

Lismore City Council Financial Reports

For The Year Ended 30 June 2021



Lismore City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Lismore City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

43 Oliver Avenue
GOONELLABAH NSW 2480

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.lismore.nsw.gov.au.

Lismore City Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

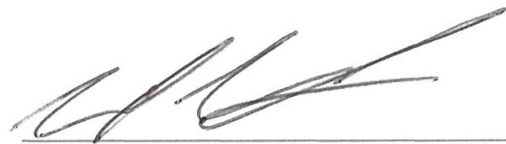
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 25 October 2021.




Vanessa Ekins
Mayor
25 October 2021



Neil Marks
Councillor
25 October 2021



Michael Donnelly
General Manager
25 October 2021



John Hartley
Responsible Accounting Officer
25 October 2021

Lismore City Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020 ¹
Income from continuing operations				
56,613	Rates and annual charges	B2-1	56,946	55,288
29,098	User charges and fees	B2-2	28,797	29,203
8,973	Other revenue	B2-3	5,424	8,231
14,226	Grants and contributions provided for operating purposes	B2-4	17,283	18,968
27,468	Grants and contributions provided for capital purposes	B2-4	33,643	28,119
1,472	Interest and investment income	B2-5	841	1,658
(42)	Net share of interests in joint ventures and associates using the equity method	D2-1	(54)	62
137,808	Total income from continuing operations		142,880	141,529
Expenses from continuing operations				
37,966	Employee benefits and on-costs	B3-1	30,658	31,110
40,872	Materials and services	B3-2	45,695	49,018
2,747	Borrowing costs	B3-3	3,355	3,340
23,956	Depreciation, amortisation and impairment for non-financial assets	B3-4	34,761	23,312
11,330	Other expenses	B3-5	5,678	3,460
2,468	Net losses from the disposal of assets	B4-1	4,062	3,805
119,339	Total expenses from continuing operations		124,209	114,045
18,469	Operating result from continuing operations		18,671	27,484
18,469	Net operating result for the year attributable to Council		18,671	27,484
(8,999)	Net operating result for the year before grants and contributions provided for capital purposes		(14,972)	(635)

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Lismore City Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020 ¹
Net operating result for the year – from Income Statement		18,671	27,484
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	33,395	242,680
Total items which will not be reclassified subsequently to the operating result		33,395	242,680
Total other comprehensive income for the year		33,395	242,680
Total comprehensive income for the year attributable to Council		52,066	270,164

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Lismore City Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020 ¹	Restated 1 July 2019 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	21,648	24,336	21,436
Investments	C1-2	73,000	55,000	49,000
Receivables	C1-4	11,632	11,824	18,210
Inventories	C1-5	2,630	3,056	4,421
Contract assets and contract cost assets	C1-6	10,542	3,117	–
Other		51	68	12
Total current assets		119,503	97,401	93,079
Non-current assets				
Investments	C1-2	6,000	7,000	8,000
Receivables	C1-4	3,054	3,688	3,618
Inventories	C1-5	174	174	174
Infrastructure, property, plant and equipment	C1-7	1,703,503	1,665,418	1,407,376
Intangible Assets	C1-8	39	67	95
Right of use assets	C2-1	922	812	1,161
Investments accounted for using the equity method	D2-2	1,169	1,223	–
Total non-current assets		1,714,861	1,678,382	1,420,424
Total assets		1,834,364	1,775,783	1,513,503
LIABILITIES				
Current liabilities				
Payables	C3-1	18,404	13,194	14,338
Contract liabilities	C3-2	7,660	4,281	7,830
Lease liabilities	C2-1	335	339	–
Borrowings	C3-3	5,316	4,432	8,177
Employee benefit provisions	C3-4	7,248	7,321	7,594
Provisions	C3-5	499	458	458
Total current liabilities		39,462	30,025	38,397
Non-current liabilities				
Lease liabilities	C2-1	596	492	–
Borrowings	C3-3	52,185	58,248	60,666
Employee benefit provisions	C3-4	246	275	275
Provisions	C3-5	9,321	6,255	3,841
Total non-current liabilities		62,348	65,270	64,782
Total liabilities		101,810	95,295	103,179
Net assets		1,732,554	1,680,488	1,410,324
EQUITY				
Accumulated surplus		550,309	531,638	504,154
IPPE revaluation reserve	C4-1	1,182,245	1,148,850	906,170
Total equity		1,732,554	1,680,488	1,410,324

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Lismore City Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance at 1 July		523,681	1,148,850	1,672,531	507,614	906,170	1,413,784
Correction of prior period errors ¹	G4-1	7,957	–	7,957	3,137	–	3,137
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(6,597)	–	(6,597)
Restated opening balance		531,638	1,148,850	1,680,488	504,154	906,170	1,410,324
Net operating result for the year		18,671	–	18,671	27,484	–	27,484
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	33,395	33,395	–	242,680	242,680
Other comprehensive income		–	33,395	33,395	–	242,680	242,680
Total comprehensive income		18,671	33,395	52,066	27,484	242,680	270,164
Closing balance at 30 June		550,309	1,182,245	1,732,554	531,638	1,148,850	1,680,488

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Lismore City Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020 ¹
Cash flows from operating activities				
<i>Receipts:</i>				
56,475	Rates and annual charges		56,776	55,169
29,144	User charges and fees		30,842	32,877
1,575	Investment and interest revenue received		1,359	1,778
41,575	Grants and contributions		36,981	30,293
–	Bonds, deposits and retention amounts received		–	436
12,246	Other		11,241	18,009
<i>Payments:</i>				
(37,967)	Employee benefits and on-costs		(30,760)	(31,030)
(40,235)	Materials and services		(45,835)	(52,318)
(2,767)	Borrowing costs		(4,062)	(4,280)
–	Bonds, deposits and retention amounts refunded		(91)	–
(11,327)	Other		(4,216)	(6,144)
48,719	Net cash provided by (or used in) operating activities	G1-1a	52,235	44,790
Cash flows from investing activities				
<i>Receipts:</i>				
4,770	Sale of investment securities		–	–
–	Sale of real estate assets		–	897
160	Sale of infrastructure, property, plant and equipment		1,401	1,975
–	Deferred debtors receipts		10	7
<i>Payments:</i>				
–	Purchase of investment securities		(17,000)	(5,000)
(49,495)	Purchase of infrastructure, property, plant and equipment		(33,715)	(33,160)
–	Purchase of real estate assets		–	1
(44,565)	Net cash provided by (or used in) investing activities		(49,304)	(35,280)
Cash flows from financing activities				
<i>Receipts:</i>				
825	Proceeds from borrowings		–	1,783
<i>Payments:</i>				
(5,169)	Repayment of borrowings		(5,179)	(7,946)
–	Principal component of lease payments		(440)	(447)
(4,344)	Net cash flow provided by (used in) financing activities		(5,619)	(6,610)
(190)	Net change in cash and cash equivalents		(2,688)	2,900
4,402	Cash and cash equivalents at beginning of year		24,336	21,436
4,212	Cash and cash equivalents at end of year	C1-1	21,648	24,336
49,703	plus: Investments on hand at end of year	C1-2	79,000	62,000
53,915	Total cash, cash equivalents and investments		100,648	86,336

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Lismore City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 25 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Basis of preparation

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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5 - Performance Against Budget

and are clearly marked.

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 and quarry remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

A1-1 Basis of preparation (continued)

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 service
- Sewerage service

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council operate a range of volunteering programs whereby volunteers provide services.

Under AASB 1058 Council is required to recognise the volunteer services at fair value when the following criteria are met:

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

Council has assessed the volunteer services and has determined these services are not significant and not regarded as material requiring recognition in the income statement. Further, there are limitations on the ability for Council to reliably measure the services and not all volunteer services would be purchased if they were not donated.

Coronavirus (COVID 19) Impact

Council is required to assess whether and how it may be affected by COVID 19 and the impact on its Financial Reports. Council first experienced a disruption in business practices early in 2019 and that continued throughout the Financial Year ended 30 June 2021. Various services and activities were impacted however Council continued to operate and provide services without a material increase in costs. An increase in Information Technology costs was required to support staff working remotely and improve community access to online services however this was largely offset by vacant positions and lower spend on staff costs.

Council undertook an analysis of the potential impacts of COVID 19 on Council's financial reports and Going Concern assumption. The following items were analysed:

- Asset impairment/changes in assumptions for impairment testing (AASB 136)
- Change in fair value of assets (AASB 13)
- Change in net realisable value of inventory (AASB 102)
- Increased costs and/or reduced demand requiring provision for onerous contracts (AASB 137), reassessment of variable consideration, including refund liabilities (AASB 15)
- Changes in expected credit losses for loans and other financial assets (AASB 9)

A1-1 Basis of preparation (continued)

- Material uncertainties that cast significant doubt on the ability to continue as a going concern such as extent of the impact on future costs and revenues (AASB 101 and AASB 110) and unknown duration of the impact.
- Indirect impacts such as customers, suppliers, financiers or investments in other entities may be affected leading to impairments, increased costs or reduced revenues.

While it is difficult to determine what the ongoing impact of COVID 19 on Council and the community we operate in, at this stage no material impact has been identified and Council continues to operate as a going concern.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

None of these standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

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 ¹ Restated	2021	2020 ¹ Restated	2021	2020 ¹ Restated	2021	2020 ¹ Restated
Functions or activities										
An inclusive and healthy community	7,050	19,200	28,574	28,700	(21,524)	(9,500)	3,312	15,270	15,310	14,790
A prosperous and vibrant city	1,094	1,700	3,769	3,800	(2,675)	(2,100)	715	2,788	130,650	126,230
Our natural environment	26,371	15,200	23,014	24,464	3,357	(9,264)	19,591	7,698	90,880	87,800
Our built environment	70,892	63,229	58,486	44,581	12,406	18,648	21,545	14,142	1,581,222	1,531,213
Leadership and participation	37,473	42,200	10,366	12,500	27,107	29,700	5,763	7,189	16,302	15,750
Total functions and activities	142,880	141,529	124,209	114,045	18,671	27,484	50,926	47,087	1,834,364	1,775,783

(1) See note G4-1 for details regarding the restatement as a result of Prior Period Errors

B1-2 Components of functions or activities

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

An inclusive and healthy community

An inclusive and healthy community is connected to community wellbeing, a healthy lifestyle, social connections, and a feeling of belonging and acceptance.

A prosperous and vibrant city

A prosperous and vibrant city has a resilient economy with a diversity of business, a thriving cultural and artistic life, and an attractive, welcoming city centre.

Our natural environment

We value our natural environment and actively work to protect and enhance our natural assets, use our resources wisely, and grow sustainability.

Our built environment

Our built environment creates a liveable community where our basic needs and services are met now and into the future.

Leadership and participation

We are committed to good governance, empowering our community through engagement, and fostering partnerships to do more with less.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	21,084	20,128
Farmland	4,715	4,638
Business	5,843	5,936
Less: pensioner rebates	(699)	(732)
Rates levied to ratepayers	30,943	29,970
Pensioner rate subsidies received	410	395
Total ordinary rates	31,353	30,365
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	5,319	5,109
Stormwater management services	375	374
Water supply services	4,866	4,577
Sewerage services	13,610	13,490
Waste management services (non-domestic)	594	573
Less: pensioner rebates	(635)	(637)
Nimbin transfer station	55	54
Waste minimisation	1,067	1,055
Annual charges levied	25,251	24,595
Pensioner subsidies received:		
– Water	122	125
– Sewerage	136	118
– Domestic waste management	84	85
Total annual charges	25,593	24,923
Total rates and annual charges	56,946	55,288

Council has used 01/07/2019 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	2021	2020
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	10,119	9,897
Sewerage services	232	222
Total specific user charges	10,351	10,119
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	2,084	1,217
Section 603 certificates	107	80
Other	13	12
Dog registration fees	256	164
Health control	536	537
Planning services	669	676
Total fees and charges – statutory/regulatory	3,665	2,686
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	81	161
Caravan park	29	33
Community centres	5	4
Leisure centre	1,270	1,319
Parking fees	195	217
Quarry revenues	1,583	1,498
Transport for NSW works (state roads not controlled by Council)	4,767	6,862
Tourism	–	73
Art gallery	56	21
Library	5	4
Parks, gardens and lakes	208	123
Public cemeteries	1,056	931
Road services	51	25
Share cropping	–	33
Sporting grounds	18	4
Other	554	394
Swimming pools	240	254
Waste disposal	4,435	4,262
Water charges	228	180
Total fees and charges – other	14,781	16,398
Total user charges and fees	28,797	29,203
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	11,341	11,006
User charges and fees recognised at a point in time (2)	17,456	18,197
Total user charges and fees	28,797	29,203

B2-2 User charges and fees (continued)

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	2021	2020
Rental income – other council properties	530	526
Fines – parking	102	173
Fines – other	12	20
Commissions and agency fees	20	37
Container Deposit Scheme	1,100	954
Insurance claims recoveries	670	3,195
Master games	76	92
Other	1,427	1,283
Recycling income (non-domestic)	1,315	1,726
Other events	172	225
Total other revenue	5,424	8,231
Timing of revenue recognition for other revenue		
Other revenue recognised over time (1)	530	526
Other revenue recognised at a point in time (2)	4,894	7,705
Total other revenue	5,424	8,231

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	Operating 2021	Operating 2020 ² Restated	Capital 2021	Capital 2020 ² Restated
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,345	2,190	–	–
Financial assistance – local roads component	665	991	–	–
Payment in advance - future year allocation ¹				
Financial assistance – general component	2,251	2,319	–	–
Financial assistance – local roads component	1,096	1,052	–	–
Amount recognised as income during current year	6,357	6,552	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Water supplies	–	–	44	–
Bushfire and emergency services	590	1,574	43	–
Community centres	–	–	227	90
Economic development	630	269	–	–
Environmental programs	(771)	939	–	–
Floodplain management	–	(206)	2,655	4,820
Recreation and culture	29	56	2,928	3,584
Airport	–	–	230	6
Art gallery	176	87	–	610
Community services	–	5	–	–
Diesel rebate	265	323	–	–
Domestic waste management	24	–	–	82
Library services	171	167	–	–
Natural disaster emergency funding	6,577	6,034	–	–
Street lighting	167	167	–	–
Transport (roads to recovery)	1,228	1,228	–	–
Transport (other roads and bridges funding)	13	40	14,194	2,751
Other specific grants	164	70	26	371
Previously contributions:				
Recreation and culture	–	–	58	353
Transport for NSW contributions (regional roads, block grant)	1,663	1,663	136	136
Other contributions	–	–	–	576
Total special purpose grants and non-developer contributions – cash	10,926	12,416	20,541	13,379
Non-cash contributions				
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	6,666	6,453
Sewerage (excl. section 64 contributions)	–	–	1,692	3,554
Water supplies (excl. section 64 contributions)	–	–	1,541	1,947
Total other contributions – non-cash	–	–	9,899	11,954
Total special purpose grants and non-developer contributions (tied)	10,926	12,416	30,440	25,333
Total grants and non-developer contributions	17,283	18,968	30,440	25,333

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020 ² Restated	Capital 2021	Capital 2020 ² Restated
Comprising:				
– Commonwealth funding	6,847	8,321	2,035	1,029
– State funding	10,426	10,647	18,447	11,421
– Other funding	10	–	9,958	12,883
	17,283	18,968	30,440	25,333

(1) \$3.347m of the 2021-2022 Financial Assistance Grant from Commonwealth Government was received by Council in June 2021 and hence is reported as 2020-2021 income although it relates to 2021-2022 financial year.

(2) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020 ² Restated	Capital 2021	Capital 2020 ² Restated
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5				
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,462	1,193
S 64 – water supply contributions		–	–	220	216
S 64 – sewerage service contributions		–	–	1,521	1,377
Total developer contributions – cash		–	–	3,203	2,786
Total developer contributions		–	–	3,203	2,786
Total contributions		–	–	3,203	2,786
Total grants and contributions		17,283	18,968	33,643	28,119
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		6,577	5,828	20,001	11,158
Grants and contributions recognised at a point in time (2)		10,706	13,140	13,642	16,961
Total grants and contributions		17,283	18,968	33,643	28,119

(2) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

B2-4 Grants and contributions (continued)

Unspent grants

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	4,337	1,806	1,988	5,179
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,817	–	–	–
Add: operating grants received for the provision of goods and services in a future				
Add: Funds received and not recognised as revenue in the current year	–	4,245	7,660	405
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,010)	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(1,714)	(4,281)	(3,596)
Unspent funds at 30 June	5,144	4,337	5,367	1,988

Unexpended capital grants as at year end are for projects that were not complete and will continue into the new financial year. The main projects included in unexpended capital grants are the Local Roads and Community Infrastructure Projects, road capital works projects, Albert Park refurbishment and Oakes/Crozier Ovals Upgrade.

Unspent Contributions

Unspent funds at 1 July	–	–	6,076	6,181
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	1,430	1,630
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(141)	(1,735)
Unspent contributions at 30 June	–	–	7,365	6,076

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include Bushfire Recovery and Road projects. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

B2-4 Grants and contributions (continued)

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)	114	278
– Cash and investments	727	1,380
Total interest and investment income (losses)	841	1,658

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	25,668	25,479
Employee leave entitlements	5,087	5,170
Superannuation	2,988	3,006
Workers' compensation insurance	688	564
Fringe benefit tax	13	41
Payroll tax	190	176
Training costs (other than salaries and wages)	301	292
Total employee costs	34,935	34,728
Less: capitalised costs	(4,277)	(3,618)
Total employee costs expensed	30,658	31,110

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 ¹ Restated
Raw materials and consumables		39,634	44,623
Audit Fees	F2-1	111	79
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	289	357
Electricity and heating		1,463	1,270
Insurance		1,354	1,182
Street lighting		503	483
Telephone and communications		315	315
Legal expenses:			
Expenses from short-term leases		270	305
Expenses from leases of low value assets		2	33
– Legal expenses: planning and development		268	195
– Legal expenses: debt recovery		–	1
– Legal expenses: other		1,486	175
Total materials and services		45,695	49,018
Total materials and services		45,695	49,018

Accounting policy

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

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on leases		33	43
Interest on loans		2,653	3,056
Other debts		2	19
Total interest bearing liability costs		2,688	3,118
Total interest bearing liability costs expensed		2,688	3,118
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	667	222
Total other borrowing costs		667	222
Total borrowing costs expensed		3,355	3,340

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	C1-7	1,993	2,116
Office equipment	C1-7	11	27
Furniture and fittings	C1-7	108	70
Land improvements (depreciable)	C1-7	1,522	811
Infrastructure:			
– Buildings	C1-7	1,921	1,336
– Other structures		814	797
– Roads		15,404	6,895
– Bridges		1,373	933
– Footpaths		433	260
– Stormwater drainage		594	558
– Water supply network		3,203	3,217
– Sewerage network		6,431	5,601
– Swimming pools		66	64
– Other open space/recreational assets		70	74
Right of use assets	C2-1	430	466
Other assets:			
– Other		57	59
Reinstatement, rehabilitation and restoration assets:			
- Tip assets	C1-7,C3-5	241	–
- Quarry assets	C1-7,C3-5	62	–
Intangible assets	C1-8	28	28
Total depreciation and amortisation costs		34,761	23,312
Total depreciation, amortisation and impairment for non-financial assets		34,761	23,312

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	2021	2020
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	85	73
– NSW fire brigade levy	570	511
– NSW rural fire service levy	345	280
– Rous County Council	259	310
– Waste levy	2,544	652
– Richmond Tweed Regional Library	1,670	1,575
Donations, contributions and assistance to other organisations (Section 356)	205	59
Total other	5,678	3,460
Total other expenses	5,678	3,460

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		198	638
Less: carrying amount of property assets sold/written off		(48)	(1,347)
Gain (or loss) on disposal		150	(709)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		1,203	450
Less: carrying amount of plant and equipment assets sold/written off		(1,118)	(512)
Gain (or loss) on disposal		85	(62)
Gain (or loss) on disposal of infrastructure			
	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(3,833)	(3,102)
Gain (or loss) on disposal		(3,833)	(3,102)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		–	897
Less: carrying amount of real estate assets sold/written off		–	(689)
Gain (or loss) on disposal		–	208
Other Structures			
Proceeds from disposal – Other Structures		–	–
Less: carrying amount of Other Structures assets sold/written off		(167)	(21)
Gain (or loss) on disposal		(167)	(21)
Land Improvements - Depreciable			
Proceeds from disposal – Land Improvements-Depreciable		–	–
Less: carrying amount of Land Improvements-Depreciable assets sold/written off		(86)	–
Gain (or loss) on disposal		(86)	–
Buildings			
Proceeds from disposal – Buildings assets		–	887
Less: carrying amount of Buildings assets sold/written off		(57)	(1,006)
Gain (or loss) on disposal		(57)	(119)
Other Land			
Less: carrying amount of Other Land assets sold/written off		(154)	–
Gain (or loss) on disposal		(154)	–
Net gain (or loss) on disposal of assets		(4,062)	(3,805)

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 16/06/2020 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	56,613	56,946	333	1%	F
User charges and fees	29,098	28,797	(301)	(1)%	U
Other revenues	8,973	5,424	(3,549)	(40)%	U
Recycling revenues were lower than anticipated due to the closure being extended after adverse events (waste facility fire and organics contamination) in the prior financial year. \$3.13 million decrease on budget.					
Operating grants and contributions	14,226	17,283	3,057	21%	F
During the 2021 financial year flood events attracted additional Natural Disaster Emergency Funding of \$4.048 million above budget.					
Capital grants and contributions	27,468	33,643	6,175	22%	F
Capital grants for roads and bridges funding were \$3.22 higher than budget. Water and sewerage developer contributions exceeded budget by \$3.47 million due to an increase in development activity.					
Interest and investment revenue	1,472	841	(631)	(43)%	U
Interest rates on cash continued to fall across the financial year and Council faced difficulty identifying appropriate Investments. Interest on cash & investments \$454,000 less than forecast.					

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	37,966	30,658	7,308	19% F
Council budget estimates were based on full employment. Council had significantly lower salaries, wages (\$4.09 million) and superannuation (\$1.1 million). Employee leave entitlements were lower than anticipated (\$2.5 million).				
Materials and services	40,872	45,695	(4,823)	(12)% U
Council received additional grants in 2021 that required materials and contracts. Natural Disaster Emergency Funding \$4.04 million fully expended. \$3.95 million of Other Expenses were re-categorised as Materials & Contracts.				
Borrowing costs	2,747	3,355	(608)	(22)% U
Council recognised \$0.6 million movement in the remediation liability provision.				
Depreciation, amortisation and impairment of non-financial assets	23,956	34,761	(10,805)	(45)% U
Roads revaluation in the 2019/2020 financial year increased depreciation by \$8.7 million, waste facility \$1 million and waste water infrastructure \$0.8 million. These were not known at the time of the 2021 budget.				
Other expenses	11,330	5,678	5,652	50% F
The actual NSW EPA levy was lower than budget by \$1.6 million due to the delay in the commissioning of Council's new waste cell.				
Net losses from disposal of assets	2,468	4,062	(1,594)	(65)% U
Council disposed of infrastructure with a written down value of \$3.8 million. Council budgets are based on a 5-year average.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	48,719	52,235	3,516	7% F
Cash flow from operations was favourably impacted by reduced spend on Employee benefits & on-costs (\$7.2 million) and grants (\$6 million). This has been offset by increased materials and services expenses.				
Cash flows from investing activities	(44,565)	(49,304)	(4,739)	11% U
Council identified surplus cash and determined to place \$17 million in Term Deposits which shows as an unfavourable movement in cash flow. Council realised additional cash flow from investing activities through reduced spend on purchase of infrastructure, property, plant and equipment of \$17 million and additional cash from the sale of infrastructure, property, plant and equipment of \$1.2 million. Council had budgeted to sell \$4.77 million worth of investment securities however that did not proceed due to surplus cash, this shows as an unfavourable movement in cash flow.				
Cash flows from financing activities	(4,344)	(5,619)	(1,275)	29% U
Council was able to finance activities from existing cash reserves so did not require the budgeted \$825,000 budgeted borrowing.				

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	801	339
Cash-equivalent assets		
– Deposits at call	20,847	14,997
– Short-term deposits	–	9,000
Total cash and cash equivalents	21,648	24,336

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	21,648	24,336
Balance as per the Statement of Cash Flows	21,648	24,336

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	73,000	6,000	55,000	7,000
Total	73,000	6,000	55,000	7,000
Total financial investments	73,000	6,000	55,000	7,000
Total cash assets, cash equivalents and investments	94,648	6,000	79,336	7,000

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	94,648	6,000	79,336	7,000
attributable to:				
External restrictions	68,051	6,000	56,756	7,000
Internal restrictions	26,597	–	22,580	–
	94,648	6,000	79,336	7,000

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

\$ '000	2021	2020
Details of restrictions		
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund	7,660	4,281
Art gallery gift account	45	14
Trust account	1,400	1,441
External restrictions – included in liabilities	9,105	5,736
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	7,365	6,076
Specific purpose unexpended grants (recognised as revenue) – general fund	2,851	2,044
Water fund	14,496	12,889
Water supplies – employee leave entitlements	113	95
Sewer fund	35,182	32,919
Sewerage services – employee leave entitlements	118	92
Domestic waste management	1,828	1,685
Stormwater management	2,186	1,989
Waste minimisation	807	231
External restrictions – other	64,946	58,020
Total external restrictions	74,051	63,756
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Employees leave entitlement	3,057	2,240
Carry forward and revote works	11,020	5,786
Specific purpose unexpended loans	1,225	1,609
SRV related	1,099	804
Available Funds	–	2,450
Emergencies	1,100	–
Economic Development	1,000	9,691
Public Infrastructure	8,096	–
Total internal restrictions	26,597	22,580
Total restrictions	100,648	86,336

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	3,269	1,471	2,557	1,755
Interest and extra charges	751	382	726	619
User charges and fees	2,881	826	2,385	904
Accrued revenues				
– Interest on investments	261	–	567	–
Deferred debtors	8	215	9	224
Loans to sporting clubs	25	148	25	174
Miscellaneous works and services	1,475	–	2,788	–
Net GST receivable	1,127	–	896	–
Tender deposits and bonds	1,805	–	1,901	–
Other debtors	80	12	20	12
Total	11,682	3,054	11,874	3,688
Less: provision of impairment				
User charges and fees	(50)	–	(50)	–
Total provision for impairment – receivables	(50)	–	(50)	–
Total net receivables	11,632	3,054	11,824	3,688

C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	240	174	240	174
Stores and materials	1,144	–	1,119	–
Total inventories at cost	1,384	174	1,359	174
(ii) Inventories at net realisable value (NRV)				
Trading stock	1,246	–	1,697	–
Total inventories at net realisable value (NRV)	1,246	–	1,697	–
Total inventories	2,630	174	3,056	174

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		–	174	–	174
Industrial/commercial		240	–	240	–
Total real estate for resale		240	174	240	174
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		21	6	21	6
Development costs		219	168	219	168
Total costs		240	174	240	174
Total real estate for resale		240	174	240	174
Movements:					
Real estate assets at beginning of the year		240	174	930	174
– Purchases and other costs		–	–	(1)	–
– WDV of sales (expense)	B4-1	–	–	(689)	–
Total real estate for resale		240	174	240	174

(b) Current inventories not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2021	2020
Real estate for resale	240	240
	240	240

C1-5 Inventories (continued)

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2021	2020
Contract assets	10,542	3,117
Total contract assets and contract cost assets	10,542	3,117

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grant Contract Assets	9,380	-	1,884	-
Contract Assets	905	-	575	-
Accrued Income	257	-	658	-
Total contract assets	10,542	-	3,117	-

Significant changes in contract assets

Contract Assets relating to work for external parties (AASB 15)

Increase by \$0.3 million mostly relates to accrued works under contract with Transport for NSW for works carried out on State Roads.

Grant Contract Assets - Works related to Infrastructure Grants (AASB 1058 - Asset Exemption)

Increase by \$7 million due to the accrual of expenditure under specific grants for contact or capital works on council's assets such as Natural Disaster Works \$4 million, Federal Stimulus Safer Road Works \$1.8 million and the Commonwealth Funding towards Oakes/Crozier Ovals Upgrade of \$550,000.

Accrued Income - not specific or not enforceable grants (AASB 1058)

Decrease of \$0.4 million mostly in relation to receipt of payments for accrued expenditure under non-specific or not enforceable grants from 2020 financial year.

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020 ²			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount ² Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress ²	15,809	–	15,809	10,334	2,584	–	–	(10,373)	(237)	–	–	18,117	–	18,117
Plant and equipment	33,730	(19,257)	14,473	195	39	(1,117)	(1,993)	–	125	–	–	31,369	(19,647)	11,722
Office equipment	3,833	(3,789)	44	–	55	–	(11)	–	–	–	–	3,884	(3,796)	88
Furniture and fittings	744	(495)	249	13	–	–	(108)	187	–	–	–	945	(604)	341
Land:														
– Operational land	70,140	–	70,140	–	–	(110)	–	3	154	–	–	70,187	–	70,187
– Community land	35,086	–	35,086	–	–	(62)	–	–	(154)	–	408	35,278	–	35,278
– Land under roads (post 30/6/08)	67	–	67	–	–	–	–	–	–	–	11	78	–	78
Land improvements – non-depreciable	11,369	–	11,369	–	2,655	–	–	4,820	–	–	516	19,360	–	19,360
Land improvements – depreciable	30,354	(14,186)	16,168	3	36	(86)	(1,522)	–	(304)	–	2,595	35,504	(18,614)	16,890
Infrastructure:														
– Buildings	105,873	(32,846)	73,027	621	–	(57)	(1,921)	414	–	–	–	106,593	(34,509)	72,084
– Other structures	24,298	(6,552)	17,746	214	411	(167)	(814)	333	(45)	(1,362)	–	27,115	(10,799)	16,316
– Roads	628,941	(231,210)	397,731	7,236	4,097	(2,059)	(15,404)	1,930	–	–	10,912	655,733	(251,290)	404,443
– Bridges	123,356	(52,837)	70,519	362	–	–	(1,373)	189	–	–	2,014	127,488	(55,777)	71,711
– Footpaths	30,169	(8,498)	21,671	66	382	(79)	(433)	70	–	–	626	31,461	(9,158)	22,303
– Bulk earthworks (non-depreciable)	343,882	–	343,882	32	2,810	(52)	–	–	–	–	10,051	356,723	–	356,723
– Stormwater drainage	103,104	(37,843)	65,261	47	2,263	–	(594)	90	–	–	1,871	108,485	(39,547)	68,938
– Water supply network	283,578	(100,614)	182,964	2,518	1,586	(1,571)	(3,203)	301	–	–	1,680	286,076	(101,801)	184,275
– Sewerage network	491,912	(173,960)	317,952	1,877	1,756	(61)	(6,431)	1,373	–	–	2,912	499,581	(180,203)	319,378
– Swimming pools	5,520	(1,922)	3,598	–	–	–	(66)	–	45	–	977	10,938	(6,384)	4,554
– Other open space/recreational assets	1,723	(1,000)	723	–	–	(30)	(70)	–	–	–	184	2,135	(1,328)	807
Other assets:														
– Heritage collections	3,480	–	3,480	–	–	–	–	–	–	–	–	3,480	–	3,480
– Other	1,061	(438)	623	49	–	–	(57)	663	–	–	–	1,512	(234)	1,278
Reinstatement, rehabilitation and restoration assets (refer Note 15):														
– Tip assets	4,423	(2,492)	1,931	–	–	–	(241)	–	578	–	–	5,001	(2,733)	2,268
– Quarry assets	989	(84)	905	–	–	–	(62)	–	2,041	–	–	3,038	(154)	2,884
Total infrastructure, property, plant and equipment	2,353,441	(688,023)	1,665,418	23,567	18,674	(5,451)	(34,303)	–	2,203	(1,362)	34,757	2,440,081	(736,578)	1,703,503

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

(2) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

By aggregated asset class	At 1 July 2019 ²			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount ² Restated	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	9,675	–	9,675	7,771	6,763	–	–	(8,346)	(54)	–	15,809	–	15,809
Plant and equipment	34,256	(19,558)	14,698	302	–	(512)	(2,116)	2,101	–	–	33,730	(19,257)	14,473
Office equipment	3,832	(3,762)	70	1	–	–	(27)	–	–	–	3,833	(3,789)	44
Furniture and fittings	720	(425)	295	24	–	–	(70)	–	–	–	744	(495)	249
Land:													
– Operational land	70,632	–	70,632	–	–	(951)	–	–	459	–	70,140	–	70,140
– Community land	31,239	–	31,239	–	–	(396)	–	21	(460)	4,682	35,086	–	35,086
– Land under roads (post 30/6/08)	47	–	47	–	–	–	–	–	–	20	67	–	67
Land improvements – non-depreciable ²	11,369	–	11,369	–	–	–	–	–	–	–	11,369	–	11,369
Land improvements – depreciable	26,656	(13,375)	13,281	2,418	10	–	(811)	1,270	–	–	30,354	(14,186)	16,168
Infrastructure:													
– Buildings	107,282	(32,286)	74,996	98	1	(1,006)	(1,336)	274	–	–	105,873	(32,846)	73,027
– Other structures	22,604	(5,793)	16,811	191	552	(21)	(797)	1,010	–	–	24,298	(6,552)	17,746
– Roads	389,598	(192,557)	197,041	5,332	6,177	(415)	(6,895)	2,266	–	194,225	628,941	(231,210)	397,731
– Bridges	87,757	(38,878)	48,879	–	–	–	(933)	–	–	22,573	123,356	(52,837)	70,519
– Footpaths	20,445	(2,640)	17,805	519	180	(222)	(260)	186	–	3,463	30,169	(8,498)	21,671
– Bulk earthworks (non-depreciable)	330,366	–	330,366	1,379	–	(536)	–	–	–	12,673	343,882	–	343,882
– Stormwater drainage	100,989	(37,115)	63,874	41	1,529	(84)	(558)	80	–	379	103,104	(37,843)	65,261
– Water supply network	280,325	(99,643)	180,682	2,069	2,425	(1,694)	(3,217)	1,014	–	1,685	283,578	(100,614)	182,964
– Sewerage network	483,911	(166,918)	316,993	41	3,561	(146)	(5,601)	124	–	2,980	491,912	(173,960)	317,952
– Swimming pools	5,520	(1,858)	3,662	–	–	–	(64)	–	–	–	5,520	(1,922)	3,598
– Other open space/recreational assets	1,736	(934)	802	–	–	(5)	(74)	–	–	–	1,723	(1,000)	723
Other assets:													
– Heritage collections	2,480	–	2,480	–	1,000	–	–	–	–	–	3,480	–	3,480
– Other	1,061	(379)	682	–	–	–	(59)	–	–	–	1,061	(438)	623
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	2,492	(2,492)	–	–	1,931	–	–	–	–	–	4,423	(2,492)	1,931
– Quarry assets	1,081	(84)	997	–	–	–	–	–	(92)	–	989	(84)	905
Total infrastructure, property, plant and equipment	2,026,073	(618,697)	1,407,376	20,186	24,129	(5,988)	(22,818)	–	(147)	242,680	2,353,441	(688,023)	1,665,418

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

(2) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Accounting policy

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

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

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

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

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	20 to 40
		Stormwater assets	
Water and sewer assets		Pipes, Culverts & Channels	120
Dams and reservoirs	80 to 100	Pits	100
Reticulation pipes: PVC	80	Treatment Devices	100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	infinite
Sealed roads: surface	15 to 100	Swimming pools	40
Sealed roads: Base	45	Other open space/recreational assets	20
Sealed roads - sub base	90	Other Infrastructure	50
Unsealed Roads	45		
Bridge: concrete	100		
Bridge: other	100		
Kerb, gutter and footpaths	50 to 100		

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

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

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. Where the Crown Reserves are under a lease arrangement they are accounted for under AASB 16 Leases.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed". Council recognises rural fire service assets including land, buildings, plant and vehicles where it is considered that council has control of the assets. Only land and building assets have been recognised as assets of the Council in these financial statements.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	1,590	1,590
Accumulated amortisation	(1,523)	(1,495)
Net book value – opening balance	67	95
Movements for the year		
Amortisation charges	(28)	(28)
Closing values at 30 June		
Gross book value	1,590	1,590
Accumulated amortisation	(1,551)	(1,523)
Total software – net book value	39	67
Total intangible assets – net book value	39	67

Accounting policy

IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings for areas of their business; the leases are generally between 1 and 5 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

Vehicles

Council leases vehicles and equipment with lease terms varying from 1 to 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

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

(a) Right of use assets

\$ '000	Land and Buildings	Vehicles	Total
2021			
Opening balance at 1 July	44	768	812
Additions to right-of-use assets	–	540	540
Depreciation charge	(7)	(423)	(430)
Balance at 30 June	37	885	922
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	26	1,207	1,233
Additions to right-of-use assets	45	–	45
Depreciation charge	(27)	(439)	(466)
Balance at 30 June	44	768	812

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Lease liabilities	335	596	339	492
Total lease liabilities	335	596	339	492

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per
					Statement of
					Financial
					Position
2021					
Cash flows	335	556	40	931	931
2020					
Cash flows	339	451	41	831	831

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	33	43
Depreciation of right of use assets	430	466
Expenses relating to short-term leases	270	305
Expenses relating to low-value leases	2	33
	735	847

(e) Statement of Cash Flows

Total cash outflow for leases	440	447
	440	447

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 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. Council leases some Crown and free-hold land at below market-value.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	1,715	–	1,457	–
Goods and services – operating expenditure	8,523	–	4,642	–
Goods and services – capital expenditure	1,758	–	916	–
Accrued expenses:				
– Borrowings	483	–	523	–
– Other expenditure accruals	2,709	–	2,290	–
Security bonds, deposits and retentions	1,825	–	1,916	–
Contribution to works	1,387	–	1,425	–
Other	4	–	25	–
Total payables	18,404	–	13,194	–
Total payables	18,404	–	13,194	–

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	1,825	1,916
Contributions to Works	1,387	1,425
Total payables	3,212	3,341

Accounting policy

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

The financial liabilities of the Council comprise trade payables, bank and other loans and lease liabilities.

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	5,485	-	1,545	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,175	-	2,736	-
Total grants received in advance		7,660	-	4,281	-
Total contract liabilities		7,660	-	4,281	-

Notes

(i) Council has received funding to construct assets including sporting facilities and road 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 related 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)	7,660	-	4,281	-
Contract liabilities relating to externally restricted assets	7,660	-	4,281	-
Total contract liabilities relating to restricted assets	7,660	-	4,281	-
Total contract liabilities	7,660	-	4,281	-

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)	1,205	2,234
Operating grants (received prior to performance obligation being satisfied)	2,560	1,469
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,765	3,703

Significant changes in contract liabilities

The increase in contract liabilities is mainly due to an increase in the amount of grants with advance payments received in the 2021 financial year. The most significant areas that had unspent grant funds were road and bridge projects, Local Roads and Community Infrastructure projects and the Koala Vehicle Strike Hotspot project.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	5,316	52,185	4,432	58,248
Total borrowings	5,316	52,185	4,432	58,248

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	62,680	(5,179)	–	–	–	–	57,501
Lease liability (Note C2-1b)	831	(440)	540	–	–	–	931
Total liabilities from financing activities	63,511	(5,619)	540	–	–	–	58,432

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	68,843	(6,163)	–	–	–	–	62,680
Lease liability (Note C2-1b)	–	(447)	45	–	1,233	–	831
Total liabilities from financing activities	68,843	(6,610)	45	–	1,233	–	63,511

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	750	750
Credit cards/purchase cards	250	250
Total financing arrangements	1,000	1,000
Drawn facilities		
– Credit cards/purchase cards	34	35
Total drawn financing arrangements	34	35
Undrawn facilities		
– Bank overdraft facilities	750	750
– Credit cards/purchase cards	216	215
Total undrawn financing arrangements	966	965

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

C3-3 Borrowings (continued)

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	2,779	–	2,795	–
Long service leave	4,441	246	4,499	275
Other leave	28	–	27	–
Total employee benefit provisions	7,248	246	7,321	275

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	4,257	3,560
	4,257	3,560

Description of and movements in non-employee benefit provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	499	9,321	458	6,255
Sub-total – asset remediation/restoration	499	9,321	458	6,255
Total provisions	499	9,321	458	6,255

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	6,713	6,713
Changes to provision:		
– Revised discount rate	3,092	3,092
Unwinding of discount	(667)	(667)
Additional provisions	682	682
Total other provisions at end of year	9,820	9,820
2020		
At beginning of year	4,652	4,652
– Revised discount rate	(676)	(676)
Unwinding of discount	(222)	(222)
Additional provisions	2,957	2,957
Total other provisions at end of year	6,713	6,713

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

C3-5 Provisions (continued)

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	38,644	5,075	13,543
User charges and fees	18,719	10,092	296
Interest and investment revenue	363	156	322
Other revenues	4,968	228	228
Grants and contributions provided for operating purposes	17,018	124	141
Grants and contributions provided for capital purposes	28,625	1,805	3,213
Net gains from disposal of assets	(43)	22	21
Share of interests in joint ventures and associates using the equity method	(54)	–	–
Total income from continuing operations	108,240	17,502	17,764
Expenses from continuing operations			
Employee benefits and on-costs	26,433	1,750	2,475
Materials and services	39,166	1,145	6,010
Borrowing costs	2,026	517	812
Depreciation, amortisation and impairment of non-financial assets	24,959	3,242	6,560
Other expenses	(90)	5,535	233
Net losses from the disposal of assets	2,491	1,571	–
Total expenses from continuing operations	94,985	13,760	16,090
Operating result from continuing operations	13,255	3,742	1,674
Net operating result for the year	13,255	3,742	1,674
Net operating result attributable to each council fund	13,255	3,742	1,674
Net operating result for the year before grants and contributions provided for capital purposes	(15,370)	1,937	(1,539)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	10,614	5,541	5,493
Investments	40,125	9,068	23,807
Receivables	6,654	4,142	836
Inventories	1,979	273	378
Contract assets and contract cost assets	10,542	–	–
Other	51	–	–
Total current assets	69,965	19,024	30,514
Non-current assets			
Investments	–	–	6,000
Receivables	1,469	1,157	428
Inventories	174	–	–
Infrastructure, property, plant and equipment	1,188,003	188,968	326,532
Investments accounted for using the equity method	1,169	–	–
Intangible assets	39	–	–
Right of use assets	842	42	38
Other	(16)	9	7
Total non-current assets	1,191,680	190,176	333,005
TOTAL ASSETS	1,261,645	209,200	363,519
LIABILITIES			
Current liabilities			
Payables	17,725	359	320
Contract liabilities	7,660	–	–
Lease liabilities	319	9	7
Borrowings	3,499	598	1,219
Employee benefit provision	6,585	324	339
Provisions	499	–	–
Total current liabilities	36,287	1,290	1,885
Non-current liabilities			
Lease liabilities	563	33	–
Borrowings	22,384	9,880	19,921
Employee benefit provision	211	17	18
Provisions	9,321	–	–
Total non-current liabilities	32,479	9,930	19,939
TOTAL LIABILITIES	68,766	11,220	21,824
Net assets	1,192,879	197,980	341,695
EQUITY			
Accumulated surplus	443,105	33,636	73,568
Revaluation reserves	749,774	164,344	268,127
Council equity interest	1,192,879	197,980	341,695
Total equity	1,192,879	197,980	341,695

D2 Interests in other entities

D2-1 Interests in joint arrangements

(ii) Joint operations

	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2021	2020	2021	2020
(a) Council is involved in the following joint operations (JO's)						
Name of joint operation:						
Blue Hills Residential Estate	Development & Sale of Land	Goonellabah	50%	50%	50%	50%
North East Weight of Loads Group	Reduce Damage to Council Roads	Ballina	15%	15%	13%	13%

Council assets employed in the joint operations

\$ '000	2021	2020
Council's own assets employed in the operations		
Blue Hills Residential Estate		
Current assets:		
Inventories	15	15
Other assets	9	9
Total assets – Council owned	24	24
Council's share of assets jointly owned with other partners		
North East Weight of Loads Group		
Current assets	54	56
Current liabilities	(30)	(39)
Property, plant and equipment	3	7
Total net assets - jointly owned with other partners	16	19
Total net assets employed – Council and jointly owned	51	48

Accounting policy

Council has determined that it has joint operations.

Council has an interest in two joint operations, North East Weight of Loads Group (NEWLOG) and Blue Hills Residential Estate. NEWLOG is responsible for reducing damage to council roads and Blue Hills Residential Estate is responsible for the development and sale of lands.

Joint operations:

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

D2-2 Interests in associates

(b) The nature and extent of significant restrictions relating to associates

Council can only access or conduct business in accordance with the Deed of Agreement that became effective in 2018. Allocation of funds and cash is made by a Committee comprised of 4 member Councils, being Ballina, Byron, Tweed Shire Councils and Lismore City Council.

Richmond Tweed Regional Library

(a) Summarised financial information for individually immaterial associates

Council has incorporated the following associates into its consolidated financial statements.

Council's 25% interest in Richmond Tweed Regional Library is recognised as an associate.

\$ '000	2021	2020
Individually immaterial associates		
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(54)	62
Total comprehensive income – individually immaterial associates	(54)	62
Carrying amount of investments in associates that are not individually material	1,169	1,223
Council's share in the associate:	25%	25%

Accounting policy

Interests in associates are accounted for using the equity method where the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If Council's share of losses of an associate equals or exceeds its interest in the associate, Council discontinues recognising its share of further losses.

Council's share in the associates gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associates accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	21,648	24,336	21,648	24,336
Receivables	14,686	15,512	14,687	15,732
Investments				
– Debt securities at amortised cost	79,000	62,000	79,000	62,000
Total financial assets	115,334	101,848	115,335	102,068
Financial liabilities				
Measured at amortised cost				
Payables	18,404	13,194	18,404	13,194
Borrowings	57,501	62,680	61,761	66,946
Total financial liabilities	75,905	75,874	80,165	80,140

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

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

Council has an investment policy which complies with s625 of the *Local Government Act 1993* and Ministerial Investment Order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement	217	243
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(b) Credit risk

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

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

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 other than Council has significant credit risk exposures in its local area given the nature of council activities.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality

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	–	4,740	–	–	–	4,740
2020						
Gross carrying amount	–	4,312	–	–	–	4,312

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due. The impact is not considered material.

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

(c) Liquidity risk

Payables, lease liabilities and borrowings are 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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	1,825	14,864	–	–	16,689	16,689
Borrowings	4.42%	–	5,537	22,379	32,130	60,046	57,501
Total financial liabilities		1,825	20,401	22,379	32,130	76,735	74,190
2020							
Trade/other payables	0.00%	1,916	9,821	–	–	11,737	11,737
Borrowings	4.48%	–	5,350	27,723	32,416	65,489	62,680
Total financial liabilities		1,916	15,171	27,723	32,416	77,226	74,417

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The tables below show the assigned level for each asset and liability held at fair value by Council.

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020 ¹ Restated	2021	2020 ¹ Restated
Recurring fair value measurements							
Infrastructure, property, plant and equipment C1-7							
Plant & Equipment		–	–	11,722	14,473	11,722	14,473
Office Equipment		–	–	88	44	88	44
Furniture & Fittings		–	–	341	249	341	249
Operational Land		70,187	70,140	–	–	70,187	70,140
Community Land		–	–	35,278	35,086	35,278	35,086
Land Under Roads (Post 30/06/08)		–	–	78	67	78	67
Land Improvement (Non-Depreciable)		–	–	19,360	11,369	19,360	11,369
Land Improvement (Depreciable)		–	–	16,890	16,168	16,890	16,168
Buildings		–	–	72,084	73,027	72,084	73,027
Other Structures		–	–	16,316	17,746	16,316	17,746
Roads		–	–	404,443	397,731	404,443	397,731
Bridges		–	–	71,711	70,519	71,711	70,519
Footpaths		–	–	22,303	21,671	22,303	21,671
Bulk Earthworks (Non-Depreciable)		–	–	356,723	343,882	356,723	343,882
Stormwater Drainage		–	–	68,938	65,261	68,938	65,261
Water Supply Network		–	–	184,274	182,964	184,274	182,964
Sewerage Network		–	–	319,378	317,952	319,378	317,952
Swimming Pools		–	–	4,554	3,598	4,554	3,598
Other Open Space/Recreational Assets		–	–	807	723	807	723
Other		–	–	1,278	623	1,278	623
Heritage Collection		–	–	3,480	3,480	3,480	3,480
Tip Assets		–	–	2,268	1,931	2,268	1,931
Quarry Assets		–	–	2,884	905	2,884	905
Total infrastructure, property, plant and equipment		70,187	70,140	1,615,198	1,579,469	1,685,385	1,649,609

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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 & Equipment, Office Equipment and Furniture & Fittings

These asset categories include:

Plant & Equipment – Motor vehicles, trucks, mowers, rollers, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are carried at cost which approximates to fair value due to the nature of these items. The cost of these assets are based on current invoices and contracts which are 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. Valuation techniques remained the same for this reporting period.

Operational Land

Council's operational land includes all land classified as operational land under Local Government Act 1993. Liquid Pacific Holding P/L completed a comprehensive valuation in June 2018. In accordance with accounting standards Council's assets are assessed on an annual basis and when required a revaluation is undertaken.

It is valued at market (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting a price including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. This asset class is categorised as Level 2 as the most significant input into this valuation approach is price per square metre. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Community Land

Assets within the "Community Land" class are:

a) Council owned land and

b) Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General and revalued at 30 June 2020.

These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Land Under Roads (post 30/6/08)

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 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. The Land under Roads was valued in accordance with AASB 116, the Code of Accounting Practice and Financial Reporting June 2017. Values were determined using the Englobio methodology. This asset class is classified as Level 3 asset as significant inputs used in the Englobio valuation methodology are unobservable.

Valuation techniques remained the same for this reporting period.

Land Improvements Non-Depreciable

The land improvements non-depreciable asset class consists of the runway earthworks for the Lismore Regional Airport and the Flood Channel. The last revaluation was completed by APV Valuers & Asset Management in 2020/21. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are dimensions, components and type of assets.

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 judgement and are therefore unobservable. Valuation techniques remained.

Land Improvements Depreciable

The land improvements asset class consists of landscaping, mounding and land improvement assets surrounding buildings. The last revaluation was completed by APV Valuers & Asset Management in 2020/21. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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 judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

E2-1 Fair value measurement (continued)

Buildings

A revaluation of buildings was undertaken by Council in 2017/18 using the cost approach.

This approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. All buildings were physically inspected and the unit rates based on square metres could be supported from market evidence.

Other inputs required extensive professional judgement and impacted on the final determination of fair value.

Other Structures

The other structure asset class consists of garages, gazebos, shelters, fencing, lighting, etc. assets.

The last revaluation was completed by APV Valuers & Asset Management in 2020/21. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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 judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Roads

Council's roads are componentised into the pavement, surface, base, sub base, seal and major culverts.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value Council roads. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of road.

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 judgement and are therefore unobservable.

Bridges

Council's bridges register consists of all vehicle access bridges.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value Council bridges. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of bridge.

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 judgement and are therefore unobservable.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value Council footpaths. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of footpath.

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 judgement and are therefore unobservable.

Bulk Earthworks

Council's bulk earthworks are located within the road reserve of all Council roads.

The last revaluation was completed by Council in 2019/20. The cost approach was adopted to value these assets. One of the significant inputs considered in the valuation of these assets is dimensions.

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 judgement and are therefore unobservable.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits, pipes, culverts, channels and treatment devices.

The last revaluation was completed by Australis Asset Advisory Group in 2018/19. The cost approach was adopted to value Council stormwater drainage. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of stormwater drainage.

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 judgement and are therefore unobservable.

Water Supply Network

The Water Supply Network asset class comprise reservoirs, pumping stations and water pipelines. The Network was last revalued by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17.

The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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 judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as published by Department of Planning, Industry and Environment - Water.

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

E2-1 Fair value measurement (continued)

Sewerage Network

The Sewerage Network assets within this class comprise treatment works, pumping stations and, sewerage mains.

The Network was last revalued by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17.

The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. 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 judgement and are therefore Unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Planning, Industry and Environment - Water.

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

Swimming Pools

The last revaluation was completed by APV Valuers & Asset Management in 2020/21 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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 judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open Space / Recreational

The Open Space/Recreation assets within this class comprise playground equipment, equipment and landscaping.

The last revaluation was completed by APV Valuers & Asset Management in 2020/21 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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 judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Heritage Collection

This asset category comprises art works. The last revaluation was completed by McWilliam & Associates Pty Ltd in 2017/18 and the fair retail replacement value method was adopted to value these assets.

Other

The Other assets within this class comprise fibre optic cabling, telecommunication poles, computer servers and switches and parking meter machines.

These assets are valued at cost but are disclosed at fair value in the notes due to the nature of the items. 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. Valuation techniques remained the same for this reporting period.

Tip Assets

The Lismore Resource Recovery Facility is located at Wyrallah Road, Lismore. The facility encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycling products and waste management educational activities. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site. Closure of the landfill site will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post closure, and fencing sensitive infrastructure. An Evaluation of costs for Landfill Closure and Post Closure Management plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

Quarry Assets

There are 6 quarries located within the local government area. These facilities encompass quarry operations currently in use as well as old unused facilities currently being used for stockpiling. It has been recognised that there will be significant costs associated with the closure and post closure management of the quarry sites.

Closure of the quarry sites will involve a wide range of activities including the establishment of open woodland/forest across the quarry benches and provision of access areas into the pits once completed. It will also include decommissioning and removing of infrastructure and equipment that will not be required post closure, and fencing of sensitive infrastructure. An Evaluation of costs for Quarry Closures and Post Closure Management Plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been an increase in the value of future funds required for remediation during the reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Community Land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	14,473	14,698	44	70	249	295	35,086	31,239
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	125	2,101	–	–	187	–	(154)	(439)
Purchases (GBV)	234	302	55	1	13	24	–	–
Disposals (WDV)	(1,117)	(512)	–	–	–	–	(62)	(396)
Depreciation and impairment	(1,993)	(2,116)	(11)	(27)	(108)	(70)	–	–
Revaluation increment to equity	–	–	–	–	–	–	408	4,682
Closing balance	11,722	14,473	88	44	341	249	35,278	35,086

\$ '000	Land under Roads Post 30/6/08		Land improvement (Depreciable)		Buildings		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	67	47	16,168	13,281	73,027	74,996	17,746	16,811
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	–	(304)	1,270	414	274	288	1,010
Purchases (GBV)	–	–	39	2,428	621	99	625	743
Disposals (WDV)	–	–	(86)	–	(57)	(1,006)	(167)	(21)
Depreciation and impairment	–	–	(1,522)	(811)	(1,921)	(1,336)	(814)	(797)
Revaluation increment to equity	11	20	2,595	–	–	–	(1,362)	–
Closing balance	78	67	16,890	16,168	72,084	73,027	16,316	17,746

E2-1 Fair value measurement (continued)

\$ '000	Roads		Bridges		Footpaths		Bulk earthworks (Non-Deprec)	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	397,731	197,041	70,519	48,879	21,671	17,805	343,882	330,366
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	1,930	2,266	189	–	70	186	–	–
Purchases (GBV)	11,333	11,509	362	–	448	699	2,842	1,379
Disposals (WDV)	(2,059)	(415)	–	–	(79)	(222)	(52)	(536)
Depreciation and impairment	(15,404)	(6,895)	(1,373)	(933)	(433)	(260)	–	–
Revaluation increment to equity	10,912	194,225	2,014	22,573	626	3,463	10,051	12,673
Closing balance	404,443	397,731	71,711	70,519	22,303	21,671	356,723	343,882

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Swimming pools	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	65,261	63,874	182,964	180,682	317,952	316,993	3,598	3,662
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	90	80	301	1,014	1,373	124	45	–
Purchases (GBV)	2,310	1,570	4,104	4,494	3,633	3,602	–	–
Disposals (WDV)	–	(84)	(1,571)	(1,694)	(61)	(146)	–	–
Depreciation and impairment	(594)	(558)	(3,203)	(3,217)	(6,431)	(5,601)	(66)	(64)
Revaluation increment to equity	1,871	379	1,680	1,685	2,912	2,980	977	–
Closing balance	68,938	65,261	184,275	182,964	319,378	317,952	4,554	3,598

E2-1 Fair value measurement (continued)

\$ '000	Other open space and recreation assets		Heritage collection		Other		Tip assets	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	723	802	3,480	2,480	623	682	1,931	–
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	–	–	–	663	–	578	–
Purchases (GBV)	–	–	–	1,000	49	–	–	1,931
Disposals (WDV)	(30)	(5)	–	–	–	–	–	–
Depreciation and impairment	(70)	(74)	–	–	(57)	(59)	(241)	–
Revaluation increment to equity	184	–	–	–	–	–	–	–
Closing balance	807	723	3,480	3,480	1,278	623	2,268	1,931

\$ '000	Quarry assets		Land improvements (Non-Deprec) ¹		Total	
	2021	2020	2021	2020 Restated	2021	2020
Opening balance	905	997	11,369	11,369	1,579,469	1,327,069
Transfers from/(to) another asset class	2,041	(92)	4,820	–	12,656	7,794
Purchases (GBV)	–	–	2,655	–	29,323	29,781
Disposals (WDV)	–	–	–	–	(5,341)	(5,037)
Depreciation and impairment	(62)	–	–	–	(34,303)	(22,818)
Revaluation increment to equity	–	–	516	–	33,395	242,680
Closing balance	2,884	905	19,360	11,369	1,615,199	1,579,469

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current future service employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

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

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

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

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

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 2020 was \$ 641,336.00. The last valuation of the Scheme was performed by Richard Boyfield FIAA and covers the period ended 30 June 2020.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$390,000.00. Council's expected contribution to the plan for the next annual reporting period is \$639,251.52.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.97%.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

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

* Plus promotional increases

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

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

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.

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.

Other guarantees

A bank guarantee for \$2,163,177 has been issued to the NSW Department of Planning Industry and Environment for a bond for the rehabilitation/biodiversity offset and conservation works relating to the Blakebrook Quarry project.

E3-1 Contingencies (continued)

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.

S7.11 Plans

Council levies Section 7.11 Contributions upon various developments across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Fund.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in the Plans.

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.

Ground Contamination - North Lismore Stockpile

Council is aware of an issue at one of its stockpile sites in North Lismore where site contamination has been identified. Technical reporting has classified the waste stockpile as 'special waste' due to the presence of bonded asbestos material. Council received a report from a suitable expert on options to remediate the site.

There are a number of remedial options available as a management response to the site contamination of varying complexity and scope (site capping to excavation and removal of waste material) and these range in cost from approximately \$1,136,000 to \$1,515,000. The upper cost is representative of a remediation strategy involving the excavation and removal of waste to a licenced waste facility. A cost/tonne of \$125 (plus environmental monitoring and reporting) is assumed for such works. This rate is representative of recent clean-up costs at other sites.

Negotiations have been undertaken with NSW EPA (Appropriate Regulatory Authority) as to the preferred remediation strategy for the site. Capping of the site is the preferred remedial option however any commencement of works is being complicated by the management of land claims by the Department of Planning, Industry and Environment – Crown Lands. The land in question is Crown Land and subject to both an Indigenous Land Rights Claim and a Native Title Claim. Whilst the relevant process to resolve these claims are in progress, Council is very limited in what it can do on the site, and is unable to progress with the preferred remediation option (capping - most cost effective) of the site. Council continues to negotiate with Department of Planning, Industry and Environment – Crown Lands and NSW EPA to enable an appropriate management response to the stockpile.

South Lismore Sewage Treatment Plant Upgrade

In mid 2016 Council awarded a design and construct contract for the upgrade of the South Lismore Sewage Treatment Plant. Work has been progressing since that time and construction was substantially completed in December 2019.

Since that time Council and the contractor have been working through contractual processes to resolve outstanding defects with the construction. The contractor as part of their May 2020 payment claim lodged a claim for substantial variations to the contract to a significant value. Council rejected these claims as they had not been lodged in accordance with the processes required by the contract and some were as much as 18 months old. The contractor subsequently lodged an application for Adjudication under the Security of Payments Act. Council was ordered to pay an amount which included the Adjudicator's fees and an amount of interest. The amount was paid as required.

E3-1 Contingencies (continued)

In August 2020, Council instigated an Expert Determination process in accordance with the requirements of the contract to resolve outstanding defects, including those matters found in favour of the contractor by the Adjudicator. As of 30 June 2021 that process is still in progress with a decision expected from the appointed Expert in December 2021. Depending on the findings of the Expert, there may be further processes required to reach a final outcome on these matters.

Council has in the interim been attending to any maintenance and operational matters as required to ensure the plant operates as intended and meets its licence requirements from the EPA. There have been no significant issues in this regard. Council has assessed what it regards to be the reasonable costs of rectifying the defects in the plant to achieve minimum operational and safety standards and allocated the full cost of these works in its 2021/22 budget. Planning to undertake the works is under way but will not commence until the outcome of the Expert Determination is known and the opportunity for any further legal actions is well understood should the decision be unfavourable to Council. Council retains an expert construction lawyer and all decisions to this project are taken in consultation with or on the recommendation of this advisor.

ASSETS NOT RECOGNISED

Waste Facility Insurance Claim

Council has submitted a final insurance claim of \$4.97 million in relation to a Waste Facility fire in 2019. All previous amounts claimed and paid in relation to the same incident have been recorded in Council's Income Statement in the appropriate period. The final claim is being disputed and Council is unable to determine the probability that any or all of the final claim will be received.

In accordance with IAS 37 only amounts that are "Virtually Certain" shall be recorded as an asset. Council has not recognised the outstanding claim as an asset due to the uncertainty of its receipt.

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	1,130	1,246
Post-employment benefits	160	107
Other long-term benefits	3	36
Termination benefits	239	–
Total	1,532	1,389

Other transactions with KMP and their related parties

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

KMP and their related parties attend various functions from time to time as part of their position held within Council. Tickets, meals and small tokens of appreciation that are provided at these functions are considered immaterial and will not be disclosed.

There have been no other material transactions between KMP and Council during the year.

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	43	44
Councillors' fees	236	292
Other Councillors' expenses (including Mayor)	10	21
Total	289	357

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	111	79
Remuneration for audit and other assurance services	111	79
Total Auditor-General remuneration	111	79
Total audit fees	111	79

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 ¹ Restated
Net operating result from Income Statement	18,671	27,484
Adjust for non-cash items:		
Depreciation and amortisation	34,761	23,312
Net losses/(gains) on disposal of assets	4,062	3,805
Non-cash capital grants and contributions	(9,899)	(11,954)
Adoption of AASB 15/1058	–	(6,597)
Unwinding of discount rates on reinstatement provisions	(667)	(222)
Share of net (profits)/losses of associates/joint ventures using the equity method	54	(62)
Revised discount rate	3,092	(676)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	816	6,089
Decrease/(increase) in inventories	426	675
Decrease/(increase) in other current assets	17	(56)
Decrease/(increase) in contract assets	(7,425)	(2,897)
Increase/(decrease) in payables	3,881	(2,746)
Increase/(decrease) in accrued interest payable	(40)	(42)
Increase/(decrease) in other accrued expenses payable	419	372
Increase/(decrease) in other liabilities	108	985
Increase/(decrease) in contract liabilities	3,379	4,281
Increase/(decrease) in provision for employee benefits	(102)	80
Increase/(decrease) in other provisions	682	2,959
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	52,235	44,790

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

(b) Non-cash investing and financing activities

Developer contributions 'in kind'	9,899	11,954
Total non-cash investing and financing activities	9,899	11,954

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		
Sewerage and water infrastructure	449	–
Lismore Regional Airport Fence	22	–
Riverview Park Amenities Upgrade	–	228
Goonellabah Community Centre Upgrade	–	42
Albert Park Redevelopment	184	1,084
Stronger Country Community Projects	–	1,025
Public Library Infrastructure Grant Project	–	11
CCTV Camera Network	–	6
Flood Diversion Channel	182	–
Oakes/Crozier Upgrade	332	11,297
Road infrastructure	4,773	–
Total commitments	5,942	13,693
These expenditures are payable as follows:		
Within the next year	5,942	9,381
Later than one year and not later than 5 years	–	4,312
Total payable	5,942	13,693
Sources for funding of capital commitments:		
Future grants and contributions	5,045	–
Unexpended grants	448	11,984
Externally restricted reserves	449	–
Internally restricted reserves	–	82
Unexpended loans	–	1,627
Total sources of funding	5,942	13,693

Details of capital commitments

Capital works commenced in 2020/21 continuing into 2021/22 year.

G3-1 Events occurring after the reporting date

Council has disclosed the impact that COVID 19 has had on operations and financial reporting for the year ended 30 June 2021 at Note A1-1.

COVID 19 is ongoing, however it is not practicable to estimate the potential impact, positive or negative, after 30 June 2021. There are no other known events occurring after the reporting date that would have a significant affect on the financial report.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior-period error

During the 2020/2021 financial reporting period Council identified the following material, prior period errors:

Flood Mitigation Channel

During the 2019/20 and 2020/21 financial reporting periods Lismore City Council (LCC) carried out grant-funded extension works on an existing flood channel in South Lismore.

The asset had previously been recorded as an asset of Rous County Council (RCC) under their delegated powers as the Flood Mitigation Authority. RCC and LCC had jointly agreed to apply for grant funding to expand the channel. It was agreed that LCC would carry out the expansion works and then pass the completed asset improvements to RCC to include with the existing channel recognised in their accounts.

In 2019/20 LCC recognised the grant funding as operational revenue and the expansion works as operating expenses, consistent with Council's understanding of the asset at that time.

During discussions with RCC in June 2021 it was determined that LCC effectively controls the channel and should therefore recognise the asset in Council's asset register.

It was determined that this should be treated as a prior period error as the asset had been under LCC's control for an unknown period that was at least several years.

The prior period errors have been corrected as follows:

1. Existing flood channel, pre-expansion

The fair value of the flood channel prior to expansion, as recognised in the accounts of RCC, was \$3.137 million. This asset should have been recorded in Council's fixed asset register in prior years as non-depreciable land improvements.

The above error has been corrected by recognising the asset at 1 July 2019 as an increase to accumulated surplus.

2. Expansion works 2019/20

Grant-funded expansion works totalling \$4.82 million were carried out during the 2019/20 financial year. These were recorded in Council's Income Statements as operating revenues and operating expenses.

The above error has been corrected by:

- recognising the grant as capital revenue instead of operating revenue in the Income Statement
- recognising the expansion works as Capital Work In Progress in the Statement of Financial Position instead of Materials & services in the Income Statement

Impact on Prior Periods

The overall impact on prior periods is as follows:

Summary of prior year items impacting on IPPE

Increase Land improvements - depreciable	3,137,000
Total for correction of prior period errors at 1 July 2019	3,137,000
Increase Capital work in progress	4,820,000
Total for correction of prior period errors at 30 June 2020	7,957,000

Summary of prior year items impacting on Accumulated Surplus

Recognition of existing flood channel	3,137,000
Total for correction of prior period errors at 1 July 2019	3,137,000
Recognition of flood channel expansion works 2019/20	4,820,000
Total for correction of prior period errors at 30 June 2020	7,957,000

Summary of prior year items impacting on Income Statement

Decrease grants and contributions for operational purposes	(4,820,000)
Increase grants and contributions for capital purposes	4,820,000
Decrease materials and services expense	(4,820,000)
Total for correction of prior period errors at 30 June 2020	(4,820,000)

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

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

G4-1 Correction of errors (continued)

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure Plant Property & Equipment	1,404,239	3,137	1,407,376
Total non-current assets	1,417,287	3,137	1,420,424
Total assets ¹	1,510,366	3,137	1,513,503
Net assets ¹	1,407,187	3,137	1,410,324
Accumulated surplus	501,017	3,137	504,154
Total equity ¹	1,407,187	3,137	1,410,324

(1) The original balance at 1 July 2019 reported here has been adjusted to include the impacts of the changes to accumulated surplus on introduction of AASB 15 and AASB 1058

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure, property, plant and equipment	1,657,461	7,957	1,665,418
Total non-current assets	1,670,425	7,957	1,678,382
Total assets	1,767,826	7,957	1,775,783
Net assets	1,672,531	7,957	1,680,488
Accumulated surplus	523,681	7,957	531,638
Total equity	1,672,531	7,957	1,680,488

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Grants and contributions provided for operating purposes	23,788	(4,820)	18,968
Grants and contributions provided for capital purposes	23,299	4,820	28,119
Total income from continuing operations	141,529	–	141,529
Materials and services	53,838	(4,820)	49,018
Total expenses from continuing operations	118,865	(4,820)	114,045
Net operating result for the year	22,664	4,820	27,484
Net operating result of the year before grant and contributions provided for capital purposes	(635)	–	(635)

Statement of Comprehensive Income

G4-1 Correction of errors (continued)

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net operating result for the year	22,664	4,820	27,484
Total comprehensive income for the year	265,344	4,820	270,164
Statement of Cash Flows			
Materials and services	(57,138)	4,820	(52,318)
Net cash flows from operating activities	39,970	4,820	44,790
Purchase of infrastructure, property, plant and equipment	(28,340)	(4,820)	(33,160)
Net cash provided by (or used in) investing activities	(30,460)	(4,820)	(35,280)

G4-2 Changes in accounting estimates

Council made no changes in accounting estimates during the year.

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Emergency Services	106	8	–	–	(30)	–	84	–
Community Services & Facilities	487	91	–	5	–	–	583	–
Public Domain Facilities	236	109	–	2	–	–	347	–
Open Space & Recreation Facilities	987	49	–	9	(2)	–	1,043	–
Cycleways Facilities	441	78	–	4	–	–	523	–
Rural North & South Traffic Management Facilities	77	496	–	–	(60)	–	513	–
Urban Traffic Management Facilities	2,656	413	–	24	–	–	3,093	–
Carparking	78	–	–	–	–	–	78	–
Stormwater	(62)	8	–	–	–	–	(54)	–
Street Trees	69	4	–	–	(21)	–	52	–
Heavy Haulage	39	200	–	1	(124)	–	116	–
Section 94 Plan Administration	13	24	–	–	(7)	–	30	–
S7.11 contributions – under a plan	5,127	1,480	–	45	(244)	–	6,408	–
Total S7.11 and S7.12 revenue under plans	5,127	1,480	–	45	(244)	–	6,408	–
S7.4 planning agreements	949	–	–	8	–	–	957	–
S64 contributions	–	1,741	–	–	(1,741)	–	–	–
Total contributions	6,076	3,221	–	53	(1,985)	–	7,365	–

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Emergency Services								
Bushfire	38	6	–	–	(15)	–	29	–
SES	68	2	–	–	(15)	–	55	–
Total	106	8	–	–	(30)	–	84	–

Community Services & Facilities

continued on next page ...

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CBD, North & South	487	91	-	5	-	-	583	-
Total	487	91	-	5	-	-	583	-
Public Domain Facilities								
Lismore CBD-Residential	212	108	-	2	-	-	322	-
Lismore CBD-Commercial	24	1	-	-	-	-	25	-
Total	236	109	-	2	-	-	347	-
Open Space & Recreation Facilities								
Tucki Tucki - Residential	838	14	-	7	(2)	-	857	-
Lismore Park	149	35	-	2	-	-	186	-
Total	987	49	-	9	(2)	-	1,043	-
Cycleways Facilities								
Cycleways	441	78	-	4	-	-	523	-
Total	441	78	-	4	-	-	523	-
Rural North & South Traffic Management Facilities								
Rural North & South Traffic Management Facilities	77	496	-	-	(60)	-	513	-
Total	77	496	-	-	(60)	-	513	-

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Urban Traffic Management Facilities								
Residential/Commercial/Industrial	2,656	413	-	24	-	-	3,093	-
Total	2,656	413	-	24	-	-	3,093	-
Carparking								
Lismore & Nimbin	78	-	-	-	-	-	78	-
Total	78	-	-	-	-	-	78	-
Stormwater								
Residential	(62)	8	-	-	-	-	(54)	-
Total	(62)	8	-	-	-	-	(54)	-
Street Trees								
Residential/Commercial/Industrial	69	4	-	-	(21)	-	52	-
Total	69	4	-	-	(21)	-	52	-
Heavy Haulage								
Rural - Quarries	39	200	-	1	(124)	-	116	-
Total	39	200	-	1	(124)	-	116	-
Section 94 Plan Administration								
Section 94 Plan Administration	13	24	-	-	(7)	-	30	-
Total	13	24	-	-	(7)	-	30	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 ³ Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(10,856)	(9.93)%	2.74%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	109,291			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	92,008	64.37%	66.72%	> 60.00%
Total continuing operating revenue ¹	142,934			
3. Unrestricted current ratio				
Current assets less all external restrictions	36,078	1.84x	2.31x	> 1.50x
Current liabilities less specific purpose liabilities	19,583			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	27,260	3.04x	2.54x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,974			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	5,873	9.36%	9.24%	< 10.00%
Rates and annual charges collectable	62,717			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	100,648	13.33 mths	10.14 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	7,549			

(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

(3) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

G6-2 Statement of performance measures by fund

	General Indicators ^{3,4}		Water Indicators		Sewer Indicators		Benchmark
	2021	2020 Restated	2021	2020	2021	2020	
\$ '000							
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(16.17)%	0.51%	22.21%	8.83%	(10.72)%	9.12%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	57.61%	61.97%	88.98%	86.83%	81.12%	74.16%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.84x	1.89x	14.98x	12.41x	16.49x	13.83x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.59x	3.28x	6.33x	4.43x	2.57x	1.39x	> 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	7.67%	7.48%	22.48%	23.03%	8.26%	8.03%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.51	6.11	17.31	14.09	47.55	33.50	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(4) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

(1) - (2) Refer to Notes at Note 25a above.

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



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying financial statements of the Lismore City 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:

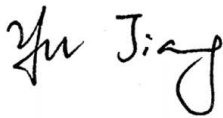
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Reiky Jiang
Delegate of the Auditor-General for New South Wales

27 October 2021
SYDNEY



Cr Vanessa Ekins
Mayor
Lismore City Council
PO Bos 23A
LISMORE NSW 2480

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: D2122516/ 1754

27 October 2021

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2021 Lismore City Council

I have audited the general purpose financial statements (GPFS) of the Lismore City 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Rural fire-fighting equipment not recognised in the financial statements

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire-fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the RFS.

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service.

Information Technology (IT) user access management

We have identified a high risk matter relating to Council's IT user access management. Council is not:

- conducting a regular review of activities by generic user accounts
- conducting a regular review of users who have the ability to purge access logs
- regularly reviewing the activities of IT users with privileged access.

This matter was initially reported in our 2019 management letter and is yet to be resolved by management.

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	56.9	55.3	↑ 2.9
Grants and contributions revenue	50.9	47.1	↑ 8.1
Employee benefits and on-costs	30.7	31.1	↓ 1.3
Materials and services expense	45.7	49.0	↓ 6.7
Depreciation and amortisation expense	34.8	23.3	↑ 49.4
Operating result from continuing operations	18.7	27.5	↓ 32.0
Net operating result before capital grants and contributions	(15.0)	(0.6)	↓ 2,400

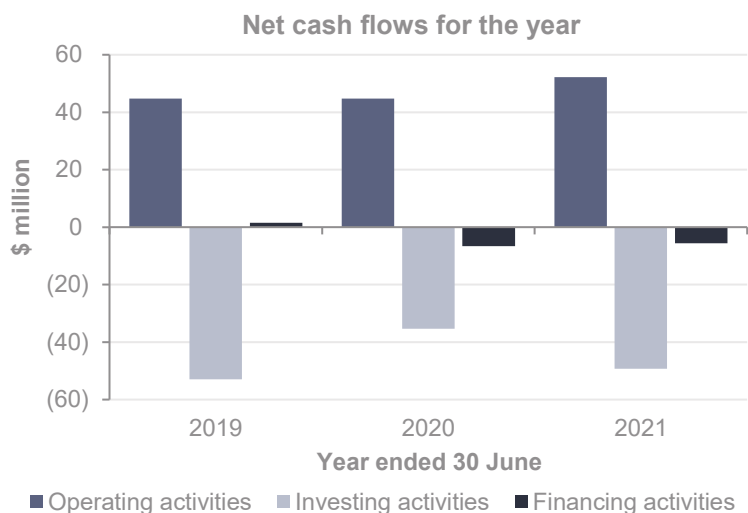
* The 2020 comparatives have been restated to correct a prior period error. Note G4-1 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$18.7 million including depreciation and amortisation expense of \$34.8 million) was \$8.8 million lower than the 2019–20 result. The decrease is largely attributable to the following:

- Rates and annual charges revenue (\$56.9 million) increased by \$1.6 million (2.9 per cent) in 2020-21. Rates revenue increased by the allowable rating increase of 2.6 percent.
- Grants and contributions revenue (\$50.9 million) increased by \$3.8 million (8.1 per cent) in 2020–21. This is mainly due to an increase in special purpose capital grants received as cash. Significant additional grant revenue was sourced from Transport for NSW for various transport related programs in 2020-21 including Safer Roads and Fixing Local Roads.
- Other revenue from insurance claims (\$0.7 million) reduced by \$2.5 million (78 per cent) in 2020-21. Insurance claims in 2019-20 largely related to a fire event at the waste facility.
- Materials and services expense (\$45.7 million) decreased by \$3.3 million (6.7 per cent) in 2020–21. Additional costs were incurred in 2019-20 for transport and disposal of waste in Ipswich and expenses associated with the closure of the waste facility as a result of a fire event.
- Depreciation and amortisation expense (\$34.8 million) increased by \$11.5 million (49.4 per cent) in 2020–21. Roads, bridges, and footpaths depreciation has increased by \$9.1 million. These infrastructure assets were revalued as at 30 June 2020, with revised cost and useful life assumptions having a significant impact on annual depreciation expense.
- Other expenses for waste levy (\$2.5 million) increased by \$1.9 million (317 per cent) in 2020-21. Additional waste entered Council's landfill facility in 2020-21.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$7.4 million. A reduction in payments for material and services of \$6.5 million was most significant.
- Net cash used in investing activities increased by \$14.0 million. This is largely due to a \$12.0 million increase in the purchase of investment securities.
- Net cash used in financing activities decreased by \$1.0 million. This is attributable to a \$1.0 million reduction in loan repayments (net of new borrowings).



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	100.7	86.3	<ul style="list-style-type: none"> • Externally restricted cash and investments increased by \$10.4 million largely as a result of increases in specific purpose unexpended grants (\$4.2 million), developer contributions (\$1.3 million), cash held within the water fund (\$1.6 million increase) and sewerage funds (\$2.3 million increase). • Internally restricted cash and investments increased by \$4.0 million largely as a result of increases in carry forward and revote works.
Restricted cash and investments:			
<ul style="list-style-type: none"> • External restrictions • Internal restrictions 	74.1 26.6	63.7 22.6	

Debt

Council had total borrowings of \$57.5 million at 30 June 2021 (\$62.7 million at 30 June 2020). Council had no new borrowings in 2020-21 and made loan repayments of \$5.2 million. Refer to later commentary on Council's debt service cover ratio.

Council has total overdraft financing facilities available of \$1.0 million which consist of a bank overdraft facility with a limit of \$0.75 million and a purchase card facility of \$0.25 million. At 30 June 2021, the bank overdraft facility was undrawn and the purchase card facility was drawn by \$0.034 million.

PERFORMANCE

Performance measures

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

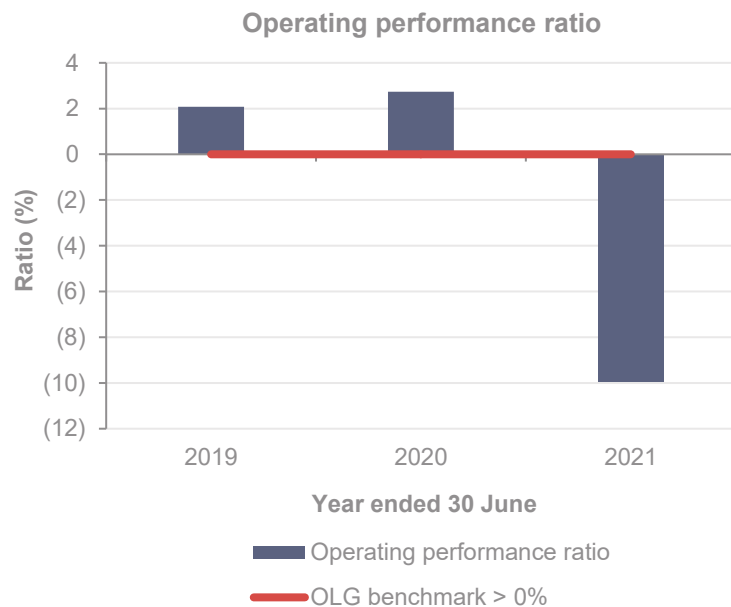
Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

A deterioration in Council's 2020-21 operating result (before all capital items) led to a decreased ratio.

The 2020 ratio was restated to correct a prior period error.

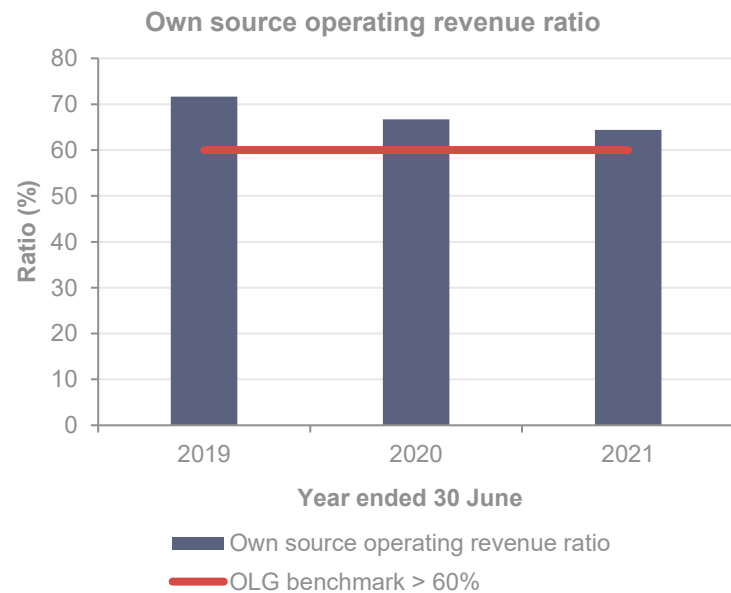


Own source operating revenue ratio

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 met the OLG benchmark for the current reporting period.

Council's general fund ratio is at 57.61 per cent and below the industry benchmark. The ratio was negatively impacted in both 2020-21 and 2019-20 by higher levels of capital grants and contributions.



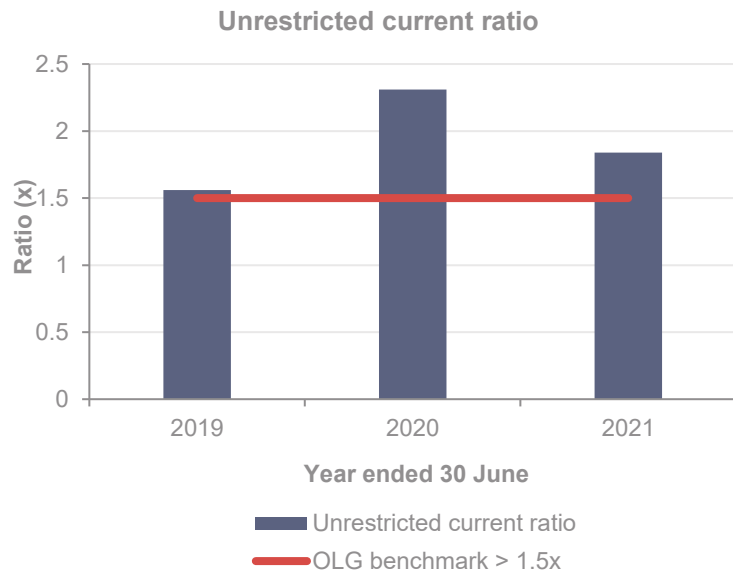
Unrestricted current ratio

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 met the OLG benchmark for the current reporting period.

Councils current liabilities (less specific purpose liabilities) have increased, resulting in a decrease in the ratio at 30 June 2021.

Council has \$1.84 in liquid current asset for every \$1 of current liabilities at 30 June 2021.

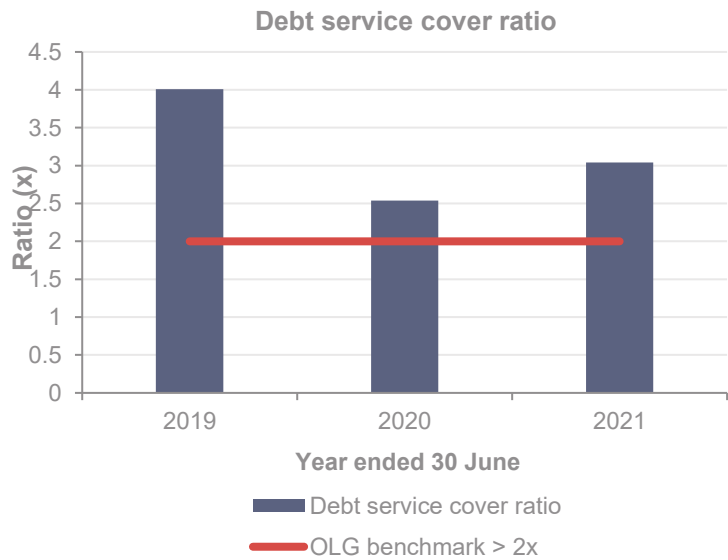


Debt service cover ratio

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 met the OLG benchmark for the current reporting period.

The ratio has increased as a result of a decrease in loan and lease principal repayments.

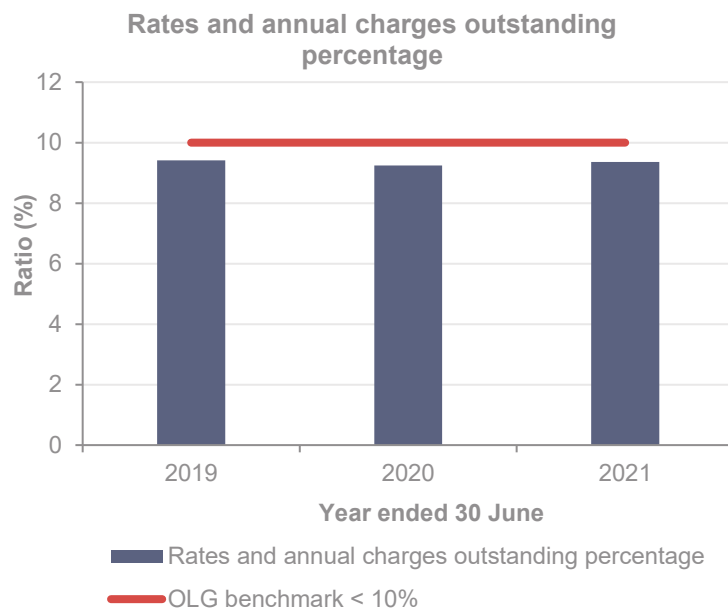


Rates and annual charges outstanding percentage

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.

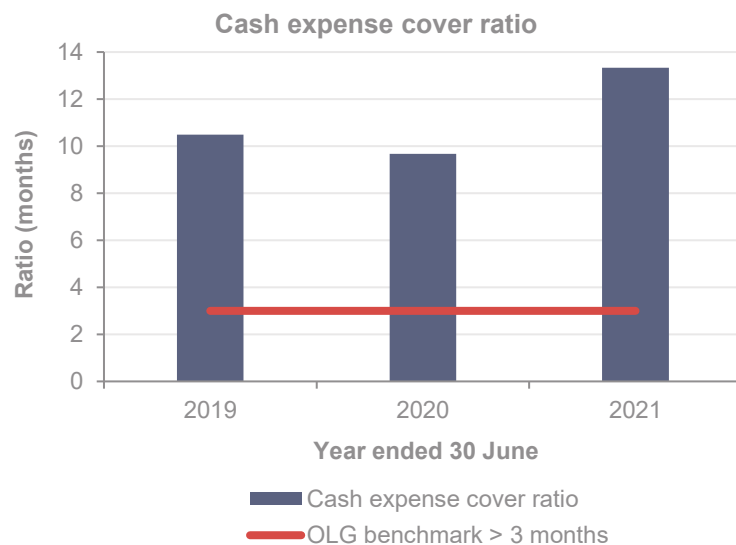
Council's water fund ratio is at 22.48 per cent and higher than the industry benchmark as Council levies annual charges in arrears for this fund.



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 met the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2020-21 year was \$23.6 million (2019-20 - \$20.2 million). In 2020-21 renewal projects included the South Lismore Sewage Treatment Plant, road resurfacing and water main renewal programs.

OTHER MATTERS

Prior period errors

Council has recently carried out grant funded extension works to a pre-existing flood mitigation channel in South Lismore. In finalising the project, it has been identified that Council controls the flood mitigation channel and that:

- the pre-existing flood channel should have been recognised in Council's fixed asset register
- expansion works carried out in 2019-20 should have been capitalised (rather than expensed) and grant revenue recorded should have been classified as capital grant revenue (rather than operating grant revenue).

Council's disclosure of the impact of correcting these prior period errors is disclosed in Note G4-1.

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.



Reiky Jiang
Delegate of the Auditor-General for New South Wales

cc: Michael Donnelly, General Manager
Stephen Coates, Chair of Audit, Risk and Improvement Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Lismore City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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 25 October 2021.



Vanessa Ekins
Mayor
25 October 2021



Neil Marks
Councillor
25 October 2021



Michael Donnelly
General Manager
25 October 2021



John Hartley
Responsible Accounting Officer
25 October 2021

Lismore City Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	5,075	4,811
User charges	10,092	9,793
Interest	156	320
Grants and contributions provided for non-capital purposes	124	129
Profit from the sale of assets	22	–
Other income	228	181
Total income from continuing operations	15,697	15,234
Expenses from continuing operations		
Employee benefits and on-costs	1,750	2,318
Borrowing costs	517	551
Materials and services	1,145	2,230
Depreciation, amortisation and impairment	3,242	3,257
Water purchase charges	5,441	5,402
Loss on sale of assets	1,571	1,695
Calculated taxation equivalents	36	35
Debt guarantee fee (if applicable)	331	346
Other expenses	94	131
Total expenses from continuing operations	14,127	15,965
Surplus (deficit) from continuing operations before capital amounts	1,570	(731)
Grants and contributions provided for capital purposes	1,805	2,163
Surplus (deficit) from continuing operations after capital amounts	3,375	1,432
Surplus (deficit) from all operations before tax	3,375	1,432
Less: corporate taxation equivalent [based on result before capital]	(408)	–
Surplus (deficit) after tax	2,967	1,432
Plus accumulated surplus	29,903	28,099
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	36	35
– Debt guarantee fees	331	346
– Corporate taxation equivalent	408	–
Less:		
– Tax equivalent dividend paid	(9)	(9)
Closing accumulated surplus	33,636	29,903
Return on capital %	1.1%	(0.1)%
Subsidy from Council	729	1,819
Calculation of dividend payable:		
Surplus (deficit) after tax	2,967	1,432
Less: capital grants and contributions (excluding developer contributions)	(1,585)	(1,947)
Surplus for dividend calculation purposes	1,382	–
Potential dividend calculated from surplus	691	–

Lismore City Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	13,543	13,454
User charges	296	222
Liquid trade waste charges	–	1
Interest	322	672
Grants and contributions provided for non-capital purposes	141	124
Profit from the sale of assets	21	–
Other income	228	161
Total income from continuing operations	14,551	14,634
Expenses from continuing operations		
Employee benefits and on-costs	2,475	2,556
Borrowing costs	812	1,031
Materials and services	6,010	3,778
Depreciation, amortisation and impairment	6,560	5,743
Loss on sale of assets	–	149
Calculated taxation equivalents	57	56
Debt guarantee fee (if applicable)	665	701
Other expenses	233	192
Total expenses from continuing operations	16,812	14,206
Surplus (deficit) from continuing operations before capital amounts	(2,261)	428
Grants and contributions provided for capital purposes	3,213	4,931
Surplus (deficit) from continuing operations after capital amounts	952	5,359
Surplus (deficit) from all operations before tax	952	5,359
Less: corporate taxation equivalent [based on result before capital]	–	(118)
Surplus (deficit) after tax	952	5,241
Plus accumulated surplus	71,919	65,828
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	57	56
– Debt guarantee fees	665	701
– Corporate taxation equivalent	–	118
Less:		
– Tax equivalent dividend paid	(25)	(25)
Closing accumulated surplus	73,568	71,919
Return on capital %	(0.4)%	0.4%
Subsidy from Council	6,314	1,405
Calculation of dividend payable:		
Surplus (deficit) after tax	952	5,241
Less: capital grants and contributions (excluding developer contributions)	(1,692)	(3,554)
Surplus for dividend calculation purposes	–	1,687
Potential dividend calculated from surplus	–	844

Lismore City Council

Income Statement of Quarry

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	2,973	3,077
Grants and contributions provided for non-capital purposes	11	15
Other income	793	721
Total income from continuing operations	3,777	3,813
Expenses from continuing operations		
Employee benefits and on-costs	1,028	917
Borrowing costs	134	172
Materials and services	3,492	2,630
Depreciation, amortisation and impairment	100	34
Calculated taxation equivalents	100	100
Debt guarantee fee (if applicable)	21	38
Other expenses	88	80
Total expenses from continuing operations	4,963	3,971
Surplus (deficit) from continuing operations before capital amounts	(1,186)	(158)
Surplus (deficit) from continuing operations after capital amounts	(1,186)	(158)
Surplus (deficit) from all operations before tax	(1,186)	(158)
Surplus (deficit) after tax	(1,186)	(158)
Plus accumulated surplus	1,702	1,722
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	100	100
– Debt guarantee fees	21	38
Less:		
Transfer to Asset Revaluation Reserve	(140)	–
Closing accumulated surplus	497	1,702
Return on capital %	(24.4)%	0.6%
Subsidy from Council	1,116	8

Lismore City Council

Income Statement of Waste disposal

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	7,680	7,341
Grants and contributions provided for non-capital purposes	24	–
Other income	4,122	6,334
Total income from continuing operations	11,826	13,675
Expenses from continuing operations		
Employee benefits and on-costs	2,304	2,341
Borrowing costs	800	380
Materials and services	10,301	15,594
Depreciation, amortisation and impairment	1,376	369
Calculated taxation equivalents	158	161
Debt guarantee fee (if applicable)	183	236
Revaluation decrement	1,127	–
Other expenses	62	82
Total expenses from continuing operations	16,311	19,163
Surplus (deficit) from continuing operations before capital amounts	(4,485)	(5,488)
Grants and contributions provided for capital purposes	(18)	82
Surplus (deficit) from continuing operations after capital amounts	(4,503)	(5,406)
Surplus (deficit) from all operations before tax	(4,503)	(5,406)
Surplus (deficit) after tax	(4,503)	(5,406)
Plus accumulated surplus	3,366	4,167
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	158	161
– Debt guarantee fees	183	236
Add:		
– Subsidy paid/contribution to operations	3,468	4,208
Less:		
Closing accumulated surplus	2,672	3,366
Return on capital %	(31.0)%	(33.6)%
Subsidy from Council	3,862	5,242

Lismore City Council

Income Statement of Lismore Crematorium

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
Fees	298	268
Profit from the sale of assets	–	423
Other income	40	55
Total income from continuing operations	338	746
Expenses from continuing operations		
Employee benefits and on-costs	171	129
Materials and services	148	211
Depreciation, amortisation and impairment	18	19
Other expenses	5	7
Total expenses from continuing operations	342	366
Surplus (deficit) from continuing operations before capital amounts	(4)	380
Surplus (deficit) from continuing operations after capital amounts	(4)	380
Surplus (deficit) from all operations before tax	(4)	380
Less: corporate taxation equivalent [based on result before capital]	–	(105)
Surplus (deficit) after tax	(4)	275
Plus accumulated surplus	226	269
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	105
Add:		
– Dividend paid	–	(423)
Closing accumulated surplus	222	226
Return on capital %	(0.9)%	85.6%
Subsidy from Council	11	–

Lismore City Council

Income Statement of Goonellabah Sports & Aquatic Centre - Gymnasium

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
Fees	478	430
Total income from continuing operations	478	430
Expenses from continuing operations		
Employee benefits and on-costs	211	207
Materials and services	535	563
Total expenses from continuing operations	746	770
Surplus (deficit) from continuing operations before capital amounts	(268)	(340)
Surplus (deficit) from continuing operations after capital amounts	(268)	(340)
Surplus (deficit) from all operations before tax	(268)	(340)
Surplus (deficit) after tax	(268)	(340)
Add:		
– Subsidy paid/contribution to operations	268	340
Closing accumulated surplus	–	–
Subsidy from Council	268	340

Lismore City Council

Income Statement of Swimsations

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
Fees	473	444
Total income from continuing operations	473	444
Expenses from continuing operations		
Employee benefits and on-costs	310	285
Materials and services	337	412
Total expenses from continuing operations	647	697
Surplus (deficit) from continuing operations before capital amounts	(174)	(253)
Surplus (deficit) from continuing operations after capital amounts	(174)	(253)
Surplus (deficit) from all operations before tax	(174)	(253)
Surplus (deficit) after tax	(174)	(253)
Add:		
– Subsidy paid/contribution to operations	174	253
Closing accumulated surplus	–	–
Subsidy from Council	174	253

Lismore City Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	5,541	3,916
Investments	9,068	9,068
Receivables	4,142	3,563
Inventories	273	232
Total current assets	19,024	16,779
Non-current assets		
Right of use assets	42	15
Receivables	1,157	1,308
Infrastructure, property, plant and equipment	188,968	186,213
Other	9	–
Total non-current assets	190,176	187,536
Total assets	209,200	204,315
LIABILITIES		
Current liabilities		
Lease liabilities	9	14
Payables	359	287
Borrowings	598	570
Employee benefit provisions	324	354
Total current liabilities	1,290	1,225
Non-current liabilities		
Lease liabilities	33	1
Borrowings	9,880	10,511
Employee benefit provisions	17	11
Total non-current liabilities	9,930	10,523
Total liabilities	11,220	11,748
Net assets	197,980	192,567
EQUITY		
Accumulated surplus	33,636	29,903
Revaluation reserves	164,344	162,664
Total equity	197,980	192,567

Lismore City Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	5,493	3,204
Investments	23,807	22,807
Receivables	836	699
Inventories	378	419
Total current assets	30,514	27,129
Non-current assets		
Right of use assets	38	38
Investments	6,000	7,000
Receivables	428	586
Infrastructure, property, plant and equipment	326,532	325,420
Other	7	–
Total non-current assets	333,005	333,044
Total assets	363,519	360,173
LIABILITIES		
Current liabilities		
Lease liabilities	7	12
Payables	320	317
Borrowings	1,219	1,171
Employee benefit provisions	339	346
Total current liabilities	1,885	1,846
Non-current liabilities		
Lease liabilities	–	7
Borrowings	19,921	21,175
Employee benefit provisions	18	11
Total non-current liabilities	19,939	21,193
Total liabilities	21,824	23,039
Net assets	341,695	337,134
EQUITY		
Accumulated surplus	73,568	71,919
Revaluation reserves	268,127	265,215
Total equity	341,695	337,134

Lismore City Council

Statement of Financial Position of Quarry

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Receivables	287	538
Inventories	877	1,680
Total current assets	1,164	2,218
Non-current assets		
Infrastructure, property, plant and equipment	4,318	2,545
Total non-current assets	4,318	2,545
Total assets	5,482	4,763
LIABILITIES		
Current liabilities		
Borrowings	195	180
Provisions	687	249
Total current liabilities	882	429
Non-current liabilities		
Borrowings	332	533
Provisions	3,631	2,099
Total non-current liabilities	3,963	2,632
Total liabilities	4,845	3,061
Net assets	637	1,702
EQUITY		
Accumulated surplus	497	1,702
Revaluation reserves	140	–
Total equity	637	1,702

Lismore City Council

Statement of Financial Position of Waste disposal

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	2,907	983
Inventories	394	50
Total current assets	3,301	1,033
Non-current assets		
Infrastructure, property, plant and equipment	11,885	15,183
Total non-current assets	11,885	15,183
Total assets	15,186	16,216
LIABILITIES		
Current liabilities		
Borrowings	752	712
Provisions	270	643
Total current liabilities	1,022	1,355
Non-current liabilities		
Borrowings	5,788	6,492
Provisions	5,704	4,171
Total non-current liabilities	11,492	10,663
Total liabilities	12,514	12,018
Net assets	2,672	4,198
EQUITY		
Accumulated surplus	2,672	3,366
Revaluation reserves	-	832
Total equity	2,672	4,198

Lismore City Council

Statement of Financial Position of Lismore Crematorium

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	450	444
Total non-current assets	450	444
Total assets	450	444
LIABILITIES		
Current liabilities		
Employee benefit provisions	90	80
Total current liabilities	90	80
Non-current liabilities		
Employee benefit provisions	2	2
Total non-current liabilities	2	2
Total liabilities	92	82
Net assets	358	362
EQUITY		
Accumulated surplus	222	226
Revaluation reserves	136	136
Total equity	358	362

Lismore City Council

Statement of Financial Position of Goonellabah Sports & Aquatic Centre - Gymnasium as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Other	-	-
Total current assets	-	-
Non-current assets		
Infrastructure, property, plant and equipment	-	-
Total non-current assets	-	-
Total assets	-	-
LIABILITIES		
Current liabilities		
Employee benefit provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Employee benefit provisions	-	-
Total non-current liabilities	-	-
Total liabilities	-	-
Net assets	-	-
EQUITY		
Accumulated surplus	-	-
Revaluation reserves	-	-
Total equity	-	-

Lismore City Council

Statement of Financial Position of Swimsations

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Inventories	-	-
Total current assets	-	-
Non-current assets		
Infrastructure, property, plant and equipment	-	-
Total non-current assets	-	-
Total assets	-	-
LIABILITIES		
Current liabilities		
Employee benefit provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Employee benefit provisions	-	-
Total non-current liabilities	-	-
Total liabilities	-	-
Net assets	-	-
EQUITY		
Accumulated surplus	-	-
Revaluation reserves	-	-
Total equity	-	-

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water

Provision of safe drinking water to customers

b. Sewerage

Provision of sewerage services to customers

c. Quarries

Supply of aggregate, road base and asphalt products

d. Waste Disposal

To provide waste disposal services

Category 2

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

a. Lismore Crematorium

Provide cremation services

b. Swimsations

Provide learn to swim classes

c. Goonellabah Sports and Aquatic Centre - Gymnasium

Provide gym facilities

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 26% (2019/20: 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,001 up to \$4,616,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,4616,000 a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the Department of Planning, Industry and Environment – 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%. (2019/20: 27.5%)

Income tax is only applied where a gain 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 corporate base 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.

Note – Significant Accounting Policies (continued)

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Planning, Industry and Environment – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 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 required to be submitted to the Department of Planning, Industry and Environment – Water.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the Lismore City 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 business activity
- Sewerage business activity
- Quarry
- Waste disposal
- Lismore Crematorium
- Goonellabah Sports & Aquatic Centre - Gymnasium
- Swimsations.

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 'Yu Jiang'.

Reiky Jiang

Delegate of the Auditor-General for New South Wales

27 October 2021
SYDNEY

Lismore City Council

SPECIAL SCHEDULES

for the year ended 30 June 2021

Lismore City Council

Special Schedules

for the year ended 30 June 2021

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Lismore City 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	31,037	31,936
Plus or minus adjustments ²	b	90	157
Notional general income	c = a + b	31,127	32,093
Permissible income calculation			
Rate peg percentage	e	2.60%	2.00%
Plus rate peg amount	i = e x (c + g)	809	642
Sub-total	k = (c + g + h + i + j)	31,936	32,735
Plus (or minus) last year's carry forward total	l	-	1
Sub-total	n = (l + m)	-	1
Total permissible income	o = k + n	31,936	32,736
Less notional general income yield	p	31,936	32,733
Catch-up or (excess) result	q = o - p	-	3
Less unused catch-up ³	s	1	-
Carry forward to next year ⁴	t = q + r + s	1	3

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916 (NSW).
- (3) 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.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the Lismore City 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:

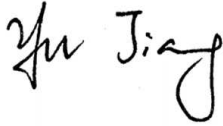
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 'Yu Jiang'.

Reiky Jiang

Delegate of the Auditor-General for New South Wales

27 October 2021
SYDNEY

Lismore City Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	9,093	9,093	770	433	72,084	106,593	71.0%	13.0%	2.0%	11.0%	3.0%
	Sub-total	9,093	9,093	770	433	72,084	106,593	71.0%	13.0%	2.0%	11.0%	3.0%
Other structures	Other structures	2,446	2,446	219	–	16,316	27,115	35.0%	32.0%	29.0%	3.0%	1.0%
	Sub-total	2,446	2,446	219	–	16,316	27,115	35.0%	32.0%	29.0%	3.0%	1.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	90,117	90,117	4,925	4,417	396,934	633,206	20.0%	47.0%	18.0%	7.0%	8.0%
	Unsealed roads	5,648	5,648	670	1,400	7,509	22,527	0.0%	0.0%	99.0%	1.0%	0.0%
	Bridges	18,629	18,629	364	592	71,711	127,488	49.0%	37.0%	3.0%	1.0%	10.0%
	Footpaths	1,126	1,126	182	160	22,303	31,461	13.0%	76.0%	8.0%	3.0%	0.0%
	Bulk earthworks	–	–	–	–	356,723	356,723	100.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	115,520	115,520	6,141	6,569	855,180	1,171,405	46.9%	31.5%	12.2%	4.0%	5.4%
Water supply network	Water supply network	24,201	24,201	1,945	1,545	184,275	283,468	30.0%	46.0%	17.0%	4.0%	3.0%
	Sub-total	24,201	24,201	1,945	1,545	184,275	283,468	30.0%	46.0%	17.0%	4.0%	3.0%
Sewerage network	Sewerage network	37,670	37,670	2,717	1,847	319,378	495,027	31.0%	48.0%	15.0%	4.0%	2.0%
	Sub-total	37,670	37,670	2,717	1,847	319,378	495,027	31.0%	48.0%	15.0%	4.0%	2.0%
Stormwater drainage	Stormwater drainage	1,887	1,887	281	–	68,938	108,485	69.0%	28.0%	0.0%	3.0%	0.0%
	Sub-total	1,887	1,887	281	–	68,938	108,485	69.0%	28.0%	0.0%	3.0%	0.0%

Lismore City Council

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

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	4,365	4,365	–	–	4,554	10,938	2.0%	27.0%	11.0%	31.0%	29.0%
	Other Open Space/Recreation	407	407	–	–	807	2,135	8.0%	32.0%	48.0%	8.0%	4.0%
	Sub-total	4,772	4,772	–	–	5,361	13,073	3.0%	27.8%	17.0%	27.2%	24.9%
Total – all assets		195,589	195,589	12,073	10,394	1,521,532	2,205,166	43.0%	36.0%	12.6%	4.4%	4.0%

(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

Lismore City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 ³ Restated	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	<u>23,307</u>	76.90%	88.38%	>= 100.00%
Depreciation, amortisation and impairment	<u>30,309</u>			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>195,589</u>	12.70%	10.93%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,539,649</u>			
Asset maintenance ratio				
Actual asset maintenance	<u>10,394</u>	86.09%	91.30%	> 100.00%
Required asset maintenance	<u>12,073</u>			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>195,589</u>	8.87%	7.58%	
Gross replacement cost	<u>2,205,166</u>			

(*) 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.

(3) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

Lismore City Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	77.64%	130.30%	87.86%	94.84%	69.04%	2.95%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	12.91%	10.78%	13.13%	11.16%	11.79%	11.30%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	94.48%	96.79%	79.43%	111.80%	67.98%	61.64%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	9.37%	7.75%	8.54%	7.20%	7.61%	7.30%	
Gross replacement cost							

(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.