value through other comprehensive income

The investments shown designated as financial assets as at fair value through other comprehensive income represent investments that the Council intends to hold for the long-term strategic purposes.

No strategic investments were disposed of during 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy

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

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

The Australian Government guarantees deposits up to \$250,000 in Authorised Deposit-Taking Institutions (ADIs) such as banks (including online and digital banks), building societies or credit unions. Council has \$1.75m in the investment portfolio that is considered as “Remote Risk” under the investment policy and covered by the Australian Government guarantee. This guarantee is recognised as part of the investments balance.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending

C1-2 Financial investments (continued)

on the classification of the financial assets.

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	156,320	–	140,130	–
attributable to:				
External restrictions	102,663	–	103,732	–
Internal restrictions	32,555	–	30,180	–
Unrestricted	21,102	–	6,218	–
	156,320	–	140,130	–

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

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – sewer

External restrictions – included in liabilities

	33	33
	578	33

External restrictions – other

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

Developer contributions – general	5,925	4,946
Developer contributions – water fund	5,401	5,376
Developer contributions – sewer fund	2,629	2,360
Specific purpose unexpended grants (recognised as revenue) – general fund	2,478	8,225
Specific purpose unexpended grants (recognised as revenue) – water fund	(725)	–
Specific purpose unexpended grants (recognised as revenue) – sewer fund	(77)	–
Water fund	39,238	35,958
Sewer fund	15,408	21,271
Stormwater management	306	180
Other waste management	20,534	15,283

continued on next page ...

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

\$ '000	2021	2020
Crown reserves	5,481	5,329
Community services asset replacement	364	364
Domestic waste management	2,995	2,969
Other	2,128	1,438
External restrictions – other	102,085	103,699
Total external restrictions	102,663	103,732
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Infrastructure replacement	297	678
Employees leave entitlement	4,497	4,265
Community development infrastructure fund	58	58
Council recreational loan pool	156	165
Energy and efficiency fund	627	569
Financial assistance grant	3,669	3,752
Gravel pits	846	745
Infrastructure renewals (FFTF)	8,686	7,506
Management committees	145	146
Real estate disposal fund	4,241	1,710
Recreation strategy	60	135
Special rates variation	2,958	2,961
Sports liason committee	239	207
Unexpended general loan fund	1,174	507
Other (Contributions)	4,902	6,776
Total internal restrictions	32,555	30,180
Total restrictions	135,218	133,912

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	1,150	–	1,562	–
User charges and fees	10,567	–	7,734	–
Accrued revenues				
– Interest on investments	210	–	427	–
– Other income accruals	10,322	–	14,871	–
Deferred debtors	32	–	24	51
Net GST receivable	1,076	–	–	–
Other debtors	–	5	–	5
Total	23,357	5	24,618	56
Less: provision of impairment				
Rates and annual charges	(35)	–	(35)	–
User charges and fees	(906)	–	(879)	–
Total provision for impairment – receivables	(941)	–	(914)	–
Total net receivables	22,416	5	23,704	56

C1-4 Receivables (continued)

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted receivables				
Water supply				
– Other	3,631	–	3,644	–
Sewerage services				
– Other	931	–	946	–
Total external restrictions	4,562	–	4,590	–
Unrestricted receivables	17,854	5	19,114	56
Total net receivables	22,416	5	23,704	56

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	914	410
+ new provisions recognised during the year	27	504
Balance at the end of the year	941	914

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, or when the receivables are over 7 years past due, whichever occurs first.

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.

Accounting policy under AASB 139 – applicable for 2020 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period,

C1-4 Receivables (continued)

it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate development	1,741	-	-	-
Stores and materials	870	-	789	-
Total inventories at cost	2,611	-	789	-
Total inventories	2,611	-	789	-

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	-	-	-	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	2,611	-	789	-
Total inventories	2,611	-	789	-

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Industrial/commercial		1,741	-	-	-
Total real estate development		1,741	-	-	-
Represented by:					
Acquisition costs		355	-	-	-
Other properties – book value		1,386	-	-	-
Total costs		1,741	-	-	-
Total real estate development		1,741	-	-	-
Movements:					
Real estate assets at beginning of the year		-	-	-	-
– Purchases and other costs		580	-	-	-
– WDV of sales (expense)	B4-1	(665)	-	-	-
– Transfer from Community Land		501	-	-	-
– Transfer from Land held for resale		1,325	-	-	-
Total real estate development		1,741	-	-	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-5 Inventories (continued)

Real Estate Development

Real estate development 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 real estate development 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 Non-current assets classified as held for sale

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Non-current assets held for sale				
Land	183	–	2,454	–
Total non-current assets held for sale	183	–	2,454	–
Total non-current assets classified as held for sale	183	–	2,454	–

Details of assets and disposal groups

As at 30 June there was only 1 parcel left from 10 in the preceeding year. 6 have been transferred to real estate development held for resale and 3 were sold.

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

\$ '000	2021 Assets 'held for sale'	2020 Assets 'held for sale'
Opening balance	2,454	335
Balance still unsold after 12 months:	2,454	335
Less: Disposals or assets no longer classified as 'held for sale'	(946)	(335)
<u>Plus new transfers in:</u>		
– Asset reclassifications and revaluations 'held for sale'	–	2,454
<u>Less:</u>		
Less: transfer to real estate development held for sale	(1,325)	–
Closing balance of held for sale non-current assets and operations	183	2,454

Accounting policy

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

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

C1-7 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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	29,356	–	29,356	35,931	50,154	–	–	(32,304)	(2)	–	83,135	–	83,135
Plant and equipment	35,656	(19,617)	16,039	–	–	(621)	(2,010)	2,547	–	–	36,058	(20,103)	15,955
Office equipment	9,095	(1,932)	7,163	–	–	–	(1,084)	387	(1)	–	9,079	(2,614)	6,465
Furniture and fittings	399	(166)	233	–	–	–	(41)	–	–	–	345	(153)	192
Land:													
– Operational land	54,241	–	54,241	–	35	(8)	–	230	(373)	(36)	54,089	–	54,089
– Community land	105,606	–	105,606	–	–	–	–	–	(127)	9,761	115,240	–	115,240
– Land under roads (post 30/6/08)	15,201	–	15,201	–	–	–	–	27	–	–	15,228	–	15,228
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(161)	527	–	–	–	(14)	–	1	–	688	(174)	514
Infrastructure:													
– Buildings	132,160	(46,006)	86,154	–	4	(1,715)	(1,614)	2,285	–	3,314	129,079	(40,651)	88,428
– Other structures	22,155	(6,577)	15,578	–	40	(658)	(899)	851	1,092	1,307	24,510	(7,199)	17,311
– Roads	728,247	(222,001)	506,246	–	1,044	(2,998)	(11,311)	13,263	8	7,929	746,636	(232,455)	514,181
– Bridges	54,625	(17,439)	37,186	–	–	(206)	(682)	3,703	16	581	58,174	(17,576)	40,598
– Footpaths	45,824	(12,015)	33,809	–	225	(251)	(799)	968	10	525	47,427	(12,940)	34,487
– Bulk earthworks (non-depreciable)	–	–	–	–	–	–	–	–	(2)	–	–	(2)	(2)
– Stormwater drainage	134,193	(34,593)	99,600	–	547	(104)	(1,261)	2,060	339	1,577	139,107	(36,349)	102,758
– Water supply network	366,149	(182,282)	183,867	–	340	(179)	(6,345)	1,776	57	1,582	370,309	(189,211)	181,098
– Sewerage network	444,654	(196,455)	248,199	–	977	(359)	(7,875)	1,261	11	2,160	449,658	(205,284)	244,374
– Swimming pools	8,406	(7,675)	731	–	–	–	(121)	–	–	623	5,398	(4,165)	1,233
– Other open space/recreational assets	57,493	(23,526)	33,967	–	306	(2,442)	(1,779)	2,752	748	1,093	69,127	(34,482)	34,645
Other assets:													
– Library books	906	(434)	472	–	–	–	(176)	194	1	–	862	(371)	491
– Other	7	(2)	5	–	–	–	–	–	–	–	7	(2)	5
Total infrastructure, property, plant and equipment	2,245,093	(770,881)	1,474,212	35,931	53,672	(9,541)	(36,011)	–	1,778	30,416	2,354,188	(803,731)	1,550,457

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

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 ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	21,483	–	21,483	18,889	30,627	–	–	–	(41,643)	–	–	29,356	–	29,356
Plant and equipment	34,048	(18,460)	15,588	3,349	375	(684)	(2,589)	–	–	–	–	35,656	(19,617)	16,039
Office equipment	9,051	(2,105)	6,946	963	241	–	(987)	–	–	–	–	9,095	(1,932)	7,163
Furniture and fittings	581	(396)	185	71	18	–	(41)	–	–	–	–	399	(166)	233
Land:														
– Operational land	56,345	–	56,345	–	15	–	–	–	–	(2,119)	–	54,241	–	54,241
– Community land	104,716	–	104,716	–	890	–	–	–	–	–	–	105,606	–	105,606
– Land under roads (post 30/6/08)	20,479	–	20,479	–	77	–	–	–	–	–	(5,355)	15,201	–	15,201
Land improvements – non-depreciable	32	–	32	–	–	–	–	–	–	–	–	32	–	32
Land improvements – depreciable	688	(147)	541	–	–	–	(14)	–	–	–	–	688	(161)	527
Infrastructure:														
– Buildings	130,633	(44,519)	86,114	1,262	1,602	(914)	(1,836)	(74)	–	–	–	132,160	(46,006)	86,154
– Other structures	21,997	(5,643)	16,354	–	158	–	(934)	–	–	–	–	22,155	(6,577)	15,578
– Roads	565,173	(161,445)	403,728	7,896	6,154	(1,278)	(8,278)	–	–	6	98,018	728,247	(222,001)	506,246
– Bridges	49,525	(17,836)	31,689	953	455	(1,224)	(704)	–	–	–	6,017	54,625	(17,439)	37,186
– Footpaths	36,523	(9,509)	27,014	413	1,438	(162)	(656)	–	–	–	5,762	45,824	(12,015)	33,809
– Stormwater drainage	101,794	(26,786)	75,008	1,174	2,074	(468)	(977)	–	–	(6)	22,795	134,193	(34,593)	99,600
– Water supply network	361,693	(175,433)	186,260	1,661	772	(325)	(6,281)	–	–	–	1,780	366,149	(182,282)	183,867
– Sewerage network	434,552	(188,381)	246,171	2,916	5,094	(653)	(7,709)	–	–	–	2,380	444,654	(196,455)	248,199
– Swimming pools	8,394	(7,371)	1,023	12	–	–	(304)	–	–	–	–	8,406	(7,675)	731
– Other open space/recreational assets	57,087	(22,710)	34,377	1,243	451	(344)	(1,744)	(16)	–	–	–	57,493	(23,526)	33,967
Other assets:														
– Library books	950	(406)	544	–	112	–	(184)	–	–	–	–	906	(434)	472
– Other	7	(2)	5	–	–	–	–	–	–	–	–	7	(2)	5
Total infrastructure, property, plant and equipment	2,015,751	(681,149)	1,334,602	40,802	50,553	(6,052)	(33,238)	(90)	(41,643)	(2,119)	131,397	2,245,093	(770,881)	1,474,212

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

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	5 to 10	Playground equipment	15 to 30
Office furniture	10 to 20	Benches, seats etc.	20 to 25
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	60
Other plant and equipment	5 to 15	Buildings: other	40 to 50
		Stormwater assets	
Water and sewer assets		Drains	100 to non depreciable
Dams and reservoirs	10 to 100	Culverts	30 to non depreciable
Bores	25	Flood control structures	non depreciable
Reticulation pipes: PVC	80		
Reticulation pipes: other	50 to 80		
Pumps and telemetry	7 to 25		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	NA
Sealed roads: surface	10 to 18	Swimming pools	60
Sealed roads: structure	50 to non depreciable	Other open space/recreational assets	10 to non depreciable
Unsealed roads	10 to non depreciable	Other infrastructure	7 to non depreciable
Bridge: concrete	75 to 125		
Bridge: other	30 to 100		
Road pavements	50 to non depreciable		
Kerb, gutter and footpaths	30 to 100		

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 5 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

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

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.

Found Assets

The revaluation process typically finds assets that have not been previously recognised. These assets are recognised in accordance with the revaluation model and disclosed as current year adjustments. Accumulated Surplus is increased and is disclosed as an Other Reserve Movement. For 2020/21 the fair value of found assets was \$2.27m.

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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

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

Rural Fire Service assets

The Office of Local Government has stated that RFS assets are to be recognised as assets of Council. This is due to 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". Council's view is that RFS vehicles and appliances do not meet the asset recognition criteria in accordance with the Australian accounting standards. Control being one of the key requirements does not just relate to a legal requirement. Control exists if the entity has the present ability to direct the use of the economic resource and obtain the economic benefits. Council believes the RFS has control over these assets. Council from 1 July 2020 no longer updates its asset register for changes to these RFS assets. However, RFS buildings are still being recorded and updated. Council owns the land under the buildings so this assessment is more complex and Council has followed the OLG direction in this case.

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	12,000	–	12,000	6,480	–	6,480
Plant and equipment	700	413	287	700	377	323
Office equipment	79	27	52	56	17	39
Land						
– Operational land	1,731	–	1,731	1,731	–	1,731
– Community land	–	–	–	594	–	594
Buildings	5,304	1,709	3,595	5,100	1,573	3,527
Infrastructure	370,309	189,211	181,098	366,147	182,282	183,865
Total water supply	390,123	191,360	198,763	380,808	184,249	196,559
Sewerage services						
WIP	23,887	–	23,887	11,046	–	11,046
Plant and equipment	1,475	1,392	83	1,475	1,376	99
Office equipment	32	6	26	5	–	5
Land						
– Operational land	3,642	–	3,642	3,579	–	3,579
– Community land	4	–	4	98	–	98
Buildings	4,630	1,238	3,392	4,417	1,142	3,275
Infrastructure	449,658	205,284	244,374	444,652	196,455	248,197

continued on next page ...

Externally restricted infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Other assets	59	3	56	58	3	55
Total sewerage services	483,387	207,923	275,464	465,330	198,976	266,354
Domestic waste management						
WIP	237	–	237	230	–	230
Plant and equipment	1,926	1,219	707	1,926	1,164	762
Office equipment	10	6	4	10	5	5
Land						
– Operational land	2,797	–	2,797	2,567	–	2,567
Buildings	735	234	501	706	216	490
Other structures	14,131	4,196	9,935	12,324	3,673	8,651
Infrastructure	443	–	443	442	–	442
Total domestic waste management	20,279	5,655	14,624	18,205	5,058	13,147
Total restricted infrastructure, property, plant and equipment	893,789	404,938	488,851	864,343	388,283	476,060

Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2021	2020
(i) Impairment losses recognised in the Income Statement:			
– Bushfire impacted buildings and other structures		–	90
Total impairment losses		–	90
Impairment of assets – gains/(losses) in P/L	B3-4	–	90

C1-8 Other

Other assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Prepayments	819	–	818	–
Total other assets	819	–	818	–

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	819	–	818	–
Total other assets	819	–	818	–

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings for records storage at Moruya industrial district and NDIS accommodation services at Batemans Bay.

The records storage lease is for 10 years with annual CPI movements and an extension option of 5 years at market rent.

The NDIS accommodation lease is for five years and includes a five year renewal option. The building leases contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception. The monthly lease amount is offset by funds received from client's Specialist Disability Accommodation funding which covers a tenancy management fee, reactive maintenance fee and planned and preventative maintenance fees. The lease payment is therefore variable and dependent on occupancy.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 10 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Right of use assets

\$ '000	Photocopier	Storage Facility	Guy Street NDIS accommodation	Total
2021				
Opening balance at 1 July	18	310	221	549
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	–	–
Depreciation charge	(9)	(17)	(28)	(54)
Other movement	–	–	–	–
Balance at 30 June	9	293	193	495
2020				
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	26	358	248	632
Depreciation charge	(8)	(49)	(28)	(85)
Other movement	–	1	1	2
Balance at 30 June	18	310	221	549

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	84	532	73	502
Total lease liabilities	84	532	73	502

(c) (i) The maturity analysis

C2-1 Council as a lessee (continued)

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	77	278	203	558	616
2020					
Cash flows	77	286	103	466	575

(ii) Lease liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total lease liabilities relating to unrestricted assets	84	532	73	502
Total lease liabilities	84	532	73	502

(d) Income Statement

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

\$ '000	2021	2020
Depreciation of right of use assets	52	85
Expenses relating to short-term leases	–	59
Expenses relating to low-value leases	103	41
	155	185

(e) Statement of Cash Flows

Total cash outflow for leases	(82)	(110)
	(82)	(110)

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

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.

C2-1 Council as a lessee (continued)

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 caravan parks, aircraft hangars, staff lease back vehicles and land for telecommunications, golf courses and other business uses. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

\$ '000	2021	2020
(i) Assets held as property, plant and equipment		
Caravan Parks	901	1,051
Airport Hangars	201	156
Leaseback fees - Council Vehicles	232	253
Land	718	722
Total income relating to operating leases for Council assets	2,052	2,182

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 – operating expenditure	4,034	–	1,592	–
Goods and services – capital expenditure	5,036	–	236	–
Accrued expenses:				
– Borrowings	51	–	14	–
– Other expenditure accruals	11,144	–	8,017	–
Prepaid rates	–	–	–	–
Security bonds, deposits and retentions	723	–	697	–
ATO – net GST payable	11	–	16	–
Other	221	–	30	–
Total payables	21,220	–	10,602	–
Income received in advance				
Payments received in advance	531	–	824	–
Total income received in advance	531	–	824	–
Total payables	21,751	–	11,426	–

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	215	–	257	–
Sewer	156	–	86	–
Payables relating to externally restricted assets	371	–	343	–
Total payables relating to restricted assets	371	–	343	–
Total payables relating to unrestricted assets	21,380	–	11,083	–
Total payables	21,751	–	11,426	–

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

All liabilities, classified as current are also expected to be settled in the next 12 months.

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	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
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C3-2 Contract Liabilities (continued)

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	7,764	-	4,437	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,823	-	939	-
Total grants received in advance		9,587	-	5,376	-
Total contract liabilities		9,587	-	5,376	-

Notes

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	10,132	-	5,376	-
Contract liabilities relating to externally restricted assets	10,132	-	5,376	-
Total contract liabilities relating to restricted assets	10,132	-	5,376	-
Total contract liabilities relating to unrestricted assets	(545)	-	-	-
Total contract liabilities	9,587	-	5,376	-

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,246	3,071
Operating grants (received prior to performance obligation being satisfied)	555	64
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,801	3,135

Accounting policy

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

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
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C3-3 Borrowings (continued)

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	9,636	50,327	5,611	52,774
Total borrowings	9,636	50,327	5,611	52,774

(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 E-2.

Borrowings relating to restricted assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	565	221	70	785
Sewer	3,502	12,487	1,634	15,989
Borrowings relating to externally restricted assets	4,067	12,708	1,704	16,774
Total borrowings relating to restricted assets	4,067	12,708	1,704	16,774
Total borrowings relating to unrestricted assets	5,569	37,619	3,907	36,000
Total borrowings	9,636	50,327	5,611	52,774

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

All borrowings classified as current, are also expected to be settled in the next 12 months.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy		Closing balance
						Other non-cash movement	
Loans – secured	58,385	1,578	–	–	–	–	59,963
Lease liability (Note C2-1b)	575	(82)	–	123	–	–	616
Total liabilities from financing activities	58,960	1,496	–	123	–	–	60,579

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy		Closing balance
						Other non-cash movement	
Loans – secured	58,316	69	–	–	–	–	58,385
Lease liability (Note C2-1b)	–	575	–	–	–	–	575
Total liabilities from financing activities	58,316	644	–	–	–	–	58,960

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		

C3-3 Borrowings (continued)

\$ '000	2021	2020
Bank overdraft facilities ¹	2,000	2,000
Credit cards/purchase cards	260	260
Total financing arrangements	2,260	2,260
Undrawn facilities		
– Bank overdraft facilities	2,000	2,000
– Credit cards/purchase cards	260	260
Total undrawn financing arrangements	2,260	2,260

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	3,919	–	3,820	–
Long service leave	7,344	508	6,186	846
Other leave (TOIL and RDO)	578	–	515	–
Other ELE on-costs (Payroll tax and WorkCover)	501	20	620	46
Total employee benefit provisions	12,342	528	11,141	892

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	943	38	590	50
Sewer	943	38	590	50
Employee benefit provisions relating to externally restricted assets	1,886	76	1,180	100
Total employee benefit provisions relating to restricted assets	1,886	76	1,180	100
Total employee benefit provisions relating to unrestricted assets	10,456	452	9,961	792
Total employee benefit provisions	12,342	528	11,141	892

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

\$ '000	2021	2020
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

C3-4 Employee benefit provisions (continued)

\$ '000	2021	2020
Provisions – employees benefits	6,049	5,227
	6,049	5,227

Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2021					
At beginning of year	3,820	7,032	666	515	12,033
Additional provisions	2,868	1,689	–	1,657	6,214
Amounts used (payments)	(2,784)	(833)	–	(1,597)	(5,214)
Remeasurement effects	15	(62)	–	3	(44)
Other	–	26	(145)	–	(119)
Total ELE provisions at end of year	3,919	7,852	521	578	12,870
2020					
At beginning of year	3,355	7,118	–	598	11,071
Additional provisions	2,925	1,018	–	1,614	5,557
Amounts used (payments)	(2,444)	(958)	–	(1,690)	(5,092)
Remeasurement effects	(16)	(100)	–	(7)	(123)
Other	–	(46)	666	–	620
Total ELE provisions at end of year	3,820	7,032	666	515	12,033

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	2021	2020	2020
	Current	Non-Current	Current	Non-Current

Other provisions

continued on next page ...

C3-5 Provisions (continued)

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Self insurance – workers compensation	7	–	3	–
Sub-total – other provisions	7	–	3	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,875	–	1,713
Sub-total – asset remediation/restoration	–	2,875	–	1,713
Total provisions	7	2,875	3	1,713

Provisions relating to restricted assets

Externally restricted assets

Domestic waste management	–	2,875	–	1,713
Provisions relating to externally restricted assets	–	2,875	–	1,713
Total provisions relating to restricted assets	–	2,875	–	1,713
Total provisions relating to unrestricted assets	7	–	3	–
Total provisions	7	2,875	3	1,713

Description of and movements in provisions

\$ '000	Other provisions		
	Self insurance	Asset remediation	Net carrying amount
2021			
At beginning of year	3	1,713	1,716
Unwinding of discount	–	352	352
Remeasurement effects	–	810	810
Other	4	–	4
Total other provisions at end of year	7	2,875	2,882
2020			
At beginning of year	1	2,040	2,041
Unwinding of discount	–	141	141
Remeasurement effects	–	(468)	(468)
Other	2	–	2
Total other provisions at end of year	3	1,713	1,716

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.

C3-5 Provisions (continued)

Management has changed its estimate technique. Previously the Financial Assurance Policy for NSW Waste Facilities 2009 was used to determine the remediation cost per hectare. The estimation methodology now relies on internally developed unit costs supported by EPA and current contractor inputs.

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.

Other reserves

Other Reserve movements in the Statement of Equity include the realisation of revaluation increments for disposed assets (\$3.965m) and found assets (\$2.274m) discovered during the revaluation process.

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 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	39,427	7,433	21,053
User charges and fees	25,853	11,269	826
Interest and investment revenue	374	328	144
Other revenues	2,856	48	73
Grants and contributions provided for operating purposes	16,478	199	191
Grants and contributions provided for capital purposes	53,397	2,600	3,118
Other income	2,052	–	–
Total income from continuing operations	140,437	21,877	25,405
Expenses from continuing operations			
Employee benefits and on-costs	34,900	3,469	4,465
Materials and services	34,252	6,247	6,730
Borrowing costs	1,466	48	686
Depreciation, amortisation and impairment of non-financial assets	21,639	6,461	7,963
Other expenses	(129)	1,051	1,162
Net losses from the disposal of assets	6,558	179	396
Total expenses from continuing operations	98,686	17,455	21,402
Operating result from continuing operations	41,751	4,422	4,003
Net operating result for the year	41,751	4,422	4,003
Net operating result attributable to each council fund	41,751	4,422	4,003
Net operating result for the year before grants and contributions provided for capital purposes	(11,646)	1,822	885

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	26,320	–	–
Investments	64,296	44,180	21,524
Receivables	17,854	3,631	931
Inventories	2,611	–	–
Contract assets and contract cost assets	9,628	725	77
Other	819	–	–
Non-current assets classified as held for sale	183	–	–
Total current assets	121,711	48,536	22,532

Non-current assets

Receivables	5	–	–
Infrastructure, property, plant and equipment	1,076,280	198,741	275,436
Right of use assets	495	–	–
Total non-current assets	1,076,780	198,741	275,436

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2021	Water 2021	Sewer 2021
TOTAL ASSETS	1,198,491	247,277	297,968
LIABILITIES			
Current liabilities			
Payables	20,849	215	156
Income received in advance	531	–	–
Contract liabilities	9,587	–	–
Lease liabilities	84	–	–
Borrowings	5,569	565	3,502
Employee benefit provision	12,342	–	–
Provisions	7	–	–
Total current liabilities	48,969	780	3,658
Non-current liabilities			
Lease liabilities	532	–	–
Borrowings	37,619	221	12,487
Employee benefit provision	528	–	–
Provisions	2,875	–	–
Total non-current liabilities	41,554	221	12,487
TOTAL LIABILITIES	90,523	1,001	16,145
Net assets	1,107,968	246,276	281,823
EQUITY			
Accumulated surplus	599,254	172,424	143,132
Revaluation reserves	508,714	73,852	138,691
Council equity interest	1,107,968	246,276	281,823
Total equity	1,107,968	246,276	281,823

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

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	26,320	19,110	26,320	19,110
Receivables	22,421	23,760	22,421	23,760
Investments				
– Debt securities at amortised cost	130,000	121,020	130,000	121,020
Total financial assets	178,741	163,890	178,741	163,890
Financial liabilities				
Payables	21,220	9,778	21,220	10,602
Loans/advances	59,963	58,385	59,963	58,385
Total financial liabilities	81,183	68,163	81,183	68,987

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.

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

Council's finance area manages the cash and Investments portfolio based on market and product information provided by independent sources.

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

The risks associated with the instruments held are:

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

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,431	1,320
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(b) Credit risk

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

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

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	4	332	527	187	100	1,150
2020						
Gross carrying amount	59	822	454	154	73	1,562

Receivables - non-rates and annual charges and contract assets

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

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

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	12,651	6,807	317	92	2,345	22,212
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	39.00%	4.12%
ECL provision	-	-	-	-	915	915
2020						
Gross carrying amount	15,718	4,258	346	1,060	1,730	23,112
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	33.00%	2.47%
ECL provision	-	-	-	-	571	571

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	21,220	-	-	-	21,220	21,220
Loans and advances	3.62%	-	9,636	21,883	28,443	59,962	59,963
Total financial liabilities		21,220	9,636	21,883	28,443	81,182	81,183
2020							
Trade/other payables	0.00%	10,602	-	-	-	10,602	10,602
Loans and advances	4.60%	-	5,611	28,093	24,682	58,386	58,385
Total financial liabilities		10,602	5,611	28,093	24,682	68,988	68,987

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
- Unlisted equity securities
- Land held for resale

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					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Infrastructure, property, plant and equipment C1-7							
Operational land		–	–	54,089	54,241	54,089	54,241
Community land		–	–	115,240	105,606	115,240	105,606
Land under roads		–	–	15,228	19,770	15,228	19,770
Land improvements – non-depreciable		–	–	32	32	32	32
Land improvements – depreciable		–	–	514	527	514	527
Buildings		–	–	88,428	86,154	88,428	86,154
Buildings – specialised		–	–	–	–	–	–
Other recreational assets		–	–	34,645	33,967	34,645	33,967
Other structures		–	–	17,311	15,578	17,311	15,578
Roads		–	–	514,181	506,246	514,181	506,246
Bridges		–	–	40,598	37,186	40,598	37,186
Footpaths		–	–	34,487	33,809	34,487	33,809
Stormwater drainage		–	–	102,758	99,600	102,758	99,600
Water supply network		–	–	181,098	183,867	181,098	183,867
Sewerage network		–	–	244,374	248,199	244,374	248,199
Swimming pools		–	–	1,233	731	1,233	731
Library books		–	–	491	472	491	472
Other		–	–	5	5	5	5
Total infrastructure, property, plant and equipment		–	–	1,444,712	1,425,990	1,444,712	1,425,990
Non-recurring fair value measurements							
Non-current assets classified as held for sale C1-6							
Land held for sale		–	–	183	2,454	183	2,454
Real Estate Development held for sale		–	–	1,741	–	1,741	–
Total NCA's classified as held for sale		–	–	1,924	2,454	1,924	2,454

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:

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, office equipment and furniture and fittings

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

- * Plant & Equipment : Trucks, graders, ride on mowers, motor vehicles
- * Office Equipment : Computers, photocopiers, electronic whiteboards
- * Furniture & Fittings : Chairs, desks, display systems

The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market, therefore placing these assets in Level 3.

Operational and community land

Operational Land is based on an external valuation by APV Asset Management Pty Ltd and all fair values are derived with reference to market influences.

Community Land is based on either the Land Value provided by the Valuer-General or an average rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land.

Land under roads

Land under roads includes land under roadways, footpaths, nature strips and median strips. Council has elected to recognise all land under roads in accordance with AASB 16 - Property, Plant and Equipment.

Values were determined using the Englobio methodology derived from the Code of Accounting Practice and Financial Reporting. The asset class is classified as a Level 3 asset as significant inputs used in the Englobio valuation methodology are unobservable.

Land improvements – depreciable and non-depreciable

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

These assets may be located in parks, reserves and also within road reserves. Land Improvements were valued in house by experienced Council engineers and asset management staff.

The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgment and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Buildings

Council engaged APV Asset Management Pty Ltd to value all buildings and shelters in 2017-18. The valuation methodology adopted was dependent on whether a market exists to substantiate the value of the asset.

The valuation methodology is in accordance with AASB113 Fair Value measurement and is a market based measurement. The buildings were physically inspected and measured. The useful life of the long life portion of the components has been assessed taking into account the normal range of time between renewals. The valuation was determined using actual construction costs or purchase prices, appropriate APV database, Rawlinson's construction guide, development costs using first principle's and benchmarking against other valuations. Some Buildings previously classified as non-specialised have been valued using the cost approach and not the market approach for various reasons.

The pattern of consumption requires extensive professional judgement and impacted on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

E2-1 Fair value measurement (continued)

Other structures

Other Structures include boardwalks, boat ramps, aerodrome runway, jetties, retaining walls and sea walls. The replacement cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life impact on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Roads

This asset class includes road pavements and surfaces.

The replacement cost approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and engineering standards by Council's Infrastructure Services Directorate.

The valuation is based on the recorded condition and performance of the assets. During 2019/20 an automated and visual condition assessment of all our sealed roads was undertaken and recorded. The anticipated residual life of an asset was derived from its current performance and condition as recorded in Council's Pavement Management System. Residual lives are then modified to reflect planned works within the current Delivery Plan and adopted maximum lives.

Bridges

Bridges were valued internally using the replacement cost approach. This approach estimated the replacement cost for each bridge by componentising the bridge into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails.

This asset class is categorised as Level 3 as some of the factors used in the valuation of these assets such as condition rating and pattern of consumption require significant professional judgment and are therefore unobservable.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. Council staff completed the valuation of the Footpath assets internally. Replacement costs (unit rates) and useful lives of Council footpaths were determined using technical knowledge and expertise. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

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

Stormwater drainage

The stormwater Drainage Asset class consists of Council's pits, pipes, pollution control devices and flow management structures. Council staff completed a valuation of these assets internally using the replacement cost approach.

The valuation is based on the recorded condition and performance of a representative sub-set of the network. CCTV inspection is undertaken on a systematic basis for an identified portion of the network and recorded. The anticipated residual life and replacement cost of the drainage assets were derived from its age and modified to reflect the percentage of assets that would require replacement and the percentage that would have other treatments.

Water supply network

Assets within this class comprise dams and harvesting, reservoirs, pumping stations, water pipelines and telemetry systems.

The cost approach has been applied to estimate the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Water Supply Network assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water and were revalued in 2016-17 by internal staff.

E2-1 Fair value measurement (continued)

Sewerage network

Assets within this class include treatment works, pumping stations and sewerage mains, including reuse systems.

The cost approach has been applied to estimate the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Sewerage Network assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water and were revalued in 2016-17 by internal staff.

Swimming pools

Assets within this classification comprise the swimming pools.

Swimming Pools were valued in-house utilising Council's experienced engineering staff. The cost approach has been used based on the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgment and impacted significantly on the final determination of fair value.

Other open space / recreational assets

Councils recreational facilities register includes all assets associated with the sports fields, bushland and park locations. This includes but is not limited to, ovals, playing courts, playgrounds and fences. Replacement costs (unit rates) and useful lives of Council's recreational facilities were determined using technical knowledge from Council staff (engineers and asset management). Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and residual value.

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

Library books

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

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

Tip assets

Council operates three waste management facilities. Two of these encompass landfilling operations whilst the other is a transfer station. The facilities also incorporate waste minimisation services including recycling, reclaimed products and environmental management controls.

Closure of a waste management facility will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, decommissioning and removal of infrastructure and equipment and fencing sensitive areas.

The key unobservable inputs used to calculate closure costs include discount rates, inflation, closure timing, cost estimates, the amount of area subject to rehabilitation. Valuation was conducted by experienced Council Waste Management experts.

Non-current assets classified as 'held for sale'

Non-current assets "held for sale" are based on an external valuation and all fair values are derived with reference to market influences.

E2-1 Fair value measurement (continued)

Highest and best use

Council does not use 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 standard employer contributions and additional lump sum contributions to the fund.

The standard 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 standard employer contribution rates are:

Division B	1.9 x times employee contributions
Division C	2.5% salaries
Division D	1.64x times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2019 for 3 years 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 fund 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.

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

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

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$548,709.59. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$481,924.92.

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%

E3-1 Contingencies (continued)

Vested Benefits	2,468.7	106.2%
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* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

E3-1 Contingencies (continued)

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,434	1,590
Post-employment benefits	116	128
Other long-term benefits	24	48
Total	1,574	1,766

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2021					
Supply of goods and trade services	144	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	–	–	Council staff award	–	–
2020					
Supply of goods and trade services	72	–	30 day terms on invoices	–	–
Employee expenses relating to close family members	27	–	Council staff award	–	–

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	44	44
Councillors' fees	183	183
Other Councillors' expenses (including Mayor)	33	50
Total	260	277

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	63	72
Remuneration for audit and other assurance services	63	72
Total Auditor-General remuneration	63	72
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	76	26
Remuneration for audit and other assurance services	76	26
Total remuneration of non NSW Auditor-General audit firms	76	26
Total audit fees	139	98

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	50,176	33,262
Adjust for non-cash items:		
Depreciation and amortisation	36,063	33,323
Net losses/(gains) on disposal of assets	7,133	4,728
Non-cash capital grants and contributions	(3,399)	(8,940)
Adoption of AASB 15/1058	–	(4,720)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	–	90
Unwinding of discount rates on lease provisions	125	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	–	30
Unwinding of discount rates on reinstatement provisions	352	141
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	1,269	(3,748)
Increase/(decrease) in provision for impairment of receivables	27	504
Decrease/(increase) in inventories	(81)	(128)
Decrease/(increase) in other current assets	(1)	(279)
Decrease/(increase) in contract assets	(10,430)	–
Increase/(decrease) in payables	2,442	(890)
Increase/(decrease) in accrued interest payable	37	(6)
Increase/(decrease) in other accrued expenses payable	1,844	1,466
Increase/(decrease) in other liabilities	(81)	(267)
Increase/(decrease) in contract liabilities	4,211	5,376
Increase/(decrease) in provision for employee benefits	837	342
Increase/(decrease) in other provisions	814	(335)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	91,338	59,949

(b) Non-cash investing and financing activities

Bushfire grants	–	1,175
Other dedications	268	713
Private subdivisions	3,131	7,052
Total non-cash investing and financing activities	3,399	8,940

(c) Net cash flows attributable to discontinued operations

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

Road infrastructure	387	–
Buildings	30,021	–
Plant and equipment	1,264	–
Water supply	4,459	5,168
Sewer	8,398	5,251
Other structures	916	–
Bridges	742	–
Corporate Business System	260	422
Total commitments	46,447	10,841

These expenditures are payable as follows:

Within the next year	46,447	9,975
Later than one year and not later than 5 years	–	866
Total payable	46,447	10,841

Sources for funding of capital commitments:

Unrestricted general funds	885	2,715
Future grants and contributions	18,204	–
Unexpended grants	–	1,108
Externally restricted reserves	25,861	–
Internally restricted reserves	8	–
New loans (to be raised)	1,489	7,018
Total sources of funding	46,447	10,841

Details of capital commitments

Current capital commitments include plant and equipment (mainly heavy vehicles) required for general operations; Waste, Water and Sewer major construction projects; road and bridge renewal projects; aquatic, arts and leisure centre; various project management contracts; implementation of a new corporate business system and energy performance improvement projects across Council.

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	2,770	378	–	24	–	–	3,172	–
Parking	213	–	–	2	–	(193)	22	–
Open space	183	137	–	2	–	(92)	230	–
Community facilities	11	10	–	–	–	–	21	–
Cycleways/Pedestrian	15	28	–	–	–	–	43	–
Administration	(287)	16	–	(2)	(12)	285	–	–
Waste Disposal	62	19	–	–	–	–	81	–
S7.11 contributions – under a plan	2,967	588	–	26	(12)	–	3,569	–
S7.12 levies – under a plan	1,874	321	–	17	–	–	2,212	–
Total S7.11 and S7.12 revenue under plans	4,841	909	–	43	(12)	–	5,781	–
S7.11 not under plans	105	37	–	1	–	–	143	–
S64 contributions	7,736	2,287	–	68	(2,060)	–	8,031	–
Total contributions	12,682	3,233	–	112	(2,072)	–	13,955	–

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					
Eurobodalla Local Infrastructure Contributions Plan 2012, Community and Cultural Facilities								
Community facilities	11	10	–	–	–	–	21	–
Total	11	10	–	–	–	–	21	–
Development Contributions Plan 2000 - 2005, Waste Disposal								
Waste Facilities	62	19	–	–	–	–	81	–
Total	62	19	–	–	–	–	81	–
Development Contributions Plan 2000 - 2005, Car Parking								
Parking	213	–	–	2	–	(193)	22	–

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					
Total	213	–	–	2	–	(193)	22	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Urban Roadworks								
– Shire wide	698	305	–	6	–	–	1,009	–
Total	698	305	–	6	–	–	1,009	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Open Space and Recreation Facilities								
Open space	183	137	–	2	–	(92)	230	–
Total	183	137	–	2	–	(92)	230	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Plan Preparation and Administration								
Administration	(287)	16	–	(2)	(12)	285	–	–
Total	(287)	16	–	(2)	(12)	285	–	–
Eurobodalla Local Infrastructure Contributions Plan 2012, Paths and Cycleway Facilities								
Cycleways/Pedestrian	15	28	–	–	–	–	43	–
Total	15	28	–	–	–	–	43	–
Contribution Plan, Rural Roads								
– Area 1 - Nelligen West	31	–	–	–	–	–	31	–
– Area 2A - NW Batemans Bay	531	15	–	5	–	–	551	–
– Area 2B - Long Beach	87	–	–	1	–	–	88	–
– Area 3B - Surf Beach/Malua Bay	359	39	–	3	–	–	401	–
– Area 4 - Bimbimbi	116	–	–	1	–	–	117	–
– Area 5 - Polwambra	161	6	–	1	–	–	168	–
– Area 6 - Moruya	114	13	–	1	–	–	128	–
– Area 7 - Congo/Bingi	327	–	–	3	–	–	330	–
– Area 8 - South Narooma	324	–	–	3	–	–	327	–
– Area 9 - Tilba	22	–	–	–	–	–	22	–
Total	2,072	73	–	18	–	–	2,163	–

S7.12 Levies – under a plan

S94A Levy Contribution Plan 2007

Section 94A	1,873	321	–	17	–	–	2,211	–
Total	1,873	321	–	17	–	–	2,211	–

\$ '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					

G4-3 Contributions not under plans

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Roads	96	37	-	1	-	-	134	-
Parking	9	-	-	-	-	-	9	-
Total	105	37	-	1	-	-	143	-

G4-4 S64 contributions

Development Servicing Plan - Eurobodalla Shire Water Supply

Water headworks	5,376	1,008	-	46	(1,030)	-	5,400	-
Total	5,376	1,008	-	46	(1,030)	-	5,400	-

Development Servicing Plan - Eurobodalla Shire Sewerage Services

Sewerage headworks	2,360	1,278	-	22	(1,030)	-	2,630	-
Total	2,360	1,278	-	22	(1,030)	-	2,630	-

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}	(1,640)	(1.28)%	8.85%	3.43%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	128,604				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	111,736	59.52%	71.39%	68.90%	> 60.00%
Total continuing operating revenue ¹	187,719				
3. Unrestricted current ratio					
Current assets less all external restrictions	75,124	2.43x	3.01x	2.79x	> 1.50x
Current liabilities less specific purpose liabilities	30,902				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	36,623	4.64x	4.57x	3.37x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,892				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,115	1.60%	2.23%	2.95%	< 10.00%
Rates and annual charges collectable	69,633				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	156,320	17.85	16.78	14.07	> 3.00
Monthly payments from cash flow of operating and financing activities	8,757	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

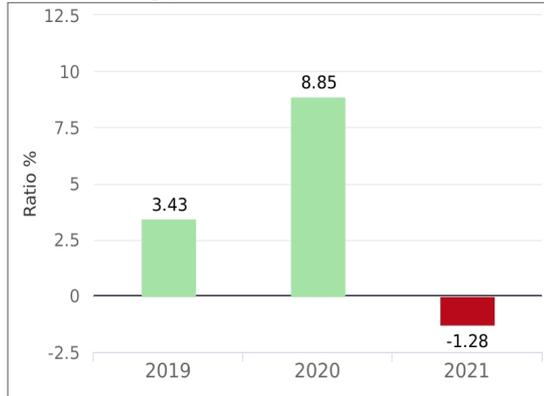
G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer 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}	(5.66)%	8.87%	10.38%	9.75%	5.75%	8.35%	> 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	50.24%	64.48%	87.21%	89.47%	86.98%	88.11%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.43x	3.01x	783.35x	122.00x	5.49x	14.85x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.45x	3.10x	70.99x	158.55x	4.09x	13.42x	> 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	2.71%	3.76%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.85	16.78	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths					mths

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (1.28)%

This ratio was impacted by several factors in 2021. Investment income was lower due to the decline in interest rates; additionally, prior year revenue included additional income from Council's waste facilities due to bushfire clean-up, which did not recur in 2021. Council's expenses in 2021 were impacted by the timing of bushfire related costs for which grant funding which was received in the prior year; additionally depreciation expense was higher due to the revaluation of transport assets.

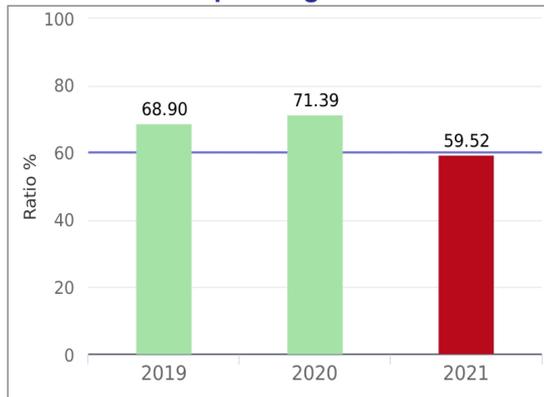
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 59.52%

This ratio was impacted by a reduced own source revenue base coupled with higher total revenue. Own source revenue was impacted by lower investment income due to the decline in interest rates, while total revenue was significantly higher due to major grant funded capital works including Bay Pavilions and transport projects including replacement of bushfire damaged bridges & roads.

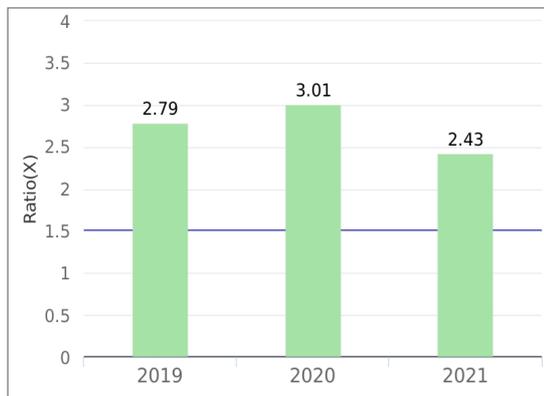
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.43x

Council continues to perform above the benchmark.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 4.64x

Council continues to perform above the benchmark.

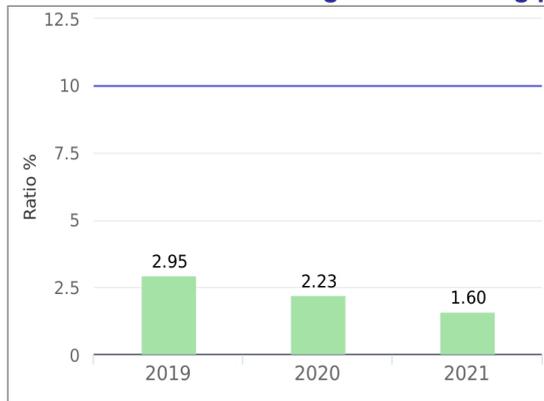
Benchmark: — > 2.00x

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 1.60%

Council continues to operate well below the benchmark confirming the high standard of the debt collection process.

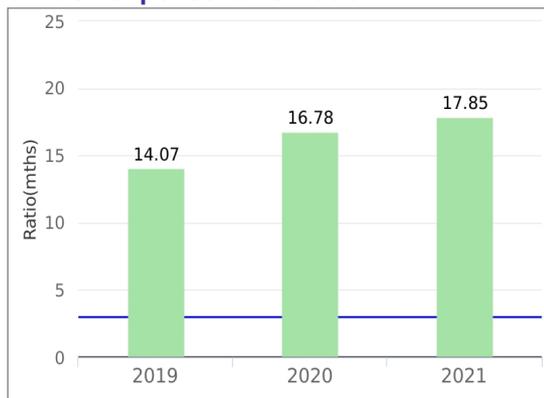
Benchmark: — < 10.00%

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 17.85 mths

Cash reserves have been maintained during 2020/21 with only a small increase in cashflow obligations compared to the previous year.

Benchmark: — > 3.00mths

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT
Report on the general-purpose financial statements
Eurobodalla Shire Council

To the Councillors of the Eurobodalla Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Lisa Berwick
Director, Financial Audit
Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Dr Catherine Dale
General Manager
Eurobodalla Shire Council
Vulcan Street
MORUYA NSW 2537

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2122881/1722

29 October 2021

Dear Dr Dale

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

I have audited the general-purpose financial statements (GPFS) of the Eurobodalla 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	67.9	66.0	↑ 2.9
Grants and contributions revenue	76.0	46.3	↑ 64.1
Operating result from continuing operations	50.2	33.3	↑ 50.8
Net operating result before capital grants and contributions	-8.9	6.8	↓ 230.9

Rates and annual charges revenue (\$67.9 million) increased by \$1.9 million (2.9 per cent) in 2020–21. This was due to the IPART annual rate increase of 2.6 per cent and a slight increase in rateable properties by 0.1 per cent (25,776 rateable properties in 2020-21 compared to 25,738 properties last year).

Grants and contributions revenue (\$76 million) increased by \$29.7 million (64.1 per cent) in 2020–21. This was mainly due to net effect of the following:

- \$3.0 million increase in grants for transport, mainly bridges due to floods and bushfires
- \$11.7 million increase in grants and contribution for roadworks
- \$29.3 million increase in grants for recreation and bridges.
- \$4.1 million decrease in grants for heritage and cultural
- \$5.4 million decrease in bushfire services grants
- \$5.4 million decrease in s7.4 and 7.11 dedications - subdivisions

The Council's operating result from continuing operations (including depreciation and amortisation expense of \$50.2 million) was \$16.9 million higher than the 2019–20 result. This was primarily due to:

- Overall increase in income by \$25.7 million. This increase was due to matters noted above which was offset by a \$4.8 million decrease in user charges and fees and a \$1.4 million decrease in interest and investment income

This increase in income was offset by increase in expenditure by \$8.8 million relating to:

- \$600k increase in employee benefits and on-costs
- \$3.1 million increase in materials and contracts
- \$2.6 million increase in depreciation and amortisation
- \$2.4 million increase in losses from disposal of assets.

The net operating result before capital grants and contributions (-\$8.9 million) was \$15.7 million lower than the 2019–20 result.

STATEMENT OF CASH FLOWS

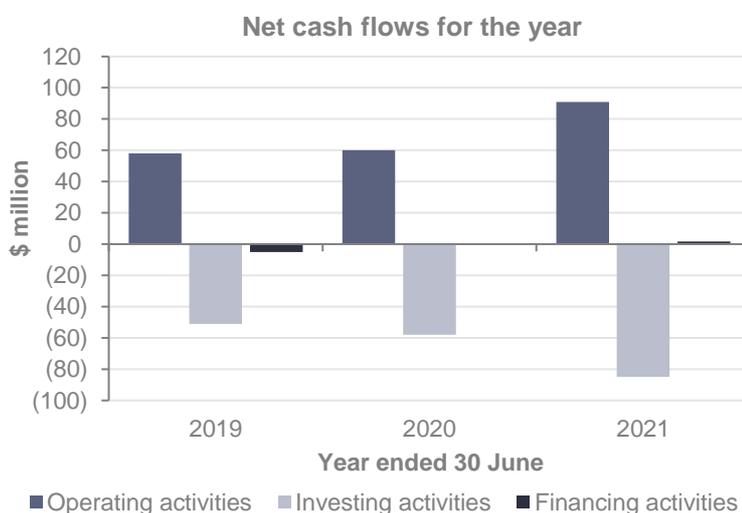
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash increased by \$7.2 million.

Cash inflows from operating activities increased by \$31.3 million from \$59.9 million in 2019-20 to \$94.6 million in 2020-21 mainly due to higher grants and contributions and user charges and fees.

The increase in cash outflows from investing activities of \$27.3 million from \$58.3 million in 2019-20 to \$85.6 million in 2020-21 was primarily due to the increase in term deposits as well as purchase of IPPE during the current year.

Cash inflow from financing activities increased by \$1.7 million mainly due to the increase in net proceeds from borrowings by \$1.6 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
External restrictions	102.7	103.7	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	32.5	30.2	
Unrestricted	21.1	6.2	
Cash and investments	156.3	140.1	<ul style="list-style-type: none"> Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations. The balance for externally restricted cash and investments decreased by \$1 million primarily due to decrease in sewerage services.

PERFORMANCE

Performance measures

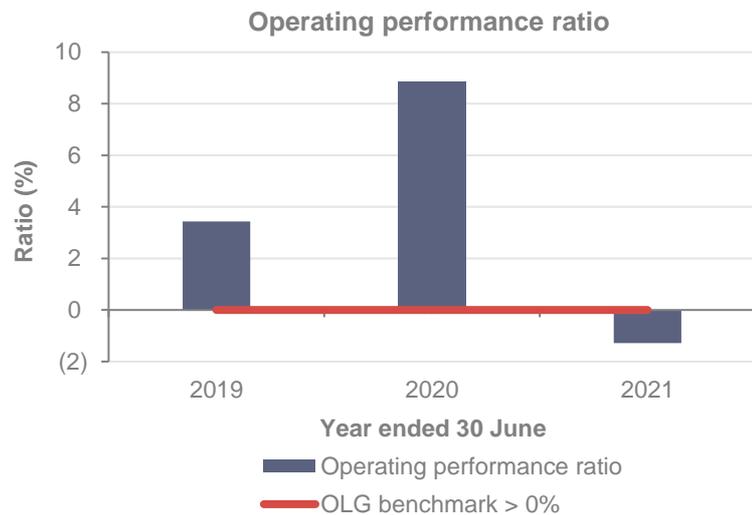
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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's ratio of -1.28 per cent did not meet the OLG benchmark in FY21 due to the following reasons:

Investment income was lower due to the decline in interest rates; additionally, prior year revenue included additional income from Council's waste facilities due to bushfire clean-up, which did not recur in 2021. Council's expenses in 2021 were impacted by the timing of bushfire related costs for which grant funding which was received in the prior year; additionally, depreciation expense was higher due to the revaluation of transport assets.

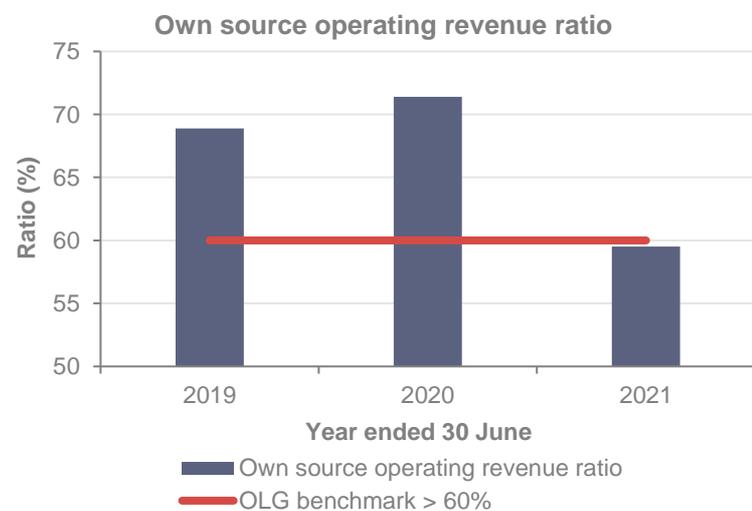


Own source operating revenue ratio

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's own source operating ratio of 59.52 per cent for the current reporting period was below the OLG benchmark. The ratio has decreased significantly from the prior period.

This ratio was impacted by a reduced own source revenue base coupled with higher total revenue. Own source revenue was impacted by lower investment income due to the decline in interest rates, while total revenue

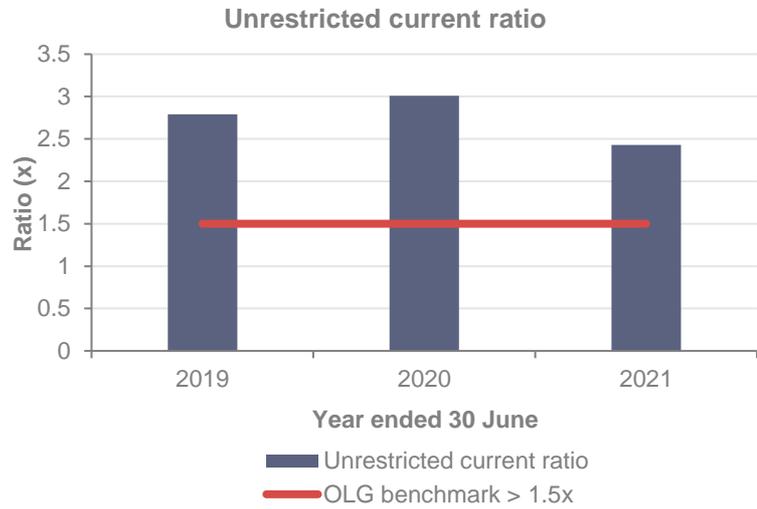


was significantly higher due to major grant funded capital works including Bay Pavilions and transport projects including replacement of bushfire damaged bridges & roads.

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.

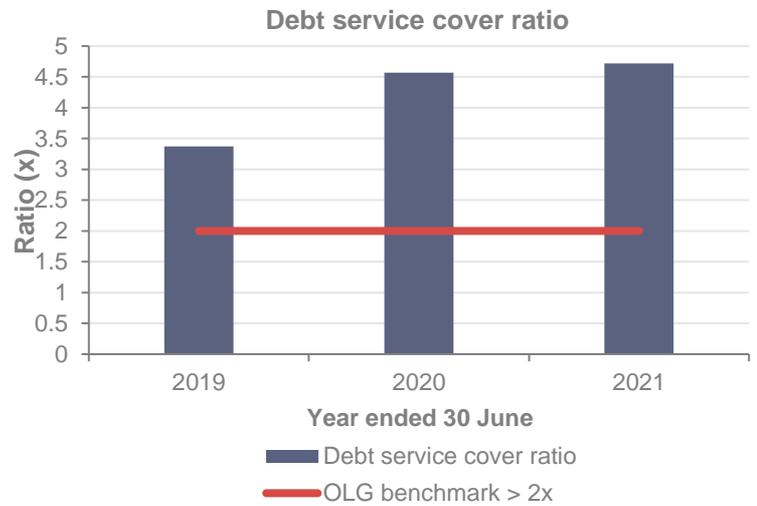
The Council's ratio of 2.43 times continues to be at an appropriate level to ensure its obligations can be met in the short-term.



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.

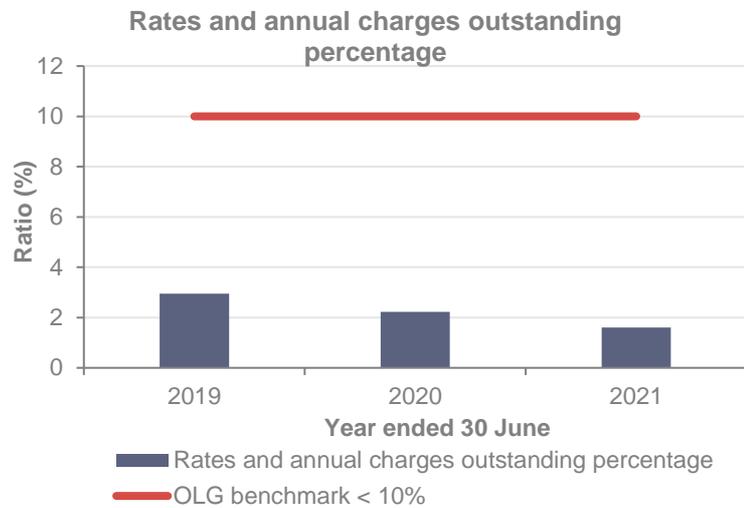
The Council's current year ratio of 4.72 times exceeded the OLG benchmark.



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.

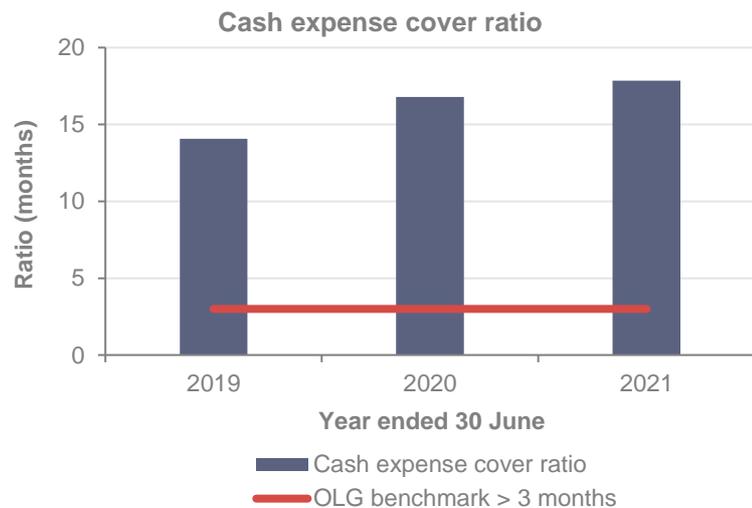
The Council met the OLG benchmark for the current reporting period with a ratio of 1.6 per cent.



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 with a ratio 17.85 months.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2020-21 amounted to \$35.93 million with significant spend directed towards infrastructure assets such as roads, bridges etc.

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Cr Liz Innes, Mayor
Mr Mark Barraclough, Chair of the Audit, Risk and Improvement Committee

Eurobodalla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Income Statement of Batemans Bay Beach Resort	6
Statement of Financial Position of water supply business activity	7
Statement of Financial Position of sewerage business activity	8
Statement of Financial Position of Batemans Bay Beach Resort	9
Note – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

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).

Eurobodalla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage 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 12 October 2021.



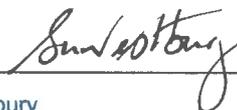
L Innes
Mayor
12 October 2021



R Pollock
Councillor
12 October 2021



Dr C Dale
General Manager
12 October 2021



S Westbury
Responsible Accounting Officer
12 October 2021

Eurobodalla 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	7,433	7,166
User charges	10,874	10,782
Fees	395	445
Interest	328	655
Grants and contributions provided for non-capital purposes	199	408
Other income	48	1
Total income from continuing operations	19,277	19,457
Expenses from continuing operations		
Employee benefits and on-costs	3,469	3,128
Borrowing costs	48	51
Materials and services	6,247	6,885
Depreciation, amortisation and impairment	6,461	6,391
Loss on sale of assets	179	228
Calculated taxation equivalents	25	26
Other expenses	1,051	1,104
Total expenses from continuing operations	17,480	17,813
Surplus (deficit) from continuing operations before capital amounts	1,797	1,644
Grants and contributions provided for capital purposes	2,600	1,835
Surplus (deficit) from continuing operations after capital amounts	4,397	3,479
Surplus (deficit) from all operations before tax	4,397	3,479
Less: corporate taxation equivalent [based on result before capital]	(467)	(452)
Surplus (deficit) after tax	3,930	3,027
Plus accumulated surplus	168,431	164,724
Plus/less: asset revaluation reserve transfers	214	228
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	25	26
– Corporate taxation equivalent	467	452
Less:		
– Tax equivalent dividend paid	(25)	(26)
– Surplus dividend paid	(618)	–
Closing accumulated surplus	172,424	168,431
Return on capital %	0.9%	0.9%
Subsidy from Council	1,116	35
Calculation of dividend payable:		
Surplus (deficit) after tax	3,930	3,027
Less: capital grants and contributions (excluding developer contributions)	(2,600)	(1,835)
Surplus for dividend calculation purposes	1,330	1,192
Potential dividend calculated from surplus	665	596

Eurobodalla Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	21,053	20,519
User charges	814	789
Fees	12	124
Interest	144	409
Grants and contributions provided for non-capital purposes	191	208
Other income	73	69
Total income from continuing operations	22,287	22,118
Expenses from continuing operations		
Employee benefits and on-costs	4,465	4,199
Borrowing costs	686	726
Materials and services	6,730	6,405
Depreciation, amortisation and impairment	7,963	7,801
Loss on sale of assets	396	587
Calculated taxation equivalents	47	47
Other expenses, including electricity	1,162	1,140
Total expenses from continuing operations	21,449	20,905
Surplus (deficit) from continuing operations before capital amounts	838	1,213
Grants and contributions provided for capital purposes	3,118	2,750
Surplus (deficit) from continuing operations after capital amounts	3,956	3,963
Surplus (deficit) from all operations before tax	3,956	3,963
Less: corporate taxation equivalent [based on result before capital]	(218)	(334)
Surplus (deficit) after tax	3,738	3,629
Plus accumulated surplus	140,196	136,175
Plus/less: asset revaluation reserve transfers	62	58
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	47	47
– Corporate taxation equivalent	218	334
Less:		
– Tax equivalent dividend paid	(47)	(47)
– Surplus dividend paid	(563)	–
Closing accumulated surplus	143,651	140,196
Return on capital %	0.6%	0.7%
Subsidy from Council	2,580	405
Calculation of dividend payable:		
Surplus (deficit) after tax	3,738	3,629
Less: capital grants and contributions (excluding developer contributions)	(3,118)	(2,750)
Surplus for dividend calculation purposes	620	879
Potential dividend calculated from surplus	310	440

Eurobodalla Shire Council

Income Statement of Batemans Bay Beach Resort

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	3,146	2,280
Other income	229	66
Total income from continuing operations	3,375	2,346
Expenses from continuing operations		
Employee benefits and on-costs	37	19
Borrowing costs	210	307
Materials and services	1,378	864
Depreciation, amortisation and impairment	377	383
Loss on sale of assets	4	–
Calculated taxation equivalents	35	35
Other expenses	396	525
Total expenses from continuing operations	2,437	2,133
Surplus (deficit) from continuing operations before capital amounts	938	213
Surplus (deficit) from continuing operations after capital amounts	938	213
Surplus (deficit) from all operations before tax	938	213
Less: corporate taxation equivalent [based on result before capital]	(244)	(59)
Surplus (deficit) after tax	694	154
Plus accumulated surplus	(2,690)	(2,903)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	35
– Corporate taxation equivalent	244	59
Less:		
– TER dividend paid	(35)	(35)
Closing accumulated surplus	(1,752)	(2,690)
Return on capital %	14.3%	6.5%

Eurobodalla Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Contract assets and contract cost assets	725	–
Investments	44,180	41,626
Receivables	3,631	3,644
Total current assets	48,536	45,270
Non-current assets		
Infrastructure, property, plant and equipment	198,741	196,559
Total non-current assets	198,741	196,559
Total assets	247,277	241,829
LIABILITIES		
Current liabilities		
Payables	215	257
Borrowings	565	70
Total current liabilities	780	327
Non-current liabilities		
Borrowings	221	785
Total non-current liabilities	221	785
Total liabilities	1,001	1,112
Net assets	246,276	240,717
EQUITY		
Accumulated surplus	172,424	168,431
Revaluation reserves	73,852	72,286
Total equity	246,276	240,717

Eurobodalla Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Contract assets and contract cost assets	77	–
Investments	21,524	27,218
Receivables	931	946
Total current assets	22,532	28,164
Non-current assets		
Infrastructure, property, plant and equipment	275,436	266,356
Total non-current assets	275,436	266,356
Total assets	297,968	294,520
LIABILITIES		
Current liabilities		
Payables	156	86
Borrowings	3,502	1,634
Total current liabilities	3,658	1,720
Non-current liabilities		
Borrowings	12,487	15,989
Total non-current liabilities	12,487	15,989
Total liabilities	16,145	17,709
Net assets	281,823	276,811
EQUITY		
Accumulated surplus	143,132	140,196
Revaluation reserves	138,691	136,615
Total equity	281,823	276,811

Eurobodalla Shire Council

Statement of Financial Position of Batemans Bay Beach Resort

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Receivables	31	129
Total current assets	31	129
Non-current assets		
Infrastructure, property, plant and equipment	8,045	7,959
Total non-current assets	8,045	7,959
Total assets	8,076	8,088
LIABILITIES		
Current liabilities		
Bank overdraft	2,694	2,845
Payables	306	366
Borrowings	754	739
Total current liabilities	3,754	3,950
Non-current liabilities		
Borrowings	5,128	5,882
Total non-current liabilities	5,128	5,882
Total liabilities	8,882	9,832
Net assets	(806)	(1,744)
EQUITY		
Accumulated surplus	(1,752)	(2,690)
Revaluation reserves	946	946
Total equity	(806)	(1,744)

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. Eurobodalla Water Supply

Comprising the whole of the operations and net assets of the water supply systems servicing the Shire of Eurobodalla, each of which are established as separate Special Rate Funds.

b. Eurobodalla Sewerage Fund

Comprising the whole of the operations and net assets of the sewerage reticulation & treatment system servicing the Shire of Eurobodalla, which is established as a separate Special Rate Fund.

c. Batemans Bay Beach Resort

Caravan Park operated on Crown Reserve. Operated by contractor and owned by Council.

Category 2

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

Council has no Category 2 Business Activities

Taxation equivalent charges

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

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

Note – Significant Accounting Policies (continued)

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 1.6% + \$100. 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 Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

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

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

The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

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.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Eurobodalla Shire Council

To the Councillors of the Eurobodalla Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Eurobodalla Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Batemans Bay Beach Resort.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Eurobodalla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Eurobodalla Shire Council

Special Schedules

for the year ended 30 June 2021

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Unaudited report on infrastructure assets as at 30 June 2021	7

Eurobodalla 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	30,846	31,723
Plus or minus adjustments ²	b	86	135
Notional general income	c = a + b	30,932	31,858
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	804	637
Sub-total	k = (c + g + h + i + j)	31,736	32,495
Plus (or minus) last year's carry forward total	l	9	19
Sub-total	n = (l + m)	9	19
Total permissible income	o = k + n	31,745	32,514
Less notional general income yield	p	31,723	32,496
Catch-up or (excess) result	q = o - p	22	18
Less unused catch-up ⁵	s	(3)	(5)
Carry forward to next year ⁶	t = q + r + s	19	13

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Eurobodalla Shire Council

To the Councillors of Eurobodalla Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Eurobodalla Shire Council

Unaudited report on infrastructure assets as at 30 June 2021

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	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Administration	–	–	370	347	8,687	15,847	12.3%	68.3%	19.4%	0.0%	0.0%	
	Bush Fire Brigade	173	173	153	144	3,767	5,578	40.6%	53.8%	2.4%	3.2%	0.0%	
	Caravan Parks/Camp Grounds	–	–	134	125	7,354	11,168	23.2%	65.6%	11.2%	0.0%	0.0%	
	Community Centres	–	–	121	114	2,992	4,133	74.0%	22.4%	3.6%	0.0%	0.0%	
	Libraries	–	–	150	141	10,907	14,091	61.5%	30.5%	8.0%	0.0%	0.0%	
	Operational	151	151	450	422	33,824	45,989	57.7%	37.1%	4.8%	0.3%	0.0%	
	Parks & Reserves	–	–	–	–	105	146	30.2%	69.8%	0.0%	0.0%	0.0%	
	Public Halls	–	–	62	59	1,750	3,136	15.0%	53.2%	31.8%	0.0%	0.0%	
	Public Toilets	243	243	730	672	4,889	6,930	37.7%	54.3%	4.5%	3.5%	0.0%	
	Sporting Facilities	–	–	415	389	12,571	18,991	34.8%	59.3%	5.9%	0.0%	0.0%	
	Swimming Pool Centres	–	–	156	146	1,582	3,070	0.1%	86.7%	13.2%	0.0%	0.0%	
Sub-total		567	567	2,741	2,559	88,428	129,079	42.5%	48.7%	8.4%	0.4%	0.0%	
Other structures	Other Structures	362	362	538	505	7,369	10,378	59.6%	8.7%	28.2%	3.5%	0.0%	
	Waste Not in Buildings	366	366	2,228	2,228	9,942	14,148	65.1%	19.2%	13.2%	2.6%	0.0%	
	Sub-total	728	728	2,766	2,733	17,311	24,526	62.8%	14.7%	19.5%	3.0%	0.0%	
Roads	Road Furniture	3,128	3,128	360	330	58,167	104,324	34.4%	36.1%	26.6%	2.9%	0.0%	
	Unsealed roads	10,737	10,737	856	810	7,121	22,488	21.6%	20.6%	10.1%	47.8%	0.0%	
	Bridges	1,060	1,060	63	59	40,598	58,117	45.1%	37.4%	15.8%	1.7%	0.0%	
	Footpaths	945	945	156	134	17,664	23,279	68.9%	20.6%	6.5%	4.0%	0.0%	
	Other road assets	1,096	1,096	92	86	3,633	8,667	19.4%	15.1%	52.9%	12.6%	0.0%	
	Bulk earthworks	–	–	–	–	172,847	172,849	100.0%	0.0%	0.0%	0.0%	0.0%	
	Shared Footpaths	17	17	104	89	13,190	15,522	93.1%	2.6%	4.2%	0.1%	0.0%	
	Sealed Roads Structure Regional	2,641	2,641	345	323	34,322	50,829	43.7%	34.4%	16.7%	5.2%	0.0%	
	Sealed Roads Structure Rural	1,914	1,914	538	494	65,081	89,968	55.2%	36.7%	6.1%	2.0%	0.0%	
	Sealed Roads Structure Urban	15,756	15,756	1,269	1,166	130,617	223,575	40.2%	36.4%	16.4%	7.0%	0.0%	
	Sealed Roads Surface Regional	723	723	150	138	2,105	4,187	21.7%	26.4%	34.6%	17.3%	0.0%	
	Sealed Roads Surface Rural	1,320	1,320	229	210	4,191	8,474	32.3%	25.0%	27.1%	15.6%	0.0%	
	Sealed Roads Surface Urban	7,474	7,474	540	496	7,783	21,734	15.5%	23.1%	26.9%	34.5%	0.0%	
	Carparks	1,301	1,301	104	98	15,226	24,406	46.6%	29.8%	18.3%	5.3%	0.0%	
	Bus Shelter	116	116	13	12	1,084	1,770	46.1%	35.2%	12.1%	6.6%	0.0%	
Transverse Drainage	94	94	560	514	15,635	22,032	53.0%	42.0%	4.6%	0.4%	0.0%		
Sub-total		48,322	48,322	5,379	4,959	589,264	852,221	54.5%	26.7%	13.1%	5.6%	0.0%	

Eurobodalla Shire Council

Unaudited 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	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Water supply network	Dams	–	–	435	435	16,956	29,057	3.8%	90.5%	5.7%	0.0%	0.0%	
	Pipeline	2,767	2,767	2,457	2,457	120,887	257,756	24.9%	37.9%	36.2%	1.0%	0.0%	
	Pump Stations	3,992	3,992	752	752	2,761	9,984	6.4%	21.3%	32.3%	40.0%	0.0%	
	Reservoirs	–	–	273	273	23,700	47,036	11.1%	68.3%	20.6%	0.0%	0.0%	
	Treatment Plants	–	–	955	955	16,794	26,476	39.7%	24.6%	35.7%	0.0%	0.0%	
	Sub-total	6,759	6,759	4,872	4,872	181,098	370,309	22.1%	44.5%	31.7%	1.8%	0.0%	
Sewerage network	Pipeline	–	–	1,970	1,970	166,750	274,809	42.4%	34.9%	22.7%	0.0%	0.0%	
	Pump Stations	8,414	8,414	2,522	2,522	32,146	67,703	30.9%	26.4%	30.3%	12.4%	0.0%	
	Treatment Works	7,871	7,871	3,271	3,271	45,478	107,146	20.7%	39.7%	32.2%	7.4%	0.0%	
	Sub-total	16,285	16,285	7,763	7,763	244,374	449,658	35.5%	34.8%	26.1%	3.6%	0.0%	
Stormwater drainage	Stormwater drainage	6,479	6,479	57	51	93,976	129,584	85.0%	4.0%	6.0%	5.0%	0.0%	
	Other	–	–	165	148	8,782	9,522	80.8%	19.2%	0.0%	0.0%	0.0%	
	Sub-total	6,479	6,479	222	199	102,758	139,106	84.7%	5.0%	5.6%	4.7%	0.0%	
Open space / recreational assets	Swimming pools	648	648	67	63	1,232	5,398	1.8%	29.7%	56.4%	12.1%	0.0%	
	Other Open Space Recreational	2,348	2,348	3,136	2,999	27,786	49,524	31.0%	32.5%	31.8%	4.8%	0.0%	
	Waterways	9,235	9,235	164	154	6,860	19,605	13.9%	23.8%	15.2%	47.1%	0.0%	
	Sub-total	12,231	12,231	3,367	3,216	35,878	74,527	24.4%	30.0%	29.2%	16.4%	0.0%	
	Total – all assets	91,371	91,371	27,110	26,301	1,259,111	2,039,426	44.7%	31.6%	19.2%	4.5%	0.0%	

(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

Eurobodalla Shire Council

Unaudited 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	32,904	100.67%	63.06%	82.61%	>= 100.00%
Depreciation, amortisation and impairment	32,686				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	91,371	6.81%	5.87%	6.16%	< 2.00%
Net carrying amount of infrastructure assets	1,342,246				
Asset maintenance ratio					
Actual asset maintenance	26,301	97.02%	98.66%	100.00%	> 100.00%
Required asset maintenance	27,110				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	91,371	4.48%	3.76%	3.86%	
Gross replacement cost	2,039,426				

(*) 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.

Eurobodalla Shire Council

Unaudited report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
20/21 ratio	100.67%
Council needs to continue to pursue grant opportunities to supplement the renewal spend to assist in bringing up the ratio to consistently meet the benchmark and thus ensuring the sustainability of Council's assets and maintaining acceptable levels of community safety.	

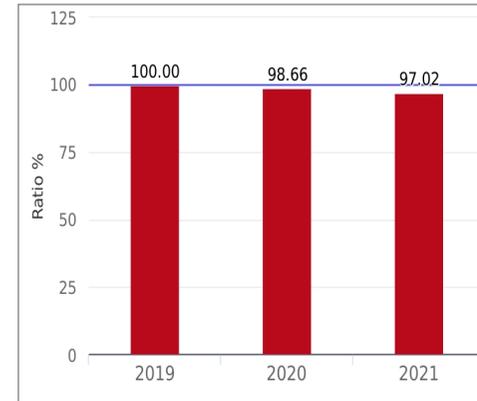
Benchmark: — $\geq 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
20/21 ratio	97.02%
Council continues to focus on asset maintenance but is challenged by ongoing increases in construction costs and growth of asset stock outstripping rate pegging.	

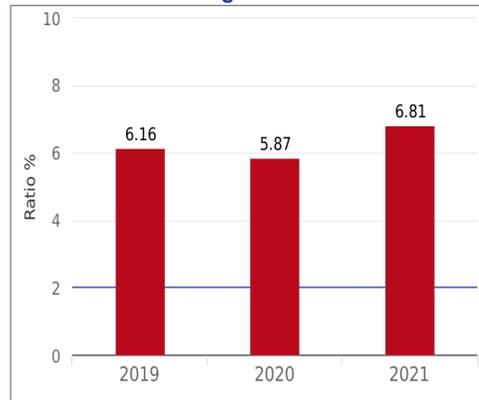
Benchmark: — $> 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
20/21 ratio	6.81%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in driving the ratio towards the benchmark.	

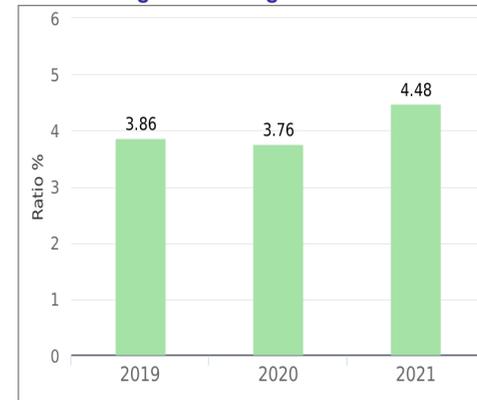
Benchmark: — $< 2.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
20/21 ratio	4.48%
Council needs to continue to pursue grant opportunities which has previously supplemented the renewal spend to assist in driving the ratio towards the benchmark.	

Eurobodalla Shire Council

Unaudited 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	130.92%	81.67%	71.25%	34.01%	53.42%	49.25%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	7.82%	6.19%	3.44%	3.85%	5.99%	6.29%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	94.43%	97.48%	99.86%	100.00%	99.85%	100.00%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	5.65%	4.41%	1.80%	1.94%	3.58%	3.51%	

(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.