

Clarence Valley Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021



Clarence Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

2 Prince St
GRAFTON NSW 2460

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

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

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

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

Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

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

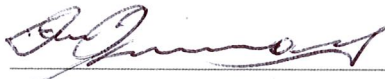
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 23 November 2021.



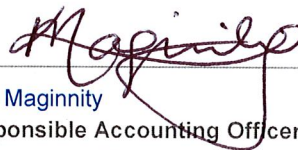
Jim Simmons
Mayor
23 November 2021



Jason Kingsley
Councillor
23 November 2021



Ashley Lindsay
General Manager
23 November 2021



Kate Maginnity
Responsible Accounting Officer
23 November 2021

Clarence Valley Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020 ¹
Income from continuing operations				
65,296	Rates and annual charges	B2-1	66,472	62,791
39,709	User charges and fees	B2-2	42,253	39,312
1,599	Other revenue	B2-3	1,701	2,403
21,607	Grants and contributions provided for operating purposes	B2-4	25,823	32,610
29,340	Grants and contributions provided for capital purposes	B2-4	36,178	24,740
2,318	Interest and investment income	B2-5	1,910	3,344
–	Other income	B2-6	772	826
1,659	Net gains from the disposal of assets	B4-1	–	–
161,528	Total income from continuing operations		175,109	166,026
Expenses from continuing operations				
37,404	Employee benefits and on-costs	B3-1	38,605	36,062
43,156	Materials and services	B3-2	46,164	50,814
6,705	Borrowing costs	B3-3	6,531	7,655
44,801	Depreciation, amortisation and impairment for non-financial assets	B3-4	48,010	44,289
5,083	Other expenses	B3-5	5,007	4,759
–	Net losses from the disposal of assets	B4-1	11,473	15,227
137,149	Total expenses from continuing operations		155,790	158,806
24,379	Operating result from continuing operations		19,319	7,220
Discontinued operations				
–	Operating result from discontinued operations	D3-1	–	52
24,379	Net operating result for the year attributable to Council		19,319	7,272
(4,960)	Net operating result for the year before grants and contributions provided for capital purposes		(16,859)	(17,468)

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

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

Clarence Valley Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020 ¹
Net operating result for the year – from Income Statement		19,319	7,272
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	39,155	7,471
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	(899)	(712)
Other comprehensive income – joint ventures and associates		(42)	40
Total items which will not be reclassified subsequently to the operating result		38,214	6,799
Total other comprehensive income for the year		38,214	6,799
Total comprehensive income for the year attributable to Council		57,533	14,071

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

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

Clarence Valley Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020 ¹	Restated 1 July 2019 ¹
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	34,836	22,120	12,320
Investments	C1-2	52,000	68,000	61,007
Receivables	C1-4	28,120	30,584	23,081
Inventories	C1-5	1,526	1,348	1,507
Contract assets and contract cost assets	C1-6	4,856	4,991	–
Non-current assets classified as 'held for sale'	C1-7	1,147	1,147	930
Other	C1-10	126	172	87
Total current assets		122,611	128,362	98,932
Non-current assets				
Investments	C1-2	46,000	35,610	47,604
Receivables	C1-4	1,394	1,363	899
Inventories	C1-5	156	156	156
Infrastructure, property, plant and equipment	C1-8	2,027,511	1,987,742	1,987,019
Intangible Assets	C1-9	876	950	336
Right of use assets	C2-1	90	368	–
Investments accounted for using the equity method		–	42	36
Total non-current assets		2,076,027	2,026,231	2,036,050
Total assets		2,198,638	2,154,593	2,134,982
LIABILITIES				
Current liabilities				
Payables	C3-1	14,536	21,840	14,409
Contract liabilities	C3-2	5,905	4,509	2,884
Lease liabilities	C2-1	93	282	–
Borrowings	C3-3	8,256	8,195	7,040
Employee benefit provisions	C3-4	13,013	12,260	12,330
Provisions	C3-5	–	388	–
Total current liabilities		41,803	47,474	36,663
Non-current liabilities				
Lease liabilities	C2-1	–	93	–
Borrowings	C3-3	86,951	95,940	104,135
Employee benefit provisions	C3-4	478	303	301
Provisions	C3-5	15,821	14,731	11,902
Total non-current liabilities		103,250	111,067	116,338
Total liabilities		145,053	158,541	153,001
Net assets		2,053,585	1,996,052	1,981,981
EQUITY				
Accumulated surplus	C4-1	878,068	858,791	851,479
IPPE revaluation reserve	C4-1	1,175,517	1,137,261	1,130,502
Council equity interest		2,053,585	1,996,052	1,981,981
Total equity		2,053,585	1,996,052	1,981,981

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

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

Clarence Valley Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20 ¹		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve Restated	Total equity Restated
\$ '000							
Opening balance at 1 July		836,142	1,137,261	1,973,403	831,458	1,130,502	1,961,960
Correction of prior period errors ¹	G4-1	22,649	–	22,649	22,905	–	22,905
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(2,884)	–	(2,884)
Restated opening balance		858,791	1,137,261	1,996,052	851,479	1,130,502	1,981,981
Restated net operating result for the year		19,319	–	19,319	7,271	–	7,271
Correction of prior period errors	G4-1	–	–	–	1	–	1
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	39,155	39,155	–	7,471	7,471
– Impairment (loss) reversal relating to IPP&E	C1-8	–	(899)	(899)	–	(712)	(712)
Joint ventures and associates		(42)	–	(42)	40	–	40
Other comprehensive income		(42)	38,256	38,214	40	6,759	6,799
Total comprehensive income		19,277	38,256	57,533	7,312	6,759	14,071
Closing balance at 30 June		878,068	1,175,517	2,053,585	858,791	1,137,261	1,996,052

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

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

Clarence Valley Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020 ¹
Cash flows from operating activities				
<i>Receipts:</i>				
65,014	Rates and annual charges		66,783	64,211
38,668	User charges and fees		44,599	37,531
2,333	Investment and interest revenue received		2,364	3,859
51,450	Grants and contributions		60,852	41,857
–	Bonds, deposits and retention amounts received		638	449
2,200	Other		6,290	6,113
<i>Payments:</i>				
(37,404)	Employee benefits and on-costs		(38,633)	(35,330)
(27,476)	Materials and services		(55,415)	(50,701)
(6,769)	Borrowing costs		(6,569)	(7,219)
–	Bonds, deposits and retention amounts refunded		(722)	(64)
(12,968)	Other		(8,806)	(1,772)
75,048	Net cash flows from operating activities	G1-1a	71,381	58,934
Cash flows from investing activities				
<i>Receipts:</i>				
5,335	Sale of investment securities		74,542	90,000
1,659	Sale of infrastructure, property, plant and equipment		2,743	1,716
–	Deferred debtors receipts		–	117
<i>Payments:</i>				
–	Purchase of investment securities		(68,890)	(84,986)
(70,178)	Purchase of infrastructure, property, plant and equipment		(57,691)	(47,891)
(505)	Purchase of intangible assets		(159)	(829)
(63,689)	Net cash flows from investing activities		(49,455)	(41,873)
Cash flows from financing activities				
<i>Payments:</i>				
(8,195)	Repayment of borrowings		(8,928)	(7,040)
–	Principal component of lease payments		(282)	(221)
(1,034)	Other financing activity payments		–	–
(9,229)	Net cash flows from financing activities		(9,210)	(7,261)
2,130	Net change in cash and cash equivalents		12,716	9,800
13,543	Cash and cash equivalents at beginning of year		22,120	12,320
15,673	Cash and cash equivalents at end of year	C1-1	34,836	22,120
101,319	plus: Investments on hand at end of year	C1-2	98,000	103,610
116,992	Total cash, cash equivalents and investments		132,836	125,730

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

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

Clarence Valley Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 23 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements.

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

- General purpose operations
- Water Supply
- Sewerage service
- Clarence Regional Library

A1-1 Basis of preparation (continued)

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has many volunteers working in various areas. These volunteer services have not been recognised as income as per AASB 1058. This is because the fair value of such services cannot be reliably measured and it would not have been purchased if they were not donated.

Coronavirus (COVID 19) Impact

Council is required to assess whether and how it may be affected by COVID 19 and the impact on its Financial Reports. Council first experienced a disruption in business practices early in 2020 and that continued throughout the Financial Year ended 30 June 2021. Various services and activities were impacted however Council continued to operate and provide services without a material increase in costs.

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods (and which have not been early adopted by Council).

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2021.

None of these standards had a significant impact on the Council's reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020 ¹ Restated	2021	2020 ¹ Restated	2021	2020	2021	2020 ¹ Restated
Functions or activities										
Leadership	1,972	1,636	25,907	22,211	(23,935)	(20,575)	622	513	264,607	394,040
Infrastructure	89,105	80,650	87,572	89,841	1,533	(9,191)	41,141	37,614	1,745,826	1,564,306
Society	11,070	12,496	21,625	24,356	(10,555)	(11,860)	6,456	6,616	130,449	141,710
Environment	16,875	18,007	14,841	15,764	2,034	2,243	1,052	502	33,194	24,221
Economy	8,537	7,515	5,845	6,600	2,692	915	1,120	759	24,562	30,280
Share of losses in JV (using the equity method)	–	–	–	34	–	(34)	–	–	–	36
General purpose income	47,550	45,722	–	–	47,550	45,722	11,610	11,346	–	–
Total functions and activities	175,109	166,026	155,790	158,806	19,319	7,220	62,001	57,350	2,198,638	2,154,593

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

B1-2 Components of functions or activities

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

Leadership

- Continuous Improvement
- Accountability and Compliance
- Participation and Communication
- Resourcing and Support

Infrastructure

- Quality Built Environment and Places
- Efficient Transport and Access
- Effective Essential Services

Society

- Community Health and Welbeing
- Creative Culture and Recreation
- Good Community Relations
- Community Resilience

Environment

- Protecting the Land
- Maintaining Healthy Waterways
- Protecting Biodiversity

Economy

- Efficient and Careful Resource Use
- Healthy Economic Activity
- Meaningful Work and Employment

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	28,026	25,793
Farmland	3,741	3,425
Business	4,465	4,089
Less: pensioner rebates (mandatory)	(1,128)	(1,118)
Rates levied to ratepayers	35,104	32,189
Pensioner rate subsidies received	623	610
Total ordinary rates	35,727	32,799
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	7,360	7,437
Water supply services	2,969	2,900
Sewerage services	18,789	17,998
Waste management services (non-domestic)	2,229	2,167
Less: pensioner rebates (mandatory)	(1,212)	(1,141)
Annual charges levied	30,135	29,361
Pensioner subsidies received:		
– Water	247	248
– Sewerage	180	186
– Domestic waste management	183	197
Total annual charges	30,745	29,992
Total rates and annual charges	66,472	62,791

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

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	14,161	13,825
Sewerage services	1	1,882	1,750
On-site septic management services	1	364	351
Total specific user charges		16,407	15,926
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	1	17	447
Regulatory/ statutory fees	2	2,492	1,765
Section 10.7 certificates (EP&A Act)	2	150	113
Section 603 certificates	2	152	114
Total fees and charges – statutory/regulatory		2,811	2,439
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	51	128
Caravan park	2	6,976	5,547
Cemeteries	2	710	585
Community centres	2	37	38
Leaseback fees – Council vehicles	2	342	305
Quarry revenues	2	223	350
Transport for NSW works (state roads not controlled by Council)	1	4,779	3,378
Saleyards	2	308	434
Swimming centres	2	316	281
Art gallery	2	84	68
Other sewer fees	2	787	1,216
Other water fees	2	1,811	1,121
Other waste management	2	324	292
Regional landfill	2	5,393	6,614
Water tapping fees	2	494	283
Other	2	400	307
Total fees and charges – other		23,035	20,947
Total user charges and fees		42,253	39,312
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		16,698	19,751
User charges and fees recognised at a point in time (2)		25,555	19,561
Total user charges and fees		42,253	39,312

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Fines	2	112	83
Legal fees recovery – rates and charges (extra charges)	2	163	132
Commissions and agency fees	2	43	43
Container Deposit Scheme Sharing	2	99	110
Diesel rebate	2	304	319
Insurance claims recoveries	2	204	952
Sales – general	2	136	269
Commonwealth emissions reduction fund	2	116	215
Interest in associated entities		–	40
State waste rebate	2	88	88
Other	2	436	152
Total other revenue		1,701	2,403

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,701	2,403
Total other revenue		1,701	2,403

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.

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	3,698	3,800	–	–
Financial assistance – local roads component	2	1,607	1,707	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,956	4,067	–	–
Financial assistance – local roads component	2	1,726	1,770	–	–
Amount recognised as income during current year		10,987	11,344	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Economic development	1	235	–	7,063	4,553
Employment and training programs	2	28	8	–	–
Community care	2	1,349	115	–	–
Community centres	2	–	28	–	–
Floodplain management	2	294	143	–	–
Environmental services	2	532	78	–	–
Library	2	242	201	–	6
Harwood Precinct Upgrade	1	–	–	–	1,696
Heritage and cultural	1	80	95	4,546	2,693
LIRS subsidy	2	21	25	–	–
Maclean Showground	1	–	–	470	218
Noxious weeds	2	25	221	–	–
Recreation and culture	1	–	–	289	4
NSW rural fire services	1	1,572	5,434	480	265
Saleyard upgrade	2	–	–	36	–
Storm/flood damage	2	2,878	7,080	–	–
Street lighting	2	106	106	–	–
Transport (roads to recovery)	2	2,051	2,051	–	–
Transport (other roads and bridges funding)	1	–	–	10,499	2,724
Other specific grants	2	183	47	535	23
Clarence regional library	2	241	231	–	–
Previously contributions:					
Paving	1	–	–	9	–
Roads and bridges	1	–	–	9	27
Transport for NSW contributions (regional roads, block grant)	2	4,288	3,893	2,288	1,482
Other contributions	2	666	(102)	367	102
Regional assessment service program	2	–	315	–	–
Water supplies (excl. section 64 contributions)	2	–	583	–	–
Rural fire services	2	(80)	470	–	–
Work health and safety	2	125	244	–	–
Total special purpose grants and non-developer contributions – cash		14,836	21,266	26,591	13,793
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	3,066	5,564
Sewerage (excl. section 64 contributions)	2	–	–	1,131	176
Water supplies (excl. section 64 contributions)	2	–	–	336	295
Total other contributions – non-cash		–	–	4,533	6,035

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Total special purpose grants and non-developer contributions (tied)		14,836	21,266	31,124	19,828
Total grants and non-developer contributions		25,823	32,610	31,124	19,828
Comprising:					
– Commonwealth funding		14,502	14,836	4,217	709
– State funding		10,531	12,140	21,990	11,473
– Other funding		790	5,634	4,917	7,646
		25,823	32,610	31,124	19,828

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	1,608	771
S 7.12 – fixed development consent levies		2	–	–	165	139
S 64 – water supply contributions		2	–	–	1,282	3,550
S 64 – sewerage service contributions		2	–	–	1,999	452
Total developer contributions – cash			–	–	5,054	4,912
Total developer contributions			–	–	5,054	4,912
Total contributions			–	–	5,054	4,912
Total grants and contributions			25,823	32,610	36,178	24,740
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			1,877	5,529	23,365	12,180
Grants and contributions recognised at a point in time (2)			23,946	27,081	12,813	12,560
Total grants and contributions			25,823	32,610	36,178	24,740

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	2,887	2,933	3,115	2,569
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,313	2,103	7,192	1,441
Add: Funds received and not recognised as revenue in the current year	-	-	-	-
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,907)	(2,149)	(4,021)	(895)
Less: Funds received in prior year but revenue recognised and funds spent in current year	-	-	-	-
Unspent funds at 30 June	2,293	2,887	6,286	3,115
Contributions				
Unspent funds at 1 July	23,176	19,599	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	5,399	5,627	-	-
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(1,361)	(2,050)	-	-
Unspent contributions at 30 June	27,214	23,176	-	-

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

B2-4 Grants and contributions (continued)

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

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

Developer contributions

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

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

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

Other grants and contributions

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

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	118	312
– Cash and investments	1,792	3,005
Fair value adjustments		
– Movements in investments at fair value through profit and loss	–	13
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	–	14
Total interest and investment income (losses)	1,910	3,344

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Other lease income			
Room/Facility Hire		772	826
Total Other lease income		772	826
Total rental income	C2-2	772	826
Total other income		772	826

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	29,806	28,194
Employee leave entitlements (ELE)	6,676	6,153
Superannuation	3,794	3,630
Workers' compensation insurance	744	720
Fringe benefit tax (FBT)	39	36
Payroll tax	321	236
Training costs (other than salaries and wages)	459	525
Other	255	191
Total employee costs	42,094	39,685
Less: capitalised costs	(3,489)	(3,623)
Total employee costs expensed	38,605	36,062

Accounting policy

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

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		11,155	10,373
Contractor and consultancy costs		26,137	31,234
Audit Fees	F2-1	164	115
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	281	202
Advertising		243	381
Bank charges		239	217
Electricity and heating		1,982	2,347
Insurance		1,882	1,736
Postage		156	180
Printing and stationery		215	227
Street lighting		406	436
Subscriptions and publications		469	342
Telephone and communications		418	369
Valuation fees		182	177
Caravan park levies		330	305
Computer maintenance		1,253	1,090
Other expenses		19	2
Quarry expenses		71	105
Contributions to other organisations		232	664
Legal expenses:			
Expenses from short-term leases		59	87
– Legal expenses: planning and development		15	48
– Legal expenses: debt recovery		159	129
– Legal expenses: other		97	48
Total materials and services		46,164	50,814

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on leases		3	6
Interest on loans		6,257	7,435
Other debts		2	10
Total interest bearing liability costs		6,262	7,451
Total interest bearing liability costs expensed		6,262	7,451
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	C3-5	269	204
Total other borrowing costs		269	204
Total borrowing costs expensed		6,531	7,655

Accounting policy

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

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

\$ '000	Notes	2021	2020 ¹ Restated
Depreciation and amortisation			
Plant and equipment		3,325	3,269
Office equipment		306	319
Furniture and fittings		143	140
Infrastructure:	C1-8		
– Buildings – non-specialised		1,323	757
– Buildings – specialised		1,573	1,321
– Other structures		1,173	1,284
– Roads		13,662	13,506
– Bridges		3,184	1,506
– Footpaths		619	616
– Other road assets		751	691
– Stormwater drainage		2,763	2,755
– Water supply network		6,343	5,922
– Sewerage network		8,796	8,650
– Swimming pools		179	166
– Other open space/recreational assets		1,837	1,757
– Other infrastructure		1,699	1,686
Right of use assets	C2-1	278	228
Other assets:			
– Library books		217	159
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-8	506	409
– Quarry assets	C3-5,C1-8	29	30
Intangible assets	C1-9	233	215
Total gross depreciation and amortisation costs		48,939	45,386
Less: capitalised costs		(929)	(1,097)
Total depreciation and amortisation costs		48,010	44,289
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-8		
– Roads		(279)	712
– Stormwater drainage		123	–
– Other infrastructure		1,055	–
Total gross IPPE impairment / revaluation decrement costs		899	712
Amounts taken through revaluation reserve	C1-8	(899)	(712)
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		48,010	44,289

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

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

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

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

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

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

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

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

B3-5 Other expenses

\$ '000	2021	2020
Net share of interests in joint ventures and associates using the equity method		
Joint ventures	–	34
Total net share of interests in joint ventures and associates using the equity method	–	34
Other		
Contributions/levies to other levels of government		
– Department of planning levy	119	72
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,131	995
– Waste levy	3,708	3,594
– Other contributions/levies	25	4
Donations, contributions and assistance to other organisations (Section 356)	24	60
Total other	5,007	4,725
Total other expenses	5,007	4,759

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	9
Less: carrying amount of property assets sold/written off		–	(268)
Gain (or loss) on disposal		–	(259)
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		2,743	1,707
Less: carrying amount of plant and equipment assets sold/written off		(1,551)	(2,581)
Gain (or loss) on disposal		1,192	(874)
Gain (or loss) on disposal of infrastructure			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(12,707)	(14,094)
Gain (or loss) on disposal		(12,707)	(14,094)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		74,542	90,000
Less: carrying amount of investments sold/redeemed/matured		(74,500)	(90,000)
Gain (or loss) on disposal		42	–
Net gain (or loss) on disposal of assets		(11,473)	(15,227)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 23/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	65,296	66,472	1,176	2% F
User charges and fees	39,709	42,253	2,544	6% F
Other revenues	1,599	1,701	102	6% F
Operating grants and contributions	21,607	25,823	4,216	20% F
Storm / Flood Damage Grants \$3,014k (F)				
Bushfire Grants & Contributions \$514k (F)				
Floodplain Grants \$389k (F)				
Capital grants and contributions	29,340	36,178	6,838	23% F
Fixing Local Roads Program \$1,372k (F)				
Local Roads & Community Infrastructure Program \$1,835k (F)				
Bridges Renewal Program \$700k (F)				
S 64 Developer Contributions \$2,203k (F)				
S 7.11 Developer Contributions \$562k (F)				
Interest and investment revenue	2,318	1,910	(408)	(18)% U
Interest revenue returns impacted by declining interest rates available on investments.				
Net gains from disposal of assets	1,659	-	(1,659)	(100)% U
At this stage, council's budget only allows for proceeds from sale of assets and does not attempt to predict any book profit or loss from disposals.				
Other income	-	772	772	∞ F

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
EXPENSES					
Employee benefits and on-costs	37,404	38,605	(1,201)	(3)%	U
Materials and services	43,156	46,164	(3,008)	(7)%	U
Borrowing costs	6,705	6,531	174	3%	F
Depreciation, amortisation and impairment of non-financial assets	44,801	48,010	(3,209)	(7)%	U
Other expenses	5,083	5,007	76	1%	F
Net losses from disposal of assets	-	11,473	(11,473)	∞	U

At this stage, council's budget only allows for proceeds from sale of assets and does not attempt to predict any book profit or loss from disposals.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	75,048	71,381	(3,667)	(5)%	U
Cash flows from investing activities	(63,689)	(49,455)	14,234	(22)%	F
Purchase of IPP&E \$12,485k (F)					
Sale of IPP&E \$1,084k (F)					
Cash flows from financing activities	(9,229)	(9,210)	19	0%	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	11,074	2,971
Cash-equivalent assets		
– Deposits at call	23,262	18,650
– Managed funds	490	489
– Short-term deposits	10	10
Total cash and cash equivalents	34,836	22,120

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	34,836	22,120
Balance as per the Statement of Cash Flows	34,836	22,120

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	–	–	–	6,610
Total	–	–	–	6,610
Debt securities at amortised cost				
Long term deposits	52,000	46,000	68,000	29,000
Total	52,000	46,000	68,000	29,000
Total financial investments	52,000	46,000	68,000	35,610
Total cash assets, cash equivalents and investments	86,836	46,000	90,120	35,610

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of NCDs in the Statement of Financial Position.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	86,836	46,000	90,120	35,610

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Deposits, bonds and retentions	2,108	2,192
Held as custodian	664	758

External restrictions – included in liabilities

	2,772	2,950
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External restrictions – other

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

Developer contributions – general	9,136	8,597
Developer contributions – water fund	9,191	7,802
Developer contributions – sewer fund	8,886	6,782
Specific purpose unexpended grants (recognised as revenue) – general fund	8,537	5,061
Specific purpose unexpended grants – Holiday Parks	24	24
Specific purpose unexpended grants – Other	18	917
Water fund	38,891	36,676
Sewer fund	5,995	7,967
Domestic waste management	1,235	1,600
Holiday Parks	3,541	2,238
Clarence regional library	674	826
Other	1,133	404
External restrictions – other	87,261	78,894

Total external restrictions

	90,033	81,844
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Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Building Asset renewals	209	1,083
Cemetery reserves	2	–
Coastal and estuary management	353	475
Commercial waste service reserve	1,418	1,145
Community cultural and heritage programs	22	23
Clarence Care & Support reserves	–	1,898
Council s7.11 development funds	30	30
Election cost reserve	308	225
Emergency services reserves	88	156
Employee leave entitlements	3,982	3,401
Environmental and noxious weeds projects	696	726
Fleet plant reserve	7,311	9,354
Floodplain management reserves	377	384
Infrastructure assets renewals reserve	586	1,684
Insurance reserves	213	178
Maclean and district improvements	592	578
Miscellaneous administrative reserves	–	18
Mobile and public library projects	–	8
Other parks improvements	103	389
Public pool improvements	709	512
Public toilet refurbishment program	146	30
Quarries operations and rehabilitation	569	883
Regional development and tourism projects	–	32

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

\$ '000	2021	2020
Regional landfill reserves	9,282	5,153
Roads reserves	1,456	2,509
Saleyards asset replacement	313	320
Software implementation reserves	684	608
Sporting facilities improvements	281	396
Strategic building reserve	959	1,522
Strategic development programs	105	129
Unspent financial assistance grant	5,681	5,837
Unspent general loans	–	47
Unspent general loans floodplain infrastructure and natural resources	27	27
Waste management reserves	5,782	3,542
Total internal restrictions	42,284	43,302
Total restrictions	132,317	125,146

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	3,114	1,394	3,095	1,363
Interest and extra charges	377	-	480	-
User charges and fees	8,857	-	9,340	-
Accrued revenues				
– Interest on investments	587	-	938	-
Amounts due from other councils	53	-	225	-
Government grants and subsidies	12,543	-	13,821	-
Net GST receivable	826	-	784	-
Government departments (other than grants)	486	-	952	-
Other debtors	1,286	-	958	-
Total	28,129	1,394	30,593	1,363
Less: provision of impairment				
Rates and annual charges	(4)	-	(4)	-
Other debtors	(5)	-	(5)	-
Total provision for impairment – receivables	(9)	-	(9)	-
Total net receivables	28,120	1,394	30,584	1,363

C1-4 Receivables (continued)

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	9	9
Balance at the end of the year	9	9

Accounting policy

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

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	90	156	90	156
Stores and materials	1,436	-	1,258	-
Total inventories at cost	1,526	156	1,348	156
Total inventories	1,526	156	1,348	156

C1-5 Inventories (continued)

(i) Other disclosures

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development				
Residential	90	156	90	156
Total real estate for resale	90	156	90	156
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	90	156	90	156
Total costs	90	156	90	156
Total real estate for resale	90	156	90	156
Movements:				
Real estate assets at beginning of the year	90	156	90	156
Total real estate for resale	90	156	90	156

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

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

\$ '000	2021	2020
Real estate for resale	90	90
	90	90

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2021	2020
Contract assets	4,856	4,991
Total contract assets and contract cost assets	4,856	4,991

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Government grants	4,856	-	4,991	-
Total contract assets	4,856	-	4,991	-

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

C1-7 Non-current assets classified as held for sale

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Non-current assets held for sale				
Land	342	-	342	-
Buildings	588	-	588	-
Other assets	217	-	217	-
Total non-current assets held for sale	1,147	-	1,147	-
Total non-current assets classified as held for sale	1,147	-	1,147	-

Details of assets and disposal groups

Council has resolved to sell the following parcel of land & building assets as part of its property rationalisation strategy:

- Previous Clarence Valley Tourist Information Centre, Spring Street, South Grafton

Council has engaged the services of a licenced real estate agent.

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

\$ '000	2021 Assets 'held for sale'	2020 Assets 'held for sale'
Opening balance	1,147	930
Balance still unsold after 12 months:	1,147	930
<u>Plus new transfers in:</u>		
– Assets held for sale	-	217
Closing balance of held for sale non-current assets and operations	1,147	1,147

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020 ²			Asset movements during the reporting period									At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	21,506	–	21,506	2,599	13,446	–	–	–	(19,362)	–	–	–	18,189	–	18,189
Plant and equipment	44,483	(20,665)	23,818	7,224	–	(1,546)	(3,325)	–	–	–	–	–	45,939	(19,768)	26,171
Office equipment	4,396	(3,484)	912	237	27	–	(306)	–	–	–	–	–	4,660	(3,790)	870
Furniture and fittings	3,826	(2,699)	1,127	63	68	(1)	(143)	–	–	–	–	–	3,953	(2,839)	1,114
Land:															
– Crown land	27,366	–	27,366	–	–	–	–	–	–	–	–	–	27,366	–	27,366
– Operational land	41,201	–	41,201	3	–	–	–	–	4,131	262	(4,131)	–	41,466	–	41,466
– Community land	8,520	–	8,520	1,046	–	–	–	–	–	(262)	–	–	9,304	–	9,304
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	20	–	20
Infrastructure:															
– Buildings – non-specialised	58,855	(20,263)	38,592	9	3,774	(130)	(1,323)	–	3,090	–	–	–	65,613	(21,601)	44,012
– Buildings – specialised	109,033	(31,428)	77,605	1,459	1,271	(1,385)	(1,573)	–	1,750	–	–	–	110,398	(31,271)	79,127
– Other structures	29,557	(8,577)	20,980	72	335	(3)	(1,173)	–	–	–	–	–	29,959	(9,748)	20,211
– Roads	607,381	(192,448)	414,933	3,265	7,374	(2,754)	(13,662)	(433)	2,148	(201)	–	–	615,265	(204,595)	410,670
– Bridges	152,862	(43,676)	109,186	1,041	–	(997)	(3,184)	712	376	–	–	–	152,963	(45,829)	107,134
– Footpaths	30,367	(10,604)	19,763	123	870	(264)	(619)	–	121	31	–	–	31,143	(11,118)	20,025
– Other road assets (including bulk earthworks)	36,404	(7,245)	29,159	228	1,419	(954)	(751)	–	93	(932)	–	–	36,119	(7,857)	28,262
– Bulk earthworks (non-depreciable)	193,951	–	193,951	271	4,306	(1,739)	–	–	4,581	1,102	–	–	202,472	–	202,472
– Stormwater drainage	219,408	(69,671)	149,737	275	2,339	(1,557)	(2,763)	(123)	477	–	–	–	220,779	(72,394)	148,385
– Water supply network ²	496,971	(140,719)	356,252	1,142	841	(969)	(6,343)	–	432	–	–	53,373	559,103	(154,375)	404,728
– Sewerage network	365,456	(119,518)	245,938	2,387	2,051	(1,048)	(8,796)	–	1,483	–	(9,954)	–	343,185	(111,124)	232,061
– Swimming pools	9,783	(4,322)	5,461	503	–	(65)	(179)	–	–	–	–	–	10,108	(4,388)	5,720
– Other open space/recreational assets	52,665	(20,450)	32,215	1,233	1,379	(518)	(1,837)	–	91	–	–	–	54,323	(21,760)	32,563
– Other infrastructure ²	196,168	(40,687)	155,481	623	45	(325)	(1,699)	(1,055)	78	–	(133)	–	200,111	(47,096)	153,015
Other assets:															
– Library books	6,369	(5,599)	770	328	–	(4)	(217)	–	–	–	–	–	6,693	(5,816)	877
– Other	3,995	–	3,995	91	–	–	–	–	–	–	–	–	4,086	–	4,086
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	11,552	(3,400)	8,152	986	–	–	(506)	–	–	–	–	–	12,538	(3,906)	8,632
– Quarry assets	1,247	(145)	1,102	–	–	–	(29)	–	511	(553)	–	–	1,205	(174)	1,031
Total infrastructure, property, plant and equipment	2,733,342	(745,600)	1,987,742	25,208	39,545	(14,259)	(48,428)	(899)	–	(553)	(14,218)	53,373	2,806,960	(779,449)	2,027,511

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

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

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019 ²			Asset movements during the reporting period										At 30 June 2020 ²		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²
Capital work in progress	17,091	–	17,091	5,722	9,843	–	–	–	(10,262)	(888)	–	–	–	21,506	–	21,506
Plant and equipment	44,903	(21,764)	23,139	6,371	42	(2,465)	(3,269)	–	–	–	–	–	–	44,483	(20,665)	23,818
Office equipment	3,958	(3,210)	748	483	7	(7)	(319)	–	–	–	–	–	–	4,396	(3,484)	912
Furniture and fittings	3,983	(2,696)	1,287	49	23	(92)	(140)	–	–	–	–	–	–	3,826	(2,699)	1,127
Land:																
– Operational land	40,354	–	40,354	–	409	(23)	–	–	–	461	–	–	–	41,201	–	41,201
– Community land	7,556	–	7,556	–	899	(238)	–	–	–	(461)	–	–	764	8,520	–	8,520
– Crown land	19,883	–	19,883	–	–	–	–	–	–	–	–	–	7,483	27,366	–	27,366
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	–	20	–	20
Infrastructure:																
– Buildings – non-specialised	58,371	(19,475)	38,896	3	439	–	(757)	–	11	–	–	–	–	58,855	(20,263)	38,592
– Buildings – specialised	113,987	(33,327)	80,660	153	1,872	(4,269)	(1,321)	–	510	–	–	–	–	109,033	(31,428)	77,605
– Other structures	26,895	(7,357)	19,538	95	1,997	(88)	(1,284)	–	722	–	–	–	–	29,557	(8,577)	20,980
– Roads	601,446	(181,161)	420,285	4,387	4,352	(3,872)	(13,506)	–	3,303	(16)	–	–	–	607,381	(192,448)	414,933
– Bridges	151,437	(42,100)	109,337	920	1,220	(1,019)	(1,506)	(712)	914	32	–	–	–	152,862	(43,676)	109,186
– Footpaths	30,303	(10,023)	20,280	47	144	(92)	(616)	–	–	–	–	–	–	30,367	(10,604)	19,763
– Other road assets (including bulk earthworks)	34,381	(6,590)	27,791	2,066	–	(177)	(691)	–	–	170	–	–	–	36,404	(7,245)	29,159
– Bulk earthworks (non-depreciable)	189,594	–	189,594	1,870	2,325	(1,220)	–	–	1,484	(102)	–	–	–	193,951	–	193,951
– Stormwater drainage	218,045	(67,096)	150,949	157	1,275	(246)	(2,755)	–	441	(84)	–	–	–	219,408	(69,671)	149,737
– Water supply network ²	493,762	(135,303)	358,459	797	833	(1,318)	(5,922)	–	2,291	(2,159)	–	–	3,271	496,971	(140,719)	356,252
– Sewerage network	366,665	(110,936)	255,729	1,414	313	(1,174)	(8,650)	–	194	2,159	–	(4,047)	–	365,456	(119,518)	245,938
– Swimming pools	9,810	(4,182)	5,628	15	–	(16)	(166)	–	–	–	–	–	–	9,783	(4,322)	5,461
– Other open space/recreational assets	51,183	(19,601)	31,582	501	2,256	(542)	(1,757)	–	392	–	(217)	–	–	52,665	(20,450)	32,215
– Other infrastructure ²	196,156	(39,161)	156,995	253	–	(81)	(1,686)	–	–	–	–	–	–	196,168	(40,687)	155,481
Other assets:																
– Library books	6,077	(5,440)	637	296	–	(4)	(159)	–	–	–	–	–	–	6,369	(5,599)	770
– Other	3,901	–	3,901	94	–	–	–	–	–	–	–	–	–	3,995	–	3,995
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	8,924	(2,991)	5,933	1,992	636	–	(409)	–	–	–	–	–	–	11,552	(3,400)	8,152
– Quarry assets	862	(115)	747	385	–	–	(30)	–	–	–	–	–	–	1,247	(145)	1,102
Total infrastructure, property, plant and equipment	2,699,547	(712,528)	1,987,019	28,070	28,885	(16,943)	(44,943)	(712)	–	(888)	(217)	(4,047)	11,518	2,733,342	(745,600)	1,987,742

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

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Buildings	Years
Office equipment	5 to 10	Buildings: specialised	37 to 284
Office furniture	10 to 30	Buildings: non specialised	59 to 158
Computer equipment	5		
Vehicles	5 yrs/ 150,000km	Other infrastructure assets	Years
Heavy plant/road making equipment	5 to 15	Bulk earthworks	Infinite
Other plant and equipment	5 to 15	Floodplain assets	19 to 174
Water and sewer assets	Years	Stormwater assets	Years
Dams and reservoirs	10 to 200	Pits	63 to 90
Water reticulation pipes: PVC	74 to 120	Culverts	62 to 90
Water reticulation pipes: other	20 to 160	Pipes	63 to 88
Water pumps and telemetry	5 to 30		
Regional water supply pipes	30 to 200	Other Structures	Years
Sewerage treatment plant	11 to 200	Lighting	19 to 28
Sewer reticulation pipes: PVC	70 to 210	Fences	11 to 42
Sewer reticulation pipes: other	50 to 210	Airport Structures	21 to 45
Sewer pumps and telemetry	5 to 30	Saleyards	23 to 92
Sewer pressure units	5 to 50		
Transportation assets	Years	Swimming Pools	Years
Sealed roads: surface	12 to 135	Chlorination plant	17
Sealed roads: structure	84 to 200	Surfaces	100 to 128
Unsealed roads	22 to 85	Facilities	77 to 109
Bridge: concrete	107 to 165	Structures (Pool & shade)	11 to 118
Bridge: other	53 to 78		
Kerb and gutter	72 to 110	Other open space/recreational assets	Years
Traffic facilities	20 to 134	Barbeques	16 to 26
Guard rail	59 to 75	Playground equipment	16 to 26
Roadside furniture	16 to 27	Shelters	26 to 52
Bus shelters	34 to 63		
Street lights	35 to 42		
Car parks	70 to 133		

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

Revaluation model

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

C1-8 Infrastructure, property, plant and equipment (continued)

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

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

Land under roads

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

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

Crown reserves

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

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

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and legislation changed, Council will not recognise rural fire service assets including plant and vehicles.

C1-9 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	4,041	3,225
Accumulated amortisation	(3,091)	(2,889)
Net book value – opening balance	950	336
Movements for the year		
Other movements	–	(16)
Purchases	159	866
Amortisation charges	(233)	(215)
Gross book value written off	–	(43)
Accumulated amortisation charges written off	–	22
Closing values at 30 June		
Gross book value	4,200	4,041
Accumulated amortisation	(3,324)	(3,091)
Total software – net book value	876	950
Total intangible assets – net book value	876	950

Accounting policy

IT development and software

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

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

C1-10 Other

Other assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Prepayments	126	-	172	-
Total other assets	126	-	172	-

C2 Leasing activities

C2-1 Council as a lessee

Council has two leases for the asset class buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases two administration buildings:

- 42 Victoria Street Grafton - the lease is for 2 years with 2 x 5 year renewal options. The building lease contains an annual pricing mechanism based on 3% increase at each anniversary of the lease inception.
- 49 Queen Street Grafton - the original lease was for 3 years with a 3 year option to renew. The renewal date was 21 February 2019 where Council took up the 3 year renewal option making the lease term 6 years with an additional 1 x 3 year renewal option. The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Extension options

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

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

The potential future lease payments are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
2021			
Opening balance at 1 July	–	368	368
Depreciation charge	–	(278)	(278)
Balance at 30 June	–	90	90
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	646	646
Depreciation charge	–	(228)	(228)
Other movement	–	(50)	(50)
Balance at 30 June	–	368	368

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	93	–	282	93
Total lease liabilities	93	–	282	93

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	93	–	–	93	93
2020					
Cash flows	286	93	–	379	375

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	3	6
Depreciation of right of use assets	278	228
Expenses relating to short-term leases	59	87
	340	321

(e) Statement of Cash Flows

Total cash outflow for leases	(286)	(278)
	(286)	(278)

Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

C2-1 Council as a lessee (continued)

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position.

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

\$ '000	2021	2020
(i) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of room/facility hire, the table below relates to operating leases on assets disclosed in C1-8.		
Lease income (excluding variable lease payments not dependent on an index or rate)	772	826
Total income relating to operating leases for Council assets	772	826

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	3,689	–	9,033	–
Goods and services – capital expenditure	2,953	–	1,907	–
Accrued expenses:				
– Borrowings	470	–	777	–
– Salaries and wages	6	–	888	–
– ELE - CCS transition to Wesley	–	–	384	–
Security bonds, deposits and retentions	2,108	–	2,192	–
Government departments	1,979	–	2,135	–
Employee time in lieu and RDO	467	–	462	–
Prepaid rates	2,542	–	2,181	–
Other	322	–	373	–
Client Balances - CCS transition to Wesley	–	–	1,508	–
Total payables	14,536	–	21,840	–
Total payables	14,536	–	21,840	–

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

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	1,849	1,982
Total payables	1,849	1,982

Accounting policy

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

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	5,550	–	4,002	–
Holiday park deposits in advance of services provided		355	–	420	–
Other		–	–	87	–
Total contract liabilities		5,905	–	4,509	–

Notes

(i) Council has received funding under the Fixing Country Bridges and Fixing Local Roads Programs to undertake a bridge replacement program and roads improvements. Funding has also been received to seal a section of the Clarence Way, saleyard upgrades and Yaegl libraries refurbishment. 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

C3-2 Contract Liabilities (continued)

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.

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	4,002	2,884
Total revenue recognised that was included in the contract liability balance at the beginning of the period	4,002	2,884

Accounting policy

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

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	8,256	86,951	8,195	95,940
Total borrowings	8,256	86,951	8,195	95,940

(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 E2-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	104,135	(8,928)	–	–	–	–	95,207
Lease liability (Note C2-1b)	375	(282)	–	–	–	–	93
Total liabilities from financing activities	104,510	(9,210)	–	–	–	–	95,300

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	111,175	(7,040)	–	–	–	–	104,135
Lease liability (Note C2-1b)	–	375	–	–	–	–	375
Total liabilities from financing activities	111,175	(6,665)	–	–	–	–	104,510

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	150	150

continued on next page ...

C3-3 Borrowings (continued)

\$ '000	2021	2020
Total financing arrangements	650	650
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	150	150
Total undrawn financing arrangements	650	650

Additional financing arrangements information**Breaches and defaults**

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

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	3,740	–	3,477	–
Long service leave	9,273	478	8,783	303
Total employee benefit provisions	13,013	478	12,260	303

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	9,831	8,631
	9,831	8,631

Description of and movements in non-employee benefit provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	15,821	388	14,731
Sub-total – asset remediation/restoration	–	15,821	388	14,731
Total provisions	–	15,821	388	14,731

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	15,119	15,119
Unwinding of discount	269	269
Additional provisions	2,340	2,340
Remeasurement effects	(1,907)	(1,907)
Total other provisions at end of year	15,821	15,821
2020		
At beginning of year	11,902	11,902
Unwinding of discount	204	204
Additional provisions	945	945
Remeasurement effects	2,068	2,068
Total other provisions at end of year	15,119	15,119

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

C3-5 Provisions (continued)

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	46,176	2,495	18,576
User charges and fees	23,021	16,965	3,033
Interest and investment revenue	1,057	625	228
Other revenues	1,176	428	97
Grants and contributions provided for operating purposes	25,372	271	180
Grants and contributions provided for capital purposes	31,259	1,790	3,129
Other income	5,812	–	–
Total income from continuing operations	133,873	22,574	25,243
Expenses from continuing operations			
Employee benefits and on-costs	34,548	2,021	2,036
Materials and services	38,246	8,139	6,360
Borrowing costs	1,186	1,547	3,798
Depreciation, amortisation and impairment of non-financial assets	32,274	6,633	9,103
Other expenses	4,993	5	9
Net losses from the disposal of assets	9,521	913	1,039
Total expenses from continuing operations	120,768	19,258	22,345
Operating result from continuing operations	13,105	3,316	2,898
Net operating result for the year	13,105	3,316	2,898
Net operating result attributable to each council fund	13,105	3,316	2,898
Net operating result for the year before grants and contributions provided for capital purposes	(18,154)	1,526	(231)

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	32,219	916	1,701
Investments	25,280	18,580	8,140
Receivables	20,602	5,636	1,882
Inventories	1,526	–	–
Contract assets and contract cost assets	4,856	–	–
Other	126	–	–
Non-current assets classified as held for sale	1,147	–	–
Total current assets	85,756	25,132	11,723
Non-current assets			
Investments	8,280	31,265	6,455
Receivables	1,011	52	331
Inventories	156	–	–
Infrastructure, property, plant and equipment	1,369,075	417,109	241,327
Intangible assets	852	–	24
Right of use assets	90	–	–
Total non-current assets	1,379,464	448,426	248,137
TOTAL ASSETS	1,465,220	473,558	259,860
LIABILITIES			
Current liabilities			
Payables	13,021	726	789
Contract liabilities	5,905	–	–
Lease liabilities	93	–	–
Borrowings	2,370	1,169	4,717
Employee benefit provision	13,013	–	–
Total current liabilities	34,402	1,895	5,506
Non-current liabilities			
Borrowings	12,982	19,181	54,788
Employee benefit provision	478	–	–
Provisions	15,821	–	–
Total non-current liabilities	29,281	19,181	54,788
TOTAL LIABILITIES	63,683	21,076	60,294
Net assets	1,401,537	452,482	199,566
EQUITY			
Accumulated surplus	529,264	228,709	120,095
Revaluation reserves	872,273	223,773	79,471
Council equity interest	1,401,537	452,482	199,566
Total equity	1,401,537	452,482	199,566

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

The Council is a member of the North-East Weight of Loads Group (NEWLOG). The constitution of the group specifies Council as having part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally promote the aims of reducing damage to Council's roads by policing of vehicle weight loads.

Council's share of the operations (25.0%) have been deemed as "immaterial" and therefore have not been incorporated into these financial statements.

D3 Discontinued operations

D3-1 Discontinued operations

\$ '000	2021	2020
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(a) Description

On 30 June 2020 Clarence Valley Council transferred the existing services provided by Clarence Care + Support to Wesley Community Services Limited trading as Wesley Mission. As at 30 June 2020, Clarence Care + Support no longer exists as a Category 1 business. Detailed financial information on Clarence Care + Support can be found in the Special Purpose Financial Statements.

Clarence Care + Support was not previously classified as a discontinued operation. The comparatives in this note and the comparative consolidated Income Statement and Statement of Comprehensive Income has been restated to show the discontinued operation separately from continuing operations.

(b) Income Statement and cash flow information

Financial performance

Revenues	-	7,804
Expenses	-	(8,037)
Gross profit/(loss) of discontinued operations	-	(233)
Consideration received for discontinued operations	-	376
Less:		
Net carrying value of discontinued operations	-	(91)
Gain/(loss) on reclassification/sale	-	285
Net profit/(loss) from discontinued operations	-	52

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

The risks associated with the financial instruments held are:

- **Interest rate risk**– the risk that movements in interest rates could affect returns.
- **Liquidity risk**– the risk that Council will not be able to pay debt 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.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,323	1,252
Impact of a 10% movement in price of investments		
– Equity / Income Statement	49	710

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	17	2,923	751	713	104	4,508
2020						
Gross carrying amount	17	2,891	742	705	103	4,458

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	20,163	253	1,128	835	1,746	24,125
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	21,981	312	763	236	2,572	25,864
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	2,108	9,886	–	–	11,994	11,994
Loans and advances	6.51%	–	14,263	54,161	63,314	131,738	95,207
Total financial liabilities		2,108	24,149	54,161	63,314	143,732	107,201
2020							
Trade/other payables	0.00%	2,192	17,467	–	–	19,659	19,659
Loans and advances	6.48%	–	14,900	53,271	81,541	149,712	104,135
Total financial liabilities		2,192	32,367	53,271	81,541	169,371	123,794

E2-1 Fair value measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as ‘held for sale’

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).

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2021	2020	2021	2020 ¹ Restated	2021	2020 ¹ Restated
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss – designated at fair value on initial recognition		–	6,610	–	–	–	6,610
Total financial assets		–	6,610	–	–	–	6,610
Infrastructure, property, plant and equipment							
	C1-8						
Operational land		41,466	41,201	–	–	41,466	41,201
Community land		9,304	8,520	–	–	9,304	8,520
Crown land		27,366	27,366	–	–	27,366	27,366
Land under roads (post 30/6/08)		–	–	20	20	20	20
Buildings – non-specialised		690	813	43,322	37,779	44,012	38,592
Buildings – specialised		–	–	79,127	77,605	79,127	77,605
Other structures		–	–	20,211	20,980	20,211	20,980
Roads		–	–	410,670	414,933	410,670	414,933
Bridges		–	–	107,134	109,186	107,134	109,186
Footpaths		–	–	20,025	19,763	20,025	19,763
Other road assets		–	–	28,262	29,159	28,262	29,159
Bulk earthworks (non-depreciable)		–	–	202,472	193,951	202,472	193,951
Stormwater drainage		–	–	148,385	149,737	148,385	149,737
Water supply network		–	–	404,728	356,252	404,728	356,252
Sewerage network		–	–	232,061	245,938	232,061	245,938
Swimming pools		–	–	5,720	5,461	5,720	5,461
Other open space/recreational assets		–	–	32,563	32,215	32,563	32,215
Floodplain		–	–	153,015	155,481	153,015	155,481
Library books		–	–	877	770	877	770
Artwork		–	–	4,086	3,995	4,086	3,995
Tip remediation		–	–	8,632	8,152	8,632	8,152
Quarry remediation		–	–	1,031	1,102	1,031	1,102

continued on next page ...

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2021	2020 ¹
		2021	2020	2021	2020 ¹ Restated	2021	2020 ¹ Restated
Total infrastructure, property, plant and equipment		78,826	77,900	1,902,341	1,862,479	1,981,167	1,940,379
Non-current assets classified as held for sale	C1-7						
Land		–	–	342	342	342	342
Buildings		588	588	–	–	588	588
Other		–	–	217	217	217	217
Total NCA's classified as held for sale		588	588	559	559	1,147	1,147

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

Transfers between level 1 and level 2 fair value hierarchies

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

Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

Infrastructure, property, plant and equipment (IPPE)

LEVEL 2

Operational, Crown and Community Land

This asset class comprises all of Council's land classified as Operational, Crown and Community Land under the NSW Local Government Act 1993. The key observable input to the valuation is the price per square metre. The last valuation for Operational Land was undertaken at 31 March 2017 and was performed by APV Valuers and Asset Management (APV), Registered Valuer. The last valuation for Community Land was undertaken at 1 July 2019 and was performed by the Valuer General of New South Wales.

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. For Operational, Crown and Community Land the most significant inputs into this valuation approach are price per square metre.

Buildings Non-Specialised

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

Level 2 valuation inputs were used to determine the fair value of a range of properties. This included residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

E2-1 Fair value measurement (continued)

LEVEL 3

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. Land under roads acquired after 1 July 2008 has been recognised in accordance with AASB 116 – Property, Plant and Equipment. There has been no change to the valuation process during the reporting period.

Buildings Specialised and Non-Specialised (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

The level of evidence used to support the critical assumptions of some commercial buildings was considered to be highly variable due to high levels of variability in the market for rental yields and future demand. As such the level of valuation input for these properties was considered level 3.

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

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

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

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

Road (including Bridges, Footpaths, Bulk Earthworks), Stormwater, and Floodplain Assets.

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

All road, stormwater and floodplain assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

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

Water Supply and Sewerage Networks Infrastructure

The last valuation was undertaken as at 30 June 2021 and was performed by Australis.

All Water Supply and Sewerage Networks Infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the

E2-1 Fair value measurement (continued)

total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all Water Supply and Sewerage Networks Infrastructure assets are deemed to be valued at level 3.

Library Books

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

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Artwork

The last valuation was undertaken as at 17 March 2018 and was performed by Dwyer Fine Art.

The valuation of artworks was based upon current primary and secondary art market conditions, by which the replacement value for artworks was determined by the price at which comparable items could be purchased from a reputable dealer, gallery or retail outlet. The valuation took into consideration the historical importance, quality, provenance, condition, size, execution date and subject matter of the artworks.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Tips and Quarries remediation Assets

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

Evaluation of costs for Tips and Quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Land under Roads		Buildings non specialised		Building specialised		Other structures	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	20	20	37,779	38,064	77,605	80,660	20,980	19,538
Total gains or losses for the period								
Other movements								
Purchases (GBV)	–	–	6,875	475	4,480	2,535	407	2,814
Disposals (WDV)	–	–	(25)	–	(1,385)	(4,269)	(3)	(88)
Depreciation and impairment	–	–	(1,307)	(760)	(1,573)	(1,321)	(1,173)	(1,284)
Impairment loss (recognised in equity)	–	–	–	–	–	–	–	–
Closing balance	20	20	43,322	37,779	79,127	77,605	20,211	20,980

\$ '000	Roads		Bridges		Footpaths		Other road assets	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	414,933	420,285	109,186	109,337	19,763	20,280	29,159	27,791
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	(201)	(16)	–	32	31	–	(932)	170
Purchases (GBV)	12,788	12,042	1,417	3,054	1,114	191	1,740	2,066
Disposals (WDV)	(2,754)	(3,872)	(997)	(1,019)	(264)	(92)	(954)	(177)
Depreciation and impairment	(13,662)	(13,506)	(3,184)	(1,506)	(619)	(616)	(751)	(691)
Impairment loss (recognised in equity)	(434)	–	712	(712)	–	–	–	–
Closing balance	410,670	414,933	107,134	109,186	20,025	19,763	28,262	29,159

\$ '000	Bulk earthworks		Stormwater drainage		Water supply network		Sewerage network	
	2021	2020	2021	2020	2021	2020 ¹	2021	2020
Opening balance	193,951	189,594	149,737	150,949	356,252	358,459	245,938	255,729
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	1,102	(102)	–	(84)	–	(2,159)	–	2,159
Purchases (GBV)	9,158	5,679	3,091	1,873	2,415	3,921	5,921	1,921
Disposals (WDV)	(1,739)	(1,220)	(1,557)	(246)	(969)	(1,318)	(1,048)	(7,597)
Depreciation and impairment	–	–	(2,763)	(2,755)	(6,343)	(5,922)	(8,796)	(8,650)
Revaluation increments to equity (ARR)	–	–	–	–	53,373	3,271	(9,954)	2,376
Impairment loss (recognised in equity)	–	–	(123)	–	–	–	–	–
Closing balance	202,472	193,951	148,385	149,737	404,728	356,252	232,061	245,938

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

\$ '000	Swimming pools		Other open spaces/rec assets		Floodplain assets ¹		Library books	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	5,461	5,628	32,215	31,582	155,481	156,995	770	637
Total gains or losses for the period								

E2-1 Fair value measurement (continued)

\$ '000	Swimming pools		Other open spaces/rec assets		Floodplain assets ¹		Library books	
	2021	2020	2021	2020	2021	2020	2021	2020
Other movements								
Purchases (GBV)	503	15	2,703	2,932	746	253	328	296
Disposals (WDV)	(65)	(16)	(518)	(542)	(325)	(81)	(4)	(4)
Depreciation and impairment	(179)	(166)	(1,837)	(1,757)	(1,699)	(1,686)	(217)	(159)
Revaluation increments to equity (ARR)	-	-	-	-	(133)	-	-	-
Impairment loss (recognised in equity)	-	-	-	-	(1,055)	-	-	-
Closing balance	5,720	5,461	32,563	32,215	153,015	155,481	877	770

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

\$ '000	Artwork		Tip remediati'n		Quarry remediati'n		Held for Sale Land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	3,995	3,901	8,152	5,933	1,102	747	342	342
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	-	-	-	-	(553)	-	-	-
Purchases (GBV)	91	94	986	2,628	511	385	-	-
Depreciation and impairment	-	-	(506)	(409)	(29)	(30)	-	-
Impairment loss (recognised in equity)	-	-	-	-	-	-	-	-
Closing balance	4,086	3,995	8,632	8,152	1,031	1,102	342	342

\$ '000	Total	
	2021	2020
Opening balance	1,862,821	1,876,471
Transfers from/(to) another asset class	(553)	-
Purchases (GBV)	55,274	43,174
Disposals (WDV)	(12,607)	(20,541)
Depreciation and impairment	(44,638)	(41,218)
Revaluation increments to equity (ARR)	43,286	5,647
Impairment loss (recognised in equity)	(900)	(712)
Closing balance	1,902,683	1,862,821

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements

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

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

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

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

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$894,533.96. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA as at 30 June 2020.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$508,700.00. Council's expected contribution to the plan for the next annual reporting period is \$837,126.00.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 1.27%.

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

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

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

* Plus promotional increases

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(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.

(iii) Roads with possible asbestos contaminated gravel

In late 2009 Council became aware that gravel from Taylors Quarry (Council owned) was contaminated with asbestos. This material had been used on Council roads in the Ewingar area, primarily for gravel re-sheeting works. In December 2009 Council, based on the information available at the time sealed (with a bituminous seal) those roads where Council had used the gravel in the prior 12 month period based on the belief that this gravel held the highest concentration of serpentine material.

The National Occupational Health and Safety Commission (NOHSC) have set the exposure standards for occupational and non-occupational airborne asbestos fibre levels. These levels are set at 0.1 fibres/ml as the occupational level and 0.01 fibres/ml as the non-occupational level.

Council tested five sites where contaminated gravel was known to exist. These sites were selected as Council wished to assess the level of airborne asbestos that would be generated from sites where the gravel had been typically used. The results from this testing indicated four sites had airborne asbestos levels at less than 0.01 fibres/ml while one result was at 0.01 fibres/ml. Under certain provisions of the Work Health and Safety Act 2011, relevant Council staff who have received training in working with naturally occurring asbestos are allowed to work with the asbestos contaminated gravel. Council is required to and maintains an asbestos management plan.

At 30 June 2021, Council has 50km of unsealed rural roads which may contain asbestos.

Council has undertaken modelling of the impacts of dust generated from the roads which indicates minimal potential impact to public health. This modelling and subsequent report has been reviewed and accepted by the Office of Environment and Heritage and NSW Health. The recommendation of the report however is to take a fully conservative approach and seal the roads concerned.

Council has completed estimates to seal the roads containing asbestos contaminated gravel.

In preparing the estimate Council has allowed for the importation of gravel on a number of roads prior to sealing to allow sealing to be undertaken on an adequately prepared base to achieve some longevity from the sealing works.

Council has also allowed to seal uncontaminated road segments between contaminated areas where these road lengths are relatively small. This is being completed for long-term maintenance purposes.

The estimated cost of remaining sealing works is now \$1,647,785. Costs for material supply have increased over time as has the amount of pre-sealing works as road conditions have deteriorated since the initial assessment of the roads. Council continues to seal affected sections of road annually.

E3-1 Contingencies (continued)

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,109	1,073
Post-employment benefits	85	82
Other long-term benefits	103	27
Termination benefits	54	61
Total	1,351	1,243

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		Transactions	Outstanding		Impairment	
\$ '000	Ref	during the year	balances	Terms and conditions	provision on	Impairment
			including		outstanding	expense
			commitments		balances	
2021						
Earthmoving services and plant hire	1	770,990	–	14 days	–	–
Holiday Park mangement fees	2	443,641	–	14 days	–	–
2020						
Earthmoving services and plant hire	1	1,517,664	265,299	14 days	–	–
Holiday Park mangement fees	2	356,016	–	14 days	–	–

1 Council purchased earthmoving services and plant hire during the year from a company which has a close family member of Council's KMP as a major shareholder. 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.

F1-1 Key management personnel (KMP) (continued)

- 2 Council has a contract for Holiday Park Management with a company which has a member of Council's KMP as a director. The original contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the duration of the contract.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	60	38
Councillors' fees	219	157
Other Councillors' expenses (including Mayor)	2	7
Total	281	202

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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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

151	106
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Remuneration for audit and other assurance services

151	106
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Total Auditor-General remuneration

151	106
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services

13	9
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Remuneration for audit and other assurance services

13	9
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Total remuneration of non NSW Auditor-General audit firms

13	9
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Total audit fees

164	115
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G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020 ¹
Net operating result from Income Statement	19,319	7,272
Adjust for non-cash items:		
Depreciation and amortisation	48,010	44,289
Net losses/(gains) on disposal of assets	11,473	15,227
Non-cash capital grants and contributions	(4,534)	(6,035)
Adoption of AASB 15/1058	–	(2,884)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	–	(13)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	–	(14)
Unwinding of discount rates on reinstatement provisions	269	204
Share of net (profits)/losses of associates/joint ventures using the equity method	–	34
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	2,433	(8,070)
Decrease/(increase) in inventories	(178)	159
Decrease/(increase) in other current assets	46	(85)
Decrease/(increase) in contract assets	135	(4,991)
Increase/(decrease) in payables	(5,344)	4,379
Increase/(decrease) in accrued interest payable	(307)	232
Increase/(decrease) in other accrued expenses payable	(882)	1,261
Increase/(decrease) in other liabilities and accruals	(1,817)	515
Increase/(decrease) in contract liabilities	1,396	4,509
Increase/(decrease) in provision for employee benefits	928	(68)
Increase/(decrease) in other provisions	434	3,013
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	71,381	58,934

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

(b) Non-cash investing and financing activities

Other non-cash items	4,533	6,035
Total non-cash investing and financing activities	4,533	6,035

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	1,090	3,252
Plant and equipment	2,591	4,170
Sewerage services infrastructure	500	1,845
Water supply infrastructure	2,101	635
Other	4,872	814
Total commitments	11,154	10,716
These expenditures are payable as follows:		
Within the next year	11,154	10,167
Later than one year and not later than 5 years	-	549
Total payable	11,154	10,716

G3-1 Events occurring after the reporting date

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

The Coronavirus (COVID-19) Pandemic continues to impact both communities and business throughout the world including Australia and the community where Council operates. This Pandemic has had a financial impact for Council in the financial year ended 30 June 2021, which was reported to Council in 2021.

The scale, timing and duration of the potential impacts on Council is unknown.

In the period after balance sheet date to signing of this report, there have not been any additional significant adverse operational or financial impacts as a result of COVID-19 Pandemic or other circumstances and any known impacts to date have been reflected in the 30 June 2021 financial statements.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior-period error

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

Floodplain Assets

During the 2018/19, 2019/20 and 2020/21 financial reporting periods Clarence Valley Council carried out asset data cleansing processes over its floodplain assets.

Evidence was gained that accurate and complete identification of the recording of Floodplain Assets had been lacking since before the 2004 amalgamation of the Clarence Valley Councils and authorities. These types of assets have long lives, many are on private land, or in isolated areas and require little to no maintenance in their useful life. Council is responsible for Floodplain mitigation and maintaining these assets and therefore is considered controlled by Council. Current staff may never have had to work on some of these assets.

The data cleansing review, determined a large number of inconsistencies within our Floodplain Asset Register, including omission of some assets, incorrect componentisation and incorrect valuation of assets held. Clarence Valley Council have now updated the Assets Register to include all Floodplain Assets, components and appropriate values as at 30 June 2021.

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

Water Supply Network Assets

During the 2020/21 financial reporting period, Council's Water Supply Network assets were subject to a comprehensive revaluation at 30 June 2021. The process highlighted a number of anomalies and a full review of the Water Cycle Asset registers was undertaken. A number of current water main assets were identified as not previously being recorded, conversely, some water main assets were identified on the asset register which were not in existence. Clarence Valley Council have now updated the Assets Register to include these assets and updated appropriate values as at 30 June 2021.

It was determined that this should be treated as a prior period error as the assets should have been included in CVC's asset register in a prior year.

Impact on Prior Periods

The overall impact on prior periods is as follows:

Summary of prior year items impacting on IPPE

Increase Other Infrastructure Assets - depreciable	12,136
Increase Water supply network - depreciable	10,769
Total for correction of prior period errors at 1 July 2019	22,905
Increase Other Infrastructure Assets - Accumulated depreciation	(133)
Increase Water supply networks - Accumulated depreciation	(124)
Total for correction of prior period errors at 30 June 2020	22,649

Summary of prior year items impacting on Accumulated Surplus

Recognition of Other Infrastructure Assets	12,136
Recognition of Water supply network	10,769
Total for correction of prior period errors at 1 July 2019	22,905
Depreciation of Other Infrastructure Assets	(133)
Depreciation of Water supply network	(124)
Total for correction of prior period errors at 30 June 2020	22,649

Summary of prior year items impacting on Income Statement

Increase depreciation Other Infrastructure Assets	(133)
Increase depreciation Water supply network	(124)
Total for correction of prior period errors at 30 June 2020	(257)

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

G4-1 Correction of errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	1,964,114	22,905	1,987,019
Total non-current assets	2,013,145	22,905	2,036,050
Total assets ¹	2,112,077	22,905	2,134,982
Net assets ¹	1,959,076	22,905	1,981,981
Accumulated surplus	828,574	22,905	851,479
Total equity ¹	1,959,076	22,905	1,981,981

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

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure, property, plant and equipment	1,965,093	22,649	1,987,742
Total assets	2,131,944	22,649	2,154,593
Net assets	1,973,403	22,649	1,996,052
Accumulated surplus	836,142	22,649	858,791
Total equity	1,973,403	22,649	1,996,052

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Depreciation and amortisation	44,033	256	44,289
Total expenses from continuing operations	158,550	256	158,806
Operating result from continuing operations	7,476	(256)	7,220
Net operating result for the year attributable to Council	7,528	(256)	7,272
Net operating result for the year before grants and contributions provided for capital purposes	(17,212)	(256)	(17,468)

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
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G4-1 Correction of errors (continued)

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net operating result for the year	7,528	(256)	7,272
Total comprehensive income for the year	14,327	(256)	14,071

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	504	57	–	7	–	–	568	–
Roads	3,059	599	–	43	(49)	–	3,652	–
Open space	(267)	423	–	(2)	(250)	–	(96)	–
Community facilities	1,870	512	–	27	(25)	–	2,384	–
Other	219	26	–	2	(47)	–	200	–
S7.11 contributions – under a plan	5,385	1,617	–	77	(371)	–	6,708	–
S7.12 levies – under a plan	2,771	165	–	30	(955)	–	2,011	–
Total S7.11 and S7.12 revenue under plans	8,156	1,782	–	107	(1,326)	–	8,719	–
S7.11 not under plans	207	–	–	2	–	–	209	–
S7.4 planning agreements	233	12	–	3	(41)	–	207	–
S64 contributions	14,585	3,280	–	213	–	–	18,078	–
Total contributions	23,181	5,074	–	325	(1,367)	–	27,213	–

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - Clarence Valley Contributions Plan 2011								
Open space	(267)	423	–	(2)	(250)	–	(96)	–
Community facilities	1,870	512	–	27	(25)	–	2,384	–
Total	1,603	935	–	25	(275)	–	2,288	–
CONTRIBUTION PLAN - Access Roads & Bridges (Copmanhurst)								
Roads	931	236	–	13	(3)	–	1,177	–
Total	931	236	–	13	(3)	–	1,177	–
CONTRIBUTION PLAN - Roads (Grafton)								
Roads	143	85	–	2	–	–	230	–

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	143	85	-	2	-	-	230	-
CONTRIBUTION PLAN - Drainage (Gulmarrad)								
Drainage	504	57	-	7	-	-	568	-
Total	504	57	-	7	-	-	568	-
CONTRIBUTION PLAN - Roads (Maclean)								
Roads	52	53	-	1	-	-	106	-
Total	52	53	-	1	-	-	106	-
CONTRIBUTION PLAN - Kerb & Gutter (Maclean)								
Roads	39	-	-	1	-	-	40	-
Total	39	-	-	1	-	-	40	-
CONTRIBUTION PLAN - Tree Planting (Maclean)								
Other	37	3	-	-	(40)	-	-	-
Total	37	3	-	-	(40)	-	-	-
CONTRIBUTION PLAN - Extractive Industries (Copmanhurst, Maclean and Pristine Waters)								
Other	177	20	-	2	-	-	199	-
Total	177	20	-	2	-	-	199	-
CONTRIBUTION PLAN - Tree Planting (Pristine Waters)								
Other	5	3	-	-	-	-	8	-
Total	5	3	-	-	-	-	8	-

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - Couotts Crossing (Pristine Waters)								
Roads	235	-	-	3	-	-	238	-
Total	235	-	-	3	-	-	238	-
CONTRIBUTION PLAN - Southampton (Superseded) (Pristine Waters)								
Roads	54	-	-	1	-	-	55	-
Total	54	-	-	1	-	-	55	-
CONTRIBUTION PLAN - Nymboida (Superseded) (Pristine Waters)								
Roads	12	-	-	-	-	-	12	-
Total	12	-	-	-	-	-	12	-
CONTRIBUTION PLAN - Tyringham (Superseded) (Pristine Waters)								
Roads	138	-	-	2	-	-	140	-
Total	138	-	-	2	-	-	140	-
CONTRIBUTION PLAN - Kangaroo Creek (Superseded) (Pristine Waters)								
Roads	50	7	-	1	-	-	58	-
Total	50	7	-	1	-	-	58	-
CONTRIBUTION PLAN - Ramornie/Jackadgery (Superseded) (Pristine Waters)								
Roads	18	-	-	1	-	-	19	-
Total	18	-	-	1	-	-	19	-
CONTRIBUTION PLAN - Old Glenn Innes Rd District (Superseded) (Pristine Waters)								
Roads	44	-	-	-	-	-	44	-
Total	44	-	-	-	-	-	44	-
CONTRIBUTION PLAN - Ulmarra (Pristine Waters)								
Roads	1,343	218	-	18	(46)	-	1,533	-
Other	-	-	-	-	(7)	-	(7)	-
Total	1,343	218	-	18	(53)	-	1,526	-

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - Non Residential (Clarence Valley)								
Other	2,771	165	-	30	(955)	-	2,011	-
Total	2,771	165	-	30	(955)	-	2,011	-

G5-3 Contributions not under plans

Clarence Valley

Drainage	71	-	-	2	-	-	73	-
Parking	1	-	-	-	-	-	1	-
Other	70	-	-	-	-	-	70	-
Total	142	-	-	2	-	-	144	-

Nymboida (Pristine Waters)

Roads	37	-	-	-	-	-	37	-
Total	37	-	-	-	-	-	37	-

Maclean

Roads	28	-	-	-	-	-	28	-
Total	28	-	-	-	-	-	28	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 ³ Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,386)	(3.88)%	(1.61)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	138,931			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	113,108	64.59%	65.45%	> 60.00%
Total continuing operating revenue ¹	175,109			
3. Unrestricted current ratio				
Current assets less all external restrictions	52,816	3.98x	3.23x	> 1.50x
Current liabilities less specific purpose liabilities	13,254			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	49,155	3.12x	3.33x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	15,741			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	4,881	6.81%	7.32%	< 10.00%
Rates and annual charges collectable	71,687			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	132,836	13.36 mths	13.97 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	9,946			

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

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020 ⁴ Restated	2021	2020 Restated	2021	2020 Restated	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(8.99)%	(5.82)%	11.73%	19.85%	3.65%	(3.04)%	> 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	55.51%	56.42%	90.87%	81.05%	86.89%	96.36%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.98x	3.23x	13.26x	9.11x	2.13x	1.91x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.34x	5.87x	3.93x	4.46x	1.44x	1.52x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.11%	7.58%	8.71%	9.55%	5.79%	6.37%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.88	9.72	47.51	46.51	11.16	10.46	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note G6-1 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 G4-1 for details regarding the restatement as a result of Prior Period Errors

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

2 Prince Street
GRAFTON NSW 2460

Contact details

Mailing Address:

Locked Bag 23
GRAFTON NSW 2460

Telephone: 02 6643 0200

Facsimile: 02 6642 7647

Opening hours:

Monday to Friday (excl. Public Holidays)
8:30am to 4:30pm

Internet: www.clarence.nsw.gov.au

Email: council@clarence.nsw.gov.au

Officers

General Manager

Ashley Lindsay

Responsible Accounting Officer

Kate Maginnity

Public Officer

Laura Black

Auditors

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

Telephone 02 9275 7100

Elected members

Mayor

Jim Simmons

Councillors

Andrew Baker
Greg Clancy
Peter Ellem
Jason Kingsley
Arthur Lysaught
Debrah Novak
Karen Toms
Richie Williamson

Other information

ABN: 85 864 095 684



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

To the Councillors of the Clarence Valley Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

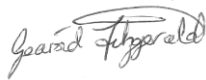
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



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

30 November 2021
SYDNEY



Cr Jim Simmons
Mayor
Clarence Valley Council
Locked Bag 23
GRAFTON NSW 2460

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7395
Our ref: D2126260/1713

30 November 2021

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Clarence Valley Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements

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

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

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

INCOME STATEMENT

Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	66.5	62.8	↑ 5.9
Grants and contributions revenue	62.0	57.4	↑ 8.0
Materials and services	46.2	50.8	↓ 9.1
Depreciation and amortisation expense	48.0	44.3	↑ 8.4
Operating result from continuing operations	19.3	7.2	↑ 168.1
Net operating result before capital grants and contributions	(16.9)	(17.5)	↑ 3.4

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

The Council's operating result from continuing operations (\$19.3 million including depreciation and amortisation expense of \$48.0 million) was \$12.1 million higher than the 2019–20 result. The increase is largely attributable to the following:

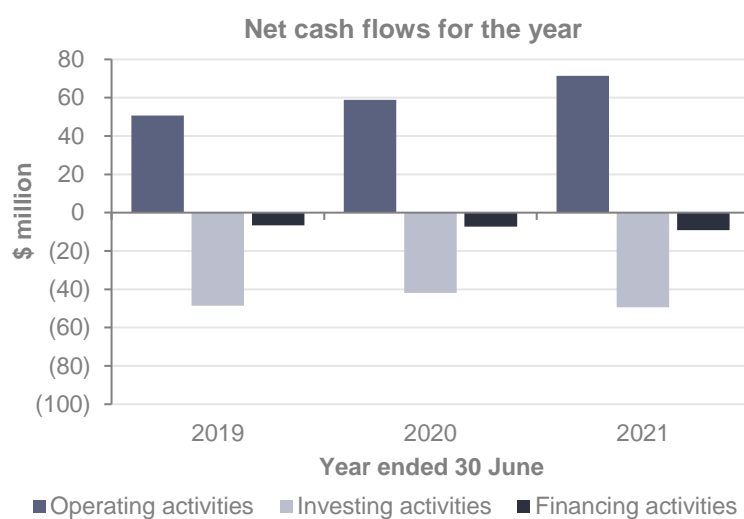
- Total rates and annual charges revenue (\$66.5 million) increased by \$3.7 million (5.9 per cent) in 2020-21 largely due to Council's approved Special Rate Variation, which increased general rates revenue by 8.0 per cent in 2020–21.
- Grants and contributions revenue (\$62.0 million) increased by \$4.6 million (8.0 per cent) in 2020-21. This is mainly due to an increase in special purpose capital grants received as cash. Significant additional grant revenue was sourced from Transport for NSW for various transport related programs in 2020-21 including Safer Roads and Fixing Local Roads, as well as for the Grafton Regional Gallery.
- Materials and services expense (\$46.2 million) has decreased by \$4.6 million (9.1 per cent) in 2020-21. Additional costs were incurred in 2019-20 for emergency works and immediate response activities to natural disasters.
- Depreciation and amortisation expense (\$48.0 million) has increased by \$3.7 million (8.4 per cent) in 2020-21. Revised useful life assumptions on certain assets scheduled for replacement have had a significant impact on annual depreciation expense.

STATEMENT OF CASH FLOWS

Net cash flow provided by operating activities increased by \$12.4 million. An increase in grants and contributions received was the most significant.

Net cash used in investing activities increased by \$7.6 million. This is largely due to an increase in the purchase of infrastructure, property, plant and equipment.

Net cash used in financing activities increased by \$1.9 million attributable to increased repayment of borrowings (no new loans).



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	132.8	125.7	Externally restricted cash and investments has increased by \$8.2 million largely as a result of increases in developer contributions (\$4.0m) and specific purpose unexpended grants (\$2.6 million).
Restricted cash and investments:			Internally restricted cash and investments decreased by \$1.0 million. The impacts of increases in regional landfill and waste management reserves have been offset by reductions in fleet plant and roads reserves as well as the disposal of Clarence Care and Support in the prior year.
• External restrictions	90.0	81.8	
• Internal restrictions	42.3	43.3	

Debt

Council had total borrowings of \$95.2 million as 30 June 2021 (\$104.1 million at 30 June 2020). Council had no new borrowings in 2020-21 and made loan repayments of \$8.9 million. Refer to later commentary on Council's debt service cover ratio.

Council had an overdraft facility available of \$0.65 million which consist of a bank overdraft facility with a limit of \$0.5m and a purchase card facility of \$0.15 million. At 30 June 2021, the facilities were undrawn.

PERFORMANCE

Performance measures

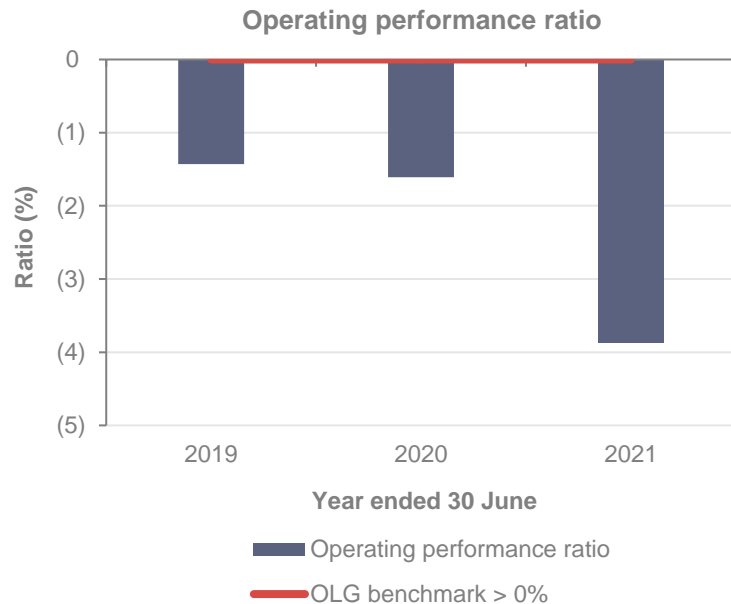
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period. A deterioration in Councils 2020-21 operating result before capital items led to a decreased ratio.

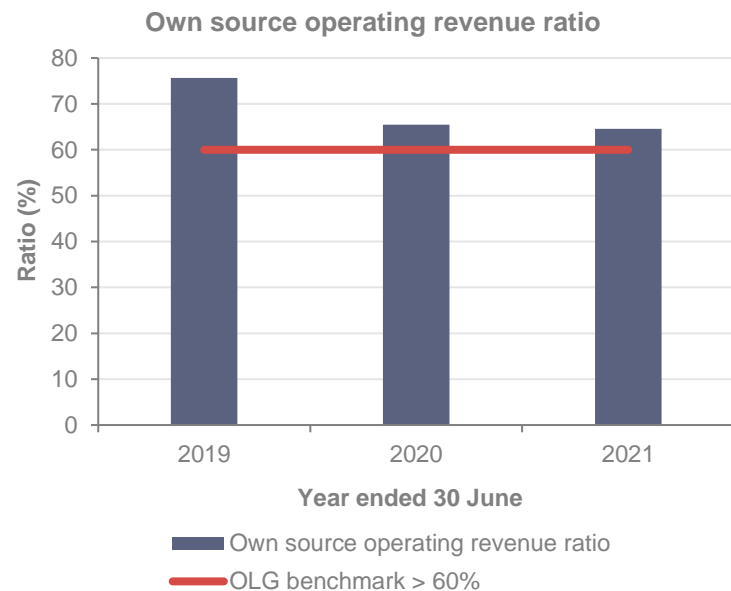
The 2020 ratio was restated to correct a prior period error.



Own source operating revenue ratio

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

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

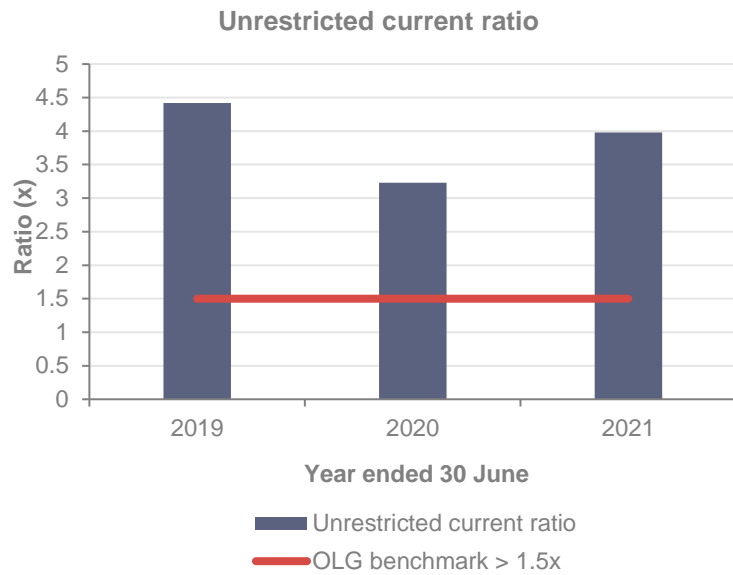


Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

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

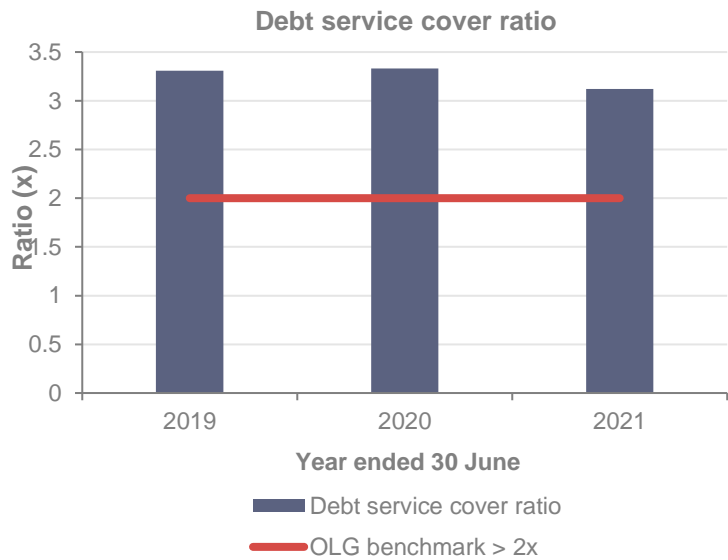
Council has \$3.98 in liquid current assets for every \$1 of current liabilities at 30 June 2021.



Debt service cover ratio

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

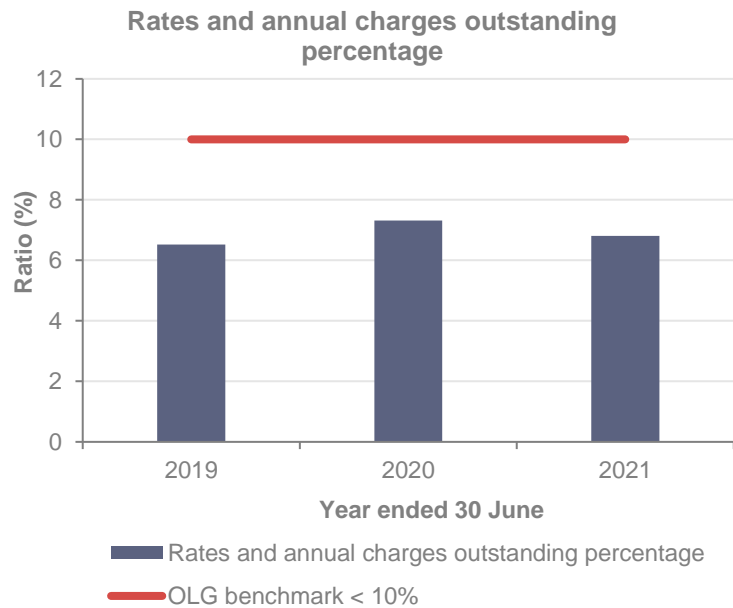
The Council met the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

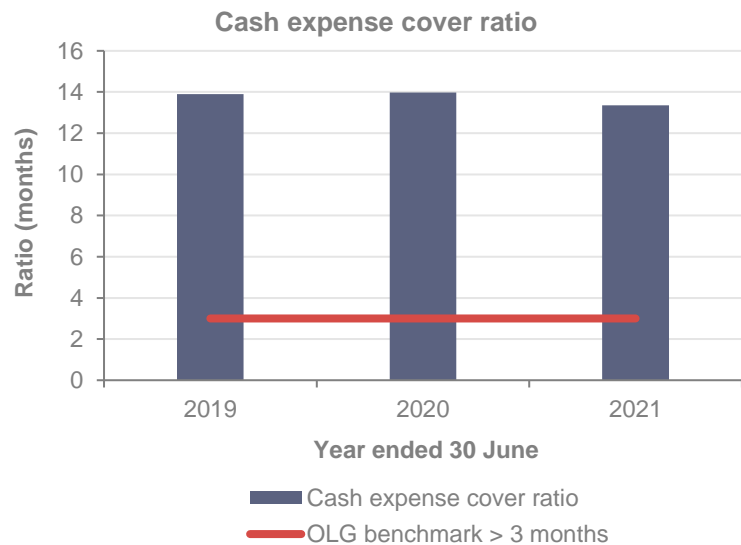
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2020-21 year was \$25.2 million. In 2020-21 renewal projects included a heavy plant replacement program, an upgrade to the Grafton Administration building and roads resurfacing and renewals programs.

OTHER MATTERS

Prior period errors

Council identified assets that had not been previously recognised in the asset management system and the financial report. Council has retrospectively adjusted the 2021 financial reporting comparatives to reflect the impacts of recognising these assets by:

- increasing the value of assets as at 1 July 2019 by \$22.9 million with a corresponding increment to accumulated surplus. Assets comprise water infrastructure \$10.8 million and other infrastructure assets \$12.1 million,
- recognising the depreciation expense for these assets totalling \$0.3 million in the 2020 comparatives with the effect of reducing the operating result from continuing operations by same, and
- increasing the value of assets as at 30 June 2020 by \$22.6 million with a corresponding increment to retained earnings.

Councils disclosure of the impact of recording these prior period errors is disclosed at Note G4-1.

Legislative compliance

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

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



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

cc: Ashley Lindsay, General Manager
Ross Bryant, Chair of Audit Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Clarence Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Clarence Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

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

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

Clarence Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 November 2021.



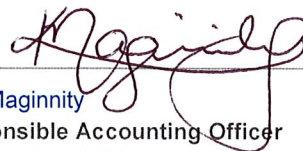
Jim Simmons
Mayor
23 November 2021



Jason Kingsley
Councillor
23 November 2021



Ashley Lindsay
General Manager
23 November 2021



Kate Maginness
Responsible Accounting Officer
23 November 2021

Clarence Valley Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020 ¹ Restated
Income from continuing operations		
Access charges	2,495	2,527
User charges	14,642	14,309
Fees	2,323	1,862
Interest	625	1,001
Grants and contributions provided for non-capital purposes	271	831
Other income	428	298
Total income from continuing operations	20,784	20,828
Expenses from continuing operations		
Employee benefits and on-costs	2,021	1,535
Borrowing costs	1,547	1,650
Materials and services	8,139	7,276
Depreciation, amortisation and impairment	6,633	6,228
Loss on sale of assets	913	1,497
Calculated taxation equivalents	68	68
Debt guarantee fee (if applicable)	203	214
Other expenses	5	4
Total expenses from continuing operations	19,529	18,472
Surplus (deficit) from continuing operations before capital amounts	1,255	2,356
Grants and contributions provided for capital purposes	1,790	3,845
Surplus (deficit) from continuing operations after capital amounts	3,045	6,201
Surplus (deficit) from all operations before tax	3,045	6,201
Less: corporate taxation equivalent [based on result before capital]	(326)	(647)
Surplus (deficit) after tax	2,719	5,554
Plus accumulated surplus	397,569	387,883
Plus/less: increase in asset revaluation reserve	51,665	3,271
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	203	214
– Corporate taxation equivalent	326	647
Closing accumulated surplus & reserves	452,482	397,569
Return on capital %	0.7%	1.1%
Subsidy from Council	3,413	895
Calculation of dividend payable:		
Surplus (deficit) after tax	2,719	5,554
Less: capital grants and contributions (excluding developer contributions)	(1,790)	(3,845)
Surplus for dividend calculation purposes	929	1,709
Potential dividend calculated from surplus	464	855

(1) See Prior Period Error Note for details regarding restatement

Clarence Valley Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	18,576	17,813
User charges	2,166	2,021
Liquid trade waste charges	1	3
Fees	866	1,288
Interest	228	376
Grants and contributions provided for non-capital purposes	180	186
Other income	97	22
Total income from continuing operations	22,114	21,709
Expenses from continuing operations		
Employee benefits and on-costs	2,036	1,836
Borrowing costs	3,798	4,347
Materials and services	6,360	7,229
Depreciation, amortisation and impairment	9,103	8,955
Loss on sale of assets	1,039	1,213
Calculated taxation equivalents	73	73
Debt guarantee fee (if applicable)	595	648
Other expenses	9	4
Total expenses from continuing operations	23,013	24,305
Surplus (deficit) from continuing operations before capital amounts	(899)	(2,596)
Grants and contributions provided for capital purposes	3,129	628
Surplus (deficit) from continuing operations after capital amounts	2,230	(1,968)
Surplus (deficit) from all operations before tax	2,230	(1,968)
Surplus (deficit) after tax	2,230	(1,968)
Plus accumulated surplus	210,826	216,191
Plus/less: increase in asset revaluation reserve	(14,085)	(4,045)
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	595	648
Closing accumulated surplus & reserves	199,566	210,826
Return on capital %	1.2%	0.7%
Subsidy from Council	697	536
Calculation of dividend payable:		
Surplus (deficit) after tax	2,230	(1,968)
Less: capital grants and contributions (excluding developer contributions)	(3,129)	(628)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Clarence Valley Council

Income Statement – Holiday Parks

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	6,976	5,547
Interest	57	83
Grants and contributions provided for non-capital purposes	35	36
Profit from the sale of assets	–	6
Other income	–	292
Total income from continuing operations	7,068	5,964
Expenses from continuing operations		
Employee benefits and on-costs	119	119
Materials and services	5,166	4,950
Depreciation, amortisation and impairment	698	470
Loss on sale of assets	91	–
Total expenses from continuing operations	6,074	5,539
Surplus (deficit) from continuing operations before capital amounts	994	425
Grants and contributions provided for capital purposes	60	165
Surplus (deficit) from continuing operations after capital amounts	1,054	590
Surplus (deficit) from all operations before tax	1,054	590
Less: corporate taxation equivalent [based on result before capital]	(258)	(117)
Surplus (deficit) after tax	796	473
Plus accumulated surplus	22,901	32,882
Plus/less: increase in asset revaluation reserve	–	(686)
Plus/less: Transfer of assets to General Fund	–	(9,885)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	258	117
Closing accumulated surplus & reserves	23,955	22,901
Return on capital %	4.8%	2.0%

Clarence Valley Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020 ¹ Restated
ASSETS		
Current assets		
Cash and cash equivalents	916	665
Investments	18,580	16,306
Receivables	5,636	4,429
Total current assets	25,132	21,400
Non-current assets		
Investments	31,265	27,507
Receivables	52	53
Infrastructure, property, plant and equipment	417,109	371,307
Intangible assets	–	1
Total non-current assets	448,426	398,868
Total assets	473,558	420,268
LIABILITIES		
Current liabilities		
Payables	726	1,262
Borrowings	1,169	1,087
Total current liabilities	1,895	2,349
Non-current liabilities		
Borrowings	19,181	20,350
Total non-current liabilities	19,181	20,350
Total liabilities	21,076	22,699
Net assets	452,482	397,569
EQUITY		
Accumulated surplus	228,709	227,325
Revaluation reserves	223,773	170,244
Total equity	452,482	397,569

(1) See Prior Period Error Note for details regarding restatement

Clarence Valley Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	1,701	1,234
Investments	8,140	7,539
Receivables	1,882	1,417
Total current assets	11,723	10,190
Non-current assets		
Investments	6,455	5,976
Receivables	331	340
Infrastructure, property, plant and equipment	241,327	259,844
Intangible assets	24	36
Total non-current assets	248,137	266,196
Total assets	259,860	276,386
LIABILITIES		
Current liabilities		
Payables	789	808
Borrowings	4,717	4,514
Total current liabilities	5,506	5,322
Non-current liabilities		
Borrowings	54,788	60,238
Total non-current liabilities	54,788	60,238
Total liabilities	60,294	65,560
Net assets	199,566	210,826
EQUITY		
Accumulated surplus	120,095	117,269
Revaluation reserves	79,471	93,557
Total equity	199,566	210,826

Clarence Valley Council

Statement of Financial Position – Holiday Parks

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	17	26
Investments	3,538	2,236
Receivables	141	41
Total current assets	3,696	2,303
Non-current assets		
Infrastructure, property, plant and equipment	20,866	21,348
Total non-current assets	20,866	21,348
Total assets	24,562	23,651
LIABILITIES		
Current liabilities		
Payables	607	750
Total current liabilities	607	750
Total liabilities	607	750
Net assets	23,955	22,901
EQUITY		
Accumulated surplus	15,565	14,511
Revaluation reserves	8,390	8,390
Total equity	23,955	22,901

Clarence Valley Council

Prior Period error - Water Supply Business Activity

as at 30 June 2021

Nature of prior-period error

During the 2020/21 financial reporting period, Council's Water Supply Network assets were subject to a comprehensive revaluation at 30 June 2021. The process highlighted a number of anomalies and a full review of the Water Cycle Asset registers was undertaken. A number of current water main, meters & connections assets were identified as not previously being recorded, conversely, some water main assets were identified on the asset register which were not in existence. Clarence Valley Council have now updated the Assets Register to include these assets and updated appropriate values as at 30 June 2021.

It was determined that this should be treated as a prior period error as the assets should have been included in CVC's asset register in a prior year.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position. The Special Purpose Financial Statements have been prepared in accordance with the Special Purpose reporting framework and the requirements of AASB 101 to disclose a third Statement of Financial Position have not been applied.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	361,749	12,510	374,259
Total assets	398,478	12,510	410,988
Net assets	375,373	12,510	387,883
Accumulated surplus	208,400	12,510	220,910
Total equity	375,373	12,510	387,883

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure, property, plant and equipment	358,954	12,353	371,307
Total assets	407,915	12,353	420,268
Net assets	385,216	12,353	397,569
Accumulated surplus	214,972	12,353	227,325
Total equity	385,216	12,353	397,569

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Depreciation, amortisation and impairment	6,071	157	6,228
Total expenses from continuing operations	18,315	157	18,472
Net operating result for the year	2,513	(157)	2,356

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Clarence Valley Council Water Supply Fund

Provision of Water Supply Services

b. Clarence Valley Council Sewerage Services

Provision of Sewerage Augmentation, Reticulation & Treatment

c. Holiday Parks

Camping & Caravan Park Accommodation

Category 2

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

Council has no business activities in this category.

Taxation equivalent charges

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

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

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

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

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

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

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (2019/20 27.5%).

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Best Practice Management of Water Supply and Sewer Guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Planning, Industry and Environment – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Planning, Industry and Environment – Water.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Clarence Valley Council

To the Councillors of the Clarence Valley Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Services
- Sewerage Services
- Holiday Parks

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

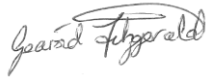
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

30 November 2021
SYDNEY

Clarence Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Clarence Valley Council

Special Schedules

for the year ended 30 June 2021

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Clarence Valley Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	33,583	36,566
Plus or minus adjustments ²	b	275	259
Notional general income	c = a + b	33,858	36,825
Permissible income calculation			
Special variation percentage ³	d	8.00%	0.00%
Or rate peg percentage	e	0.00%	2.00%
Plus special variation amount	h = d x (c + g)	2,709	-
Or plus rate peg amount	i = e x (c + g)	-	737
Sub-total	k = (c + g + h + i + j)	36,567	37,562
Plus (or minus) last year's carry forward total	l	5	5
Sub-total	n = (l + m)	5	5
Total permissible income	o = k + n	36,572	37,567
Less notional general income yield	p	36,566	37,543
Catch-up or (excess) result	q = o - p	6	23
Less unused catch-up ⁴	s	(1)	(4)
Carry forward to next year ⁵	t = q + r + s	5	19

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) 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

Clarence Valley Council

To the Councillors of Clarence Valley Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

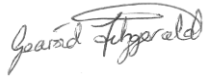
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

30 November 2021
SYDNEY

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Other	–	–	8	43	1,297	1,933	48.6%	45.5%	5.9%	0.0%	0.0%
	Council Offices /Administration Centres	1,040	1,040	61	158	8,205	15,049	9.0%	39.4%	37.4%	14.1%	0.1%
	Council Works Depot	33	33	34	133	10,603	12,377	78.6%	11.1%	10.0%	0.3%	0.0%
	Council Public Halls	491	491	97	133	12,283	20,088	35.2%	45.6%	16.7%	2.4%	0.1%
	Libraries	–	–	34	97	8,569	9,869	86.1%	12.3%	1.5%	0.0%	0.1%
	Council Houses	611	611	21	46	4,637	8,579	18.1%	61.7%	13.1%	5.8%	1.3%
	Museums	–	–	16	19	1,860	3,326	7.4%	72.5%	20.0%	0.0%	0.1%
	Childcare / Community Health	–	–	10	67	1,402	2,109	19.3%	73.7%	7.0%	0.0%	0.0%
	Art Gallery	–	–	25	25	9,014	10,145	55.0%	36.6%	8.4%	0.0%	0.0%
	Public Toilets	7	7	12	62	3,215	4,670	40.4%	43.6%	15.7%	0.3%	0.0%
	Parks & Reserves Buildings	–	–	136	146	791	1,326	13.4%	75.3%	11.3%	0.0%	0.0%
	Sports Buildings	958	958	78	188	25,935	35,176	57.4%	34.4%	5.5%	2.4%	0.3%
	Swimming Pool Buildings	79	79	2	40	4,423	6,579	40.5%	51.5%	6.6%	1.4%	0.0%
	Holiday Parks Buildings	238	238	165	141	5,886	12,051	13.9%	50.2%	19.5%	16.3%	0.1%
	Saleyards Buildings	–	–	3	3	250	370	18.2%	57.2%	24.6%	0.0%	0.0%
	Waste Facilities	–	–	1	17	7,977	9,807	58.3%	40.7%	1.0%	0.0%	0.0%
Water & Sewer Buildings	544	544	10	33	6,426	8,017	75.6%	12.0%	5.6%	6.8%	0.0%	
Emergency Services	487	487	3	139	10,366	14,540	44.0%	41.5%	11.1%	3.3%	0.1%	
Sub-total		4,488	4,488	716	1,490	123,139	176,011	45.6%	38.2%	12.0%	4.0%	0.2%
Other structures	Other structures	55	55	2	100	7,885	9,685	89.4%	4.1%	5.6%	0.9%	0.0%
	Airports	405	405	55	158	3,759	5,461	91.2%	1.3%	0.0%	7.4%	0.1%
	Saleyards	–	–	133	78	2,205	3,828	51.8%	34.0%	14.2%	0.0%	0.0%
	Cemeteries	32	32	168	5	833	1,781	4.4%	36.8%	57.0%	1.8%	0.0%
	Tips	–	–	5	5	5,529	9,204	65.9%	23.0%	11.1%	0.0%	0.0%
	Sub-total		492	492	363	346	20,211	29,959	72.7%	15.2%	10.4%	1.7%

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2021 (continued)

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Roads	Sealed roads	19,036	19,036	3,724	4,612	541,276	682,726	44.4%	33.2%	17.9%	4.1%	0.4%
	Unsealed roads	–	–	3,870	2,931	71,923	135,077	35.6%	18.1%	46.3%	0.0%	0.0%
	Bridges	827	827	358	363	107,134	152,963	14.4%	18.5%	66.6%	0.5%	0.0%
	Footpaths & Cycleways	1,765	1,765	190	135	20,025	31,143	29.8%	28.4%	36.2%	2.0%	3.6%
	Road Furniture	39	39	247	86	18,358	23,678	42.8%	52.5%	4.5%	0.2%	0.0%
	Water Transport Facilities	178	178	81	70	5,429	7,156	51.7%	29.4%	15.1%	3.8%	0.0%
	Carparks	–	–	11	43	3,646	4,034	78.7%	20.3%	1.0%	0.0%	0.0%
	Bus Shelters	–	–	15	8	772	1,185	30.3%	58.3%	11.4%	0.0%	0.0%
	Sub-total	21,845	21,845	8,496	8,248	768,563	1,037,962	38.5%	29.3%	28.9%	2.9%	0.4%
Water supply network	Dams / Weirs	–	–	284	162	76,145	91,336	93.0%	5.8%	0.1%	0.0%	1.1%
	Mains	9,293	9,293	1,895	2,034	296,054	409,614	33.5%	24.2%	37.1%	4.5%	0.7%
	Reservoirs & Treatment	3,460	3,460	349	348	25,689	47,921	9.9%	52.7%	29.4%	7.3%	0.7%
	Pumping Station/s	270	270	78	30	6,840	10,232	31.5%	52.6%	11.1%	2.1%	2.7%
		Sub-total	13,023	13,023	2,606	2,574	404,728	559,103	41.2%	24.2%	29.9%	4.0%
Sewerage network	Mains	27,622	27,622	379	1,081	124,337	173,490	30.1%	29.6%	23.5%	5.0%	11.8%
	Pumping Station/s	2,877	2,877	715	788	31,652	54,909	53.5%	33.4%	5.7%	3.9%	3.5%
	Treatment	1,168	1,168	1,103	835	76,072	114,786	40.5%	42.8%	7.6%	7.2%	1.9%
		Sub-total	31,667	31,667	2,197	2,704	232,061	343,185	37.3%	34.6%	15.3%	5.6%
Stormwater drainage	Stormwater drainage	14,222	14,222	1,284	863	148,385	220,779	11.7%	57.1%	24.8%	3.4%	3.0%
		Sub-total	14,222	14,222	1,284	863	148,385	220,779	11.7%	57.1%	24.8%	3.4%
Open space / recreational assets	Swimming pools	–	–	162	313	5,720	10,108	23.7%	26.6%	47.7%	0.3%	1.7%
	Holiday Parks	159	159	149	207	3,894	6,811	54.3%	36.1%	3.8%	5.3%	0.5%
	Parks	194	194	1,942	1,280	9,656	14,714	53.2%	33.0%	11.7%	1.4%	0.7%
	Reserves	48	48	403	717	5,810	8,629	61.9%	27.3%	10.2%	0.6%	0.0%
	Sports Facilities	775	775	625	717	13,203	24,169	43.0%	37.5%	15.7%	2.8%	1.0%
		Sub-total	1,176	1,176	3,281	3,234	38,283	64,431	46.0%	33.2%	17.8%	2.1%

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2021 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Other infrastructure assets	Floodplain	765	765	411	523	153,015	200,111	3.7%	63.1%	32.8%	0.2%	0.2%
	Sub-total	765	765	411	523	153,015	200,111	3.7%	63.1%	32.8%	0.2%	0.2%
	Total – all assets	87,678	87,678	19,354	19,982	1,888,385	2,631,541	35.1%	34.3%	25.7%	3.3%	1.5%

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

Infrastructure asset condition assessment 'key'

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

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 ³	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	12,631	28.19%	30.68%	>= 100.00%
Depreciation, amortisation and impairment	44,801			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	87,678	4.60%	3.95%	< 2.00%
Net carrying amount of infrastructure assets	1,906,574			
Asset maintenance ratio				
Actual asset maintenance	19,982	103.24%	105.42%	> 100.00%
Required asset maintenance	19,354			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	87,678	3.33%	2.90%	
Gross replacement cost	2,631,541			

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

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

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

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	30.80%	39.30%	17.91%	13.39%	26.89%	16.17%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.41%	4.46%	3.20%	3.85%	13.34%	1.51%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	101.05%	101.12%	98.77%	102.98%	123.08%	147.09%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.50%	3.36%	2.32%	2.76%	9.06%	1.02%	

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