

Liverpool Plains Shire Council
Annual Report 2019-2020



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PART 1 -
Welcome and Overview

Message from the General Manager

It is with great pleasure that I present Liverpool Plains Shire Council's Annual Report 2019-2020.

This year has been one like no other. COVID-19 has significantly impacted global, domestic and local economies, and the effects of the pandemic have certainly been felt here in the Liverpool Plains. This has presented a very challenging environment for Council, and I acknowledge the tremendous effort of our staff throughout 2020 in responding to COVID-19: despite the pandemic's impact on Council's finances, operations and services, we have reframed and adapted.

In 2019-2020, Council committed to delivering an ambitious program of works, projects and programs and I am proud that, despite the impact of COVID-19, close to 85 per cent of actions contained in our Operational Plan were either successfully delivered or are on track to being completed in the 2020-2021 year. This result is testament to the effort and energy of Council's staff and volunteers, who work tirelessly to make the Liverpool Plains an even better place to live, work, invest and visit.

We have remained firmly focussed on delivering positive outcomes for our community. In addition to delivering a \$4.3 million Capital Works Program, we have completed a series of grant-funded projects across the region, including improvements to the Currabubula Recreation Reserve, Quirindi Showground, Werris Creek Public Swimming Pool, and Spring Ridge Oval.

Establishing strong foundations for success is one of our key priorities, and a challenge we continue to face as we strive to make Council fit for the future. Through working collaboratively across all levels of government, including with the NSW and Commonwealth

Governments as well as the Namoi Joint Organisation of Councils, we have succeeded in progressing matters of local significance and securing the funding needed to maintain and improve local infrastructure.

Through extensive engagement and consultation with our community, we completed a series of strategic documents to guide Council's long-term decision-making, including the Recreation Strategy, Arts and Culture Strategy and Waste Management Strategy. On behalf of Council, I thank all members of the community who participated in consultation activities to shape these strategies. Work is already underway to realise our community's vision, as set out in these plans.

Our achievements in 2019-2020 would not have been possible without the support of our elected Councillors, who have continued to provide strong leadership and champion the interests of our community.

I commend this Annual Report to you.

Jo Sangster
General Manager



Integrated Planning and Reporting

The Integrated Planning and Reporting (IP&R) framework is set out in the *Local Government Act 1993* and requires all councils to lead the development of long-term plans for their communities. Underpinned by community engagement and consultation, the IP&R framework ensures that local planning and reporting is informed, relevant and responsive to community needs.

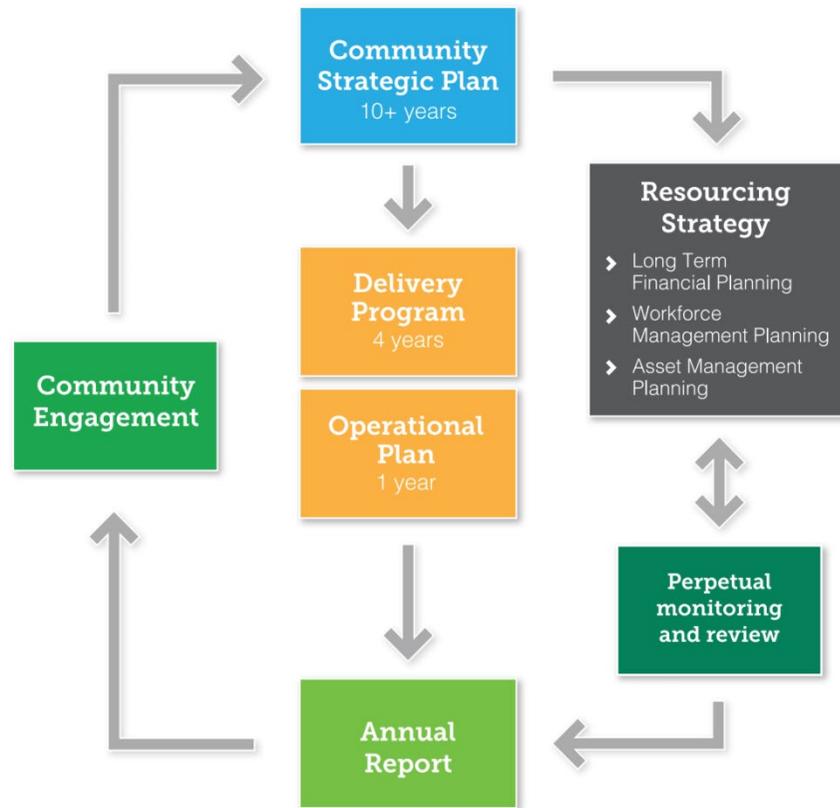
Community Strategic Plan

The Community Strategic Plan is the highest-level plan that Council prepares. Its purpose is to identify our community's main priorities and aspirations for the future and to plan strategies for achieving these goals. In doing this, the planning process considers the issues and pressures that may impact the community and the level of resources that will realistically be available to achieve its aspirations.

The Community Strategic Plan seeks to answer four key questions:

- Where are we now?
- Where do we want to be in 10 years' time?
- How will we get there?
- How will we know when we've arrived?

At an operational level, the Community Strategic Plan is implemented through Council's combined Delivery Program and Operational Plan, which details the activities and actions Council will undertake to achieve our shared vision.



Resourcing Strategy

The Community Strategic Plan provides a vehicle for expressing our community's long-term aspirations. However, the vision set out in the Community Strategic Plan will not be achieved without sufficient resources – time, money, assets and people – to carry them out.

The Resourcing Strategy comprises the following components:

- **Asset Management Planning:** Council's asset management planning is supported by an Asset Management Policy and individual Asset Management Plans for all assets under Council's control. Considering "whole of life" asset management from planning, purchase, operation and maintenance to disposal of assets; the Asset Management Strategy forecasts community requirements and the capacity to meet them on a short-, medium-, and long-term basis.
- **Long-Term Financial Planning:** The Long-Term Financial Plan (LTFP) tests community aspirations as contained in the Community Strategic Plan against the financial realities of delivering on those aspirations. The LTFP integrates with the Community Strategic Plan through the combined Delivery Program and Operational Plan.
- **Workforce Management Planning:** The Workforce Management Plan addresses the human resourcing requirements of the Community Strategic Plan, including what people, skills, experience and expertise are required to achieve its strategic objectives.

Delivery Program

The Delivery Program outlines how Council will contribute to achieving the vision set out in the Community Strategic Plan and turns the strategic objectives contained in the Community Strategic Plan into actions. All plans, projects, activities and funding allocations made by Council must be directly linked to the Delivery Program.

Operational Plan and Budget

Supporting the Delivery Program is an annual Operational Plan. Adopted by Council each year alongside its annual Budget, the Operational Plan identifies the plans, projects and activities that will be carried out over the financial year covered by the Operational Plan to achieve the commitments made in the Delivery Program

Reporting our Progress

Reporting is a key element of the IP&R framework. Council uses a variety of tools to report back to our community about our progress in achieving the Community Strategic Plan and implementing the combined Delivery Program and Operational Plan, as well as our financial performance against the annual and longer-term budgets:

Delivery Program and Operational Plan Progress Reports	Each quarter, Council prepares a report detailing its progress in achieving the principal activities and supporting actions detailed in its combined Delivery Program and Operational Plan.
Quarterly Budget Review Statements	Within two months of the end of each quarter, Council prepares a Quarterly Budget Review Statement which provides the community with information relating to Council's financial performance and details any proposed amendments to the annual Budget and forward estimates.
Annual Report (this document)	Within five months of the end of each financial year, Council prepares an Annual Report, which includes a copy of the organisation's audited financial reports. The Annual Report details Council's progress in implementing the combined Delivery Program and Operational Plan, and includes certain information that is prescribed by the <i>Local Government (General) Regulation 2005</i> and <i>Government Information (Public Access) Act 2009</i> .
End of Term Report	Tabled at the last meeting of the outgoing Council, the End of Term Report provides an update on Council's progress in implementing the Community Strategic Plan over the term of the Council, as well as the results and outcomes the implementation of the Community Strategic Plan has had for the Liverpool Plains Shire community.
State of the Environment Report	A comprehensive State of the Environment Report is required to be included as part of the End of Term Report. This report details how Council has met the environmental objectives in the Community Strategic Plan.

PART 2 -
Our Council

Our Councillors

Liverpool Plains Shire Council's governing body comprises seven Councillors, all of whom are elected to carry out duties under the *Local Government Act 1993* (the Act).

Under the Act, the role of a Councillor is to:

- Be an active and contributing member of the governing body;
- Make considered and well-informed decisions as a member of the governing body;
- Participate in the development of the Integrated Planning and Reporting framework;
- Represent the collective interests of residents, ratepayers and the local community;
- Facilitate communication between the local community and the governing body;
- Uphold and represent accurately the policies and decisions of the governing body; and
- Make all reasonable efforts to acquire and maintain the skills necessary to perform the role of a Councillor.

Councillors are responsible for making decisions, developing policies and implementing strategies to guide the activities of Council. This role is performed at Council meetings, where Councillors discuss, debate and make decision on issues of public importance.

The Mayor and Deputy Mayor are elected for a two-year period by the members of the Council and have additional statutory responsibilities under the Act. In 2019-2020, Cr Andrew Hope served as Mayor and Cr Paul Moules as Deputy Mayor.



Cr Andrew Hope



Cr Virginia Black



Cr Ken Cudmore



Cr Doug Hawkins



Cr Ian Lobsey OAM



Cr Paul Moules



Cr Rob Webster

Council Meetings

Council is required to hold a minimum of ten Ordinary Council meetings per year. Ordinary meetings are held on the fourth Wednesday of the month (except in January), or as otherwise determined by Council. From time to time, extraordinary meetings may be held to deal with urgent matters that may arise throughout the year.

Meetings are held from 2.30pm in the Council Chambers at 60 Station Street, Quirindi and conducted in accordance with the Code of Meeting Practice.

Copies of meeting business papers, including agendas and minutes, as well as audio-visual recordings of meetings, are available online from Council's website for members of the public.

Seventeen meetings were held in 2019-2020, comprising 11 ordinary meetings and six extraordinary meetings.

Council Committees

Council supports and administers various committees and advisory groups and is represented on numerous external committees and organisations. The appointment of Councillor committee members and delegates is traditionally reviewed each year at Council's September Ordinary Meeting.

Council Committees are one way community members can be involved in the decisions of Council. Vacancies on Council committees are publicised on Council's website at www.lpsc.nsw.gov.au when they arise.

In 2019-2020, Council operated nine committees and advisory groups and was represented on a further eight external committees and organisations.

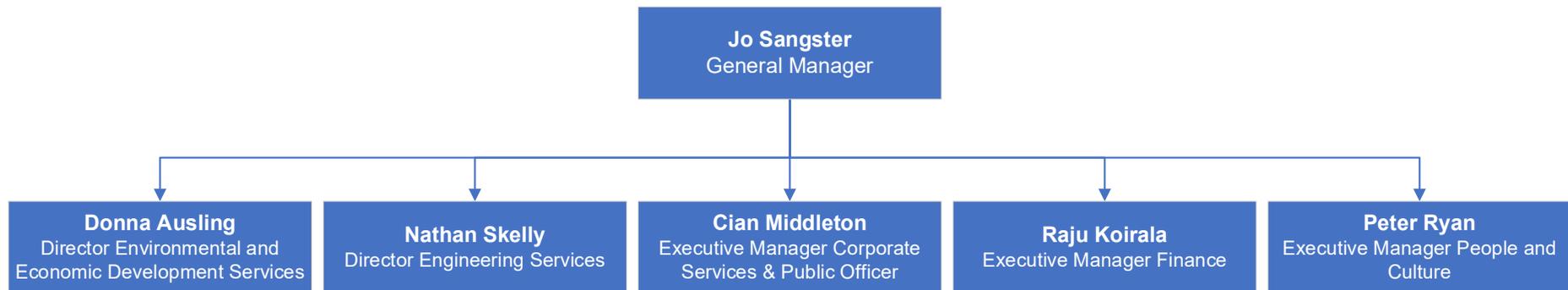
Committee Assignments 2019-2020	
Council Committees and Working Groups	
Committee	Representative/Delegate
Audit, Risk and Improvement Committee	Cr Virginia Black Cr Rob Webster
Cultural and Events Advisory Group	Cr Andrew Hope Cr Virginia Black Cr Ian Lobsey OAM Cr Paul Moules
Traffic Committee	Cr Rob Webster Cr Paul Moules (Alternate)
Community Advisory Group	Cr Andrew Hope Cr Doug Hawkins OAM Cr Virginia Black Cr Ian Lobsey OAM Cr Paul Moules
Planning and Economic Development Committee	Cr Andrew Hope Cr Paul Moules Cr Doug Hawkins OAM Cr Virginia Black Cr Rob Webster Cr Ian Lobsey OAM (Alternate)
Business Advisory Group	Cr Andrew Hope Cr Doug Hawkins OAM Cr Virginia Black
Senior Officers Performance Review Committee	Cr Andrew Hope Cr Ian Lobsey OAM Cr Virginia Black
Summerhill Lodge Committee	Cr Rob Webster Cr Ian Lobsey OAM Cr Andrew Hope

Committee Assignments 2019-2020 (continued)	
External Committees and Organisations	
Committee	Representative/Delegate
Australian Railway Monument (ARM) Inc	Cr Ian Lobsey OAM Cr Paul Moules (Alternate)
Central Northern Regional Library	Cr Paul Moules Cr Doug Hawkins OAM (Alternate)
Namoi Unlimited Joint Organisation	Cr Andrew Hope Cr Paul Moules (Alternate)
Mid North Weight of Loads	Cr Ken Cudmore
North West Regional Weed Committee	Cr Rob Webster
Rural Fire Service Liaison Committee	Cr Virginia Black Cr Rob Webster (Alternate)
Shenhua Watermark Consultative Committee	Cr Andrew Hope Cr Virginia Clack (Alternate) Cr Ian Lobsey OAM (Alternate)
Werris Creek Coal Community Consultative Committee	Cr Virginia Black Cr Ian Lobsey OAM (Alternate)

Organisation Structure

The General Manager is responsible for the efficient and effective operation of Liverpool Plains Shire Council and for ensuring the implementation of Council's decisions, strategies, policies and programs.

In 2019-2020, Council's organisation structure comprised of five departments, two of which were led by a Director and three by an Executive Manager.



PART 3 – Performance Reporting

Achieving our Operational Plan

Section 428 of the *Local Government Act 1993* provides that Council's Annual Report must detail its effectiveness in implementing its Delivery Program and Operational Plan.

In its Operational Plan and Budget 2020-2021, Council committed to delivering 92 actions across the four Community Strategic Plan outcome areas of Community, Governance, Environment and Economy.

A combined 93.4 per cent of Council's Operational Plan actions for the year ending 30 June 2020 were successfully completed or are included in Council's current Operational Plan and scheduled for delivery in 2020-2021. Only 6.6 per cent were not completed and are not scheduled for completion in 2020-2021.

Performance Status Summary						
Community Strategic Plan Outcome	Our Progress					
	Completed		Behind Plan Programmed for delivery in 2020-2021		Not Completed Not programmed for delivery in 2020-2021	
	No.	%	No.	%	No.	%
1 Community	18	81.8	3	13.6	1	4.6
2 Governance	32	89.0	2	5.5	2	5.5
3 Environment	12	66.7	4	22.2	2	11.1
4 Economy	15	93.8	0	0.0	1	6.2
TOTAL	77	83.7	9	9.7	6	6.6

Key Achievements

Notable achievements, aligned to the Community Strategic Plan, for the 2019-2020 year include:

Community

A great rural lifestyle with access to quality services

- Provided funding via the Heritage Assistance Fund to ensure the continued maintenance of heritage buildings throughout the Liverpool Plains Shire.
- Achieved increased enrolments at Eastside Childcare Centre.
- Coordinated a combined Emergency Services Exercise ensuring cross-agency collaboration
- Delivered internet and telecommunications upgrades in Blackville and Spring Ridge.

Governance

Strong community, Council and business leadership

- Engaged three apprentices and trainees within the organisation, providing local employment opportunities
- Supported the Clontarf Foundation in developing the skills, self-esteem and job readiness of local students.
- Installation of a replacement Amenities Block at Quirindi Showground
- Completion of Stage 2 of the Werris Creek Footpath paving
- Installation of new amenities block at David Taylor Oval, Werris Creek
- Refurbishment of Currabubula Multipurpose Arena
- Resurfacing of Tennis Courts and Fencing of Playground – Currabubula

- Installation of Pool Cover and Warming infrastructure – Werris Creek
- Installation of Spring Ridge Oval Fence
- Construction of Kitchen – Royal Theatre Quirindi
- Complete six audits through our Internal Audit Program, identifying business improvement opportunities across the organisation.

Environment

A sustainable environment

- Completed the Arts and Culture Plan
- Participated in Business Clean Up Australia Day
- Progressed the Quipolly Water Treatment Project
- Continued the Agri-tourism program in conjunction with the Office of Small Business Commissioner

Economy

A thriving economy

- Support the Business Chamber and potential business investors throughout the Shire
- Delivered free training during Small Business Month
- Business Networking programs in Werris Creek and Quirindi
- Introduction of new Tourism website
- Supported an ongoing partnership with Namoi Unlimited

PART 4 –
Statutory Reporting

Overview

Liverpool Plains Shire Council's general reporting requirements are set out in section 428 of the *Local Government Act 1993* (the Act) and Part 9, Division 7 of the Local Government (General) Regulation 2005 (the Regulation). The Act and Regulation can be accessed from www.legislation.nsw.gov.au.

This section also meets Council's reporting requirements under the *Companion Animals Act 1998* and Companion Animals Regulation 2008, as well as the *Environmental Planning and Assessment Act 1979*.

General Reporting Requirements

Rates and Charges Written Off

Local Government (General) Regulation 2005, clause 132

Council is required to include in the Annual Report the amount of rates and charges written off during the year.

Table A, below, details the rates and charges written off by Council in the reporting period:

Table A: Rates and Charges Written Off	
Category	Amount
• Pensioner Rebates – Mandatory	\$298,981.00
• Pensioner Rebates – Voluntary	\$0.00
• Rates - Other	\$11,997.00
• Charges	\$25,380.00
• Interest	\$448.00
Total	\$336,806.00

Overseas Visits

Local Government Act 1993, section 428(4)(b)

Local Government (General) Regulation 2005, clause 217(1)(a)

Council is required to report on overseas visits undertaken by Councillors, Council staff and other persons representing Council during the reporting period.

There were no overseas visits undertaken by Councillors, Council staff or other persons representing Council in the 2019-2020 year.

Councillor Expenses and Provision of Facilities

Local Government (General) Regulation 2005, clause 217(1)(a1)

Council's Payment of Expenses and Provision of Facilities Policy allows for the payment of expenses incurred by, and provision of facilities to, Councillors in relation to their roles as elected representatives and members of the governing body of Council.

The total amount of fees paid to the Councillors in 2019-2020 was \$13,051.20.

Table B, below, details the amount spent on providing facilities and expenses for Councillors during the reporting period.

Table B: Councillor Expenses and Provision of Facilities	
Category	Amount
• Office Equipment	\$0.00
• Telephone Calls/Communication	\$3,696.91
• Conference and Seminar Attendance	\$6,919.55
• Training and Professional Development	\$0.00
• Interstate Visits	\$2,231.94
• Overseas Visits	\$0.00
• Spouse Expenses	\$0.00
• Carer Expenses	\$0.00
• General Travel Expenses	\$202.80
Total	\$13,051.20

Mayor and Councillor Professional Development

Local Government (General) Regulation 2005, clause 217(1)(a4)

Under section 232(1)(g) of the Act, the Mayor and Councillors have a responsibility to make all reasonable efforts to acquire and maintain the skills necessary to perform their roles. To this end, Council's General Manager is required under the Regulation to ensure the delivery of an ongoing Professional Development Program to assist them in acquiring and maintaining the skills necessary to perform their roles.

The Regulation provides that the Mayor and Councillors must make all reasonable efforts to participate in the activities offered to them as part of the Professional Development Program. Council is required to report on the participation of the Mayor and each Councillor in the Professional Development Program during the year.

At its Ordinary Meeting held 25 March 2020, Council adopted a Councillor Induction and Professional Development Policy. The policy is adapted from the *Model Councillor Induction and Professional Development Policy* contained in the Office of Local Government's Councillor Induction and Professional Development Guidelines.

During the reporting period, Council did not deliver a formalised Professional Development Program. However, Councillors Black, Lobsey and Moules attended the 2019 Local Government NSW Conference and participated in the below sessions:

- Strategic Financial Decision Making in Local Government
- Land Use Planning
- Local government Procurement: Efficiencies and Opportunities

Contracts

Local Government (General) Regulation 2005, clause 217(1)(a2)

Council is required to disclose the details of each contract awarded for amounts greater than \$150,000, including the name of the contractor, the nature of goods or services supplied, and the total amount payable under the contract.

As detailed in *Table C*, below, Council awarded four contracts during the reporting period for an amount greater than \$150,000:

Table C: Major Contracts		
Contract	Awarded to	Amount (inc. GST)
Glenyalla Road Bridge Replacement	Murray Constructions Pty Ltd	\$718,410
Callaghans Lane Upgrade	Daracon	\$256,622
Supply of Cationic Bitumen Emulsion	Fulton Hogan Pty Ltd	Per Schedule of Rates
Supply and Delivery of Passenger, Truck and Earthmover Tyres	Tyres4U Pty Ltd	Per Schedule of Rates

Legal Proceedings

Local Government (General) Regulation 2005, clause 217(1)(a3)

Council is required to provide a summary of the amounts incurred in relation to legal proceedings, including amounts, costs and expenses paid or received, and a summary of the state of progress of each legal proceeding.

As detailed in *Table D*, below, Council incurred a total of \$97,470 in relation to legal proceedings during the reporting period:

Table D: Legal Proceedings Expenses		
Item	Status	Expenditure
Debt Recovery	Complete	\$59,832.00
Industrial Relations		\$1,800.00
Planning and Environment	Ongoing	\$12,261.00
Property	Ongoing	19,003.00
Other	Complete	\$2,574.00
Total		\$95,470.00

Subsidised Private Works

Local Government (General) Regulation 2005, clause 217(1)(a4)

Council is required to provide a summary of resolutions during the reporting period under section 67 of the Act concerning work carried out on private land, including details of such work if the cost of the work has been fully or partly subsidised by Council.

During the reporting period, Council did not undertake any subsidised works on private land.

Financial Assistance to Others

Local Government (General) Regulation 2005, clause 217(1)(a5)

Under section 356 of the Act, Council can provide financial assistance to others, including through cash donations, sponsorships and reductions in charges. All financial assistance provided by Council must be disclosed in the Annual Report.

As detailed in *Table E*, below, Council provided \$46,902.62 in financial assistance to others during the reporting period, inclusive of cash donations, sponsorships and reductions in charges.

Table E: Financial Assistance		
Financial Assistance Source	Recipient	Assistance (\$)
Community Funding Program	Quirindi Tennis Club	\$364.00
	Quirindi Bowling Club	\$1,000.00
	Quirindi Miniature Railway	\$2,000.00
	Quirindi RSL Club	\$500.00
	Quirindi Rugby Union Club Inc	\$1,000.00
	Quirindi Show Society Inc.	\$5,000.00
	Wallabadah Racecourse Reserve Land Manager Trust	\$5,000.00
Heritage Grants	Mr N Ward	\$3,000.00
	Mrs D Sevil	\$2,000.00
	Mr D Von Wulf	\$1,800.00
	Romani Pastoral Co Pty Ltd	\$2,000.00
	Palamarn Pty Ltd	\$4,000.00
	Quirindi & District Historical Society	\$3,200.00
Section 356 Resolution	Liverpool Plains Kokoda Memorial Walkway Incorporated	\$14,586.13
Reduction in Charges	PJ & TL Wilkinson (t/a The Gate Café)	\$1,452.49
Total		\$46,902.62

Delegated External Bodies

Local Government (General) Regulation 2005, clause 217(1)(a6)

Council is required to include in the Annual Report a statement of all external bodies that exercise functions delegated by the Council. No external bodies exercised functions delegated by Council during the reporting period.

Controlling Interest in Companies

Local Government (General) Regulation 2005, clause 217(1)(a7)

Council is required to include in the Annual Report a statement of all corporations, partnerships, trusts, joint ventures, syndicates or other bodies in which it holds a controlling interest. Council did not hold a controlling interest in any companies during the reporting period.

Participation in Corporations, Partnerships, Joint Ventures or Other Bodies

Local Government (General) Regulation 2005, clause 217(1)(a8)

Council is required to include in the Annual Report a statement of all corporations, partnerships, trusts, joint ventures, syndicates or other bodies in which it participates.

During the reporting period, Council participated in the following corporations, partnerships and other organisations:

- Central Northern Regional Library;
- Country Mayors Association;
- Local Government NSW;
- Namoi Joint Organisation (Namoi Unlimited);
- StateCover Mutual Limited; and
- StateWide Mutual Limited.

Equal Employment Opportunity Management Plan

Local Government (General) Regulation 2005, clause 217(1)(a9)

Council is required to include in the Annual Report a statement of all activities undertaken to implement its Equal Employment Opportunity (EEO) Management Plan. Council's EEO Policy was adopted in 2018-2019 and is scheduled to be reviewed in 2021-2022.

During the reporting period, all new and commencing staff received information on their rights and responsibilities for promoting EEO and preventing Bullying and Harassment through the Employee Induction Program.

Council provides an Employee Assistance Program, providing staff and their immediate family members access to a free professional counselling service.

General Manager and Senior Staff Remuneration

Local Government (General) Regulation 2005, clause 217(1)(b-c)(i-v)

Council is required to include in the Annual Report a statement of the total remuneration comprised in the remuneration packages of the General Manager and all Senior Staff members employed during the year.

For the period 01 July 2019 to 30 June 2020, Council employed:

- Two (2) staff members in the position of General Manager; and
- One (1) staff members in the position of Director Engineering Services, designated as a Senior Staff position under section 332 of the Act.

As detailed in *Table F*, below, the total expenditure for the reporting period in respect of employment for the above staff, including salary, motor vehicle expenses, package benefits, fringe benefits tax and superannuation, was \$579,550.11.

Table F: General Manager and Senior Staff Remuneration	
Position	Remuneration
General Manager (01 July 2019 – 06 December 2019)	\$245,712.31
General Manager (09 December 2019 – 30 June 2020)	\$145,384.70
Senior Staff (Director Engineering Services)	\$188,453.10
Total	\$579,550.11

Stormwater Management Services

Local Government (General) Regulation 2005, clause 217(1)(e)

Council is required to detail in the Annual Report the stormwater management services provided during the year, if it has levied a charge for stormwater management services.

Council has not implemented a Stormwater Management Plan and did not levy a Stormwater Management Charge in the reporting period.

Coastal Protection Services

Local Government (General) Regulation 2005, clause 217(1)(e1)

Council is required to detail in the Annual Report the coastal protection services provided during the year, if it has levied a charge for coastal protection services.

Council has not implemented a Coastal Management Plan and did not levy an annual charge for coastal protection services in the reporting period.

Companion Animal Management

Local Government (General) Regulation 2005, clause 217(1)(f)

Council is required to report on its activities in enforcing and ensuring compliance with the *Companion Animals Act 1998* (“Companion Animals Act”) and Companion Animals Regulation 2008.

Council’s pound collection data for 2019-2020 is summarised in *Table G*, below:

Table G: Summary of Pound Data			
Category	Cats	Dogs	Total
• Seized	83	109	192
• Surrendered	73	130	203
• Returned to owner	3	23	26
• Taken to pound	80	86	166
• Released to owner	3	44	47
• Rehomed via Council sale	9	21	30
• Rehomed via rehoming shelters	63	135	198
• Other	1	0	1
• Euthanised	76	17	93

It is mandatory for all dog attack data to be lodged with the Office of Local Government in accordance with the Companion Animals Act. This legislation requires a dog attack to be reported within 72 hours

of the incident. In the 2019-2020 reporting period, eight dog attack incidents involving people or animals were recorded.

The Companion Animals Act provides that microchipped animals be held for a period of 14 days and unidentified animals for seven days. Council releases animals to shelters where those animals are considered to be suitable for rehoming. Council has developed strong relationships with a number of re-housing programs as evident by the Pound Data return.

Council employs one (1) full-time equivalent Ranger whose role includes local laws compliance and Companion Animals functions. The total expense for this service during the reporting period was \$146,993.41.

Under the Companion Animals Act, Council must provide at least one off-leash area where dogs can be exercised off-leash during certain hours. Council has eight designated off-leash areas throughout the Liverpool Plains Shire, including areas at Currabubula, Premer, Quirindi, Wallabadah, Werris Creek and Willow Tree.

A complete list of designated off-leash areas is contained in Council’s Companion Animals Management Plan, which is available from Council’s website at www.lpsc.nsw.gov.au.

Planning Agreements

Environmental Planning and Assessment Act 1979, section 7.5

Council is required to detail in the Annual Report the particulars of compliance with, and the effect of, any planning agreements in place.

Council did not have any planning agreements in place during the reporting period.

Environmental Upgrade Agreements

Local Government Act 1993, clause 54D and 54P(1)

Council is required to detail in the Annual Report the particulars of any environmental upgrade agreements entered into during the year.

Council did not enter into any environmental upgrade agreements during the reporting period.

Inspection of Private Swimming Pools

Swimming Pools Regulation 2018, clause 23

Council is required to undertake a program of private swimming pool inspections and detail in the Annual Report the number of inspections of carried out in the year that were of a tourist and visitor accommodation; of premises with two or more dwellings; and that resulted in certificates of compliance and non-compliance being issued.

As detailed in *Table H*, below, Council undertook 22 reportable inspections in 2019-2020:

Table H: Inspections of Private Swimming Pools	
Inspections	Number
• Of tourist and visitor accommodation	0
• Of premises with more than two dwellings	0
• That resulted in issuance of a certificate of compliance under section 22D of the Act	22
• That resulted in issuance of a certificate of non-compliance under clause 18BA of the Regulation	0
Total	22

Disability Inclusion Action Plan

Disability Inclusion Act 2014, section 13(1)

Council is required to develop and implement a Disability Inclusion Action Plan (DIAP) setting out how it will improve access for people with a disability and support them in participating full in the community. Council is also required to provide an update in the Annual Report on its progress in implementing its DIAP.

Council's DIAP was adopted in 2017 and is scheduled to be reviewed in 2021.

In 2019-2020, Council undertook the following actions to deliver on its DIAP:

- Installation of kerb ramp for public amenities – George Street, Quirindi
- Implementation of accessibility parking for public areas – George Street, Quirindi
- Implementation of accessibility parking for public areas – Single Street, Werris Creek
- Construction of accessible public amenities – King George Park, Willow Tree
- Construction of accessible public amenities – George Street, Quirindi

PART 5 –
Capital Works Report

Liverpool Plains Shire Council is required to provide a Capital Works Report under the Capital Expenditure Guidelines, issued by the Office of Local Government pursuant to section 23A of the *Local Government Act 1993*.

In 2019-2020, Council delivered a Capital Works Program totalling \$4,326,000.

Roads and Footpaths

Council expended \$1,343,000 in gravel resheeting works on several unsealed roads, including:

- Fishers Lane, Werris Creek (2.1 kilometres)
- Cattle Creek Road, Blackville (10 kilometres)
- Glen Alpine Road, Werris Creek (2.2 kilometres)
- Howes Hill Road, Spring Ridge (6 kilometres)
- Roachs Road, Blackville (3 kilometres)
- Warrah Subdivision Road, Willow Tree (1 kilometre)
- McDonalds Creek Road, Warrah (6 kilometres)
- Fairview Road, Mount Parry (4 kilometres)
- Silifants Road, Mount Parry (3.2 kilometres)
- Scotts Lane, Werris Creek (5.7 kilometres)

Road reconstruction works were undertaken on Borambil Creek Road, Willow Tree; Dewhurst Street, Quirindi; and Callaghans Lane, Quirindi. The upgrade of the Liverpool Plains Shire Council-managed section of Merriwa Road, Warrah was also completed in 2019-2020.

Council also completed the upgrade of footpath between Poole Street and Coronation Avenue, Werris Creek, and constructed a shared path between Russell Street and Park Street, Werris Creek.

Water and Sewer

There were no notable Water and Sewer capital works during the year, however Council has undertaken extensive works to finalise the design and planning stage of the Quipolly Water Project, and planning is well underway for the Quirindi Sewerage Treatment Plant Upgrade.

Major Grants

In recent years, Council has secured significant grant funding from the NSW Government and Commonwealth Government to deliver a series of infrastructure projects throughout the Liverpool Plains Shire.

In 2019-2020, Council completed the following grant-funded projects:

- Quirindi Showground Arena Amenities;
- Currabubula Recreation Reserve Multipurpose Arena;
- Quirindi Heritage Village Trainworld and Shelter Shed;
- Werris Creek Pool Cover and Warming;
- Spring Ridge Oval Fence;
- Currabubula Multi Sports Court Resurfacing and Playground Fencing;
- Royal Theatre Kitchen;
- Werris Creek Main Street Footpath Paving;
- Currabubula Water Tank;
- Westpac rated Helipad in Quirindi; and
- Quirindi Industrial Estate Water Dispensing Station.

PART 6 –
Special Rate Variation Report

Liverpool Plains Shire Council is required under sections 508(2) and 508A of the *Local Government Act 1993* to report on Special Rate Variation (SRV) expenditure during 2019-2020.

In 2014-2015, Council successfully applied to the Independent Pricing and Regulatory Tribunal (IPART) for an SRV of 12.5 per cent, comprising three components:

1. A 6.5 per cent increase for capital works on roads and associated infrastructure;
2. A 3.7 per cent increase to improve financial sustainability, upgrade infrastructure and reduce backlogs; and
3. The rate peg of 2.3 per cent.

Council must detail in its Annual Report for each year from 2014-2015 to 2023-2024:

- The actual revenues, expenses and operating balance against the projected revenues, expenses and operating balance;
- Any significant variations from its proposed expenditure as forecast in the Long-Term Financial Plan and any corrective action taken or to be taken to address any such variation;
- Expenditure consistent with Council’s application, and the reasons for any significant differences from the proposed expenditure; and
- The outcomes achieved as a result of the actual program of expenditure.

Table I: Special Rate Variation Projects		
Project	SRV Proposed Expenditure	Actual Expenditure*
Roads Drainage Maintenance	\$63,000.00	
Cana Road Causeway – Funded by SRV and Grants		\$43,984.00
Callaghans Lane Construction – Funded by SRV and Grants		\$20,000.00
Local Roads Re-Sealing	\$462,000.00	
Callaghans Lane Construction and Seal – Funded by SRV and Grants		\$576,810.00
Local Roads Gravel Re-Sheeting	\$163,000.00	
Howes Hill Road - Gravel Re-Sheeting - Funded by SRV and Grants		\$347,137.00
Barnbrook Road - Gravel Re-sheeting - Funded by SRV, Grants and Council Budget		\$5,000.00
Woodton Road - Gravel Re-sheeting - Funded by SRV, Grants and Council Budget		\$17,142.00

* SRV, Grant Funding and Council Budget expenditure not differentiated for the reporting period.

APPENDIX A – Public Interest Disclosures Act Reporting

Liverpool Plains Shire Council is required to report annually on its obligations under section 31 of the *Public Interest Disclosures Act 1994* and clause 4 of the *Public Interest Disclosures Regulation 2011*.

Statistical Information on Public Interest Disclosures

Public Interest Disclosures Regulation 2011, clause 4 (2) (a)-(c)

Table J: Statistical Information on Public Interest Disclosures	
Number of public officials who made PIDs	0
Total number of PIDs received by Liverpool Plains Shire Council	0
Of the total received, the number in each of the following categories:	
• Corrupt conduct	0
• Maladministration	0
• Serious or substantial waste	0
• Government intervention contravention	0
• Local government pecuniary interest contravention	0
Number of PIDs finalised in this reporting period	0

APPENDIX B –

Government Information (Public Access) Act Reporting

Liverpool Plains Shire Council is required to report annually on its obligations under section 125(1) of the *Government Information (Public Access) Act 2009* and clause 8 and Schedule 2 of the *Government Information (Public Access) Regulation 2018*.

Review of Proactive Release Program

Government Information (Public Access) Act 2009, clause 8(a)

Under section 7 of the GIPA Act, Council must review its programs for the release of government information to identify the kinds of information that can be made publicly available. This review must be undertaken at least once every 12 months.

Council must include details in the Annual Report on the review carried out under section 7(3) of the GIPA Act during the reporting period, including details of any information made publicly available as a result of the review.

Council undertook the following initiatives as part of the review of its proactive release program for the reporting period:

- Review of Agency Information Guide;
- Review of Contract Register;
- Review of various policies and publication to Council's website; and
- Regular COVID-19 Pandemic information published to Council's website and social media channels, including updates on Council's response, recovery and service interruptions.

Number of Access Applications Received

Government Information (Public Access) Act 2009, clause 8(b)

Council is required to disclose the total number of access applications received during the reporting period (including withdrawn applications but not including invalid applications).

During the reporting period, Council received 0 access applications.

Number of Refused Applications for Schedule 1 Information

Government Information (Public Access) Act 2009, clause 8(c)

Council is required to disclose the total number of access applications refused because the information requested was information referred to in Schedule 1 to the GIPA Act.

During the reporting period, Council refused 0 access applications for Schedule 1 information.

Table K: Number of Applications by Type and Applicant Outcome*										
	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information Not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/Deny whether information held	Application Withdrawn	Total	% of Total
Media	0	0	0	0	0	0	0	0	0	0%
Members of Parliament	0	0	0	0	0	0	0	0	0	0%
Private Sector Business	0	0	0	0	1	0	0	0	1	100%
Not for Profit Organisations or Public Sector Groups	0	0	0	0	0	0	0	0	0	0%
Members of the Public (by Legal Representative)	0	0	0	0	0	0	0	0	0	0%
Members of the Public (Other)	0	0	0	0	0	0	0	0	0	0%
Total	0	0	0	0	1	0	0	0	1	
% of Total	0%	0%	0%	0%	100%	0%	0%	0%	0%	

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table L.

Table L: Number of Applications by Type of Application and Outcome*										
	Access Granted in Full	Access Granted in Part	Access Refused in Full	Information Not Held	Information Already Available	Refuse to Deal with Application	Refuse to Confirm/Deny whether information held	Application Withdrawn	Total	% of Total
Personal Information Applications*	0	0	0	0	0	0	0	0	0	0%
Access applications (other than personal information)	0	0	0	0	1	0	0	0	1	100%
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0	0	0%
Total	0	0	0	0	1	0	0	0	1	
% of Total	0%	0%	0%	0%	100%	0%	0%	0%	100%	

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the GIPA Act) about the applicant (the applicant being an individual).

Table M: Invalid Applications		
Reason for Invalidity	No. of applications	% of Total
<ul style="list-style-type: none"> Application does not comply with formal requirements (section 41 of the Act) 	0	0%
<ul style="list-style-type: none"> Application is for excluded information of the Agency (section 43 of the Act) 	0	0%
<ul style="list-style-type: none"> Application contravenes restraint order (section 110 of the Act) 	0	0%
<ul style="list-style-type: none"> Total number of Invalid Applications received 	0	0%
<ul style="list-style-type: none"> Invalid applications that subsequently became valid applications 	0	0%

Table N: Conclusive Presumption of Overriding Public Interest Against Disclosure		
Public Interest Against Disclosure (per Schedule 1)	Number of times consideration used*	% of Total
• Overriding secrecy laws	0	0%
• Cabinet information	0	0%
• Executive Council information	0	0%
• Contempt	0	0%
• Legal professional privilege	0	0%
• Excluded Information	0	0%
• Documents affecting law enforcement and public safety	0	0%
• Transport	0	0%
• Adoption	0	0%
• Care and protection of Children	0	0%
• Ministerial Code of Conduct	0	0%
• Aboriginal and environmental heritage	0	0%
• Privilege generally - Sch1 (5A)	0	0%
• Information provided to High Risk Offenders Assessment Committee	0	0%
Total	0	0%

*More than one public interest consideration may apply in relation to a particular access application and if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table O.

Table O: Other Public Interest Considerations Against Disclosure		
Public Interest Against Disclosure (per Table to Section 14 of the Act)	Number of times consideration used*	% of Total
• Responsible and effective government	0	0%
• Law enforcement and security	0	0%
• Individual rights, judicial processes and natural justice	0	0%
• Business interests of agencies and other persons	0	0%
• Environment, culture, economy and general matters	0	0%
• Secrecy provisions	0	0%
• Exempt documents under interstate Freedom of Information legislation	0	0%
Total	0	0%

Table P: Timeliness		
	Number of Applications*	% of Total
• Decided within the statutory timeframe (20 days plus any extensions)	0	0%
• Decided after 35 days (by agreement with applicant)	0	0%
• Not decided within time (deemed refusal)	0	0%
Total	0	0%

Table Q: Number of Applications Reviewed under Part 5 of the Act (by Type of Review and Outcome)				
	Decision Varied	Decision Upheld	Total	% of Total
• Internal review	0	0	0	0%
• Review by Information Commissioner*	0	0	0	0%
• Internal review following recommendation under section 93 of Act	0	0	0	0%
• Review by NCAT	0	0	0	0%
• Total	0	0	0	0%
% of Total	0%	0%	0	0%

*The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table R: Applications for Review under Part 5 of the Act (by Type of Applicant)		
	Number of applications for review	% of Total
• Applications by access applicants	0	0%
• Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0	0%
Total	0	0%

Table S: Applications Transferred to Other Agencies		
	Number of Applications transferred	% of Total
• Agency - Initiated Transfers	0	0%
• Applicant - Initiated Transfers	0	0%
Total	0	0%

APPENDIX C –
Audited Financial Statements

Liverpool Plains Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020



Liverpool Plains Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Liverpool Plains Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

- the *Local Government Act 1993* (NSW) (as amended) 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 27 November 2020.



Doug Hawkins OAM
Mayor
27 November 2020



Ken Cudmore
Deputy Mayor
27 November 2020



Joanne Sangster
General Manager
27 November 2020



Raju Koirala
Responsible Accounting Officer
27 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019 ^{1,2}
Income from continuing operations				
10,851	Rates and annual charges	3a	12,003	11,667
4,335	User charges and fees	3b	2,931	3,251
6,156	Grants and contributions provided for operating purposes	3d,3e	7,695	6,933
466	Other revenues	3c	465	1,263
1,717	Grants and contributions provided for capital purposes	3d,3e	2,109	3,237
695	Interest and investment income	4	590	842
–	Rental income	13	217	–
<u>24,220</u>	Total income from continuing operations		<u>26,010</u>	<u>27,193</u>
Expenses from continuing operations				
10,642	Employee benefits and on-costs	5a	10,016	9,270
514	Borrowing costs	5b	363	427
5,233	Materials and contracts	5c	6,460	6,791
9,264	Depreciation and amortisation	5d	13,354	10,152
1,389	Other expenses	5e	2,141	2,608
100	Net losses from the disposal of assets	6	68	83
<u>27,142</u>	Total expenses from continuing operations		<u>32,402</u>	<u>29,331</u>
<u>(2,922)</u>	Operating result from continuing operations		<u>(6,392)</u>	<u>(2,138)</u>
<u>(2,922)</u>	Net operating result for the year		<u>(6,392)</u>	<u>(2,138)</u>
–	Net operating result attributable to council		(6,392)	(2,138)
–	Net operating result for the year before grants and contributions provided for capital purposes		(8,501)	(5,375)

(1) The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

(2) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019 ^{1,2}
Net operating result for the year (as per Income Statement)		(6,392)	(2,138)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	726	3,329
Total items which will not be reclassified subsequently to the operating result		726	3,329
Total other comprehensive income for the year		726	3,329
Total comprehensive income for the year		(5,666)	1,191
Total comprehensive income attributable to Council		(5,666)	1,191

(1) The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

(2) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019 ^{1,2}
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	8,776	3,742
Investments	7(b)	25,250	24,500
Receivables	8	2,619	4,333
Inventories	9a	759	877
Contract assets	12a	255	–
Other	9b	5	–
Total current assets		<u>37,664</u>	<u>33,452</u>
Non-current assets			
Receivables	8	19	13
Infrastructure, property, plant and equipment	10	538,368	546,088
Investment property	11	600	600
Total non-current assets		<u>538,987</u>	<u>546,701</u>
Total assets		<u>576,651</u>	<u>580,153</u>
LIABILITIES			
Current liabilities			
Payables	14	1,589	2,201
Contract liabilities	12b	3,330	–
Borrowings	14	237	226
Provisions	15	2,293	2,400
Total current liabilities		<u>7,449</u>	<u>4,827</u>
Non-current liabilities			
Borrowings	14	3,852	4,089
Provisions	15	13,443	13,618
Total non-current liabilities		<u>17,295</u>	<u>17,707</u>
Total liabilities		<u>24,744</u>	<u>22,534</u>
Net assets		<u>551,907</u>	<u>557,619</u>
EQUITY			
Accumulated surplus	16	209,779	216,217
Revaluation reserves	16	342,128	341,402
Council equity interest		<u>551,907</u>	<u>557,619</u>
Total equity		<u>551,907</u>	<u>557,619</u>

(1) The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

(2) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

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

Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19 ^{1,2}		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus Restated	IPP&E revaluation reserve	Total equity Restated
\$ '000							
Opening balance		214,459	341,402	555,861	218,355	338,073	556,428
Correction of prior period errors	16b	1,758	–	1,758	–	–	–
Changes due to AASB 1058 and AASB 15 adoption	16	(46)	–	(46)	–	–	–
Restated opening balance		216,171	341,402	557,573	218,355	338,073	556,428
Net operating result for the year		(6,392)	–	(6,392)	(3,896)	–	(3,896)
Correction of prior period errors	16b	–	–	–	1,758	–	1,758
Restated net operating result for the period		(6,392)	–	(6,392)	(2,138)	–	(2,138)
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	726	726	–	3,329	3,329
Other comprehensive income		–	726	726	–	3,329	3,329
Total comprehensive income		(6,392)	726	(5,666)	(2,138)	3,329	1,191
Equity – balance at end of the reporting period		209,779	342,128	551,907	216,217	341,402	557,619

(1) The Council has not restated comparatives when initially applying AASB 1058 Income of Not-for-Profit Entities, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases. The comparative information has been prepared under AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions, AASB 117 Leases and related Accounting Interpretations.

(2) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

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

Statement of Cash Flows
for the year ended 30 June 2020

Original unaudited budget 2020 ¹	\$ '000	Notes	Actual 2020	Restated Actual 2019 ²
Cash flows from operating activities				
<i>Receipts:</i>				
-	Rates and annual charges		11,659	11,414
-	User charges and fees		4,234	2,216
-	Investment and interest revenue received		727	868
-	Grants and contributions		13,764	10,397
-	Bonds, deposits and retention amounts received		-	67
-	Other		1,644	958
<i>Payments:</i>				
-	Employee benefits and on-costs		(10,021)	(9,166)
-	Materials and contracts		(8,171)	(6,873)
-	Borrowing costs		(231)	(248)
-	Bonds, deposits and retention amounts refunded		(3)	-
-	Other		(2,618)	(1,722)
-	Net cash provided (or used in) operating activities	17b	10,984	7,911
Cash flows from investing activities				
<i>Receipts:</i>				
-	Sale of infrastructure, property, plant and equipment		42	96
-	Deferred debtors receipts		2	1
<i>Payments:</i>				
-	Purchase of investment securities		(750)	(1,500)
-	Purchase of infrastructure, property, plant and equipment		(5,018)	(6,954)
-	Net cash provided (or used in) investing activities		(5,724)	(8,357)
Cash flows from financing activities				
<i>Payments:</i>				
-	Repayment of borrowings and advances		(226)	(218)
-	Net cash flow provided (used in) financing activities		(226)	(218)
-	Net increase/(decrease) in cash and cash equivalents		5,034	(664)
-	Plus: cash and cash equivalents – beginning of year	17a	3,742	4,406
-	Cash and cash equivalents – end of the year	17a	8,776	3,742
-	plus: Investments on hand – end of year	7(b)	25,250	24,500
-	Total cash, cash equivalents and investments		34,026	28,242

(1) Please refer Note 18 for more details regarding the original unaudited budget

(2) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 27 November 2020. 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 (NSW)* and Regulations, 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.

(a) Historical cost convention

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

(b) 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 investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 15
- (iv) employee benefit provisions – refer Note 15.

COVID 19 Impacts

Covid 19 has caused a disruption to council's business practices with some staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Council has received one rent relief request and granted a 50% rent relief for the period 01 April 2020 to 30 June 2020.

Rate and receivable collections have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to the COVID. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID.

For assets where fair value is determined by market value, the Council has no evidence of material changes to these values. With COVID emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

June 2020.

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 Note 8.

Monies and other assets received by Council

(a) 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.

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

Council does not maintain a separate and distinct Trust Fund in accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended). Separate and distinct cash funded liability accounts are maintained to account for all money and assets 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 makes use of volunteers for the community, museums, theatre and also library services. Such volunteer services have not been recognised in the income statement for the year ended on 30 June 2020 for the reason that the services would not be purchased if not donated through consolidation or relocation of services currently provided by the Council.

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 2020 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 1059 Service Concession Arrangements: Grantors
AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 2(a). Council functions/activities – financial information ¹

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
\$ '000										
				Restated		Restated				Restated
Functions or activities										
Social	2,297	3,606	2,223	2,873	74	733	840	886	21,745	25,312
Governance	2,423	1,963	2,760	2,117	(337)	(154)	606	113	6,282	2,736
Environment	19,905	19,332	25,345	22,431	(5,440)	(3,099)	7,818	8,471	532,121	533,885
Economic	1,385	2,292	2,074	1,910	(689)	382	325	453	16,503	18,220
Total functions and activities	26,010	27,193	32,402	29,331	(6,392)	(2,138)	9,589	9,923	576,651	580,153

(1) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Social

Having a great rural lifestyle with access to quality services.

- Beautiful landscapes
- Celebrate local events and festivals
- Transport and telecommunication options to support our businesses and lifestyle safe communities

Governance

Strong community, council and business leadership.

- A strong supported volunteer base
- Council, community and business leaders work together
- Liverpool Plain Shire Council represents the community it serves

Environment

A sustainable environment.

- Well planned and maintained infrastructure
- Access to affordable clean water supplies
- We actively foster and utilise renewable energy
- Actively manage the impact on our environment

Economic

A thriving economy.

- Have a growing economy which offers a diverse range of job opportunities
- Foster new business development for our future prosperity
- Town planning reflects the diversity of our towns and villages
- We embrace tourism

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	2,180	2,127
Farmland	1058 (1)	4,315	4,201
Mining	1058 (1)	372	357
Business	1058 (1)	327	324
Less: pensioner rebates (mandatory)	1058 (1)	(130)	(133)
Rates levied to ratepayers		7,064	6,876
Pensioner rate subsidies received	1058 (1)	69	73
Total ordinary rates		7,133	6,949
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	1,432	1,390
Water supply services	1058 (1)	2,239	2,156
Sewerage services	1058 (1)	1,180	1,151
Waste management services (non-domestic)	1058 (1)	99	97
Less: pensioner rebates (mandatory)	1058 (1)	(169)	(170)
Annual charges levied		4,781	4,624
Pensioner subsidies received:			
– Water	1058 (1)	31	33
– Sewerage	1058 (1)	24	25
– Domestic waste management	1058 (1)	34	36
Total annual charges		4,870	4,718
TOTAL RATES AND ANNUAL CHARGES		12,003	11,667

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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 in substance a rates payment.

2019 accounting policy

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	172	189
Water supply services	15 (1)	1,182	1,164
Sewerage services	15 (1)	169	216
Total specific user charges		1,523	1,569
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation	15 (1)	52	41
Building services – other	15 (1)	34	23
Inspection services	15 (1)	31	16
Planning and building regulation	15 (1)	2	1
Private works – section 67	15 (1)	117	120
Regulatory/ statutory fees	15 (1)	2	2
Registration fees	15 (1)	2	3
Section 10.7 certificates (EP&A Act)	15 (1)	18	16
Section 603 certificates	15 (1)	16	14
Total fees and charges – statutory/regulatory		274	236
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	4	51
Aged care	15 (1)	37	27
Cemeteries	15 (1)	135	130
Child care	15 (1)	595	573
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	36	339
Swimming centres	15 (1)	59	79
Water connection fees	15 (1)	15	10
Septic tanks	15 (1)	5	6
Sporting and recreation	15 (1)	248	230
Other	15 (1)	–	1
Total fees and charges – other		1,134	1,446
TOTAL USER CHARGES AND FEES		2,931	3,251

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

2019 accounting policy

User charges and fees are recognised as revenue when the service has been provided.

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property		–	12
Rental income – other council properties (2019 only)		–	281
Fines	1058 (1)	3	2
Legal fees recovery – rates and charges (extra charges)	15 (1)	57	37
Commissions and agency fees	15 (1)	153	159
Sales – general	15 (1)	45	54
Insurance discounts	1058 (1)	52	32
Theatre	15 (1)	56	57
Australian Taxation Office Refund	15 (1)	–	335
Other	15 (1)	99	86
Outstanding Judgement Debt	15 (1)	–	208
<u>TOTAL OTHER REVENUE</u>		<u>465</u>	<u>1,263</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council’s activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,209	1,220	–	–
Financial assistance – local roads component	1058 (1)	693	687	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,280	1,226	–	–
Financial assistance – local roads component	1058 (1)	736	752	–	–
Total general purpose		3,918	3,885	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	228	486	–	–
Child care	1058 (1)	–	29	–	–
Community care	1058 (1)	298	252	–	–
Heritage and cultural		103	80	–	–
Noxious weeds	1058 (1)	67	66	–	–
Recreation and culture	1058 (1)	–	–	1,204	487
Street lighting	1058 (1)	–	39	–	–
Transport (roads to recovery)	1058 (1)	1,300	667	–	–
Roads and bridges	15 (1)	1,768	1,376	532	1,893
Other	1058 (2)	6	38	135	172
Drought Funding	1058 (2)	–	–	30	453
Total specific purpose		3,770	3,033	1,901	3,005
Total grants		7,688	6,918	1,901	3,005
Grant revenue is attributable to:					
– Commonwealth funding		5,517	3,889	30	453
– State funding		2,171	3,029	1,871	2,552
		7,688	6,918	1,901	3,005

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	97	61
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	76	65
S 64 – water supply contributions		1058 (1)	–	–	35	59
S 64 – sewerage service contributions		1058 (1)	–	–	–	28
Total developer contributions – cash			–	–	208	213
Total developer contributions	25		–	–	208	213
Other contributions:						
Cash contributions						
Other		1058 (1)	7	15	–	–
Total other contributions – cash			7	15	–	–
Non-cash contributions						
NSW State Government - Crown Land			–	–	–	19
Total other contributions – non-cash			–	–	–	19
Total other contributions			7	15	–	19
Total contributions			7	15	208	232
TOTAL GRANTS AND CONTRIBUTIONS			7,695	6,933	2,109	3,237

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

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 are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

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

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

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	4,559	2,766
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	787
Add: operating grants received for the provision of goods and services in a future period		
Add: operating grants received for the provision of goods and services in a future period	146	1,978
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(3,639)	(972)
Unexpended and held as externally restricted assets (operating grants)	1,066	4,559
Capital grants		
Unexpended at the close of the previous reporting period	874	2,519
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	371
Add: capital grants received for the provision of goods and services in a future period	3,386	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(2,016)
Less: capital grants received in a previous reporting period now spent and recognised as income	(874)	–
Unexpended and held as externally restricted assets (capital grants)	3,386	874
Contributions		
Unexpended at the close of the previous reporting period	1,702	1,445
Add: contributions recognised as income in the current period but not yet spent	239	257
Add: contributions received for the provision of goods and services in a future period	–	–
Unexpended and held as externally restricted assets (contributions)	1,941	1,702

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	95	87
– Cash and investments	495	755
Finance income on the net investment in the lease	–	–
Total Interest and investment income	590	842

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	79	79
General Council cash and investments	164	195

Restricted investments/funds – external:

Development contributions		
– Section 7.11	12	29
– Section 64	9	15

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Water fund operations	183	282
Sewerage fund operations	143	242
Total interest and investment revenue	590	842

Accounting policy for interest and investment revenue

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

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	7,559	7,358
Travel expenses	15	18
Employee leave entitlements (ELE)	1,392	1,259
ELE on-costs	30	41
Superannuation	772	801
Superannuation – defined contribution plans	88	107
Workers' compensation insurance	450	298
Fringe benefit tax (FBT)	48	111
Training costs	147	191
Protective clothing	40	19
Total employee costs	10,541	10,203
Less: capitalised costs	(525)	(933)
TOTAL EMPLOYEE COSTS EXPENSED	10,016	9,270
Number of 'full-time equivalent' employees (FTE) at year end	117	111

Accounting policy for employee benefits and on-costs

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 19 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		–	–
Interest on loans		231	248
Total interest bearing liability costs		231	248
Total interest bearing liability costs expensed		231	248
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	15	132	179
Total other borrowing costs		132	179
TOTAL BORROWING COSTS EXPENSED		363	427

Accounting policy for borrowing costs

Borrowing costs are expensed, Council did not have any borrowing costs for the construction of a qualifying asset.

\$ '000	2020	2019 ¹ Restated
(c) Materials and contracts		
Raw materials and consumables	3,546	3,698
Contractor and consultancy costs	2,693	2,830
Auditors remuneration	119	116
Legal expenses:		
– Legal expenses: planning and development	–	1
– Legal expenses: other	102	146
TOTAL MATERIALS AND CONTRACTS	6,460	6,791

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	107	96
Remuneration for audit and other assurance services	107	96

Total Auditor-General remuneration

107	96
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other assurance services: Council's Auditor	12	20
Remuneration for audit and other assurance services	12	20

Total remuneration of non NSW Auditor-General audit firms

12	20
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Total Auditor remuneration

119	116
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(1) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		809	1,023
Office equipment		7	7
Furniture and fittings		27	27
Infrastructure:	10		
– Buildings		644	626
– Other structures		252	273
– Roads		8,156	5,253
– Bridges		935	365
– Footpaths		69	169
– Stormwater drainage		270	161
– Water supply network		1,044	1,065
– Sewerage network		725	739
Right of use assets	13	–	–
Other assets:			
– Other		167	172
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10	167	176
– Quarry assets	15,10	82	96
Total depreciation and amortisation costs		13,354	10,152
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>13,354</u>	<u>10,152</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

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 10 for IPPE assets.

Council, during the year migrated the following assets from a standalone assets management system to the Council's Core Business System:

- Roads
- Bridges
- Footpaths
- Stormwater Drainage

During the process of migration, it has been identified that the Council has been using Consumption-based depreciation in the past, which is based on measuring the level of the asset's remaining service potential after considering both holistic and component-specific factors. Consumption-based depreciation requires a sophisticated model supported by sound evidence and reliable information which, the Council do not possess. Council therefore has implemented the straight line method of depreciation commencing financial year 2019/20, in line with the depreciation policy as stated in the Notes to the Financial Statements. Due to the change in depreciation on the assets stated above, Council's annual depreciation cost increased by \$3 million as compared to the earlier method of depreciation followed until the end of the 2018/19 financial year.

Depreciation is capitalised where in-house assets have contributed to new 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 no longer required to be tested for impairment under AASB 136. This is because 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. 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.

\$ '000	2020	2019
(e) Other expenses		
Advertising	36	48
Bad and doubtful debts	–	277
Bank charges	7	3
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	362	358
Councillor expenses – mayoral fee	23	22
Councillor expenses – councillors' fees	90	87
Councillors' expenses (incl. mayor) – other (excluding fees above)	17	14
Electricity and heating	417	527
Insurance	639	547
Library costs	140	139
Postage	24	28
Printing and stationery	25	25
Street lighting	97	182
Subscriptions and publications	151	190
Telephone and communications	113	161
<u>TOTAL OTHER EXPENSES</u>	<u>2,141</u>	<u>2,608</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10		
Proceeds from disposal – plant and equipment		42	96
Less: carrying amount of plant and equipment assets sold/written off		(110)	(179)
Net gain/(loss) on disposal		<u>(68)</u>	<u>(83)</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(68)</u>	<u>(83)</u>

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	8,776	3,742
Total cash and cash equivalents	8,776	3,742

Accounting policy for cash and cash equivalents

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. As at 30 June, 2020 Council had not availed itself of its bank overdraft facility.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	25,250	–	24,500	–
Total Investments	25,250	–	24,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	34,026	–	28,242	–
Financial assets at amortised cost				
Term deposits	25,250	–	24,500	–
Total	25,250	–	24,500	–

Accounting policy for investments

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, Council at June 30, only held funds in term deposits.

Financial assets

All recognised financial assets are measured in their entirety at fair value, given Council's investments are term deposits held with ADI's fair value is deemed to be equal to the amount of the original investment.

Classification

Given the nature of Council's investments all financial assets are classified as Financial assets measured at Amortised Cost and 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 and cash and cash equivalents 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	34,026	–	28,242	–
attributable to:				
External restrictions	26,120	–	23,247	–
Internal restrictions	6,766	–	4,495	–
Unrestricted	1,140	–	500	–
	<u>34,026</u>	<u>–</u>	<u>28,242</u>	<u>–</u>

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	3,330	–
External restrictions – included in liabilities	<u>3,330</u>	<u>–</u>

External restrictions – other

Developer contributions – general	1,317	1,124
Developer contributions – water fund	593	550
Developer contributions – sewer fund	29	28
Specific purpose unexpended grants (recognised as revenue) – general fund	801	3,135
Specific purpose unexpended grants (recognised as revenue) – water fund	320	320
Water supplies	10,389	9,340
Sewerage services	9,277	8,683
Deposits, Retentions & Bonds	64	67
External restrictions – other	<u>22,790</u>	<u>23,247</u>

Total external restrictions

	<u>26,120</u>	<u>23,247</u>
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Internal restrictions

Summerhill Lodge	–	2
Property	500	100
Employees leave entitlement	1,200	1,107
Remediation - Quarry	100	100
Remediation - Waste	1,000	100
Infrastructure/ Renewal	200	208
FAG Operational - 2020/21 Received in Advance	1,280	1,226
FAG Road - 2020/21 Received in Advance	736	752
Information Technology	800	200
Plant and vehicle replacement reserve	950	700
Total internal restrictions	<u>6,766</u>	<u>4,495</u>

TOTAL RESTRICTIONS

	<u>32,886</u>	<u>27,742</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,370	19	1,032	13
Interest and extra charges	90	–	104	–
User charges and fees	1,238	–	2,294	–
Accrued revenues				
– Interest on investments	129	–	252	–
Deferred debtors	21	–	23	–
Government grants and subsidies	–	–	834	–
Net GST receivable	138	–	160	–
Other levels of government	7	–	8	–
Total	2,993	19	4,707	13
Less: provision of impairment				
Rates and annual charges	(106)	–	(106)	–
User charges and fees	(268)	–	(60)	–
Judgement Debt	–	–	(208)	–
Total provision for impairment – receivables	(374)	–	(374)	–
<u>TOTAL NET RECEIVABLES</u>	<u>2,619</u>	<u>19</u>	<u>4,333</u>	<u>13</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	293	–	481	–
– User Fees & Charges	368	–	228	–
Sewerage services				
– Rates and availability charges	141	–	113	–
Total external restrictions	802	–	822	–
Unrestricted receivables	1,817	19	3,511	13
<u>TOTAL NET RECEIVABLES</u>	<u>2,619</u>	<u>19</u>	<u>4,333</u>	<u>13</u>

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	374	148
+ new provisions recognised during the year	–	278
– amounts already provided for and written off this year	–	(52)
Balance at the end of the year	374	374

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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 90 days past due has seen a significant increase in credit risk.

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	759	–	877	–
Total inventories at cost	759	–	877	–
TOTAL INVENTORIES	759	–	877	–
(b) Other assets				
Prepayments	5	–	–	–
TOTAL OTHER ASSETS	5	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

Accounting policy for inventories and other assets

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.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19 ²			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress ²	5,259	–	5,259	1,056	–	–	–	(4,095)	–	–	2,220	–	2,220
Plant and equipment	10,500	(4,961)	5,539	42	–	(61)	(809)	–	–	–	10,439	(5,728)	4,711
Office equipment	35	(7)	28	–	83	–	(7)	26	–	–	144	(14)	130
Furniture and fittings	163	(33)	130	–	–	–	(27)	–	–	–	163	(60)	103
Land:													
– Operational land	9,030	–	9,030	–	–	–	–	–	(21)	–	9,009	–	9,009
– Community land	4,303	–	4,303	–	–	–	–	–	–	–	4,303	–	4,303
Infrastructure:													
– Buildings	53,661	(25,911)	27,750	485	–	–	(644)	527	21	–	54,693	(26,554)	28,139
– Other structures	5,271	(992)	4,279	279	–	(35)	(252)	668	–	–	6,171	(1,232)	4,939
– Roads	285,216	(53,477)	231,739	2,554	–	–	(8,156)	2,657	(1,858)	–	288,571	(61,635)	226,936
– Bridges	73,410	(4,994)	68,416	266	–	–	(935)	–	–	–	73,676	(5,929)	67,747
– Footpaths	5,352	(803)	4,549	222	–	(2)	(69)	111	–	–	5,662	(851)	4,811
– Bulk earthworks (non-depreciable)	78,016	–	78,016	–	–	–	–	–	1,858	–	79,874	–	79,874
– Stormwater drainage	19,601	(4,718)	14,883	395	–	(12)	(270)	–	–	–	19,978	(4,982)	14,996
– Water supply network	75,348	(24,021)	51,327	–	–	–	(1,044)	–	–	478	76,064	(25,303)	50,761
– Sewerage network	32,446	(5,612)	26,834	–	–	–	(725)	–	–	248	32,755	(6,398)	26,357
Other assets:													
– Other	3,975	(2,164)	1,811	–	–	–	(167)	106	–	–	4,081	(2,331)	1,750
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	11,215	(412)	10,803	–	–	(317)	(167)	–	–	–	10,898	(579)	10,319
– Quarry assets	1,777	(385)	1,392	–	–	(47)	(82)	–	–	–	1,730	(467)	1,263
Total Infrastructure, property, plant and equipment	674,578	(128,490)	546,088	5,299	83	(474)	(13,354)	–	–	726	680,431	(142,063)	538,368

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

(2) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹ Restated	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated
\$ '000													
Capital work in progress ²	2,761	–	2,761	4,450	–	–	–	(1,952)	–	–	5,259	–	5,259
Plant and equipment	15,164	(8,736)	6,428	273	–	(139)	(1,023)	–	–	–	10,500	(4,961)	5,539
Office equipment	1,600	(1,565)	35	–	–	–	(7)	–	–	–	35	(7)	28
Furniture and fittings	571	(414)	157	–	–	–	(27)	–	–	–	163	(33)	130
Land:													
– Operational land	8,979	–	8,979	–	45	–	–	6	–	–	9,030	–	9,030
– Community land	4,284	–	4,284	–	19	–	–	–	–	–	4,303	–	4,303
Infrastructure:													
– Buildings	53,599	(25,378)	28,221	67	–	(40)	(626)	128	–	–	53,661	(25,911)	27,750
– Other structures	5,271	(719)	4,552	–	–	–	(273)	–	–	–	5,271	(992)	4,279
– Roads	282,006	(48,224)	233,782	1,392	–	–	(5,253)	1,818	–	–	285,216	(53,477)	231,739
– Bridges	73,410	(4,629)	68,781	–	–	–	(365)	–	–	–	73,410	(4,994)	68,416
– Footpaths	2,883	(264)	2,619	–	–	–	(169)	–	–	2,099	5,352	(803)	4,549
– Bulk earthworks (non-depreciable)	78,016	–	78,016	–	–	–	–	–	–	–	78,016	–	78,016
– Stormwater drainage	19,601	(4,557)	15,044	–	–	–	(161)	–	–	–	19,601	(4,718)	14,883
– Water supply network	74,093	(22,577)	51,516	69	–	–	(1,065)	–	–	807	75,348	(24,021)	51,327
– Sewerage network	31,935	(4,785)	27,150	–	–	–	(739)	–	–	423	32,446	(5,612)	26,834
Other assets:													
– Other	3,317	(1,992)	1,325	–	658	–	(172)	–	–	–	3,975	(2,164)	1,811
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	659	(236)	423	–	–	–	(176)	–	10,556	–	11,215	(412)	10,803
– Quarry assets	486	(289)	197	–	–	–	(96)	–	1,291	–	1,777	(385)	1,392
Total Infrastructure, property, plant and equipment	658,635	(124,365)	534,270	6,251	722	(179)	(10,152)	–	11,847	3,329	674,578	(128,490)	546,088

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

(2) The closing figures have been restated, refer to Note 16(b)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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 Industry (DoI) – Water.

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date. In the case of Crown Land Council uses the valuation provided for rating puposes, if the Valuer General has not provided a value for a particular parcel of land than the average unit rate of neighbouring parcels of land is discounted and applied to the Crown Land. Discounting is applied to allow for the restricted use of the Crown Land.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5	Playground equipment	5 to 15
Office furniture	5	Benches, seats etc.	10 to 20
Computer equipment	5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	50 to 60
		Stormwater assets	
Water and sewer assets		Drains	70
Dams and reservoirs	25 to 100	Culverts	40 to 80
Bores	20 to 40		
Reticulation pipes: PVC	70		
Reticulation pipes: other	50 to 70		
Pumps and telemetry	15 to 25		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	N/A
Sealed roads: surface	15 to 18	Swimming pools	50
Sealed roads: structure	40 to 100	Other open space/recreational assets	5 to 100
Bridge: concrete	80	Other infrastructure	5 to 100
Bridge: other	80		
Kerb, gutter and footpaths	50 to 100		

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

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.

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".

Council only recognises Rural Fire Service assets that have been constructed on Council owned or controlled land.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	600	600
Total owned investment property	600	600

(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	600	600
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	600	600

(b) Valuation basis (2019 only)

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

\$ '000	2020	2019
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(c) Leasing arrangements – Council as lessor (2019 only)

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	–	12
Later than 1 year but less than 5 years	–	7
Total minimum lease payments receivable	–	19

Council has only one investment property which is currently under a 5 year lease, the current lease is due to expire in 2021 Lease payments on the property are payable monthly

(d) Investment property income and expenditure – summary (2019 only)

Rental income from investment property:

– Minimum lease payments	–	12
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Direct operating expenses on investment property:

– that generated rental income	–	(5)
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Net revenue contribution from investment property	–	7
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plus:

Total income attributable to investment property	–	7
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Accounting policy for investment property

Council owns one investment property being grazing land, it is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Construction - Footpath paving		185	–
Construction - Royal Theatre amenities		34	–
Construction - David Taylor Freedom Camping Ground		36	–
Total Contract assets		255	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	3,223	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	107	–
Total grants received in advance		3,330	–
Total contract liabilities		3,330	–

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.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	703
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	703

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

Preamble

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has reviewed existing arrangement associated with the leasing and it is being determined that the Council does not require to report under AASB 16 for the financial year ending on 30 June 2020 as most of the current leasing are for a period of 12 or less months and value of total lease contract collectively is not material.

(ii) Council as a lessor

Operating leases

Council leases out a number of properties for staff housing, health services, emergency services and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note 11) and/or IPP&E (refer note 10).

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

\$ '000	2020
(i) Operating lease income	
Investment properties	
Lease income (excluding variable lease payments not dependent on an index or rate)	12
Other lease income	
Room/Facility Hire	174
Leaseback fees - council vehicles	31
Total income relating to operating leases	217
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	3
Total expenses relating to operating leases	3

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	1,202	–	1,904	–
Accrued expenses:				
– Salaries and wages	323	–	228	–
– Other	–	–	2	–
Security bonds, deposits and retentions	64	–	67	–
Prepaid rates	–	–	–	–
Total payables	1,589	–	2,201	–
Borrowings				
Loans – secured ¹	237	3,852	226	4,089
Total borrowings	237	3,852	226	4,089
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,826</u>	<u>3,852</u>	<u>2,427</u>	<u>4,089</u>

(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 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	174	3,284	215	3,459
Payables and borrowings relating to externally restricted assets	174	3,284	215	3,459
Total payables and borrowings relating to restricted assets	174	3,284	215	3,459
Total payables and borrowings relating to unrestricted assets	1,652	568	2,212	630
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>1,826</u>	<u>3,852</u>	<u>2,427</u>	<u>4,089</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes			as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy Other non-cash movement	Closing balance
Loans – secured	4,315	(226)	–	–	–	4,089
TOTAL	4,315	(226)	–	–	–	4,089

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	4,533	(218)	–	–	–	4,315
TOTAL	4,533	(218)	–	–	–	4,315

\$ '000	2020	2019
---------	------	------

(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	150	150
Credit cards/purchase cards	30	31
Total financing arrangements	180	181

Undrawn facilities as at balance date:

– Bank overdraft facilities	150	150
– Credit cards/purchase cards	23	21
Total undrawn financing arrangements	173	171

Additional financing arrangements information**Breaches and defaults**

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

Security over loans

Loans are secured over the general rating income of Council.

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs.

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

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	840	–	787	–
Sick leave	27	–	13	13
Long service leave	1,225	107	1,364	42
ELE on-costs	201	9	236	4
Sub-total – aggregate employee benefits	<u>2,293</u>	<u>116</u>	<u>2,400</u>	<u>59</u>
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	13,327	–	13,559
Sub-total – asset remediation/restoration	<u>–</u>	<u>13,327</u>	<u>–</u>	<u>13,559</u>
<u>TOTAL PROVISIONS</u>	<u>2,293</u>	<u>13,443</u>	<u>2,400</u>	<u>13,618</u>

\$ '000	2020	2019
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(a) 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.

Provisions – employees benefits	1,419	1,626
	<u>1,419</u>	<u>1,626</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	
2020					
At beginning of year	787	26	1,406	240	2,459
Additional provisions	626	–	233	–	859
Amounts used (payments)	(590)	–	(398)	–	(988)
Remeasurement effects	17	1	91	(30)	79
Total ELE provisions at end of year	840	27	1,332	210	2,409
2019					
At beginning of year	718	21	1,401	200	2,340
Additional provisions	568	–	135	–	703
Amounts used (payments)	(521)	–	(267)	–	(788)
Remeasurement effects	22	5	137	40	204
Total ELE provisions at end of year	787	26	1,406	240	2,459

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	13,559	13,559
Revised costs	(364)	(364)
Unwinding of discount	132	132
Total other provisions at end of year	13,327	13,327
2019		
At beginning of year	1,533	1,533
Revised costs	11,847	11,847
Unwinding of discount	179	179
Total other provisions at end of year	13,559	13,559

Nature and purpose of non-employee benefit provisions**Asset remediation**

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

Accounting policy for provisions

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 interest expense.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

Employee benefits

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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The 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.

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 quarry reserves

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within 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 and quarry 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. Council only recognises an estimate for remediation costs for quarries where it has a Development Application requiring it to do so.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Council, during the process of identification of Contract Assets and Liability as a result of implementation of AASB 15 and AASB 1058, identified \$1.76 million of capital expenditure that had been incorrectly expensed in 2018/19 instead of treated as work in progress. Council considers this is to be a material error and has corrected 2018/19 financial statement line items as follows:

As at 30 June 2019

Infrastructure, property, plant and equipment	\$1,757,498	Increase
Materials and contract expenses	\$1,757,498	Decrease

Adjustments to the comparative figures for the year ended 30 June 2019**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	544,330	1,758	546,088
Total assets	578,395	1,758	580,153
Net assets	555,861	1,758	557,619
Accumulated Surplus	214,459	1,758	216,217
Total equity	555,861	1,758	557,619

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Materials and contracts	8,549	(1,758)	6,791
Total expenses from continuing operations	31,089	(1,758)	29,331
Net operating result for the year	(3,896)	1,758	(2,138)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year	(3,896)	1,758	(2,138)
Total comprehensive income for the year	(567)	1,758	1,191

Statement of Cash flows

Materials and contracts	(8,631)	1,758	(6,873)
Net cash provided by (or used in) operating activities	6,153	1,758	7,911
Purchase of infrastructure, property, plant and equipment	(5,196)	(1,758)	(6,954)
Net cash provided by (or used in) investing activities	(6,599)	(1,758)	(8,357)

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

Changes in accounting policies due to adoption of AASB 15 and AASB 1058
The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Principal v agent**

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058.

Accordingly, additional line items of contract assets and contract liabilities have been created.

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	657
Total Contract assets	657
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	703
Total Contract liabilities	703

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	8,776	–	–	8,776	
Investments	25,250	–	–	25,250	
Receivables	2,619	–	–	2,619	
Inventories	759	–	–	759	
Contract assets	255	–	(255)	–	
Other	5	–	–	5	
Total current assets	37,664	–	(255)	37,409	
Current liabilities					
Payables	1,589	–	–	1,589	
Contract liabilities	3,330	–	(3,330)	–	
Borrowings	237	–	–	237	
Provisions	2,293	–	–	2,293	
Total current liabilities	7,449	–	(3,330)	4,119	
Non-current assets					
Receivables	19	–	–	19	
Infrastructure, property, plant and equipment	538,368	–	–	538,368	
Investment property	600	–	–	600	
Total non-current assets	538,987	–	–	538,987	
Non-current liabilities					
Borrowings	3,852	–	–	3,852	
Provisions	13,443	–	–	13,443	
Total Non-current liabilities	17,295	–	–	17,295	
Net assets	551,907	–	3,075	554,982	
Equity					
Accumulated surplus	209,779	–	3,075	212,854	
Revaluation reserves	342,128	–	–	342,128	
Council equity interest	551,907	–	3,075	554,982	
Total equity	551,907	–	3,075	554,982	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of financial position for the year ended 30 June 2020 due to the fact that the Council has received Capital Grants to construct or acquire the non-financial asset for its

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

own use which is accounted under AASB 1058 and not completed by milestone finish date of 30 June 2020, thus requiring a correction to the income and retained earnings for the period.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	12,003	–	–	12,003	
User charges and fees	2,931	–	–	2,931	
Other revenues	465	–	–	465	
Grants and contributions provided for operating purposes	7,695	–	107	7,802	
Grants and contributions provided for capital purposes	2,109	–	2,968	5,077	
Interest and investment income	590	–	–	590	
Rental income	217	–	–	217	
Total Income from continuing operations	26,010	–	3,075	29,085	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	10,016	–	–	10,016	
Borrowing costs	363	–	–	363	
Materials and contracts	6,460	–	–	6,460	
Depreciation and amortisation	13,354	–	–	13,354	
Other expenses	2,141	–	–	2,141	
Net losses from the disposal of assets	68	–	–	68	
Total Expenses from continuing operations	32,402	–	–	32,402	
Total Operating result from continuing operations	(6,392)	–	3,075	(3,317)	
Net operating result for the year	(6,392)	–	3,075	(3,317)	
Total comprehensive income	(5,666)	–	3,075	(2,591)	

The adoption of AASB 15 and AASB 1058 has materially changed the statement of financial position for the year ended 30 June 2020 due to the fact that the Council has received Capital Grants to construct or acquire the non-financial asset for its own use which is accounted under AASB 1058 and not completed by milestone finish date of 30 June 2020, thus requiring a correction to the income and retained earnings for the period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019 ¹	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	657	657
Total assets	580,153	657	580,810
Contract liabilities	–	703	703
Total liabilities	22,534	703	23,237
Accumulated surplus	216,217	(46)	216,171
Total equity	557,619	(46)	557,573

(1) See Note 16(b) regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019 Restated
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,776	3,742
Balance as per the Statement of Cash Flows		8,776	3,742
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement ¹		(6,392)	(2,138)
Adjust for non-cash items:			
Depreciation and amortisation		13,354	10,152
Net losses/(gains) on disposal of assets		68	83
Non-cash capital grants and contributions		–	(19)
Adoption of AASB 15/1058		(46)	–
Remediation Re-measurement		–	(11,847)
Unwinding of discount rates on reinstatement provisions		132	179
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,706	(1,545)
Increase/(decrease) in provision for impairment of receivables		–	226
Decrease/(increase) in inventories		118	(473)
Decrease/(increase) in other current assets		(5)	–
Decrease/(increase) in contract assets		(255)	–
Increase/(decrease) in payables		(702)	1,245
Increase/(decrease) in other accrued expenses payable		93	17
Increase/(decrease) in other liabilities		(3)	65
Increase/(decrease) in contract liabilities		3,330	–
Increase/(decrease) in provision for employee benefits		(50)	119
Increase/(decrease) in other provisions		(364)	11,847
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,984	7,911

(1) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

(c) Non-cash investing and financing activities

Other dedications	–	19
Total non-cash investing and financing activities	–	19

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Road Construction	405	210
Recreational Assets	140	118
Total commitments	545	328
These expenditures are payable as follows:		
Within the next year	545	328
Total payable	545	328
Sources for funding of capital commitments:		
Future grants and contributions	405	210
Unexpended grants	140	118
Total sources of funding	545	328

Details of capital commitments

Council has accepted funding under the Commonwealth and State Grant Program and is working on improving recreational assets within the community. Roadworks are continuing across the Council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$153,397.05 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA, and covers the period ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$148,340.64

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(i) Third party claims

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

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

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,776	3,742	8,776	3,742
Receivables	2,638	4,346	2,638	4,346
Investments				
– 'Financial assets at amortised cost'	25,250	24,500	25,250	24,500
Total financial assets	36,664	32,588	36,664	32,588
Financial liabilities				
Payables	1,589	2,201	1,589	2,201
Loans/advances	4,089	4,315	4,089	4,315
Total financial liabilities	5,678	6,516	5,678	6,516

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.

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.

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

The risks associated with the instruments held are:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

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

(a) Market risk – price risk and interest rate risk

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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	258	258	(258)	(258)
2019				
Possible impact of a 1% movement in interest rates	238	238	(238)	(238)

(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.

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.

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 secure a charge over the land relating to the debts – 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 the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	925	205	139	120	1,389
2019						
Gross carrying amount	–	707	137	112	89	1,045

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

The loss allowance provision as at 30 June 2020 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
2020						
Gross carrying amount	192	428	373	77	553	1,623
Expected loss rate (%)	0.00%	0.00%	0.50%	1.00%	48.00%	16.52%
ECL provision	–	–	2	1	265	268
2019						
Gross carrying amount	305	2,746	44	106	474	3,675
Expected loss rate (%)	0.00%	0.00%	1.00%	2.00%	56.11%	7.31%
ECL provision	–	–	–	2	266	268

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	64	1,522	–	–	1,586	1,589
Loans and advances	5.52%	–	451	2,230	3,063	5,744	4,089
Total financial liabilities		64	1,973	2,230	3,063	7,330	5,678
2019							
Trade/other payables	0.00%	67	2,134	–	–	2,201	2,201
Loans and advances	5.51%	–	463	1,825	3,972	6,260	4,315
Total financial liabilities		67	2,597	1,825	3,972	8,461	6,516

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Pre amble

Council's original financial budget for 2019/20 was adopted by the Council on 26 June 2019 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

Due to lack of detail, Council is unable to furnish note in relation to the Cash Flow budget variation.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	10,851	12,003	1,152	11% F
Annual charges of \$1.25 million were included under User Charges and Fees in budgeted income statement, affecting both Rates and Annual Charges as well as User Charges and Fees.				
User charges and fees	4,335	2,931	(1,404)	(32)% U
Annual charges of \$1.25 million were included under User Charges and Fees in budgeted income statement, effecting both Rates and Annual Charges as well as User Charges and Fees.				
Operating grants and contributions	6,156	7,695	1,539	25% F
Major reason for variance is Roads to Recovery funding which, the council was expecting \$0.69 million under capital grants for budget purpose. Actual amount received was \$1.3 million and is reported under operating grants.				
Capital grants and contributions	1,717	2,109	392	23% F
Council has received \$1.20 million special purpose grants against a budgeted income of \$0.66 million. Other than special purpose grants, \$0.52 million was received for unbudgeted which was unbudgeted.				
Interest and investment revenue	695	590	(105)	(15)% U
Council's existing investments that received higher interest rates are now matured and are being rolled over for a much less prevailing market rates resulting in reduction in interest income.				
Rental income	-	217	217	∞ F
Rental income was budgeted under other income or user charges and fees. Disclosure changed as required by Code of Accounting Practice.				
Employee benefits and on-costs	10,642	10,016	626	6% F
Borrowing costs	514	363	151	29% F
Borrowing cost was estimated based on the assumption that the Council will borrow from financial institution to fund Quipolly Water Project which did not materialise during 2019/20 resulting in favourable variance.				
Materials and contracts	5,233	6,460	(1,227)	(23)% U
Some of the material and contract cost line items were not incorporated in the Original Budget which was subsequently changed through QBRS.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
Depreciation and amortisation	9,264	13,354	(4,090)	(44)%	U
Council, during the process of migrating roads, bridges, footpaths and stormwater drainage assets data to the Council's Core Business System, identified that the Council has been using Consumption based depreciation method instead of Straight Line Method as per the Council's Accounting Policy for Infrastructure, Property Plant and Equipment resulting in underestimation of depreciation cost for road infrastructure during previous years.					
Other expenses	1,389	2,141	(752)	(54)%	U
While preparing the budget, a couple of items that were supposed to be included under Other Expenses were included under Materials and Contract resulting in inadequate estimation of other expenses.					
Net losses from disposal of assets	100	68	32	32%	F
Budgeted net loss from disposal of \$100,000 was an estimation and not based on specific assets which were disposed during the year. Hence the difference.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Investment property					
Investment properties	30/06/2018	–	600	–	600
Total investment property		–	600	–	600
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	4,711	4,711
Office equipment	30/06/18	–	–	130	130
Furniture and fittings	30/06/18	–	–	103	103
Operational land	30/06/18	–	9,101	–	9,101
Community land	30/06/16	–	–	4,303	4,303
Buildings	30/06/18	–	–	28,139	28,139
Other structures	30/06/13	–	–	4,939	4,939
Roads	30/06/14	–	–	226,936	226,936
Bridges	30/06/14	–	–	67,747	67,747
Footpaths	30/06/19	–	–	4,811	4,811
Bulk earthworks (non-depreciable)	30/06/14	–	–	79,874	79,874
Stormwater drainage	30/06/14	–	–	14,996	14,996
Water supply network	30/06/18	–	–	50,761	50,761
Sewerage network	30/06/18	–	–	26,357	26,357
Other assets	30/06/10	–	–	1,750	1,750
Total infrastructure, property, plant and equipment		–	9,101	515,557	524,658

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Investment property					
Investment properties	30/06/18	–	600	–	600
Total investment property		–	600	–	600
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	5,539	5,539
Office equipment	30/06/18	–	–	28	28
Furniture and fittings	30/06/18	–	–	130	130
Operational land	30/06/18	–	9,030	–	9,030
Community land	30/06/16	–	–	4,303	4,303
Buildings	30/06/18	–	–	27,750	27,750
Other structures	30/06/16	–	–	4,279	4,279
Roads	30/06/14	–	–	231,739	231,739
Bridges	30/06/14	–	–	68,416	68,416
Footpaths	30/06/14	–	–	4,549	4,549
Bulk earthworks (non-depreciable)	30/06/14	–	–	78,016	78,016
Stormwater drainage	30/06/14	–	–	14,883	14,883
Water supply network	30/06/18	–	–	51,327	51,327
Sewerage network	30/06/18	–	–	26,834	26,834
Other assets	30/06/18	–	–	1,811	1,811
Total infrastructure, property, plant and equipment		–	9,030	519,604	528,634

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

(2) 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 (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Investment property

Investment properties were valued using Level 2 inputs as at 30 June, 2018 by Scott Fullarton registered valuer NSW No 67557. Observable inputs used in determining the valuation include net rentals in order to provide a rate per m2 this value was then used in conjunction with sales of comparable properties. Unobservable inputs include a limited number of sales evidence on the open market.

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

Infrastructure, property, plant and equipment (IPP&E)

Fair value hierarchy level 3 valuations of land - Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

(3) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Level 3 asset class
2019	
Opening balance	521,910
Purchases (GBV)	2,478
Disposals (WDV)	(179)
Depreciation and impairment	(9,880)
FV gains – other comprehensive income	3,329
Other movement	1,946
Closing balance	519,604
2020	
Opening balance	519,604
Purchases (GBV)	4,326
Disposals (WDV)	(110)
Depreciation and impairment	(13,105)
FV gains – other comprehensive income	726
Other movement	4,116
Closing balance	515,557

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

There were no transfers into our out of level 3.

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

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

	Valuation technique/s	Unobservable inputs
Investment property		
Land	External valuation using planning and other development constraints and land dimensions.	Potential for alternative uses along with market prices for similar properties when available.
Infrastructure, property, plant and equipment		
Operational Land	External valuation using planning and other development constraints and land dimensions.	Potential for alternative uses along with market prices for similar properties when available.
Community Land	Land values obtained from the NSW Valuer General	Land value, land area

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Buildings	External valuation	Using depreciable replacement cost given limited comparable sales information
Roads, bridges, Footpaths, stormwater	Conducted internally using Council engineers	Derived using unit rates using costs from recent works
Sewer Infrastructure	Conducted internally using Council engineers	Derived using unit rates using costs from recent works
Water infrastructure	Conducted internally using Council engineers	Derived using unit rates using costs from recent works
Other Structures	At cost but disclosed at fair value	No observable or unobservable inputs were used
Remaining Classes	At cost but disclosed at fair value	No observable or unobservable inputs were used

(4) Highest and best use

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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	2020	2019
Compensation:		
Short-term benefits	911	773
Post-employment benefits	53	56
Total	964	829

Notes to the Financial Statements
for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
A KMP who is a Mayor provided signage for various projects.	1	14	–		–	–
A KMP who is a Councillor provided supplies and Materials for various projects.	2	3	–		–	–
2019						
A KMP who is a Mayor provided signage for various projects.	1	43	–		–	–
A KMP who is a Councillor provided supplies and Materials for various projects.	2	4	–		–	–
A KMP relative is employed by a company Council engaged for surveying and associated works.		2	–		–	–

1 Council purchased numerous signs during the year from Country Mile Signs, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.

2 Council purchased various plants, small maintenance supplies and materials during the year from Quirindi Grain & Produce, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.

Note 24. Events occurring after the reporting date

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Statement of developer contributions

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.

Summary of contributions and levies

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Drainage	1	–	–	–	–	–	1	–
Roads	355	97	–	7	–	–	459	–
Open space	45	–	–	1	–	–	46	–
Community facilities	24	–	–	–	–	–	24	–
Other	163	–	–	2	–	–	165	–
Youth services	21	–	–	–	–	–	21	–
Bushfire	11	–	–	–	–	–	11	–
S7.11 contributions – under a plan	620	97	–	10	–	–	727	–
S7.12 levies – under a plan	411	76	–	8	–	–	495	–
Total S7.11 and S7.12 revenue under plans	1,031	173	–	18	–	–	1,222	–
S7.11 not under plans	93	–	–	2	–	–	95	–
S64 contributions	578	35	–	9	–	–	622	–
Total contributions	1,702	208	–	29	–	–	1,939	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN – Quirindi									
Roads	121	97	–	3	–	–	221	–	
Open space	28	–	–	1	–	–	29	–	
Community facilities	24	–	–	–	–	–	24	–	
Youth services	21	–	–	–	–	–	21	–	
Total	194	97	–	4	–	–	295	–	
CONTRIBUTION PLAN – Willow Tree									
Drainage	1	–	–	–	–	–	1	–	
Roads	234	–	–	4	–	–	238	–	
Open space	17	–	–	–	–	–	17	–	
Bushfire	11	–	–	–	–	–	11	–	
Total	263	–	–	4	–	–	267	–	
CONTRIBUTION PLAN – Werris Creek									
Other	163	–	–	2	–	–	165	–	
Total	163	–	–	2	–	–	165	–	
S7.12 Levies – under a plan									
CONTRIBUTION PLAN									
Other	411	76	–	8	–	–	495	–	
Total	411	76	–	8	–	–	495	–	

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
S7.11 Contributions – not under a plan									
CONTRIBUTIONS – NOT UNDER A PLAN									
Roads	72	–	–	1	–	–	73	–	
Open space	21	–	–	1	–	–	22	–	
Total	93	–	–	2	–	–	95	–	
S64 contributions									
S64 contributions									
Sewer	28	–	–	1	–	–	29	–	
Water	549	35	–	9	–	–	593	–	
Total	577	35	–	10	–	–	622	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,486	2,144	1,373
User charges and fees	1,527	1,403	1
Interest and investment revenue	263	184	143
Other revenues	437	2	26
Grants and contributions provided for operating purposes	7,660	35	–
Grants and contributions provided for capital purposes	2,109	–	–
Rental income	217	–	–
Total income from continuing operations	20,699	3,768	1,543
Expenses from continuing operations			
Employee benefits and on-costs	8,911	839	266
Borrowing costs	155	208	–
Materials and contracts	4,643	1,215	602
Depreciation and amortisation	11,585	1,044	725
Other expenses	2,140	1	–
Net losses from the disposal of assets	68	–	–
Total expenses from continuing operations	27,502	3,307	1,593
Operating result from continuing operations	(6,803)	461	(50)
Net operating result for the year	(6,803)	461	(50)
Net operating result attributable to each council fund	(6,803)	461	(50)
Net operating result for the year before grants and contributions provided for capital purposes	(8,912)	461	(50)

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	2,950	3,285	2,541
Investments	10,468	8,017	6,765
Receivables	1,817	661	141
Inventories	759	–	–
Contract assets	255	–	–
Other	5	–	–
Total current assets	16,254	11,963	9,447
Non-current assets			
Receivables	19	–	–
Infrastructure, property, plant and equipment	459,828	52,120	26,420
Investment property	600	–	–
Total non-current assets	460,447	52,120	26,420
TOTAL ASSETS	476,701	64,083	35,867
LIABILITIES			
Current liabilities			
Payables	1,589	–	–
Contract liabilities	3,330	–	–
Borrowings	63	174	–
Provisions	2,293	–	–
Total current liabilities	7,275	174	–
Non-current liabilities			
Borrowings	568	3,284	–
Provisions	13,443	–	–
Total non-current liabilities	14,011	3,284	–
TOTAL LIABILITIES	21,286	3,458	–
Net assets	455,415	60,625	35,867
EQUITY			
Accumulated surplus	165,872	30,309	13,598
Revaluation reserves	289,543	30,316	22,269
Council equity interest	455,415	60,625	35,867
Total equity	455,415	60,625	35,867

NB. All amounts disclosed above are gross – that is, they include 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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019 ³ Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(8,433)	(35.28)%	(22.09)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	23,901			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	16,206	62.31%	62.60%	>60.00%
Total continuing operating revenue ¹	26,010			
3. Unrestricted current ratio				
Current assets less all external restrictions	10,742	4.25x	3.14x	>1.50x
Current liabilities less specific purpose liabilities	2,526			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	5,284	8.97x	8.20x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	589			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1,373	10.40%	8.26%	<10.00%
Rates, annual and extra charges collectible	13,198			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	34,026	19.20 mths	18.59 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	1,772			

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

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

(3) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(b). Statement of performance measures – by fund

	General Indicators ^{3,4}		Water Indicators		Sewer Indicators		Benchmark
	2020	2019 Restated	2020	2019	2020	2019	
\$ '000							
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(47.02)%	(32.43)%	11.41%	12.23%	(3.24)%	9.13%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	52.80%	53.30%	99.07%	97.23%	100.00%	98.32%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.25x	3.14x	66.91x	49.30x	∞	∞	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	13.44x	9.59x	4.52x	4.77x	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	10.15%	8.01%	12.01%	9.93%	9.50%	7.22%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.85	7.54	61.15	46.87	128.65	135.76	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 27a above.

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

(4) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Liverpool Plains Shire Council

To the Councillors of Liverpool Plains Shire Council

Opinion

I have audited the accompanying financial statements of Liverpool Plains Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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 2020 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 21 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY



Cr Doug Hawkins OAM
Mayor
Liverpool Plains Shire Council
PO Box 152
QUIRINDI NSW 2343

Contact: Chris Harper
Phone no: 02 925 7374
Our ref: D2027367/1756

30 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Liverpool Plains Shire Council**

I have audited the general purpose financial statements (GPFS) of Liverpool Plains Shire Council (the Council) for the year ended 30 June 2020 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 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	12.0	11.7	2.6
Grants and contributions revenue	9.8	10.2	3.9

Operating result from continuing operations	(6.4)	(2.1)	205
Net operating result before capital grants and contributions	(8.5)	(5.4)	57.4

The Council's operating result from continuing operations (deficit of \$6.4 million including depreciation and amortisation expense of \$13.4 million) was \$4.3 million lower than the 2018–19 result. This is mainly due to an increase of:

- \$3.2 million in depreciation as a result of a change in the treatment of depreciation for road infrastructure assets (straight line instead of consumption curve basis)
- \$746,000 in employee benefits and on-costs due to less capitalised wages as a result of less capital works carried out in 2019-20 compared to 2018-19 and redundancy and termination payments.

The net operating result before capital grants and contributions deficit of \$8.5 million was \$3.1 million lower than the 2018–19 result. This is due to the reasons explained above.

Rates and annual charges revenue (\$12.0 million) increased by \$0.3 million (2.6 per cent) in 2019–20 due to the normal rate peg allowance increases in the year.

Grants and contributions revenue (\$9.8 million) decreased by \$0.4 million (3.9 per cent) in 2019–20 due to:

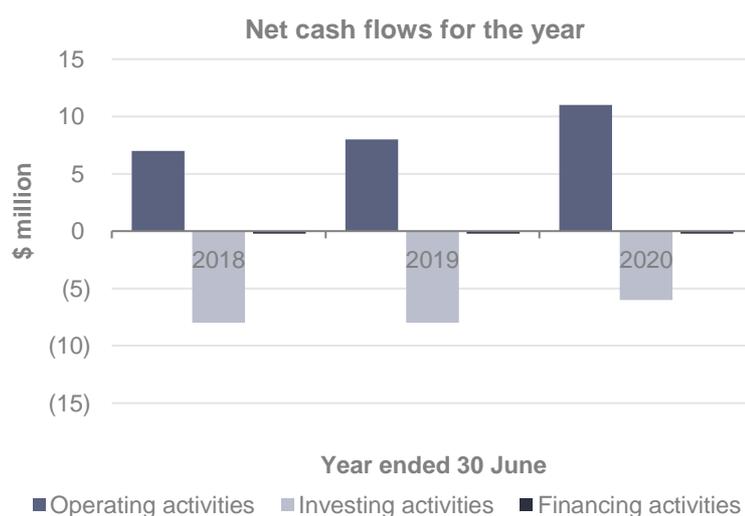
- \$1.3 million decrease in capital roads and bridges funding this year attributable to the completion of large grant funded capital works projects in 2018-19
- \$1.0 million increase in operational roads and bridges funding this year attributable to grant funded maintenance projects carried out in 2019-20.

STATEMENT OF CASH FLOWS

Cash from operations increased by \$3.1 million due to higher grants and contributions and collection of outstanding user charges and fees offset by an increase in employee benefits and on-costs and materials and contracts.

Cash outflows from investing decreased by \$2.6 million due to lower capital expenditure on IPPE.

Cash from financing activities is consistent with prior year and is attributable to the repayment of debt.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	26.1	23.2	<ul style="list-style-type: none"> Major external restrictions include water and sewer operations as well as developer contributions. The main increase related to specific purpose unexpended grants and water and sewerage restricted cash as a result of a surplus in operations in the current year.
Internal restrictions	6.8	4.5	
Unrestricted	1.1	0.5	
Cash and investments	34.0	28.2	<ul style="list-style-type: none"> Major internal restrictions include reserves to fund future capital works, plant replacements, special projects, employee leave entitlements and the Financial Assistance Grant paid in advance. This increased primarily due to allocation for remediation works for landfills.

PERFORMANCE

Performance measures

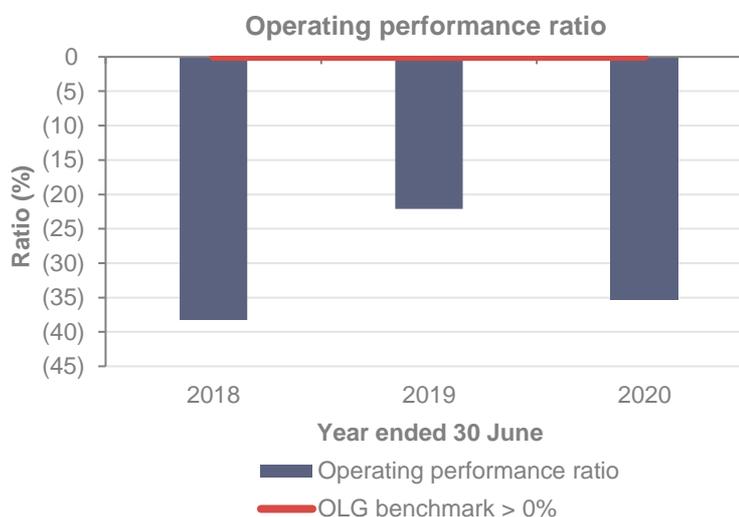
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

The 2019–20 operating performance ratio declined due to an increase in depreciation (attributable to a change in methodology) and employee benefits expenditure.

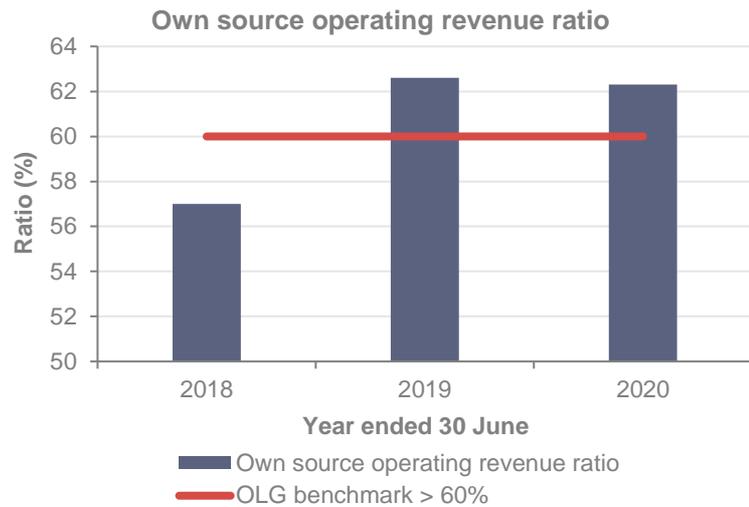


Own source operating revenue ratio

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

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

The own source operating revenue ratio has remained consistent to prior year.

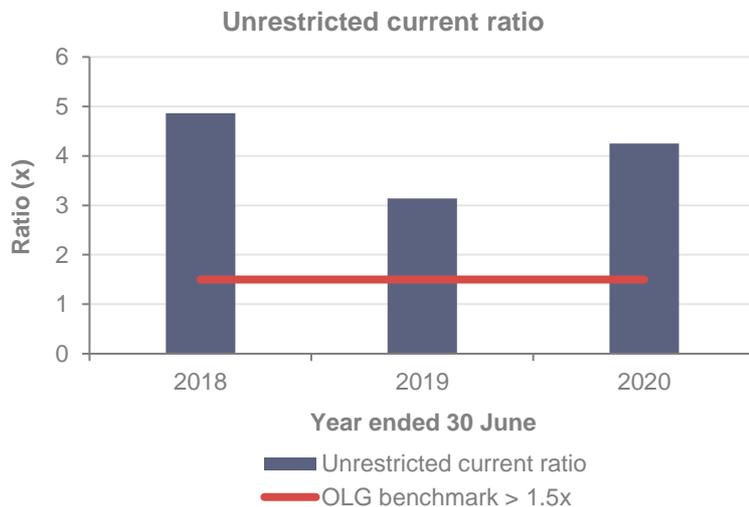


Unrestricted current ratio

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.

The unrestricted current ratio has increased from 2018-19 due to additional cash reserves accumulated (see [statement of cash flows](#)).

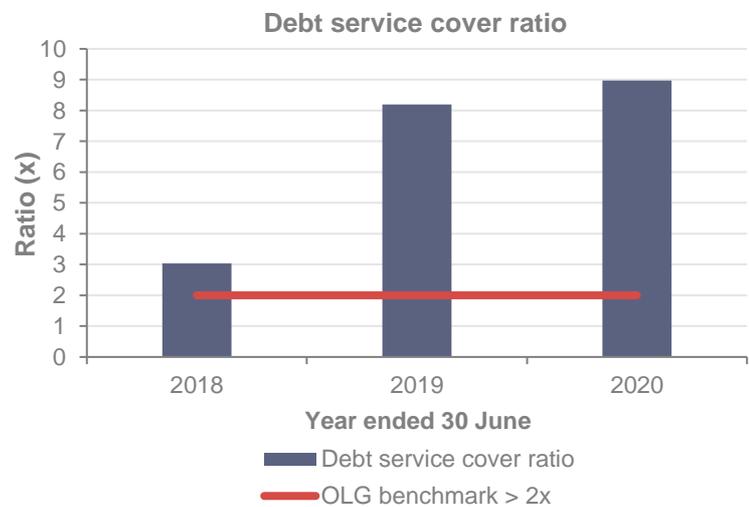


Debt service cover ratio

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.

The debt service cover ratio remained consistent compared to 2018-19.

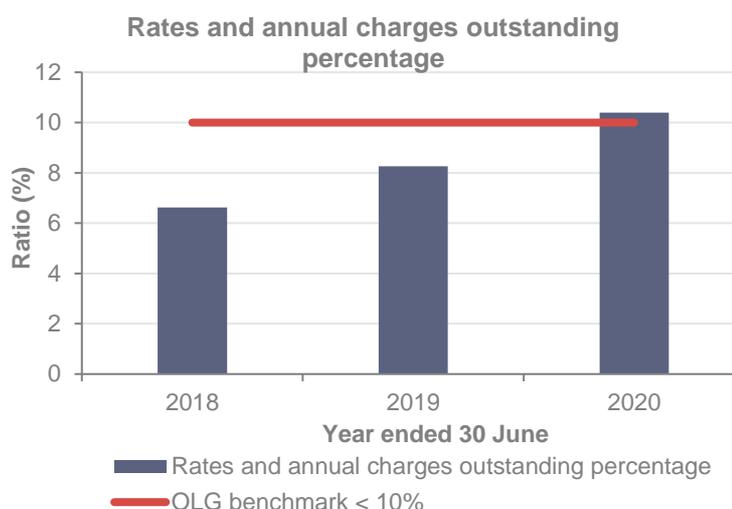


Rates and annual charges outstanding percentage

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

Council's rates and annual charges outstanding ratio has declined due to drought and COVID-19 impacting the timeliness of recovery of rates.

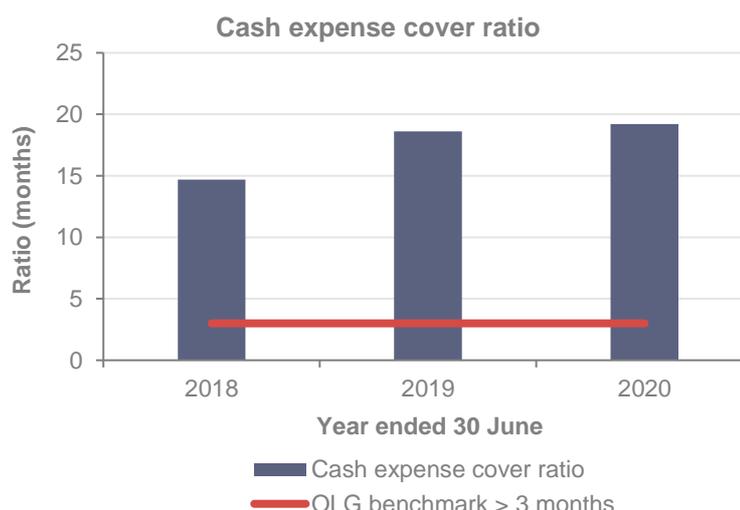


Cash expense cover ratio

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

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

The cash expense cover ratio has remained consistent compared to 2018-19.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$5.3 million. This is a reduction of \$1.0 million compared to the prior year. Renewal expenditure was below depreciation for the year by \$8.1 million. Council should consider whether adequate renewal works are being carried out to maintain their asset network.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019-20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$46,000 reduction to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards. This was attributable to the first time recognition of contract liabilities (\$703,000) offset by recognition of contract assets (\$657,000).

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

There was no material impact on the financial statements for the 2019-20 year.

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.



Chris Harper
Director, Financial Audit
Delegate of the Auditor-General for New South Wales

cc: Ms Joanne Sangster, General Manager
Mr Michael O'Connor, Chair of the Audit, Risk and Improvement Committee
Mr Raju Koirala, Executive Manager Finance
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Liverpool Plains Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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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).

Liverpool Plains Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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 27 November 2020.



Doug Hawkins OAM
Mayor
27 November 2020



Ken Cudmore
Deputy Mayor
27 November 2020



Joanne Sangster
General Manager
27 November 2020



Raju Koirala
Responsible Accounting Officer
27 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,144	2,054
User charges	1,386	1,486
Fees	17	12
Interest	184	310
Grants and contributions provided for non-capital purposes	35	59
Other income	2	76
Total income from continuing operations	3,768	3,997
Expenses from continuing operations		
Employee benefits and on-costs	839	777
Borrowing costs	208	215
Materials and contracts	1,215	1,449
Depreciation, amortisation and impairment	1,044	1,065
Other expenses	1	2
Total expenses from continuing operations	3,307	3,508
Surplus (deficit) from continuing operations before capital amounts	461	489
Grants and contributions provided for capital purposes	–	53
Surplus (deficit) from continuing operations after capital amounts	461	542
Surplus (deficit) from all operations before tax	461	542
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(127)	(134)
SURPLUS (DEFICIT) AFTER TAX	334	408
Plus accumulated surplus	29,848	29,306
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	127	134
Closing accumulated surplus	30,309	29,848
Return on capital %	1.1%	1.3%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	334	408
Less: capital grants and contributions (excluding developer contributions)	–	(53)
Surplus for dividend calculation purposes	334	355
Potential dividend calculated from surplus	167	177

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	1,373	1,392
Fees	1	1
Interest	143	243
Grants and contributions provided for non-capital purposes	–	28
Other income	26	–
Total income from continuing operations	1,543	1,664
Expenses from continuing operations		
Employee benefits and on-costs	266	193
Materials and contracts	602	580
Depreciation, amortisation and impairment	725	739
Total expenses from continuing operations	1,593	1,512
Surplus (deficit) from continuing operations before capital amounts	(50)	152
Surplus (deficit) from continuing operations after capital amounts	(50)	152
Surplus (deficit) from all operations before tax	(50)	152
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(42)
SURPLUS (DEFICIT) AFTER TAX	(50)	110
Plus accumulated surplus	13,648	13,496
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	42
Closing accumulated surplus	13,598	13,648
Return on capital %	(0.2)%	0.6%
Subsidy from Council	282	203
Calculation of dividend payable:		
Surplus (deficit) after tax	(50)	110
Surplus for dividend calculation purposes	–	110
Potential dividend calculated from surplus	–	55

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	3,285	3,285
Investments	8,017	6,925
Receivables	661	709
Total current assets	11,963	10,919
Non-current assets		
Infrastructure, property, plant and equipment	52,120	52,366
Total non-current assets	52,120	52,366
TOTAL ASSETS	64,083	63,285
LIABILITIES		
Current liabilities		
Payables	–	52
Borrowings	174	163
Total current liabilities	174	215
Non-current liabilities		
Borrowings	3,284	3,459
Total non-current liabilities	3,284	3,459
TOTAL LIABILITIES	3,458	3,674
NET ASSETS	60,625	59,611
EQUITY		
Accumulated surplus	30,309	29,848
Revaluation reserves	30,316	29,763
TOTAL EQUITY	60,625	59,611

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,541	1,946
Investments	6,765	6,765
Receivables	141	113
Total current assets	9,447	8,824
Non-current assets		
Infrastructure, property, plant and equipment	26,420	26,899
Total non-current assets	26,420	26,899
TOTAL ASSETS	35,867	35,723
NET ASSETS	35,867	35,723
EQUITY		
Accumulated surplus	13,598	13,648
Revaluation reserves	22,269	22,075
TOTAL EQUITY	35,867	35,723

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. 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 2093 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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, return 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 Supply Network

Is comprised of water supply operations and net assets system servicing the towns of Quirindi, Werris Creek, Wallabadah, Willow Tree, Spring Ridge, Wahallow, Blackville, Caroonna and Premer.

Category 2

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

b. Sewerage Service

Is comprised of sewerage reticulation and treatment operations and net asset system servicing the towns of Quirindi and Werris Creek

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 and 3 (Best-Practice Management Disclosures). As required by the Department of Industry - Water, these amounts are disclosed in whole dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$734,000 of combined land values attracts 0%. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$900,000.

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Liverpool Plains Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land 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.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when 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.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) 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:

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 0.88% at 30/6/20.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of Liverpool Plains Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Liverpool Plains Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 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 2020 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 Note 1 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Liverpool Plains Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	7,496	7,219
Plus or minus adjustments ²	b	18	73
Notional general income	c = a + b	7,514	7,292
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	195	197
Sub-total	k = (c + g + h + i + j)	7,709	7,489
Plus (or minus) last year's carry forward total	l	-	8
Sub-total	n = (l + m)	-	8
Total permissible income	o = k + n	7,709	7,497
Less notional general income yield	p	7,708	7,496
Catch-up or (excess) result	q = o - p	1	-
Carry forward to next year ⁶	t = q + r + s	1	-

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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Liverpool Plains Shire Council

To the Councillors of Liverpool Plains Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Liverpool Plains Shire Council (the Council) for the year ending 30 June 2021.

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 – update number 28 (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 2020 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 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

30 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Other	65	65	551	478	28,139	54,693	25.0%	54.0%	21.0%	0.0%	0.0%	
	Sub-total	65	65	551	478	28,139	54,693	25.0%	54.0%	21.0%	0.0%	0.0%	
Other structures	Other structures	8	8	28	32	4,939	6,171	67.0%	23.0%	10.0%	0.0%	0.0%	
	Sub-total	8	8	28	32	4,939	6,171	67.0%	23.0%	10.0%	0.0%	0.0%	
Roads	Sealed roads	2,409	2,409	1,932	1,720	122,157	155,881	46.0%	22.0%	28.0%	3.0%	1.0%	
	Unsealed roads	2,778	2,778	1,414	1,576	104,779	132,690	50.0%	24.0%	18.0%	8.0%	0.0%	
	Bridges	386	386	216	3	67,748	73,676	89.0%	3.0%	6.0%	2.0%	0.0%	
	Footpaths	2	2	16	14	4,810	5,662	32.0%	64.0%	4.0%	0.0%	0.0%	
	Bulk earthworks	-	-	-	-	79,874	79,874	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	5,575	5,575	3,578	3,313	379,368	447,783	63.7%	16.1%	16.1%	3.7%	0.3%	
Water supply network	Water supply network	3,338	3,338	1,221	1,795	50,761	76,064	16.0%	53.0%	14.0%	17.0%	0.0%	
	Sub-total	3,338	3,338	1,221	1,795	50,761	76,064	16.0%	53.0%	14.0%	17.0%	0.0%	
Sewerage network	Sewerage network	1,607	1,607	581	1,255	26,356	32,755	17.0%	41.0%	22.0%	20.0%	0.0%	
	Sub-total	1,607	1,607	581	1,255	26,357	32,755	17.0%	41.0%	22.0%	20.0%	0.0%	
Stormwater drainage	Stormwater drainage	12	12	512	33	14,996	19,978	3.0%	14.0%	83.0%	0.0%	0.0%	
	Sub-total	12	12	512	33	14,996	19,978	3.0%	14.0%	83.0%	0.0%	0.0%	
TOTAL - ALL ASSETS		10,605	10,605	6,471	6,906	504,560	637,444	50.4%	25.0%	18.6%	5.7%	0.2%	

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

Infrastructure asset condition assessment 'key'

- 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

Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2020	2020	2019 ³	
			Restated	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	6,234	51.54%	31.72%	>=100.00%
Depreciation, amortisation and impairment	12,095			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	10,605	2.10%	2.08%	<2.00%
Net carrying amount of infrastructure assets	504,560			
Asset maintenance ratio				
Actual asset maintenance	6,906	106.72%	107.05%	>100.00%
Required asset maintenance	6,471			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	10,605	1.66%	1.68%	
Gross replacement cost	637,444			

(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(3) See Note 16(b) for details regarding the restatement as a result of Prior Period Errors