

Nambucca Valley Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

Nambucca Valley ~ Living at its best



Nambucca Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Nambucca Valley ~ Living at its best



Nambucca Valley Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

44 Princess Street
MACKSVILLE NSW 2447

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.nambucca.nsw.gov.au.

Nambucca Valley Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 02 September 2021.



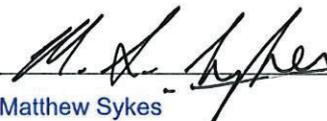
Rhonda Hoban
Mayor
02 September 2021



John Wilson
Councillor
02 September 2021



Michael Coulter
General Manager
02 September 2021



Matthew Sykes
Chief Financial Officer
02 September 2021

Nambucca Valley Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		11,085	14,647
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	3,478	8,155
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	(103)	–
Total items which will not be reclassified subsequently to the operating result		3,375	8,155
Total other comprehensive income for the year		3,375	8,155
Total comprehensive income for the year attributable to Council		14,460	22,802

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

Nambucca Valley Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	11,275	7,961
Investments	C1-2	18,159	10,088
Receivables	C1-4	3,371	3,487
Inventories	C1-5	1,016	2,015
Contract assets and contract cost assets	C1-6	2,984	1,975
Other		121	76
Total current assets		36,926	25,602
Non-current assets			
Investments	C1-2	24,133	24,322
Receivables	C1-4	35	42
Inventories	C1-5	1,731	1,482
Contract assets and contract cost assets	C1-6	-	19
Infrastructure, property, plant and equipment	C1-7	482,646	476,496
Intangible Assets	C1-8	505	461
Total non-current assets		509,050	502,822
Total assets		545,976	528,424
LIABILITIES			
Current liabilities			
Payables	C2-1	3,430	3,132
Contract liabilities	C2-2	5,801	2,515
Borrowings	C2-3	2,103	1,945
Employee benefit provisions	C2-4	3,906	3,577
Total current liabilities		15,240	11,169
Non-current liabilities			
Payables	C2-1	379	329
Borrowings	C2-3	36,728	37,731
Employee benefit provisions	C2-4	106	83
Provisions	C2-5	1,045	1,094
Total non-current liabilities		38,258	39,237
Total liabilities		53,498	50,406
Net assets		492,478	478,018
EQUITY			
Accumulated surplus		348,329	337,107
IPPE revaluation reserve	C3-1	144,149	140,911
Council equity interest		492,478	478,018
Total equity		492,478	478,018

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

Nambucca Valley Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		337,107	140,911	478,018	323,377	133,081	456,458
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(1,242)	–	(1,242)
Restated opening balance		337,107	140,911	478,018	322,135	133,081	455,216
Net operating result for the year		11,085	–	11,085	14,647	–	14,647
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	3,478	3,478	–	8,155	8,155
– Impairment (loss) reversal relating to IPP&E	C1-7	–	(103)	(103)	–	–	–
Other comprehensive income		–	3,375	3,375	–	8,155	8,155
Total comprehensive income		11,085	3,375	14,460	14,647	8,155	22,802
Transfers between equity items		137	(137)	–	325	(325)	–
Closing balance at 30 June		348,329	144,149	492,478	337,107	140,911	478,018

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

Nambucca Valley Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
21,089	Rates and annual charges		21,586	21,145
7,131	User charges and fees		7,482	6,887
710	Investment revenue and interest received		1,095	1,006
18,298	Grants and contributions		18,716	14,099
–	Bonds, deposits and retention amounts received		761	604
515	Other		3,080	3,444
<i>Payments:</i>				
(10,746)	Employee benefits and on-costs		(11,501)	(10,534)
(10,059)	Materials and services		(13,483)	(10,154)
(2,355)	Borrowing costs		(2,351)	(2,448)
–	Bonds, deposits and retention amounts refunded		(511)	(345)
(3,464)	Other		(4,193)	(5,476)
21,119	Net cash flows from operating activities	G1-1a	20,681	18,228
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		12,554	17,823
2,110	Sale of real estate assets		2,153	562
284	Sale of infrastructure, property, plant and equipment		127	387
<i>Payments:</i>				
(5,189)	Purchase of investment securities		(14,440)	(13,719)
–	Acquisition of term deposits		(5,942)	(6,009)
(16,623)	Purchase of infrastructure, property, plant and equipment		(10,596)	(13,419)
(1,213)	Purchase of real estate assets		(252)	15
–	Purchase of intangible assets		(126)	(57)
(20,631)	Net cash flows from investing activities		(16,522)	(14,417)
Cash flows from financing activities				
<i>Receipts:</i>				
1,100	Proceeds from borrowings		1,100	500
<i>Payments:</i>				
(1,966)	Repayment of borrowings		(1,945)	(3,092)
(866)	Net cash flows from financing activities		(845)	(2,592)
(378)	Net change in cash and cash equivalents		3,314	1,219
7,961	Cash and cash equivalents – beginning of year		7,961	6,742
7,583	Cash and cash equivalents at end of year	C1-1	11,275	7,961
39,599	plus: Investments on hand at end of year	C1-2	42,292	34,410
47,182	Total cash, cash equivalents and investments		53,567	42,371

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

Nambucca Valley 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 02 September 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

- (ii) COVID-19 pandemic

Council's operations were not significantly impacted by the COVID-19 pandemic during 2021, although further impacts are expected in 2022.

Council assessed the impacts on its financial statements for the current year and determined that there was not a significant impact and Council's assets as presented in the financial statements, are at fair value. Council saw only a noticeable change as a result of COVID-19 in Interest and Investment Revenue and this is explained further at B2-5.

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.

A1-1 Basis of preparation (continued)

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.

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 is very much appreciative of the many volunteers who provide services to the community. However, the reality is that due to funding constraints many of these services would not be purchased or provided by Council if the volunteers ceased providing them or alternatively the service level would be greatly reduced. For the services that Council would continue to provide in the absence of volunteers the total cost to Council is not material enough for inclusion in the Annual Financial Statements.

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.

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

These Standards amend AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

This standard has an effective date for the 30 June 2024 reporting period.

A1-1 Basis of preparation (continued)

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2021. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Administration	15,548	14,927	1,580	1,005	13,968	13,922	3,572	3,263	12,158	10,611
Public Order and Safety	1,593	2,212	2,693	2,205	(1,100)	7	1,525	2,146	5,947	5,709
Health	239	172	248	291	(9)	(119)	–	–	22	32
Environment	808	861	1,441	1,447	(633)	(586)	274	430	423	574
Community Services and Education	18	4	103	108	(85)	(104)	18	4	918	910
Housing and Community amenities	6,755	6,387	6,959	6,642	(204)	(255)	176	84	11,893	10,692
Water Supplies	6,800	5,907	5,666	5,895	1,134	12	1,615	643	115,196	103,729
Sewerage Services	6,261	5,679	5,132	5,483	1,129	196	1,361	696	90,460	99,482
Recreation and Culture	2,340	3,330	3,802	3,483	(1,462)	(153)	2,468	1,762	54,125	49,836
Mining, Manufacturing and Construction	231	171	536	415	(305)	(244)	–	–	–	–
Transport and Communication	9,026	13,119	11,489	10,894	(2,463)	2,225	9,391	11,052	251,624	243,702
Economic Affairs	1,752	55	637	309	1,115	(254)	281	35	3,210	3,147
Total functions and activities	51,371	52,824	40,286	38,177	11,085	14,647	20,681	20,115	545,976	528,424

B1-2 Components of functions or activities

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

Administration

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

Public Order and Safety

Includes Council's fire and emergency services levy; fire protection; emergency services; beach control; enforcements of regulations and animal control.

Health

Includes immunisation; food control; health centres etc.

Environment

Includes environmental and town planning support services.

Community Services and Education

Includes administration and education; social protection (welfare); Aboriginal and other community services and administration (excluding accommodation - covered under "housing and community amenities"); youth services; aged and disabled persons services; and other family and children services.

Housing and Community Services

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management including domestic waste, other waste management, other sanitation and garbage; street cleaning; public cemeteries; public conveniences; town planning; other community amenities.

Water Supply

Operation and maintenance of all water supply infrastructure to supply water to consumers that complies with Australian Drinking Water Guidelines. Infrastructure includes Bowra Dam, bores, pumps, water treatment plant, transfer pipelines, Reservoirs and reticulation pipework.

Sewerage Services

Operation and maintenance of all sewerage infrastructure to collect and treat wastewater in compliance with EPA licence requirements. Infrastructure includes Sewage Treatment Plants, gravity sewer mains, sewage pump stations, sewer rising mains and low pressure sewerage systems.

Recreation and Culture

Includes public libraries; museums; art galleries; community centres/halls; including public halls and performing arts venues; sporting grounds and venues; swimming pool, parks; gardens; lakes; and other sporting, recreation and cultural services.

Mining, Manufacturing and Construction

Includes building control; quarries and pits.

Transport and Communciation

Urban local; urban regional; includes sealed and unsealed roads; bridges; footpaths; parking areas; bus shelters and services; drainage; stormwater management; water transport and street lighting.

Economic Affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; private works and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	8,745	8,569
Farmland	1,005	1,014
Business	1,139	1,143
Less: pensioner rebates	(397)	(401)
Rates levied to ratepayers	10,492	10,325
Pensioner rate subsidies received	218	223
Total ordinary rates	10,710	10,548
Special rates		
Environmental	440	427
Rates levied to ratepayers	440	427
Total special rates	440	427
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	4,283	4,130
Water supply services	1,132	1,083
Sewerage services	4,014	3,871
Drainage	147	147
Waste management services (non-domestic)	878	852
Less: pensioner rebates	(453)	(445)
Annual charges levied	10,001	9,638
Pensioner subsidies received:		
– Water	83	82
– Sewerage	74	74
– Domestic waste management	108	106
Total annual charges	10,266	9,900
Total rates and annual charges	21,416	20,875

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period. Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government. Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	3,594	3,623
Sewerage services	1	856	894
Waste management services (non-domestic)	1	1,321	991
Other	1	32	25
Library	1	3	2
Total specific user charges		5,806	5,535
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	2	217	156
Planning and building regulation	2	252	184
Private works – section 67	2	26	174
Regulatory/ statutory fees	2	413	334
Section 10.7 certificates (EP&A Act)	2	55	41
Section 603 certificates	2	58	38
Septic tank income	2	65	78
Town planning-environmental compliance fees	2	27	31
Total fees and charges – statutory/regulatory		1,113	1,036
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	122	115
Park rents	2	82	77
Total fees and charges – other		204	192
Total user charges and fees		7,123	6,763
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		5,806	5,535
User charges and fees recognised at a point in time (2)		1,317	1,228
Total user charges and fees		7,123	6,763

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Community Centre User Charges	1	18	10
Fines – parking	2	11	15
Fines – other	2	49	65
Diesel rebate	2	63	59
Sales – general	2	8	–
Administration	2	10	20
Bank merchant service fees	2	10	9
Environmental services	2	110	65
Insurance – premium rebates	2	3	61
Libraries	2	9	7
Road closure/compulsory acquisition	2	86	27
Special meter reading fees	2	7	5
Staff Car charges	2	100	87
Other – found assets	2	–	126
Other	2	34	19
Other-Fair Value on Acquisition	2	–	223
Total other revenue		518	798

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	18	10
Other revenue recognised at a point in time (2)	500	788
Total other revenue	518	798

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods/services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,380	1,393	–	–
Financial assistance – local roads component	2	612	615	–	–
Payment in advance - future year allocation					
Financial assistance – general component ##	2	1,476	1,476	–	–
Financial assistance – local roads component ##	2	657	653	–	–
Amount recognised as income during current year		4,125	4,137	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Aquatic Centre	1	–	–	815	–
Water supplies	1	–	–	442	301
Bushfire and emergency services	2	780	2,004	–	–
Sewerage services	1	–	–	268	215
Community care	2	16	2	–	–
Community centres	1,2	3	–	–	2
Economic development	1,2	44	–	236	35
Employment and training programs	2	15	29	–	–
Environmental programs	1,2	41	–	233	432
Library	1,2	126	160	211	47
Museums	2	15	9	–	–
Noxious weeds	2	163	84	–	–
Public halls	1,2	4	7	25	–
Recreation and culture	1	–	3	1,057	1,478
Street lighting	2	21	21	–	–
Transport (roads to recovery)	2	769	769	–	–
Transport for NSW (other roads and bridges funding)	1,2	274	270	2,429	1,626
Other – responsible pet ownership	2	3	5	–	–
Other specific grants	1,2	50	–	11	–
Previously contributions:					
Bushfire services	1	–	–	48	10
Emergency Services	2	5	–	–	–
Paving	1	–	–	50	–
Parking	1	–	–	26	–
Public Conveniences	1	–	–	13	–
Recreation and culture	1,2	10	18	–	4
Roads and bridges	1,2	821	88	741	344
Sewerage (excl. section 64 contributions)	1	–	–	8	169
Transport for NSW contributions (regional roads, block grant)	1,2	390	456	197	197
Water supplies (excl. section 64 contributions)	1	–	–	54	17
Other contributions	2	33	–	–	–
Total special purpose grants and non-developer contributions – cash		3,583	3,925	6,864	4,877

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Non-cash contributions					
Other Contributed Assets	2	–	–	194	–
Subdivisions	2	–	–	3,074	1,539
RFS Contributed Assets	2	–	–	689	124
Highway Handover Assets	2	–	–	–	4,560
Total other contributions – non-cash		–	–	3,957	6,223
Total special purpose grants and non-developer contributions (tied)		3,583	3,925	10,821	11,100
Total grants and non-developer contributions		7,708	8,062	10,821	11,100
Comprising:					
– Commonwealth funding		4,958	4,913	982	526
– State funding		2,725	3,015	5,418	8,292
– Other funding		25	134	4,421	2,282
		7,708	8,062	10,821	11,100

(##) Partial prepayment of the 2021/22 Financial Assistance Grant is recognised as income in the 2020/21 statements and placed in an internal reserve (see Note C1-3). The prepayment is included in the financial performance ratios at Note G6 & has a material impact.

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	25	26
S 7.12 – fixed development consent levies		2	–	–	621	367
S 64 – water supply contributions		2	–	–	754	279
S 64 – sewerage service contributions		2	–	–	752	281
Total developer contributions			–	–	2,152	953
Total contributions			–	–	2,152	953
Total grants and contributions			7,708	8,062	12,973	12,053
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	6,864	4,877
Grants and contributions recognised at a point in time (2)			7,708	8,062	6,109	7,176
Total grants and contributions			7,708	8,062	12,973	12,053

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants				
Unspent funds at 1 July	3,543	2,329	1,836	987
Add: Funds received and not recognised as revenue in the current year	2,577	3,881	4,122	1,674
Less: Funds received in prior year but revenue recognised and funds spent in current year	(3,319)	(2,667)	(1,368)	(825)
Unspent grants at 30 June	2,801	3,543	4,590	1,836

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Contributions				
Unspent funds at 1 July	200	280	6,765	7,038
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	154	23	2,287	1,115
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(90)	(103)	(806)	(1,388)
Unspent contributions at 30 June	264	200	8,246	6,765

Accounting policy**Grant income under AASB 15**

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations vary according to the agreement. 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils 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.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

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

Contributions

Nambucca Valley Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s7.11 and 7.12 of the Environmental Planning and Assessment Act 1979.

While Nambucca Valley 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 the council may apply contributions according to the priorities established in work schedules.

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)	89	129
– Cash and investments	902	869
Fair value adjustments		
– Movements in investments at fair value through profit and loss	54	(72)
Total interest and investment income (losses)	1,045	926
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	89	129
General Council cash and investments	318	78
Restricted investments/funds – external:		
Development contributions		
– Section 7.11/7.12	14	13
– Section 64	121	149
Water fund operations	284	341
Sewerage fund operations	136	147
Domestic waste management operations	83	69
Total interest and investment income	1,045	926

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Reversal of revaluation decrements on IPPE previously expensed			
Revaluation Decrement Reversal - Roads		–	3,112
Revaluation Decrement Reversal - Swimming Pools		85	–
Total gross reversal of revaluation decrements on IPPE previously expensed		85	3,112
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-7	85	3,112
Rental income			
Other lease income			
Room/Facility Hire		6	6
Telecommunication sites		103	103
Crown Leases		103	108
Other		17	18
Total Other lease income		229	235
Total rental income		229	235
Total other income		314	3,347

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	9,224	8,447
Employee termination costs (where material – other than vested leave paid)	79	21
Travel expenses	598	447
Employee leave entitlements (ELE)	1,414	1,360
Superannuation	1,063	1,048
Workers' compensation insurance	359	287
Fringe benefit tax (FBT)	20	27
Training costs (other than salaries and wages)	218	108
Protective clothing	29	16
Other	87	34
Total employee costs	13,091	11,795
Less: capitalised costs	(1,100)	(1,274)
Total employee costs expensed	11,991	10,521

Accounting policy

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

Retirement benefit obligations

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.

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		1,018	1,024
Contractor and consultancy costs (other)		6,075	4,792
– Beach inspections		84	82
– Cleaning of Council buildings		82	130
– Computer system – Civica – Authority		205	174
– Environmental		73	–
– Financial		24	51
– Labour hire		246	274
– Sewer		5	7
– Waste collection contract		2,782	2,620
- EPA Landfill Post Closure Monitoring Expenses		(49)	499
– Water		35	15
Audit Fees	F2-1	61	65
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	140	157
Advertising		64	77
Bank charges		65	61
Electricity and heating		667	582
Insurance		620	565
Office expenses (including computer expenses)		288	289
Postage		46	43
Printing and stationery		44	66

continued on next page ...

B3-2 Materials and services (continued)

\$ '000	2021	2020
Street lighting	185	180
Subscriptions and publications	82	99
Telephone and communications	79	91
Valuation fees	63	61
Insurance excess (PI/PL)	53	1
Other (land development revaluation loss)	–	54
Donations - Bush Fire Relief	412	489
Legal expenses:		
– Legal expenses: planning and development	11	20
– Legal expenses: other	184	128
Total materials and services	13,644	12,696
Total materials and services	13,644	12,696

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		2,334	2,440
Total interest bearing liability costs		2,334	2,440
Total interest bearing liability costs expensed		2,334	2,440
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C2-5	8	2
Interest applicable on interest free (and favourable) loans to Council		–	54
Total other borrowing costs		8	56
Total borrowing costs expensed		2,342	2,496

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	788	808
Office equipment	C1-7	88	84
Furniture and fittings	C1-7	9	9
Land improvements (depreciable)	C1-7	2	3
Infrastructure:			
– Buildings – non-specialised		347	342
– Buildings – specialised		205	202
– Other structures		522	487
– Roads		2,876	2,738
– Bridges		683	647
– Footpaths		153	122
– Other road assets		76	70
– Stormwater drainage		610	521
– Water supply network		1,663	1,640
– Sewerage network		1,814	1,793
– Swimming pools		44	38
– Other open space/recreational assets		184	159
– Other infrastructure		342	313
Other assets:			
– Heritage collections		1	1
– Library books		89	86
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7	24	17
Intangible assets	C1-8	82	81
Total gross depreciation and amortisation costs		10,602	10,161
Less: capitalised costs		(132)	(134)
Total depreciation and amortisation costs		10,470	10,027
Impairment / revaluation decrement of IPPE			
Land improvements (depreciable) -Revaluation Decrement to P&L		212	–
Infrastructure:			
Buildings – non-specialised -Impairment loss recognised in equity	C1-7	91	–
Roads -Impairment loss recognised in equity		12	–
Total gross IPPE impairment / revaluation decrement costs		315	–
Amounts taken through revaluation reserve	C1-7	(103)	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		212	–
Total depreciation, amortisation and impairment for non-financial assets		10,682	10,027

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C1-8 for intangible assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are 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

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

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
Impairment of receivables		
Other	10	2
Total impairment of receivables	10	2
Other		
– NSW Rural Fire Service & Fire and Rescue NSW	550	400
– Waste levy	717	507
– Other contributions/levies	35	40
Donations, contributions and assistance to other organisations (Section 356)	277	112
– SES vehicle expenses	38	31
Total other	1,617	1,090
Total other expenses	1,627	1,092

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
Infrastructure, property, plant and equipment			
Proceeds from disposal – Infrastructure ,property, plant and equipment		127	387
Less: carrying amount of Infrastructure, property, plant and equipment assets sold/written off		<u>(1,263)</u>	<u>(2,126)</u>
Gain (or loss) on disposal		<u>(1,136)</u>	<u>(1,739)</u>
Gain (or loss) on disposal of real estate assets held for sale			
Proceeds from disposal – real estate assets		2,153	562
Less: carrying amount of real estate assets sold/written off	C1-5	<u>(743)</u>	<u>(179)</u>
Gain (or loss) on disposal		<u>1,410</u>	<u>383</u>
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemptions/maturities – investments		<u>-</u>	<u>11</u>
Gain (or loss) on disposal		<u>-</u>	<u>11</u>
Net gain (or loss) on disposal of assets		<u>274</u>	<u>(1,345)</u>

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 30/07/2020 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	21,089	21,416	327	2%	F
User charges and fees	7,131	7,123	(8)	0%	U
Other revenues	286	518	232	81%	F
Increased Environmental Services income from resultant from Environmental Compliance levies increasing by \$49,000 due to increased building and development activity and \$24,000 increase in private certifier and archival fees to original budget. Road closure/compulsory acquisition income \$61,000 greater than original budget.					
Operating grants and contributions	7,404	7,708	304	4%	F
Capital grants and contributions	10,894	12,973	2,079	19%	F
For Capital Grants & Contributions there were additional grants for Fixing Country Bridges of \$747,000 to the original budget. Also Council received \$1,293,000 more in developer contributions than originally budgeted.					
Interest and investment revenue	710	1,045	335	47%	F
Increase is largely attributable to increase in cash, cash equivalents and investments holdings increasing from \$42.371 million as at 30 June 2020 to \$53.567 million as at 30 June 2021. Increase in grant funding and developer contributions have been the main factor in the increased holdings.					
Net gains from disposal of assets	-	274	274	∞	F
Council does not budget for gains on disposal of assets.					
Other income	229	314	85	37%	F
Revaluation Decrement Reversal - Swimming Pools of \$85,000 not budgeted.					

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	11,171	11,991	(820)	(7)% U
Materials and services	10,059	13,644	(3,585)	(36)% U
Increased maintenance costs related to natural disaster works plus a number of items budgeted had actuals recognised as Materials & Services expenses but budgets placed on Other Expenses.				
Borrowing costs	2,355	2,342	13	1% F
Depreciation, amortisation and impairment of non-financial assets	9,983	10,682	(699)	(7)% U
Other expenses	3,464	1,627	1,837	53% F
The primary reasons for the variation in Other Expenses was that a number of items budgeted have actuals recognised as Materials & Services expenses.				
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	21,119	20,681	(438)	(2)% U
Cash flows from investing activities	(20,631)	(16,522)	4,109	(20)% F
Favourable variance due to:				
<ul style="list-style-type: none"> • Purchase of Real Estate Assets less than anticipated i.e. development of Valla Urban Growth Area. • Additional funds held in investments due to capital grants and capital contributions being greater than original budget. 				
Cash flows from financing activities	(866)	(845)	21	(2)% F

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	8,809	5,505
Cash-equivalent assets		
– Deposits at call	2,466	2,456
Total cash and cash equivalents	11,275	7,961

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	11,275	7,961
Balance as per the Statement of Cash Flows	11,275	7,961

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	1,001	5,479	–	5,926
Tcorp	3,362	–	1,976	–
Total	4,363	5,479	1,976	5,926
Debt securities at amortised cost				
Long term deposits	13,796	18,654	8,112	18,396
Total	13,796	18,654	8,112	18,396
Total financial investments	18,159	24,133	10,088	24,322
Total cash assets, cash equivalents and investments	29,434	24,133	18,049	24,322

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)

C1-2 Financial investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents, and long term deposits in the Statement of Financial Position.

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.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs, Managed Funds and TCorp, in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	29,434	24,133	18,049	24,322
attributable to:				
External restrictions	17,684	24,133	10,350	24,322
Internal restrictions	10,060	–	7,320	–
Unrestricted	1,690	–	379	–
	29,434	24,133	18,049	24,322

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	4,723	1,702
Specific purpose unexpended grants – water fund	60	186
Specific purpose unexpended grants – sewer fund	149	292
Security deposits	1,143	893
Bushfire Appeal	–	33
EPA Contribution to Waste Management	500	–
Other Contributions	66	–
External restrictions – included in liabilities	6,641	3,106

External restrictions – other

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

Developer contributions – general	1,074	637
Developer contributions – water fund	6,309	5,761
Developer contributions – sewer fund	864	367
Specific purpose unexpended grants (recognised as revenue) – general fund	327	1,070
Water fund	14,866	14,397
Sewer fund	8,062	6,384
Domestic waste management	3,470	2,796
Stormwater Management	204	154
External restrictions – other	35,176	31,566
Total external restrictions	41,817	34,672

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

\$ '000	2021	2020
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	1,426	844
Employees leave entitlement	1,394	1,320
Council building reserve	408	316
Election	183	143
Environment rate unallocated	157	197
Land development	551	–
Lawn cemetery	7	7
Office Equipment	30	–
Other contributions	334	488
Swimming pool	74	215
Waste management	1,888	1,292
Unspent Financial Assistance Grant	2,133	2,129
Unexpended Loans - General Fund	1,336	236
Expiring Special Variation	–	114
Prepaid Development Application Fees	139	19
Total internal restrictions	10,060	7,320
Total restrictions	51,877	41,992

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	960	-	1,081	-
Interest and extra charges	57	-	120	-
User charges and fees	1,396	-	1,444	-
Accrued revenues				
– Interest on investments	252	-	293	-
General	387	-	186	-
Government grants and subsidies	15	-	22	-
Net GST receivable	288	-	331	-
Other	60	35	45	42
Total	3,415	35	3,522	42
Less: provision of impairment				
Rates and annual charges	(44)	-	(35)	-
Total provision for impairment – receivables	(44)	-	(35)	-
Total net receivables	3,371	35	3,487	42

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 presumption 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	247	1,728	524	1,479
Stores and materials	769	–	1,028	–
Total inventories at cost	1,016	1,728	1,552	1,479
(ii) Inventories at net realisable value (NRV)				
Real estate for resale	–	3	463	3
Total inventories at net realisable value (NRV)	–	3	463	3
Total inventories	1,016	1,731	2,015	1,482

(i) Other disclosures

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development				
Residential	–	368	740	372
Industrial/commercial	247	1,363	247	1,110
Total real estate for resale	247	1,731	987	1,482

(Valued at the lower of cost and net realisable value)

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.

Real Estate held for resale/capitalisation of borrowing costs

Real Estate 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 real estate 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

Contract assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Construction of General Fund Infrastructure (excluding Natural Disaster Funding)	1,648	–	1,444	–
Construction of Water Fund Infrastructure	292	–	–	–
Construction of Sewer Fund Infrastructure	144	–	73	19
General Fund - Natural Disaster Funding	900	–	458	–
Total contract assets	2,984	–	1,975	19

Significant changes in contract assets

- SCCF Round 3 (SCCF3-1085) - Heating Outdoor Pool at Macksville Memorial Aquatic Centre \$203k (nil @ 30.6.20)
- Emergency & Immediate Works AGRN960 - NSW Storms & Flood 19 March 2021 \$800 k (Nil @ 30.6.20)

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			Asset movements during the reporting period										At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment reversal / prior period revaluation decrements reversal (via P&L)	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	2,541	–	2,541	1,166	949	–	–	–	–	–	(2,243)	–	–	2,414	–	2,414
Plant and equipment	14,698	(8,597)	6,101	1,087	367	(93)	(788)	–	–	–	–	–	15,679	(9,006)	6,673	
Office equipment	810	(472)	338	4	14	(1)	(88)	–	–	–	–	–	827	(560)	267	
Furniture and fittings	473	(421)	52	–	–	–	(9)	–	–	–	–	–	473	(429)	44	
Land:																
– Crown land	9,089	–	9,089	–	–	(90)	–	–	–	–	–	462	9,461	–	9,461	
– Operational land	7,373	–	7,373	–	–	–	–	–	–	–	216	–	7,589	–	7,589	
– Community land	9,274	–	9,274	–	–	–	–	–	–	–	(216)	27	9,085	–	9,085	
– Land under roads (post 30/6/08)	93	–	93	–	20	(1)	–	–	–	–	–	–	112	–	112	
Land improvements – non-depreciable	669	–	669	–	303	–	–	–	–	2	–	1	977	–	977	
Land improvements – depreciable	249	(35)	214	–	–	–	(2)	(212)	–	–	–	–	–	–	–	
Infrastructure:																
– Buildings – non-specialised	23,879	(8,306)	15,573	15	386	(10)	(347)	–	–	(91)	1	–	24,268	(8,740)	15,528	
– Buildings – specialised	17,284	(3,709)	13,575	130	177	(42)	(205)	–	–	–	60	–	17,651	(3,956)	13,695	
– Other structures	12,381	(7,487)	4,894	28	281	–	(522)	–	–	–	263	(99)	8,846	(3,685)	5,161	
– Roads	151,893	(53,688)	98,205	2,151	2,203	(595)	(2,876)	–	–	(12)	256	–	154,906	(55,578)	99,328	
– Bridges	40,589	(11,111)	29,478	487	185	(4)	(683)	–	–	–	874	–	41,943	(11,606)	30,337	
– Footpaths	12,296	(3,633)	8,663	55	839	(22)	(153)	–	–	–	479	–	13,631	(3,770)	9,861	
– Other road assets (including bulk earthworks)	2,041	(807)	1,234	6	44	–	(76)	–	–	–	–	–	2,090	(884)	1,206	
– Bulk earthworks (non-depreciable)	43,629	–	43,629	–	298	(2)	–	–	–	–	–	–	43,926	–	43,926	
– Stormwater drainage	57,055	(18,663)	38,392	32	819	(18)	(610)	–	–	–	–	58	57,945	(19,271)	38,674	
– Water supply network	131,744	(43,752)	87,992	155	438	(32)	(1,663)	–	–	–	–	795	133,401	(45,717)	87,684	
– Sewerage network	117,875	(41,476)	76,399	262	342	(174)	(1,814)	–	–	–	49	–	119,217	(43,465)	75,752	
– Swimming pools	2,279	(1,278)	1,001	10	323	(9)	(44)	–	85	–	–	63	2,540	(1,111)	1,429	
– Other open space/recreational assets	5,956	(2,428)	3,528	108	516	(69)	(184)	–	–	–	47	(19)	6,227	(1,583)	4,644	
– Other infrastructure	20,791	(3,283)	17,508	17	384	(101)	(342)	–	–	–	272	–	24,212	(6,065)	18,147	
Other assets:																
– Heritage collections	120	(41)	79	–	–	–	(1)	–	–	–	–	–	120	(42)	78	
– Library books	530	(266)	264	–	92	–	(89)	–	–	–	–	–	534	(267)	267	
– Other	7	(2)	5	–	–	–	–	–	–	–	–	–	7	(2)	5	
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	489	(156)	333	–	–	–	(24)	–	–	–	–	(8)	482	(180)	302	
Total infrastructure, property, plant and equipment	686,107	(209,611)	476,496	5,713	8,980	(1,263)	(10,520)	(212)	85	(103)	–	(8)	3,478	698,563	(215,917)	482,646

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period										At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Adjustments through CY P & L	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,227	–	1,227	1,480	889	–	–	–	(1,055)	–	–	–	–	2,541	–	2,541
Plant and equipment	14,241	(8,353)	5,888	1,048	125	(152)	(808)	–	–	–	–	–	14,698	(8,597)	6,101	
Office equipment	1,364	(1,205)	159	148	44	(5)	(84)	–	77	–	–	–	810	(472)	338	
Furniture and fittings	468	(412)	56	–	6	–	(9)	–	–	–	–	–	473	(421)	52	
Land:																
– Operational land	7,811	–	7,811	–	22	(180)	–	–	–	–	–	(280)	7,373	–	7,373	
– Community land	9,051	–	9,051	–	223	–	–	–	–	–	–	–	9,274	–	9,274	
– Crown land	8,977	–	8,977	–	–	–	–	–	–	–	112	–	9,089	–	9,089	
– Land under roads (post 30/6/08)	42	–	42	–	52	–	–	–	–	–	–	–	93	–	93	
Land improvements – non-depreciable	–	–	–	–	590	–	–	–	80	–	–	–	669	–	669	
Land improvements – depreciable	249	(32)	217	–	–	–	(3)	–	–	–	–	–	249	(35)	214	
Infrastructure:																
– Buildings – non-specialised	23,290	(8,080)	15,210	152	546	(73)	(342)	–	81	–	–	–	23,879	(8,306)	15,573	
– Buildings – specialised	16,945	(3,516)	13,429	34	206	(25)	(202)	–	134	–	–	–	17,284	(3,709)	13,575	
– Other structures	14,040	(7,911)	6,129	135	104	(19)	(487)	–	26	(995)	–	–	12,381	(7,487)	4,894	
– Roads	141,530	(52,439)	89,091	2,393	3,567	(981)	(2,738)	–	195	–	10	3,551	151,893	(53,688)	98,205	
– Bridges	42,836	(13,023)	29,813	986	1,307	(91)	(647)	–	18	677	–	(2,586)	40,589	(11,111)	29,478	
– Footpaths	9,481	(2,473)	7,008	116	255	(45)	(122)	–	2	(3)	–	1,451	12,296	(3,633)	8,663	
– Other road assets (including bulk earthworks)	–	–	–	10	35	(3)	(70)	–	13	1,303	–	(52)	2,041	(807)	1,234	
– Bulk earthworks (non-depreciable)	45,710	–	45,710	–	970	(94)	–	–	–	–	4	(2,961)	43,629	–	43,629	
– Stormwater drainage	46,351	(15,317)	31,034	–	1,357	(5)	(521)	–	–	(677)	–	7,205	57,055	(18,663)	38,392	
– Water supply network	129,581	(41,894)	87,687	286	839	(167)	(1,640)	–	169	–	–	818	131,744	(43,752)	87,992	
– Sewerage network	116,104	(39,347)	76,757	263	363	(102)	(1,793)	–	197	–	–	714	117,875	(41,476)	76,399	
– Swimming pools	2,273	(1,250)	1,023	19	–	(4)	(38)	–	–	–	–	–	2,279	(1,278)	1,001	
– Other open space/recreational assets	5,711	(2,289)	3,422	67	208	(18)	(159)	–	8	–	–	–	5,956	(2,428)	3,528	
– Other infrastructure	20,715	(3,077)	17,638	402	193	(162)	(313)	3,112	55	(305)	–	–	20,791	(3,283)	17,508	
Other assets:																
– Heritage collections	120	(39)	81	–	–	–	(1)	–	–	–	–	–	120	(41)	79	
– Library books	545	(282)	263	–	87	–	(86)	–	–	–	–	–	530	(266)	264	
– Other	7	(2)	5	–	–	–	–	–	–	–	–	–	7	(2)	5	
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	238	(153)	85	–	271	–	(17)	–	–	(20)	–	15	489	(156)	333	
Total infrastructure, property, plant and equipment	658,907	(201,094)	457,813	7,539	12,259	(2,126)	(10,080)	3,112	–	(20)	126	(280)	8,155	686,107	(209,611)	476,496

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

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

Accounting policy

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

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.

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 for nil or nominal consideration, 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 Structures	Years
Office equipment	3 to 15	Fences	15 to 70
Office furniture	5 to 20	Lighting	10 to 30
Computer Equipment	4	Solar Waste Bins	10
Vehicles	3 to 5	Railing	15 to 30
Heavy plant/road making equipment	5 to 20	Other	8 to 100
Other plant and equipment	3 to 30		
		Stormwater assets	
Water and sewer assets		Drains/Pits	70 to 106
Sewer - Rising Mains	69 to 79	Culverts	80 to 106
Sewer -Gravity Mains	57 to 90	Pipes	60 to 106
Sewer Manholes	64 to 100		
Sewer Pumps & Telemetry, switchboards, valve pits	10 to 100	Buildings	
Sewer Treatment Plant	14 to 133	Buildings: Specialised	17 to 142
Water Reticulation Mains	43 to 100	Buildings: Non Specialised	17 to 142
Water Trunk Mains	32 to 100		
Water Reservoirs - Dams	20 to 129	Other infrastructure assets	
Water Treatment Plant	15 to 100	Swimming pools	10 to 99
Water Bores	20 to 70	Other open space/recreational assets	10 to 85
Water Pump Station	20 to 100	Other infrastructure	15 to 100
		Other Assets	5 to 100
Transportation assets		Tip - Quarry Assets	8 to 34
Sealed roads: surface	20 to 66		
Sealed roads: structure	20 to 120		
Sealed Roads - Subpavement	60 to 180		
Unsealed roads	20 to 25		
Bridge: concrete	50 to 100		
Bridge: other	50 to 80		
Kerb, gutter and footpaths	10 to 120		
Bulk earthworks	Infinite		
Other Road Assets	20 to 100		

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under ASSB 16 Leases.

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

Rural Fire Service assets

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

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

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	616	559
Accumulated amortisation	(434)	(353)
Net book value – opening balance	182	206
Movements for the year		
Purchases	–	57
Amortisation charges	(83)	(81)
Closing values at 30 June		
Gross book value	616	616
Accumulated amortisation	(517)	(434)
Total software – net book value	99	182
Other		
Land Easement - Water Storage Dam		
Opening values at 1 July		
Gross book value	279	279
Net book value – opening balance	279	279
Purchases	127	–
Closing values at 30 June		
Gross book value	406	279
Total Land Easement - Water Storage Dam – net book value	406	279
Total intangible assets – net book value	505	461

Accounting policy

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

Land Easement - Water Storage Dam

These are recognised at cost. The assets are periodically reviewed and are considered to have an indefinite life.

C2 Liabilities of Council

C2-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	652	-	612	-
Prepaid User Charges	97	-	60	-
Goods and services	1,283	-	1,381	-
Accrued expenses:				
– Borrowings	273	-	290	-
– Salaries and wages	324	-	186	-
– Other expenditure accruals	26	-	28	-
Security bonds, deposits and retentions	764	379	564	329
Other	11	-	11	-
Total payables	3,430	379	3,132	329
Total payables	3,430	379	3,132	329

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

Nil

Accounting policy

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

Payables

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

C2-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	4,398	-	1,836	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	388	-	261	-
Unexpended capital contributions (to construct Council controlled assets)	(i)	136	-	267	-
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	500	-	-	-
Unexpended capital grants (to purchase Council controlled assets)		-	-	83	-
Other-User fees and charges	(iii)	379	-	68	-
Total contract liabilities		5,801	-	2,515	-

Notes

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

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

(iii) Upfront user charges and fees received are recorded as a contract liability on receipt and recognised as revenue over the expected life of the contract.

C2-2 Contract Liabilities (continued)

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)	1,052	763
Operating grants (received prior to performance obligation being satisfied)	186	29
Capital contributions (to construct Council controlled assets)	202	–
User Fees & Charges	31	24
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,471	816

Significant changes in contract liabilities

Grant Funding received in advance:

- Fixing Country Bridges Round 1 Grants \$463k (nil @ 30.6.20)
- Bushfire Local Economic Recovery Fund Grant - Coastal protection Wall/Bleachers - Main Beach Nambucca Heads \$1.414M (nil @ 30.6.20)
- LRCI Phase 2 Grant - Nambucca Heads Library & Cultural Precinct \$507k (nil @ 30.6.20)
- EPA Act of Grace Payment \$500k (nil @ 30.6.20)
- Fixing Local Roads Round 2 grant - Princess Street Macksville \$404k (nil @ 30.6.20)

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.

C2-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	2,103	36,728	1,945	37,731
Total borrowings	2,103	36,728	1,945	37,731

(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.

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

The following borrowings, even though classified as current, are not expected to be settled in the next 12 months.

C2-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	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
\$ '000							
Loans – secured	39,676	(1,945)	1,100	–	–	–	38,831
Total liabilities from financing activities	39,676	(1,945)	1,100	–	–	–	38,831

	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
\$ '000							
Loans – secured	42,214	(3,085)	500	–	–	47	39,676
Total liabilities from financing activities	42,214	(3,085)	500	–	–	47	39,676

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Credit cards/purchase cards	107	98
Total financing arrangements	107	98
Undrawn facilities		
– Credit cards/purchase cards	107	98
Total undrawn financing arrangements	107	98

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

Accounting policy

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

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

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

C2-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	952	–	862	–
Sick leave	504	–	471	–
Long service leave	2,281	106	2,104	83
Other leave	169	–	140	–
Total employee benefit provisions	3,906	106	3,577	83

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,620	2,164
	2,620	2,164

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.

C2-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,045	–	1,094
Sub-total – asset remediation/restoration	–	1,045	–	1,094
Total provisions	–	1,045	–	1,094

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

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	1,094	1,094
Unwinding of discount	8	8
Remeasurement effects	(57)	(57)
Total other provisions at end of year	1,045	1,045
2020		
At beginning of year	342	342
Unwinding of discount	2	2
Remeasurement effects	(20)	(20)
Additional Provisions	770	770
Total other provisions at end of year	1,094	1,094

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and remediation of disturbed areas, and EPA post closure monitoring for Council's landfill asset. 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 costs are estimated on the basis of a closure plan. 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.

C2-5 Provisions (continued)

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, 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 the volume of waste to landfill. 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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

C3 Reserves

C3-1 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	16,411	1,043	3,965
User charges and fees	2,218	3,606	820
Interest and investment revenue	476	389	162
Other revenues	381	361	348
Grants and contributions provided for operating purposes	7,551	83	74
Grants and contributions provided for capital purposes	9,997	1,615	1,361
Net gains from disposal of assets	470	–	–
Other income	208	–	–
Total income from continuing operations	37,712	7,097	6,730
Expenses from continuing operations			
Employee benefits and on-costs	8,559	1,625	1,807
Materials and services	10,936	1,140	1,540
Borrowing costs	781	1,405	156
Depreciation, amortisation and impairment of non-financial assets	6,998	1,752	1,932
Other expenses	1,627	–	–
Net losses from the disposal of assets	–	32	164
Total expenses from continuing operations	28,901	5,954	5,599
Operating result from continuing operations	8,811	1,143	1,131
Net operating result for the year	8,811	1,143	1,131
Net operating result attributable to each council fund	8,811	1,143	1,131
Net operating result for the year before grants and contributions provided for capital purposes	(1,186)	(472)	(230)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	5,686	1,865	3,706
Investments	13,112	2,144	2,903
Receivables	1,806	1,210	386
Inventories	988	28	–
Contract assets and contract cost assets	2,548	292	144
Other	121	–	–
Total current assets	24,261	5,539	7,139
Non-current assets			
Investments	4,441	17,226	2,466
Receivables	35	–	191
Inventories	1,731	–	–
Infrastructure, property, plant and equipment	309,740	92,018	80,888
Intangible assets	99	406	–
Total non-current assets	316,046	109,650	83,545
TOTAL ASSETS	340,307	115,189	90,684
LIABILITIES			
Current liabilities			
Payables	3,156	179	67
Contract liabilities	5,592	60	149
Borrowings	1,583	485	76
Employee benefit provision	3,906	–	–
Total current liabilities	14,237	724	292
Non-current liabilities			
Payables	379	–	–
Borrowings	13,407	21,156	2,356
Employee benefit provision	106	–	–
Provisions	1,045	–	–
Total non-current liabilities	14,937	21,156	2,356
TOTAL LIABILITIES	29,174	21,880	2,648
Net assets	311,133	93,309	88,036
EQUITY			
Accumulated surplus	223,895	64,747	59,687
Revaluation reserves	87,238	28,562	28,349
Council equity interest	311,133	93,309	88,036
Total equity	311,133	93,309	88,036

D1-3 Details of internal loans

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

Details of individual internal loans	Council ID / Ref
Borrower (by purpose)	Bridges
Lender (by purpose)	Sewer
Date of Minister's approval	30/06/2006
Date raised	30/06/2006
Term years	20
Dates of maturity	30/06/2026
Rate of interest (%)	6.50%
Amount originally raised (\$'000)	615
Total repaid during year (principal and interest) (\$'000)	38
Principal outstanding at end of year (\$'000)	232

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	11,275	7,961	11,275	7,961
Receivables	3,406	3,529	3,590	3,529
Investments				
– Debt securities at amortised cost	32,450	26,508	32,450	26,508
Fair value through profit and loss				
Investments				
– Held for trading	9,842	7,902	9,842	7,902
Total financial assets	56,973	45,900	57,157	45,900
Financial liabilities				
Payables	3,809	3,461	3,874	3,461
Loans/advances	38,831	39,676	49,682	52,213
Total financial liabilities	42,640	43,137	53,556	55,674

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

- **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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	503	404
Impact of a 10% movement in price of investments		
– Equity / Income Statement	984	790

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

(b) Credit risk

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

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

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

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

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	–	725	99	108	28	960
2020						
Gross carrying amount	–	828	97	124	32	1,081

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	998	1,347	9	133	3	2,490
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	998	1,430	10	17	28	2,483
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	1,143	1,971	–	–	3,114	3,157
Borrowings	5.95%	–	4,352	15,825	37,260	57,437	38,831
Total financial liabilities		1,143	6,323	15,825	37,260	60,551	41,988
2020							
Trade/other payables	0.00%	893	1,885	–	–	2,778	2,849
Borrowings	6.02%	–	4,281	16,175	39,828	60,284	39,676
Total financial liabilities		893	6,166	16,175	39,828	63,062	42,525

Loan agreement breaches

There are no breaches to loan agreements during the reporting year.

E2-1 Fair value measurement

Nambucca Valley Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Financial assets

Fair value hierarchy

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	Unobservable inputs for the asset or liability

(1) The table below shows the assigned level for each asset and liability held at fair value by the Council.

2021 Recurring fair value measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$'000)
			Level 1 Quoted Prices in active Markets (\$'000)	Level 2 Significant observable inputs (\$'000)	Level 3 Significant unobservable inputs (\$'000)	
Financial assets						
Investment		C1-2				
Designated at Fair Value on initial recognition or held for trading (AASB9)			9,842	-	-	9,842
Total Financial Assets			9,842	-	-	9,842
Infrastructure, property, plant & equipment						
Plant & Equip., Office Equip & Furniture & Fittings	-	C1-7	-	-	6,984	6,984
Operational Land	30/6/18		-	7,589	-	7,589
Community Land	31/1/21		-	-	9,085	9,085
Crown Land	31/1/21		-	-	9,461	9,461
Land Under Roads	31/3/19		-	-	112	112
Land Improvements – Depreciable	31/12/20		-	-	-	-
Land Improvements – Non Depreciable	31/12/20		-	-	977	977
Buildings	30/6/18		-	-	29,223	29,223
Other Structures	31/12/20		-	-	5,161	5,161
Roads, Bridges Footpaths	31/3/20		-	-	139,526	139,526
Bulk Earthworks	31/3/20		-	-	43,926	43,926
Stormwater Drainage	31/3/20		-	-	38,674	38,674
Other Road Assets	31/3/20		-	-	1,206	1,206
Water Supply Network	30/6/17		-	-	87,684	87,684
Sewerage Network	30/6/17		-	-	75,752	75,752
Swimming Pools	31/12/20		-	-	1,429	1,429

E2-1 Fair value measurement (continued)

2021 Recurring Fair Value Measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$'000)
			Level 1 Quoted Prices in Active Markets (\$'000)	Level 2 Significant Observable Inputs (\$'000)	Level 3 Significant Unobservable Inputs (\$'000)	
Other Open Space/Recreational Assets	31/12/20		-	-	4,644	4,644
Other Infrastructure	31/12/20		-	-	18,147	18,147
Heritage Collections	-		-	-	78	78
Other	-		-	-	272	272
Tip Remediation	30/6/20		-	-	302	302
Total Infrastructure, Property, Plant & Equipment				7,589	472,643	480,232

Note that capital WIP is not included above since it is carried at cost

2020						
Financial assets						
Investment		C1-2				
Designated at Fair Value on initial recognition or held for trading (AASB139)			7,902	-	-	7,902
Total Financial Assets			7,902	-	-	7,902
Infrastructure, property, plant & equipment						
		C1-7				
Plant & Equip., Office Equip & Furniture & Fittings	-		-	-	6,491	6,491
Operational Land	30/6/18		-	7,373	-	7,373
Community Land	30/6/16		-	-	9,274	9,274
Crown Land	30/6/16		-	-	9,089	9,089
Land Under Roads	31/3/19		-	-	93	93
Land Improvements – Depreciable	30/6/16		-	-	214	214
Land Improvements – Non Depreciable	-		-	-	669	669
Buildings	30/6/18		-	-	29,148	29,148
Other Structures	30/6/16		-	-	4,894	4,894
Roads, Bridges						
Footpaths	31/3/20		-	-	136,346	136,346
Bulk Earthworks	31/3/20		-	-	43,629	43,629
Stormwater Drainage	31/3/20		-	-	38,392	38,392
Other Road Assets	31/3/20		-	-	1,234	1,234
Water Supply Network	30/6/17		-	-	87,992	87,992
Sewerage Network	30/6/17		-	-	76,399	76,399
Swimming Pools	30/6/16		-	-	1,001	1,001
Other Open Space/Recreational Assets	30/6/16		-	-	3,528	3,528

E2-1 Fair value measurement (continued)

2020 Recurring Fair Value Measurement	Date of last valuation	Note #	Fair value measurement hierarchy			Total (\$'000)
			Level 1 Quoted Prices in Active Markets (\$'000)	Level 2 Significant Observable Inputs (\$'000)	Level 3 Significant Unobservable Inputs (\$'000)	
Other Infrastructure	30/6/16		-	-	17,508	17,508
Heritage Collections	-		-	-	79	79
Other	-		-	-	269	269
Tip Remediation	30/6/20		-	-	333	333
Total Infrastructure, Property, Plant & Equipment			-	7,373	466,582	473,955

Note that capital WIP is not included above since it is carried at cost

(2) Transfers between level 1 and level 2 fair value hierarchies

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

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. 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

Plant & Equipment, Office Equipment and Furniture & Fittings

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

Plant and Equipment	Graders, trucks, rollers, tractors and motor vehicles.
Office Equipment	Computers, photocopiers.
Furniture & Fittings	Chairs, desks and display boards.

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

Operational Land

Council's Operational Land was valued at Market Value (highest and best use) by APV in 2018 after identifying all elements that would be taken into account by buyers and sellers in setting the price, including but not limited to zoning, topography, location, size, access, exposure to traffic and business. Condition of asset, future cash flow from the use of the land is also considered when determining the fair value. As such these assets were all classified as having been valued using Level 2 valuation inputs.

Community Land and Crown Land

Community Land and Crown Land are based on either the Land Value provided by the Valuer General's unimproved capital value or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. There has been no change to the valuation process during the reporting period. Community and Crown Land were valued in 2020/2021.

E2-1 Fair value measurement (continued)

Buildings – Non Specialised and Specialised

Buildings were valued by APV in 2017/2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts with different useful lives and taking into account a range of factors such as asset condition, pattern of consumption and estimated remaining useful lives. While all buildings were physically inspected, inputs such as pattern of consumption, long life, short life components, useful lives and asset condition required extensive professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Roads (including Bulk Earth Works), Bridges, Drainage, Footpaths and Other Road Assets

Valuations for these asset classes were undertaken in-house by Council's Engineering Department as at 31 March 2020.

The assets included in this valuation include road carriageway (which has been separated to its component parts being pavement, sub pavement and where appropriate seal), car parks, footpaths, guardrails, kerb and gutter, bridges, bus shelters and other road assets.

Limited based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The estimated replacement cost was determined using unit rates applied to square metre areas or similar appropriate units. Whilst this cost approach utilised industry standard unit rates it also relied upon inputs such as asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Bulk earthworks, in accordance with the accounting standards, are considered to have an indefinite useful life and are not depreciated.

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

The Stormwater Drainage asset class consists of Council's pits, pipes, and culverts. This valuation was undertaken in-house by Council's Engineering Department as at 31 March 2020.

Limited market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The estimated replacement/renewal cost was determined using unit rates applied to lineal metre of pipe or similar appropriate units. Whilst this cost approach utilised industry standard unit rates it also relied upon inputs such as asset age, environmental factors (freshwater/tidal/urban/rural), dimensions, materials and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value.

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

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 1st 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. The class was revalued in 2018/2019 using the Englobo methodology. The Englobo methodology is one of 3 methods available to use in accordance with the fair valuation policy as per the Office of Local Government guidance for Infrastructure, property, plant and equipment valuations. This asset class is classified as Level 3 as significant inputs used in the Englobo valuation methodology are unobservable.

E2-1 Fair value measurement (continued)

Water Supply Network

Assets in this class comprise reservoirs, pumping stations, water treatment works, water bores, rising mains and the reticulation network.

These were valued internally in 2016/2017 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, condition, maintenance and break history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Planning, Industry and Environment except the years the class is the subject of a full revaluation.

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

Sewerage Network

Assets within this class comprise treatment works, pumping stations and sewerage mains.

These were valued internally in 2016/2017 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, and maintenance and blockage history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Planning, Industry and Environment except the years when the class is the subject of a full revaluation.

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

Other Structures (including Open Space/Recreational Assets/Other Infrastructure & Swimming Pools)

Assets within this class comprise soft fall surfaces, lighting, playground and sporting equipment, swimming pools, retaining walls, boardwalks, jetties, ramps, landslips plus auxiliary structures. All assets in this class were valued by an external valuer (APV) in 2020/2021.

Specialised assets such as all of the Other Structures were valued using the cost approach using APV who are professionally qualified Registered Valuers. The approach estimated the replacement cost for each asset by componentising the asset into significant parts with useful lives and taking into account a range of factors. While the unit rates based on price per asset could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Heritage Collections

Assets in this class are valued at cost but are disclosed at fair value in the notes. Council holds these assets for their cultural value within the community. These assets do have a market among collectors and market evidence (Level 2 input) is available, however this information is often limited to similar items and often relate to assets that are not directly comparable. This asset class has therefore been categorised as level 3 unobserved inputs.

Library Books

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

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

E2-1 Fair value measurement (continued)

Tip Assets – (Landfill Remediation)

This asset class represents the value of works to remediate the Nambucca Landfill under the terms of the facility's licence. The future service potential of the asset is to enable Nambucca Valley Council to comply with the life-cycle responsibilities of the land fill operation. There is no market for the asset and it is therefore classed as having a level 3 fair value with unobserved inputs, principally cost, legislative requirements, estimated timing of expense, CPI and discount rules. Council engaged consultants to review the costs associated with undertaking rehabilitation works for the future landfill cells at the Nambucca Waste Management Facility in 2018/2019. The remediation includes post closure monitoring. This class was revalued at 30/6/20. The best and highest use for the asset is unique to Nambucca Valley Council as the Licence holder.

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

	Note	2021 \$'000	2020 \$'000
Balance at 1 July opening balance		466,582	448,775
Total gains or losses for the year			
Recognised in profit or loss – realised		32	3,120
Recognised in profit or loss - unrealised	B2-6	85	126
Recognised in profit or loss – unrealised	B3-4	(212)	-
Recognised in other comprehensive income-Revaluation Surplus		3,478	8,155
Other movements			
Purchases	C1-7	12,578	17,406
Purchases – Work in Progress Transfer	C1-7	2,243	1,055
Disposals	B4-1	(1,296)	(1,955)
Depreciation	B3-4	(10,520)	(10,080)
Impairment	B3-4	(103)	-
Transfers out of Level 3		(216)	-
Transfers from Level 2 FV hierarchy		-	-
Tip Remediation Adjustment	C1-7	(8)	(20)
Balance as at 30 June closing balance		472,643	466,582

E2-1 Fair value measurement (continued)

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

CLASS	FAIR VALUE 30/6/21 (\$'000)	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
P&E, Office Equipment & F&F	6,984	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life, and residual value
Community Land & Crown Land	18,546	Land Values obtained from NSW Valuer General	Land value, land area
Land Under Roads	112	Englobo Method	Unit rate for Land Value, discount rate of 90% applied.
Land Improvements	977	Cost approach	Current replacement cost of modern equivalent asset. Asset condition, Remaining lives
Buildings – Specialised & Non Specialised	29,223	Cost Approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value Rates per m ² varied from: Community Centres - \$1,459.86 to \$3,555.35 Council Chambers - \$1,876.84 Emergency Services - \$566.67 to \$4,477.61 Engineering & Works - \$540.79 to \$1,986.11 Fire Protection - \$648.86 to \$1,938.99 Museums - \$470.27 to \$2,605 Other Community Services - \$393.48 to \$1,536.84 Other Cultural Services - \$513.43 to \$2,477.40 Public Conveniences - \$1,293.32 to \$6,545.14 Public Halls - \$385.60 to \$3,118.87 Public Libraries - \$1,026.04 to \$2,869.07 Sewerage Services - \$560 to \$2,366.09 Sporting Grounds - \$620.54 to \$2,729.67 Swimming Pools - \$1,451.61 to \$3,481.87 Tourism - \$1,686.05 Waste Management - \$533.45 to \$708.56 Water Supplies - \$466.29 to \$4,265.63
Other Structures	5,161	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Roads	99,328	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$5.72 to \$150.00

E2-1 Fair value measurement (continued)

CLASS	FAIR VALUE 30/6/21 (\$'000)	VALUATION TECHNIQUE/S	UNOBSERVABLE INPUTS
Bridges	30,337	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$1,726.34 to \$4,790.18
Footpaths	9,861	Cost Approach	Asset condition, remaining lives using componentisation Unit rates per m ² varied from \$5.25 to \$110
Bulk Earthworks	43,926	Cost Approach	Asset condition Unit rates per m ² varied from \$6.84 to \$9.36
Other Road Assets	1,206	Cost Approach	Asset condition, remaining lives Unit rates: Bus Shelters - \$7,000, Guard Rail \$123/m
Stormwater Drainage	38,674	Cost Approach	Asset Condition, remaining lives Unit rates: Pipes - \$73 to \$1800, Pits \$451 to \$5052
Water Supply Network	87,684	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives using componentisation Unit rates varied from: Reticulation - \$44.81 to \$1,764.27/m Mains - \$216.05 to \$9,592.46/m
Sewerage Network	75,752	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives using componentisation Unit rates varied from: Gravity Mains - \$167.70 to \$957.68/m Pressure Mains - \$63.07 to \$667.17/m
Swimming Pools	1,429	Industry Cost Indexes, Council and contractor construction rates	Asset condition, remaining lives
Other Open Space/Recreational Assets	4,644	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Other Infrastructure	18,147	Council and contractor construction rates	Asset condition and remaining lives using componentisation
Heritage Collections	78	Cost Approach used to approximate fair value	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Library Books	267	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives residual value
Other	5	Cost Approach	Current replacement cost of modern equivalent asset, asset condition, pattern of consumption effecting the remaining useful life
Tip Remediation	302	Cost Approach	Environmental legislation, timing of expected cash outflows, asset condition

Transfers from Level 3 to Level 2

Asset/Liability	\$',000
Community Land to Operational Land	216

Lot 482 DP 700681 – Hennessey/Tape Oval & Golf Course reclassified to Operational Land

(5) Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

(a) Description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

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 standard employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Members*
Division C	2.5 % salaries
Division D	1.64 times employee 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 million for 1 July 2020 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.

(b) 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 past service contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

(c) a description of any agreed allocation of a deficit or surplus on:

(i) wind up of the plan

E3-1 Contingencies (continued)

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

(ii) *the Council's withdrawal from the plan*

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

(d) *Given the Council's accounts for that plan as if it were a defined contribution plan in accordance with Paragraph 34, the following information:*

(i) *the fact that the plan is a defined benefit plan,*

We confirm the plan is a defined benefit plan.

(ii) *the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.*

(iii) *the expected contributions to the plan for the next annual reporting period.*

Council's expected contribution to the fund for the next annual reporting period is \$175,007.88.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 187,583.77. The last formal valuation of the Scheme was undertaken by the Fund Actuary, Mr. Richard Boyfield, FIAA as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$127,700.

(iv) *information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the Council.*

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

Defined Benefit 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 other accumulation accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$127,700 as at 30 June 2021.

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

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

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

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.

(v) *an indication of the level of participation of the entity in the plan compared with other participating entities.*

An employer's past service contribution per annum (\$127,700) as a percentage of the total past service contributions for all Pooled Employers (of \$40m for each year from 1 July 2019 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub group.

(ii) Statewide Limited

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

E3-1 Contingencies (continued)

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

From time to time the Council receives various legal claims incidental to the ordinary course of its business including negligence claims for damages relating to its services. Council believes that it is appropriately covered for all claims through insurance coverage and does not expect any material liabilities to eventuate.

(ii) Grants Programs requiring Council Co-Contributions or Financial Undertakings

The financial year 2020/2021 saw a continuation of an extraordinary level of Federal and State stimulus grant funding for capital projects. As welcome as this funding is to enhance the Council's financial sustainability, it does carry risk in that the Council is generally required to finance any budget shortfall for the individual projects. In a period which is seeing equally extraordinary price increases for building materials and contract labour the Council is already experiencing budget overruns on some of these projects. The Council will try to manage these overruns by seeking funding variations; using future grant programs to shift internal financing; and finally through borrowing.

(iii) Stormwater Drain, Yarrawonga Street Catchment, Macksville

A stormwater drain was constructed by or on behalf of developers Buildev to service an extension of the Macksville industrial estate. The drain was ineffective and also caused instability in the adjoining railway embankment. The Council refused to accept the drain as a drainage easement and subsequently the developer Buildev went into liquidation. Council engaged the engineering consultancy SMEC Australia to provide a plan and estimated cost for the provision of an operable drain. On 28 May 2020 the Council resolved to lobby the NSW and Federal Governments for \$5.76 million to construct the drain as per the SMEC Australia design. There was a request put to the Deputy Prime Minister and Member for Cowper on 15 July 2020 for this funding.

The Federal Government denied Council's funding request. The Council also made representations to the Australian Rail Track Corporation (ARTC) who have responsibility for the railway line and the embankment. ARTC advised they did not identify any immediate risk or requirement for action in relation to the stability of the railway embankment. The geotechnical advice that Council received indicated that expensive drainage work is required to both minimise flooding in the adjacent industrial area and to maintain the stability of the railway embankment.

(iv) Sewerage discharges

EPA has advised Council they intend to impose a further Pollution Reduction Program on Council in response to sewage surcharges during periods of heavy rainfall over the 2020/21 summer into the Nambucca River as a result of numerous representations by Nambucca River oyster growers to the EPA.

E3-1 Contingencies (continued)

A storm related sewage surcharge prevents the oyster industry from harvesting for 14 days and damages their turnover, particularly around busy seasons like Easter and Christmas.

Council staff are now inspecting all property connections in Kings Point and Macksville CBD to detect cross connections of stormwater to the reticulated sewage system.

The properties being inspected contribute flow to the pump station at the corner of River Street and East Street which is generally the first pump station to be overwhelmed in a storm event.

If the inspection program is unsuccessful in diverting significant stormwater out of the sewage system and surcharges persist then it is unknown as to what further action the EPA will take.

If Council has to increase capacity at pump stations and/or divert storm flows to a temporary holding dam then that work will incur a significant cost.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

Council's revenue recognition policy for such income is to account for it as revenue on receipt. Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

(iii) Hand over of former Pacific Highway (Giinagay Way)

The former NSW Roads and Maritime Services (RMS) now Transport for NSW (TfNSW) announced their intention to transfer the ownership and responsibility for the former Pacific Highway (now Giinagay Way) to Nambucca Valley Council.

Based on asset data provided by the RMS the asset transfer value for Council comprised 24 bridges valued at \$52 million and 32 kilometres of road valued at \$182 million. These assets generate a depreciation expense of approximately \$3 million per annum.

The Council engaged engineering consultants and utilised its own staff over a period of approximately 3 years to assess the condition of the assets proposed to be handed over and reach agreement with the then RMS on a compensation arrangement for the on-going maintenance of the road and bridges.

Agreement was reached that the RMS would retain responsibility for the major bridges; that the road would be a designated regional road providing on-going maintenance funding; and thirdly that the RMS would provide a compensation package equivalent to the scheduled maintenance for the road for the following 10 years. The Council was close to finalising agreement with the RMS when the NSW Government announced it would retain responsibility for the whole road corridor as a State asset.

Then in early 2020 TfNSW advised of their intention to transfer responsibility for the road to Council. At about the same time the NSW Government announced its intention to undertake a Regional Road Transfer and Road Classification Review and that the future of the former Pacific Highway would be considered as part of this review. On 14 August 2020 the Council made a submission to the Review seeking priority for the endorsement of the previously negotiated outcome.

The NSW Government released the Independent Panel's Interim Report (dated February 2021) into road classification and the transfer of regional roads to state ownership, including recommendations for the Priority Round of transfers and reclassifications on Tuesday 21 September 2021.

The Independent Expert Panel's interim report identified the most urgent of roads for priority transfer, and sets an evidence-based roadmap for the main round, which will open on 27 September 2021 with all NSW councils being invited to submit proposals for reclassifications in the main round.

The Old Pacific Highway ownership that traverses through Nambucca Valley Council local government area is not included in the interim report and Council will now have to provide a submission to the next round which is open until Friday 24 December 2021.

E3-1 Contingencies (continued)

(iv) Declared Natural Disaster Events and Funding Arrangements

Council has lodged claims with the NSW Government for funding under the Natural Disaster Assistance Scheme for \$1.2 million for emergency clean up. Further claims will be lodged for restoring damaged infrastructure and other assets as assessments of geo-technical information becomes available. Council anticipates that these funding applications will be approved and repairs and remediations works will be conducted in the 2021/2022 financial year.

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	903	886
Post-employment benefits	96	100
Total	999	986

Other transactions with KMP and their related parties

In 2020/21 and 2019/20 other transactions with KMP's and their related parties existed but were determined to be a low dollar value and therefore insignificant in size.

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	27	27
Councillors' fees	85	97
Other Councillors' expenses (including Mayor)	28	33
Total	140	157

F1-3 Other related parties

Council has no other related party transactions

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 and related practices.		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	61	65
Remuneration for audit and other assurance services	61	65
Total Auditor-General remuneration	61	65
Total audit fees	61	65

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	11,085	14,647
Adjust for non-cash items:		
Depreciation and amortisation	10,470	10,027
Net losses/(gains) on disposal of assets	(274)	1,345
Non-cash capital grants and contributions	(3,957)	(6,349)
Adoption of AASB 15/1058	–	(1,242)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	(85)	(3,112)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(54)	72
– Revaluation decrements / impairments of IPP&E direct to P&L	212	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	–	54
Unwinding of discount rates on reinstatement provisions	8	2
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	114	1,304
Increase/(decrease) in provision for impairment of receivables	9	1
Decrease/(increase) in inventories	259	(21)
Decrease/(increase) in other current assets	(45)	19
Decrease/(increase) in contract assets	(990)	(1,994)
Increase/(decrease) in payables	(98)	(252)
Increase/(decrease) in accrued interest payable	(17)	(8)
Increase/(decrease) in other accrued expenses payable	136	16
Increase/(decrease) in other liabilities	327	473
Increase/(decrease) in contract liabilities	3,286	2,515
Increase/(decrease) in provision for employee benefits	352	(21)
Increase/(decrease) in other provisions	(57)	752
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	20,681	18,228

(b) Non-cash investing and financing activities

Bushfire grants	689	124
Other dedications	–	4,560
Subdivisions	3,268	1,539
Other non-cash items – Found Assets	–	126
Total non-cash investing and financing activities	3,957	6,349

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	78	–
Plant and equipment	706	–
Structures	347	460
Roads	470	230
Bridges	1,044	–
Cycleway	373	940
Total commitments	3,018	1,630

These expenditures are payable as follows:

Within the next year	1,975	1,130
Later than one year and not later than 5 years	1,043	500
Total payable	3,018	1,630

Sources for funding of capital commitments:

Unrestricted general funds	1,046	–
Future grants and contributions	1,972	1,630
Total sources of funding	3,018	1,630

Details of capital commitments

- Buildings - Macksville Park - \$78,200
- Plant & Equipment - Street Sweeper, Loader & Truck - \$706,273
- Electrical Works - Valla Urban Growth - \$346,480
- Road Rehabilitation - \$470,000
- "Fixing Country Bridges" - \$1,043,560
- Watt Creek Cycleway - Stage 2B - \$373,300

G3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

1. Impact of COVID-19

Council has disclosed the impact that COVID 19 has had on operations and financial reporting for the year ended 30 June 2021 at 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 effect on the financial report.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Transfers	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Section 7.11	476	25	–	9	–	–	510	–
S7.11 contributions – under a plan	476	25	–	9	–	–	510	–
S7.12 levies – under a plan	161	621	–	5	(223)	–	564	–
Total S7.11 and S7.12 revenue under plans	637	646	–	14	(223)	–	1,074	–
S64 contributions	6,128	1,506	–	121	(582)	–	7,173	–
Total contributions	6,765	2,152	–	135	(805)	–	8,247	–

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

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Transfers	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Section 7.11	476	25	-	9	-	-	510	-
Total	476	25	-	9	-	-	510	-

S7.12 Levies – under a plan

Section 7.12	161	621	-	5	(223)	-	564	-
Total	161	621	-	5	(223)	-	564	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,079)	(5.47)%	2.39%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	37,985			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	29,794	58.47%	58.62%	> 60.00%
Total continuing operating revenue ¹	50,958			
3. Unrestricted current ratio				
Current assets less all external restrictions	14,411	2.28x	1.86x	> 1.50x
Current liabilities less specific purpose liabilities	6,315			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,733	2.50x	2.40x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,287			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	973	4.39%	5.35%	< 10.00%
Rates and annual charges collectable	22,188			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	43,725	15.44 mths	12.91 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	2,832			

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5.07)%	7.11%	(8.61)%	(11.81)%	(4.28)%	(7.00)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding all grants and contributions ¹	51.44%	49.08%	76.07%	88.08%	78.68%	89.69%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.28x	1.86x	7.13x	10.40x	46.34x	44.77x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.96x	4.17x	1.29x	1.29x	8.00x	1.17x	> 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	4.62%	5.67%	3.53%	4.21%	3.60%	4.21%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.78 mths	15.12 mths	4.82 mths	6.04 mths	12.37 mths	9.18 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note D1-1 above.

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

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

44 Princess Street
MACKSVILLE NSW 2447

Contact details

PO Box 177
MACKSVILLE NSW 2447

Monday to Friday - 8.30 am to 4.00 pm

Telephone: 02 6568 2555

Internet: www.nambucca.nsw.gov.au

Facsimile: 02 6568 2201

Email: council@nambucca.nsw.gov.au

Officers

General Manager

Michael Coulter

Chief Financial Officer

Matthew Sykes

Public Officer

Robert Hunt

Auditors

Audit Office of New South Wales
Level 15, 1 Margaret Street
SYDNEY NSW 2000

Elected members

Mayor

Rhonda Hoban

Councillor

John Ainsworth
Martin Ballangarry
Susan Jenvey
David Jones
Janine Reed
John Wilson

Other information

ABN: 71 323 535 981



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Nambucca Valley Council

To the Councillors of the Nambucca Valley Council

Opinion

I have audited the accompanying financial statements of Nambucca Valley 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.



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

19 October 2021
SYDNEY



Cr Rhonda Hoban OAM
Mayor
Nambucca Valley Council
PO Box 177
MACKSVILLE NSW 2447

Contact: Gearoid Fitzgerald
Phone no: 9275 7392
Our ref: D2122468/1766

19 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Nambucca Valley Council**

I have audited the general purpose financial statements (GPFS) of the Nambucca Valley 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 issue and observation during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Information Technology (IT) user access management

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

- regularly reviewing IT user access rights
- independently reviewing the activities of IT users with privileged access.

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	21.4	20.9	 2.4
Grants and contributions revenue	20.7	20.1	 3.0
Operating result from continuing operations	11.1	14.7	 -24.5
Net operating result before grants and contributions for capital purposes	(1.9)	2.6	 -173

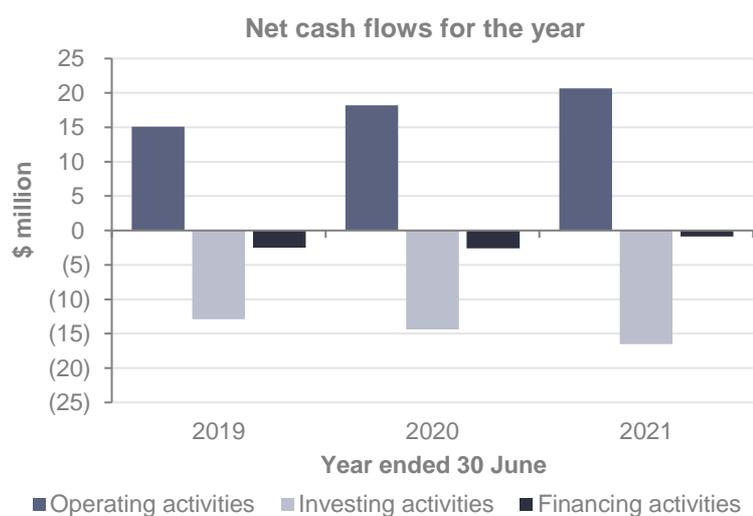
The Council's operating result from continuing operations (\$11.1 million including depreciation and amortisation expense of \$10.7 million) was \$3.6 million lower than the 2019–20 result.

The decrease in operating result is largely attributable to the following:

- rates and annual charges revenue (\$21.4 million) increased by \$0.5 million (2.4 per cent). The IPART approved rate peg was 2.6 per cent in 2020–21 however Council had a special rate variation that expired on 30 June 2020
- grants and contributions revenue (\$20.7 million) increased by \$0.6 million (3.0 per cent)
- other income (\$0.3 million) decreased by \$3.1 million (91.2 per cent) due to a reversal of previous revaluation decrements recorded in 2019-20
- a net gain (\$0.3 million) on disposal of assets was recorded in 2020-21 (\$1.3 million net loss in 2019-20). An increased gain on disposal of real estate assets (\$1.0 million) was the main contributor
- employee benefits and on-cost expense (\$12.0 million) increased by \$1.5 million (14.3 per cent)
- materials and services expense (\$13.6 million) increased by \$0.9 million (7.1 per cent)
- depreciation, amortisation and impairment for non-financial assets (\$10.7 million) increased by \$0.7 million (7.0 per cent).

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$2.5 million. This is largely due to an increase in grants and contributions received.
- Net cash used in investing activities increased by \$2.2 million. This is largely due to grant receipts being used to fund a net increase in the acquisition of investment securities of \$6.0 million, partly offset by a decrease in capital expenditure payments of \$2.8 million.
- Net cash used in financing activities decreased due to a reduction in loan repayments of \$1.2 million. New loans of \$1.1 million were drawn in 2020-21.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	53.6	42.4	<ul style="list-style-type: none"> • Externally restricted cash and investments has increased by \$7.1 million from the prior year. \$2.8 million of this increase relates to specific purpose unexpended grants.
Restricted cash and investments:			<ul style="list-style-type: none"> • Internally restricted cash and investments have increased by \$2.8 million from prior year. \$1.1 million of this relates to unexpended general fund loans.
• External restrictions	41.8	34.7	
• Internal restrictions	10.1	7.3	

PERFORMANCE

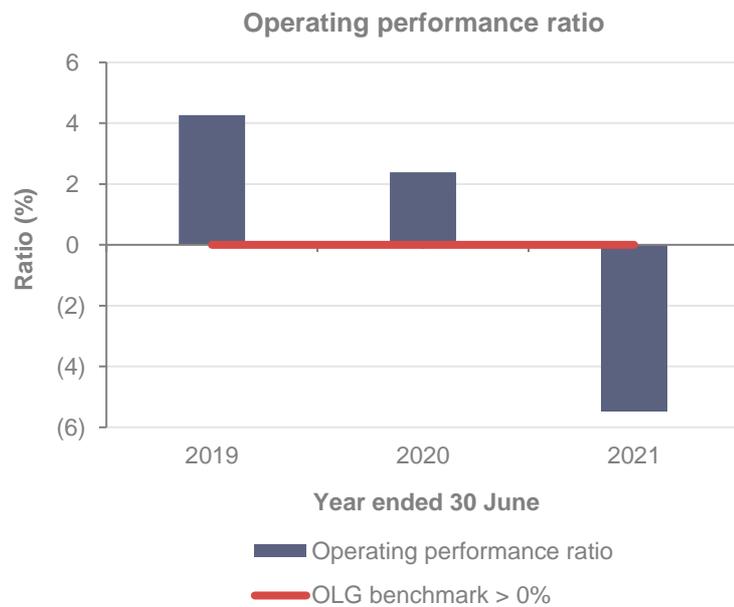
Performance measures

The following section provides an overview of the Council's Consolidated Funds 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 due to a deterioration in Councils 2020–21 operating result (before all capital items).

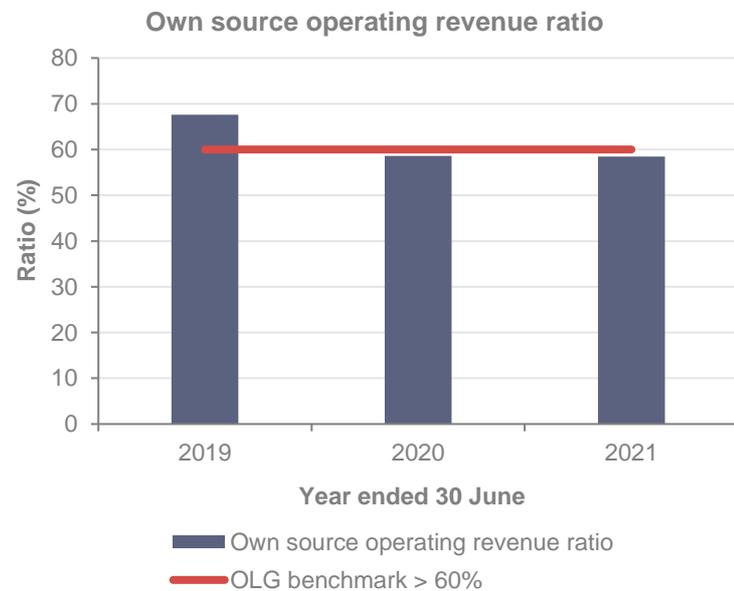


Own source operating revenue ratio

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 was slightly below the OLG benchmark for the current reporting period.

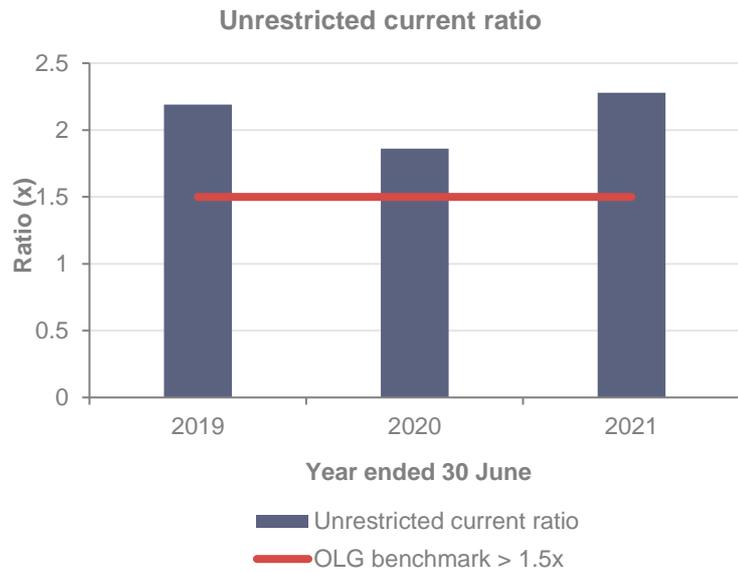
The ratio was negatively impacted in 2020-21 and 2019-20 by higher levels of capital grants and contributions.



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 exceeded the OLG benchmark for the current reporting period.

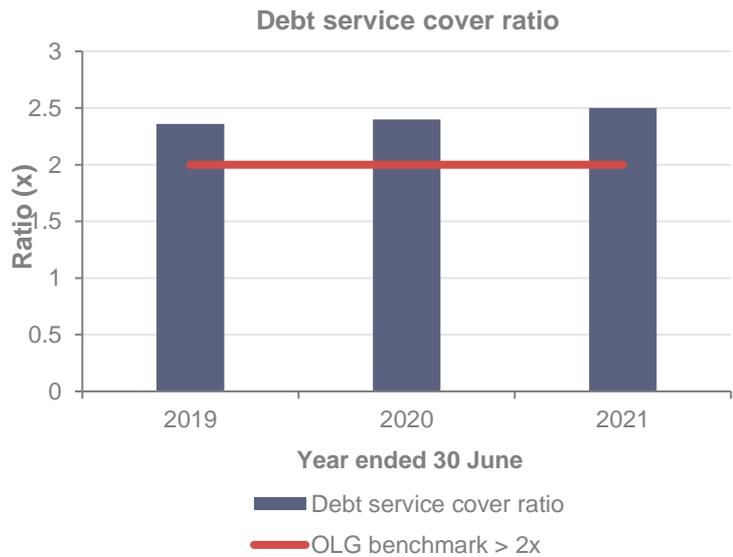


Debt service cover ratio

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

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

Council's water fund (1.29x) remains below the OLG benchmark for the current reporting period. Council should continue to monitor its ratios to ensure cash flows over the short to medium term are sufficient to meet the debt repayment obligations in the water fund.

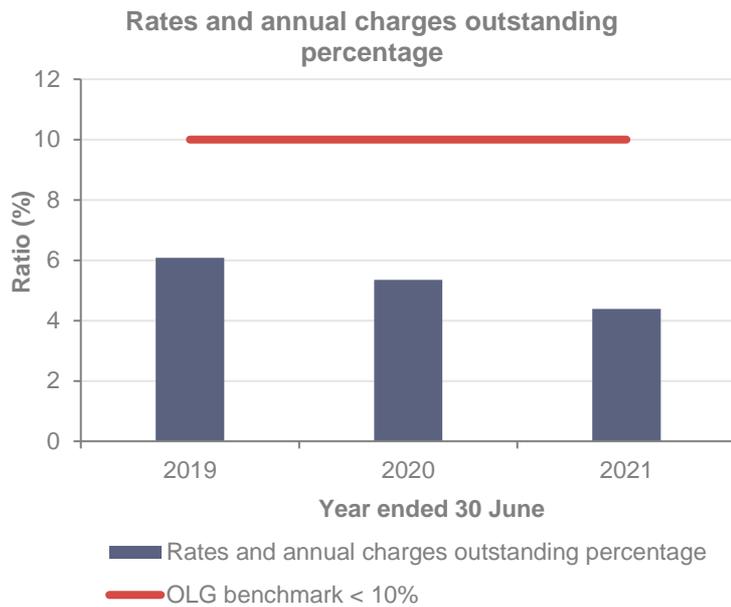


Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.

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

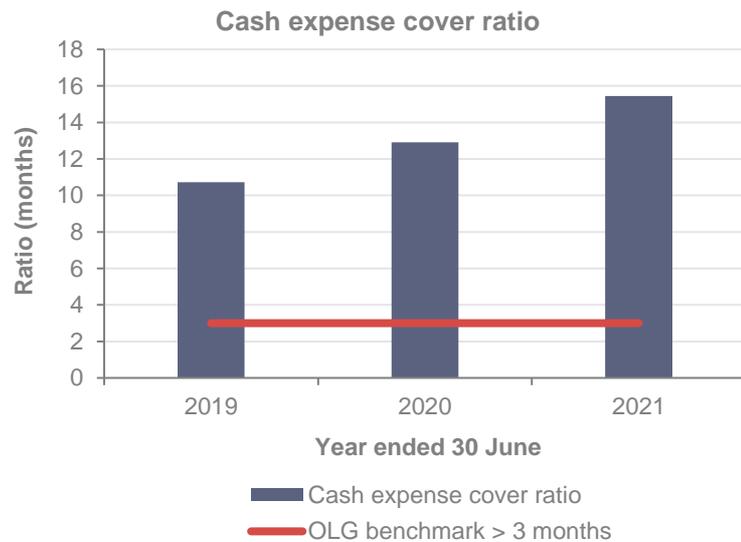
The level of outstanding rates and annual charges has reduced in 2020-21.



Cash expense cover ratio

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

The Council met the OLG benchmark for the current reporting period and the Council's ratio has remained relatively stable on prior years.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2020-21 year was \$5.7 million (\$7.5 million in 2019-20). In 2020-21, major renewal projects included Mann Street, Graces Road and Tilly Willy Street.

OTHER MATTERS

Legislative compliance

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

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



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

cc: Mr Michael Coulter, General Manager
Mr Peter Lawry, Chair of Audit, Risk and Improvement Committee
Mr Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Nambucca Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Nambucca Valley ~ Living at its best



Nambucca Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Nambucca Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

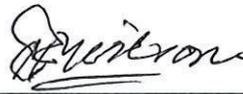
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 02 September 2021.



Rhonda Hoban
Mayor
02 September 2021



John Wilson
Councillor
02 September 2021



Michael Coulter
General Manager
02 September 2021



Matthew Sykes
Chief Financial Officer
02 September 2021

Nambucca Valley Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	1,043	989
User charges	3,606	3,635
Interest	389	479
Grants and contributions provided for non-capital purposes	83	82
Other income	361	252
Total income from continuing operations	5,482	5,437
Expenses from continuing operations		
Employee benefits and on-costs	1,625	1,460
Borrowing costs	1,405	1,441
Materials and services	1,140	1,271
Depreciation, amortisation and impairment	1,752	1,745
Loss on sale of assets	32	162
Calculated taxation equivalents	15	15
Debt guarantee fee (if applicable)	271	276
Total expenses from continuing operations	6,240	6,370
Surplus (deficit) from continuing operations before capital amounts	(758)	(933)
Grants and contributions provided for capital purposes	1,615	643
Surplus (deficit) from continuing operations after capital amounts	857	(290)
Surplus (deficit) from all operations before tax	857	(290)
Surplus (deficit) after tax	857	(290)
Plus accumulated surplus	63,619	63,745
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	15	15
– Debt guarantee fees	271	276
Less:		
– Tax equivalent dividend paid	(15)	(15)
– Surplus dividend paid	–	(112)
Closing accumulated surplus	64,747	63,619
Return on capital %	0.7%	0.6%
Subsidy from Council	724	301
Calculation of dividend payable:		
Surplus (deficit) after tax	857	(290)
Less: capital grants and contributions (excluding developer contributions)	(861)	(364)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Nambucca Valley Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	3,965	3,822
User charges	795	829
Liquid trade waste charges	25	25
Interest	162	178
Grants and contributions provided for non-capital purposes	74	74
Other income	348	400
Total income from continuing operations	5,369	5,328
Expenses from continuing operations		
Employee benefits and on-costs	1,807	1,723
Borrowing costs	156	160
Materials and services	1,540	1,797
Depreciation, amortisation and impairment	1,932	1,919
Loss on sale of assets	164	102
Calculated taxation equivalents	21	20
Debt guarantee fee (if applicable)	30	31
Total expenses from continuing operations	5,650	5,752
Surplus (deficit) from continuing operations before capital amounts	(281)	(424)
Grants and contributions provided for capital purposes	1,361	530
Surplus (deficit) from continuing operations after capital amounts	1,080	106
Surplus (deficit) from all operations before tax	1,080	106
Surplus (deficit) after tax	1,080	106
Plus accumulated surplus	58,577	58,607
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	21	20
– Debt guarantee fees	30	31
Less:		
– Tax equivalent dividend paid	(21)	(20)
– Surplus dividend paid	–	(167)
Closing accumulated surplus	59,687	58,577
Return on capital %	(0.2)%	(0.3)%
Subsidy from Council	1,330	984
Calculation of dividend payable:		
Surplus (deficit) after tax	1,080	106
Less: capital grants and contributions (excluding developer contributions)	(609)	(249)
Surplus for dividend calculation purposes	471	–
Potential dividend calculated from surplus	236	–

Nambucca Valley 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	1,865	2,298
Investments	2,144	3,356
Receivables	1,210	1,271
Inventories	28	29
Contract assets and contract cost assets	292	–
Total current assets	5,539	6,954
Non-current assets		
Investments	17,226	14,690
Infrastructure, property, plant and equipment	92,018	91,970
Intangible assets	406	279
Total non-current assets	109,650	106,939
Total assets	115,189	113,893
LIABILITIES		
Current liabilities		
Payables	106	112
Income received in advance	73	51
Contract liabilities	60	186
Borrowings	485	454
Total current liabilities	724	803
Non-current liabilities		
Borrowings	21,156	21,641
Total non-current liabilities	21,156	21,641
Total liabilities	21,880	22,444
Net assets	93,309	91,449
EQUITY		
Accumulated surplus	64,747	63,619
Revaluation reserves	28,562	27,830
Total equity	93,309	91,449

Nambucca Valley Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	3,706	3,796
Investments	2,903	1,663
Receivables	386	415
Contract assets and contract cost assets	144	73
Total current assets	7,139	5,947
Non-current assets		
Investments	2,466	1,584
Receivables	191	232
Contract assets and contract cost assets	–	19
Infrastructure, property, plant and equipment	80,888	81,806
Total non-current assets	83,545	83,641
Total assets	90,684	89,588
LIABILITIES		
Current liabilities		
Payables	43	44
Income received in advance	24	9
Contract liabilities	149	292
Borrowings	76	70
Total current liabilities	292	415
Non-current liabilities		
Borrowings	2,356	2,432
Total non-current liabilities	2,356	2,432
Total liabilities	2,648	2,847
Net assets	88,036	86,741
EQUITY		
Accumulated surplus	59,687	58,577
Revaluation reserves	28,349	28,164
Total equity	88,036	86,741

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Comprising the whole of the operations and assets of the water supply function.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

Category 2

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

NIL

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):

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – 26%

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 \$100 +1.6%. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

In accordance with the Best Practice Management of Water Supply and Sewer 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 to 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 Best Practice Management of Water Supply and Sewer Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Note – Significant Accounting Policies (continued)

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 Best Practice Management of Water Supply and Sewer 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 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Nambucca Valley Council

To the Councillors of the Nambucca Valley Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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 cursive script that reads "Gearoid Fitzgerald". The signature is written in dark ink and is positioned above the printed name.

Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

19 October 2021
SYDNEY

Nambucca Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

Nambucca Valley ~ Living at its best



Nambucca Valley Council

Special Schedules

for the year ended 30 June 2021

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Nambucca Valley 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	11,258	11,433
Plus or minus adjustments ²	b	78	101
Notional general income	c = a + b	11,336	11,534
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	295	231
Sub-total	k = (c + g + h + i + j)	11,631	11,765
Plus (or minus) last year's carry forward total	l	(114)	89
Less valuation objections claimed in the previous year	m	-	(5)
Sub-total	n = (l + m)	(114)	84
Total permissible income	o = k + n	11,517	11,849
Less notional general income yield	p	11,433	11,846
Catch-up or (excess) result	q = o - p	84	2
Plus income lost due to valuation objections claimed ³	r	5	-
Carry forward to next year ⁴	t = q + r + s	89	2

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.
- (3) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Nambucca Valley Council

To the Councillors of Nambucca Valley Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Nambucca Valley 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.



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

19 October 2021
SYDNEY

Nambucca Valley Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Council Office/Admin Centre	–	–	70	57	2,069	3,613	5.0%	0.0%	95.0%	0.0%	0.0%
	Council Works Depot	11	11	18	17	1,418	1,806	34.0%	53.0%	10.0%	3.0%	0.0%
	Council Public Halls	477	477	80	79	6,675	11,151	2.0%	25.0%	56.0%	17.0%	0.0%
	Libraries	–	–	49	53	1,424	1,878	1.0%	86.0%	13.0%	0.0%	0.0%
	Museum	28	28	11	7	496	690	1.0%	33.0%	50.0%	16.0%	0.0%
	Other – Buildings	26	26	40	43	2,726	3,312	51.0%	23.0%	23.0%	3.0%	0.0%
	Other – Bush Fire/SES Bldgs.	111	111	20	35	2,627	3,536	7.0%	50.0%	30.0%	13.0%	0.0%
	Other – Swimming Pool Bldgs.	2	2	30	43	2,421	3,031	12.0%	85.0%	3.0%	0.0%	0.0%
	Other – Child Care Centres	–	–	3	4	664	857	1.0%	99.0%	0.0%	0.0%	0.0%
	Amenities/Toilets	31	31	34	44	2,632	3,304	40.0%	29.0%	27.0%	4.0%	0.0%
	Other -Sports Grounds	133	133	40	32	6,071	8,741	32.0%	11.0%	51.0%	6.0%	0.0%
Sub-total		819	819	395	414	29,223	41,919	17.8%	32.1%	42.2%	7.8%	0.0%
Other structures	Other	564	564	–	–	5,161	8,846	25.0%	45.0%	5.0%	25.0%	0.0%
	Sub-total	564	564	–	–	5,161	8,846	25.0%	45.0%	5.0%	25.0%	0.0%
Roads	Sealed roads	386	386	900	928	10,629	17,763	26.0%	28.0%	38.0%	8.0%	0.0%
	Unsealed roads	355	355	720	1,551	5,458	8,407	41.0%	28.0%	14.0%	17.0%	0.0%
	Roads – Pavement	1,324	1,324	400	464	65,348	103,841	18.0%	34.0%	44.0%	4.0%	0.0%
	Sealed Road - Sub Pavement	–	–	–	–	2,788	2,843	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	61	12	13,374	19,846	10.0%	59.0%	31.0%	0.0%	0.0%
	Footpaths	–	–	40	54	9,860	13,631	25.0%	57.0%	18.0%	0.0%	0.0%
	Carparks	3	3	4	5	1,731	2,206	19.0%	73.0%	7.0%	1.0%	0.0%
	Other road assets	16	16	–	–	1,207	2,090	41.0%	21.0%	35.0%	3.0%	0.0%
	Bulk earthworks	–	–	–	–	43,926	43,926	100.0%	0.0%	0.0%	0.0%	0.0%
	Bridges – Concrete	–	–	–	–	17,801	21,499	41.0%	54.0%	5.0%	0.0%	0.0%
	Bridges – Timber	312	312	228	355	959	3,824	0.0%	12.0%	55.0%	33.0%	0.0%
	Bridges – Composite	15	15	–	–	10,684	15,089	0.0%	91.0%	9.0%	0.0%	0.0%
	Bridges - Steel	–	–	–	–	184	185	38.0%	62.0%	0.0%	0.0%	0.0%
	Bridge Size Culverts	–	–	–	–	709	1,346	0.0%	19.0%	81.0%	0.0%	0.0%
Sub-total		2,411	2,411	2,353	3,369	184,658	256,496	34.7%	35.2%	26.8%	3.3%	0.0%

Nambucca Valley Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Reticulation	2,212	2,212	343	337	17,797	34,567	6.0%	30.0%	39.0%	25.0%	0.0%
	Trunk Mains	3,247	3,247	100	92	17,070	35,297	15.0%	20.0%	28.0%	37.0%	0.0%
	Mains/Meters	–	–	15	8	115	218	0.0%	0.0%	100.0%	0.0%	0.0%
	Reservoirs	30	30	140	94	8,156	13,474	43.0%	25.0%	31.0%	1.0%	0.0%
	Water Treatment Plant	26	26	190	130	1,301	2,004	37.0%	19.0%	39.0%	5.0%	0.0%
	Bores	119	119	55	30	1,862	2,667	17.0%	62.0%	4.0%	17.0%	0.0%
	Dams	–	–	219	216	39,651	42,043	97.0%	3.0%	0.0%	0.0%	0.0%
	Pump stations	268	268	35	53	1,732	3,131	25.0%	33.0%	8.0%	34.0%	0.0%
Sub-total		5,902	5,902	1,097	960	87,684	133,401	41.9%	18.8%	21.7%	17.6%	0.0%
Sewerage network	Sewerage rising (Pipelines)	155	155	–	–	6,960	10,508	14.0%	55.0%	26.0%	5.0%	0.0%
	Gravity/Rising Mains	4,933	4,933	380	313	29,486	48,361	15.0%	21.0%	24.0%	40.0%	0.0%
	Pump Stations	412	412	367	351	12,859	18,711	29.0%	37.0%	26.0%	8.0%	0.0%
	Treatment Works	117	117	810	756	20,156	29,133	39.0%	34.0%	26.0%	1.0%	0.0%
	Other – Manholes	1,588	1,588	–	–	6,291	12,504	4.0%	19.0%	27.0%	50.0%	0.0%
Sub-total		7,205	7,205	1,557	1,420	75,752	119,217	21.8%	29.5%	25.3%	23.4%	0.0%
Stormwater drainage	Aerated Systems - S/W	–	–	–	–	40	67	100.0%	0.0%	0.0%	0.0%	0.0%
	Stormwater Conduits	–	–	55	128	25,328	36,977	10.0%	49.0%	41.0%	0.0%	0.0%
	Inlets & Junction Pits	6	6	–	–	4,266	6,107	14.0%	47.0%	39.0%	0.0%	0.0%
	Culverts	400	400	50	10	8,822	14,551	7.0%	35.0%	46.0%	12.0%	0.0%
	Other – Drainage	–	–	5	1	218	242	100.0%	0.0%	0.0%	0.0%	0.0%
Sub-total		406	406	110	139	38,674	57,944	10.1%	45.0%	41.8%	3.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	–	–	1,429	2,540	13.0%	86.0%	1.0%	0.0%	0.0%
	Other – Open Space	207	207	780	614	4,644	6,227	43.0%	30.0%	14.0%	13.0%	0.0%
	Sub-total		207	207	780	614	6,073	8,767	34.3%	46.2%	10.2%	9.2%

Nambucca Valley Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Other infrastructure assets	Retaining Walls	–	–	–	–	8,678	9,888	89.0%	9.0%	2.0%	0.0%	0.0%
	Boat Ramps / Jetties, Boardwalks	715	715	30	23	2,161	5,203	22.0%	9.0%	14.0%	55.0%	0.0%
	Landslips	–	–	–	–	4,435	5,189	82.0%	18.0%	0.0%	0.0%	0.0%
	Other	25	25	–	–	2,873	3,931	50.0%	20.0%	28.0%	2.0%	0.0%
	Sub-total	740	740	30	23	18,147	24,211	66.8%	12.7%	8.4%	12.1%	0.0%
Total – all assets		18,254	18,254	6,322	6,939	445,372	650,801	31.6%	30.9%	26.6%	10.9%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Nambucca Valley Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	4,622	48.04%	54.18%	>= 100.00%
Depreciation, amortisation and impairment	9,622			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	18,254	4.08%	3.67%	< 2.00%
Net carrying amount of infrastructure assets	447,786			
Asset maintenance ratio				
Actual asset maintenance	6,939	109.76%	92.93%	> 100.00%
Required asset maintenance	6,322			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	18,254	2.80%	2.54%	
Gross replacement cost	650,801			

(*) 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.

Nambucca Valley 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	68.43%	49.88%	9.32%	34.82%	14.44%	29.39%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	1.81%	1.16%	6.73%	6.55%	9.51%	9.46%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	124.29%	87.63%	87.51%	112.57%	91.20%	92.05%	> 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	1.29%	0.83%	4.42%	4.38%	6.04%	6.13%	
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.