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FINANCIAL STATEMENTS

Bellingen Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

Connected, Sustainable, Creative.



Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Connected, Sustainable, Creative.



General Purpose Financial Statements

for the year ended 30 June 2020

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General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2020.



Dominic King
Mayor
28 October 2020



Jennie Fenton
Councillor
28 October 2020



Liz Jeremy
General Manager
28 October 2020



Chris Hodge
Responsible Accounting Officer
28 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
15,261	Rates and annual charges	3a	15,528	14,771
6,748	User charges and fees	3b	8,490	5,236
351	Other revenues	3c	363	380
6,005	Grants and contributions provided for operating purposes	3d,3e	7,546	7,559
12,921	Grants and contributions provided for capital purposes	3d,3e	2,058	2,378
814	Interest and investment income	4	1,242	1,408
–	Net gains from the disposal of assets	6	195	3
–	Fair value increment on investment properties	11	128	531
150	Rental income	14	140	129
42,250	Total income from continuing operations		35,690	32,395
Expenses from continuing operations				
10,159	Employee benefits and on-costs	5a	10,594	10,273
447	Borrowing costs	5b	487	632
8,982	Materials and contracts	5c	12,087	11,459
7,644	Depreciation and amortisation	5d	7,644	7,593
3,270	Other expenses	5e	3,428	3,191
–	Revaluation decrement / impairment of IPP&E	5d	242	–
30,502	Total expenses from continuing operations		34,482	33,148
11,748	Operating result from continuing operations		1,208	(753)
11,748	Net operating result for the year		1,208	(753)
11,748	Net operating result attributable to council		1,208	(753)
(1,173)	Net operating result for the year before grants and contributions provided for capital purposes		(850)	(3,131)

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

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

Statement of Comprehensive Income
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		1,208	(753)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	27,169	1,222
Total items which will not be reclassified subsequently to the operating result		27,169	1,222
Total other comprehensive income for the year		27,169	1,222
Total comprehensive income for the year		28,377	469
Total comprehensive income attributable to Council		28,377	469

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019 ¹	Restated 1 July 2018 ¹
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	8,976	1,376	1,238
Investments	7(b)	16,919	21,643	23,500
Receivables	8	6,255	6,257	7,747
Inventories	9a	462	409	248
Contract assets	13a	400	–	–
Other	9b	–	32	23
Total current assets		33,012	29,717	32,756
Non-current assets				
Investments	7(b)	3,100	9,102	8,900
Receivables	8	281	40	46
Infrastructure, property, plant and equipment	10(a)	452,951	424,600	420,190
Investment property	11	2,630	2,455	2,316
Intangible Assets	12	1,070	–	–
Total non-current assets		460,032	436,197	431,452
Total assets		493,044	465,914	464,208
LIABILITIES				
Current liabilities				
Payables	15	5,022	4,672	3,531
Contract liabilities	13b	100	–	–
Borrowings	15	779	737	702
Provisions	16	3,726	3,678	2,493
Total current liabilities		9,627	9,087	6,726
Non-current liabilities				
Payables	15	9	4	6
Borrowings	15	5,522	6,302	7,039
Provisions	16	1,232	1,233	1,618
Total non-current liabilities		6,763	7,539	8,663
Total liabilities		16,390	16,626	15,389
Net assets		476,654	449,288	448,819
EQUITY				
Accumulated surplus	17	279,558	279,361	280,114
Revaluation reserves	17	197,096	169,927	168,705
Council equity interest		476,654	449,288	448,819
Total equity		476,654	449,288	448,819

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

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

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

Bellingen Shire Council

Statement of Changes in Equity

for the year ended 30 June 2020

	as at 30/06/20			as at 30/06/19 ¹		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity ¹
				Restated		Restated
Opening balance	272,954	169,927	442,881	273,707	168,705	442,412
Correction of prior period errors	6,407	–	6,407	6,407	–	6,407
Changes due to AASB 1058 and AASB 15 adoption	(1,011)	–	(1,011)	–	–	–
Changes due to AASB 16 adoption	–	–	–	–	–	–
Restated opening balance	278,350	169,927	448,277	280,114	168,705	448,819
Net operating result for the year	1,208	–	1,208	(753)	–	(753)
Net operating result for the period	1,208	–	1,208	(753)	–	(753)
Other comprehensive income						
– Gain (loss) on revaluation of IPP&E	–	27,169	27,169	–	1,222	1,222
Other comprehensive income	–	27,169	27,169	–	1,222	1,222
Total comprehensive income	1,208	27,169	28,377	(753)	1,222	469
Equity – balance at end of the reporting period	279,558	197,096	476,654	279,361	169,927	449,288

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
15,236	Rates and annual charges		15,180	14,864
6,718	User charges and fees		8,805	6,577
748	Investment and interest revenue received		1,457	1,245
19,803	Grants and contributions		8,344	10,344
–	Bonds, deposits and retention amounts received		4	–
429	Other		1,240	572
<i>Payments:</i>				
(10,176)	Employee benefits and on-costs		(10,466)	(9,963)
(8,762)	Materials and contracts		(15,363)	(11,442)
(418)	Borrowing costs		(537)	(486)
–	Bonds, deposits and retention amounts refunded		–	(12)
(3,270)	Other		(1,542)	(2,128)
20,308	Net cash provided (or used in) operating activities	18b	7,122	9,571
Cash flows from investing activities				
<i>Receipts:</i>				
5,331	Sale of investment securities		17,500	22,802
–	Sale of investment property		–	404
637	Sale of infrastructure, property, plant and equipment		271	379
<i>Payments:</i>				
–	Purchase of investment securities		(6,774)	(21,147)
–	Purchase of investment property		(47)	–
(28,557)	Purchase of infrastructure, property, plant and equipment		(9,083)	(11,169)
–	Purchase of intangible assets		(651)	–
(22,589)	Net cash provided (or used in) investing activities		1,216	(8,731)
Cash flows from financing activities				
<i>Receipts:</i>				
3,000	Proceeds from borrowings and advances		–	–
<i>Payments:</i>				
(741)	Repayment of borrowings and advances		(738)	(702)
2,259	Net cash flow provided (used in) financing activities		(738)	(702)
(22)	Net increase/(decrease) in cash and cash equivalents		7,600	138
1,750	Plus: cash and cash equivalents – beginning of year	18a	1,376	1,238
1,728	Cash and cash equivalents – end of the year	18a	8,976	1,376
23,123	plus: Investments on hand – end of year	7(b)	16,919	21,643
24,851	Total cash, cash equivalents and investments		25,895	23,019

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated tip remediation provisions – refer Note 16
- (iv) employee benefit provisions – refer Note 16

Significant judgements in applying the council's accounting policies

Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

Monies and other assets received by Council

(a) The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

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

- General purpose operations

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Water service
- Sewerage service

(b) 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

Income relating to volunteer services should be recognised where the amount is material, the services would be purchased if they were not donated and the amounts of the volunteer services can be measured reliably. Council is not able to reliably measure the value of volunteer services at this time and so are unable to recognise them in the financial statements.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

Council's assessment of these new standards and interpretations are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

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

New accounting standards adopted during the year

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed at Note 17.

COVID-19 Impact

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted Council's operations. This impact is reflected in the financial statements for the year ended 30 June 2020.

In early March 2020, Council facilitated the establishment of the Bellingen Shire Pandemic Response Group. The Pandemic Response Group consists of representatives from council and business, local medical and emergency services professionals, and community service providers. The group's focus was on the key community areas of clinical support, community preparedness and resilience, community information, business support services and the maintenance of council's essential community services.

A large proportion of Council's indoor based staff were required to work from home for a period of approximately 8-10 weeks and other work health and safety procedures were introduced to ensure social distancing and the general well being of staff, contractors and other stakeholders.

Going concern

Council has considered its updated Delivery Program and Operation Plan 2020-2024 and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty.

Despite the impact of COVID-19 on the 2019/20 financial year, the continuation of some of the financial support concessions into the 2020/21 financial year, and the uncertain time required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements, Council has sufficient resources to conclude that using the going concern basis is appropriate in preparing its financial statements.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

	Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).							Carrying amount of assets 2019 ¹	Carrying amount of assets 2020	Restated
	Income from continuing operations 2020	Income from continuing operations 2019	Expenses from continuing operations 2020	Expenses from continuing operations 2019	Operating result from continuing operations 2020	Operating result from continuing operations 2019	Grants included in income from continuing operations 2020			
\$ '000										
Functions or activities										
Governance	–	–	265	254	(265)	(254)	–	–	–	–
Administration	2,565	3,741	1,810	1,737	755	2,004	–	–	34,696	32,948
Public order and safety	406	311	978	938	(572)	(627)	264	196	7,518	6,252
Health	46	32	2	1	44	31	–	–	24	23
Environment	4,961	4,011	4,847	4,651	114	(640)	231	642	292	832
Community services and education	418	324	876	841	(458)	(517)	179	159	5,812	5,329
Housing and community amenities	330	70	1,351	1,296	(1,021)	(1,226)	10	15	19,688	18,039
Water supplies	3,414	3,107	3,130	2,876	284	231	373	–	55,580	54,538
Sewerage services	3,864	3,802	3,238	3,227	626	575	–	–	46,386	44,099
Recreation and culture	1,162	951	3,238	2,800	(2,076)	(1,849)	1,083	904	39,731	34,406
Mining, manufacturing and construction	299	345	608	583	(309)	(238)	85	29	355	315
Transport and communication	8,963	7,516	13,569	13,398	(4,606)	(5,882)	2,874	4,453	278,011	258,216
Economic Affairs	722	825	570	546	152	279	73	106	4,951	4,510
General Purpose	8,540	7,360	–	–	8,540	7,360	3,934	2,808	–	–
Other	–	–	–	–	–	–	–	–	–	6,407
Total functions and activities	35,690	32,395	34,482	33,148	1,208	(753)	9,106	9,312	493,044	465,914

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

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

Public order and safety

Includes fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Activities related to food control and health centres.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation— as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family daycare; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; streetlighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Includes management of water, and activities associated with water supply and services provided by water utilities.

Sewerage services

Includes management of sewer, and activities associated with sewerage treatment and services provided by sewer utilities.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths and parking areas.

Economic Affairs

Includes camping areas; tourism and area promotion; industrial development promotion; saleyards and markets; real estate development; and other business undertakings.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	6,581	6,187
Farmland	1058 (1)	1,122	1,070
Business	1058 (1)	513	480
Less: pensioner rebates (mandatory)		(233)	(237)
Rates levied to ratepayers		7,983	7,500
Pensioner rate subsidies received	1058 (1)	129	128
Total ordinary rates		8,112	7,628
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	2,871	2,761
Water supply services	1058 (1)	635	613
Sewerage services	1058 (1)	3,432	3,325
Waste management services (non-domestic)	1058 (1)	594	572
Less: pensioner rebates (mandatory)		(269)	(282)
Annual charges levied		7,263	6,989
Pensioner subsidies received:			
– Water		53	53
– Sewerage		41	41
– Domestic waste management		59	60
Total annual charges		7,416	7,143
TOTAL RATES AND ANNUAL CHARGES		15,528	14,771

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

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

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	1,610	1,660
Sewerage services	15 (2)	140	127
Waste management services (non-domestic)	15 (1)	220	180
Liquid trade waste	15 (1)	42	46
Total specific user charges		2,012	2,013
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	15 (2)	252	86
Regulatory/ statutory fees	15 (1)	320	180
Town planning - (Now split as per below charges)	15 (1)	–	308
Planning Certificates	15 (1)	51	–
Section 603 Certificates	15 (1)	21	–
Inspection Fees	15 (1)	35	–
Other	15 (1)	53	–
Total fees and charges – statutory/regulatory		732	574
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	15 (1)	51	52
Lease rentals	15 (2)	–	1
Leaseback fees – Council vehicles	15 (2)	60	51
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	5,315	2,420
Respite Care	15 (2)	186	76
Other		31	39
Other (YMCA Refund)	15 (1)	–	10
Parking Fines	15 (1)	103	–
Total fees and charges – other		5,746	2,649
TOTAL USER CHARGES AND FEES		8,490	5,236

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

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

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

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

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

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided. The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties		6	21
Legal fees recovery – rates and charges (extra charges)		27	54
Commissions and agency fees		–	1
Long service leave transfers from other councils		–	28
Raleigh reuse centre		39	61
SES reimbursements		4	5
Scrap metal sales		74	64
Statewide property rebate		–	7
Tourist centre income		22	37
Town planning income		6	7
Other		43	12
Workers compensation/OHS rebate	15 (1)	99	83
Insurance Claim Recoveries		14	–
Container Deposit Scheme		29	–
<u>TOTAL OTHER REVENUE</u>		<u>363</u>	<u>380</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	1,430	1,425	–	–
Financial assistance – local roads component	1058 (1)	480	468	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	1,514	1,472	–	–
Financial assistance – local roads component	1058 (1)	510	491	–	–
Total general purpose		3,934	3,856	–	–
Specific purpose					
Water supplies		373	–	–	–
Bushfire and emergency services	1058 (1)	263	194	–	–
Community care	1058 (1)	179	148	–	–
Community centres		–	–	–	887
Diesel fuel rebate		85	29	–	–
Employment and training programs		10	3	–	–
Floodplain management		–	123	–	–
Environmental programs		–	221	–	–
Library	1058(1)/(2)	92	46	234	23
Flood plain mapping/studies		–	24	–	–
Public halls	1058 (2)	–	–	577	–
Recreation and culture	1058 (2)	–	20	181	219
Heritage and cultural		10	15	–	–
Storm/flood damage	1058 (1)	10	1,990	–	–
Noxious weeds	1058 (1)	121	155	–	–
Transport (roads to recovery)	1058 (2)	595	279	–	–
Street lighting		–	15	–	–
Transport (other roads and bridges funding)	1058 (2)	178	102	173	905
Waste		58	58	–	–
Bushfire Recovery	1058 (1)	1,325	–	–	–
Economic Development		–	–	63	–
Bridges		–	–	645	–
Total specific purpose		3,299	3,422	1,873	2,034
Total grants		7,233	7,278	1,873	2,034
Grant revenue is attributable to:					
– Commonwealth funding		4,529	4,134	–	–
– State funding		2,704	3,144	1,873	2,034
		7,233	7,278	1,873	2,034

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	41	99
S 64 – water supply contributions		1058 (1)	–	–	63	56
S 64 – sewerage service contributions		1058 (1)	–	–	27	106
Total developer contributions – cash			–	–	131	261
Total developer contributions	25		–	–	131	261
Other contributions:						
Cash contributions						
RMS contributions (regional roads, block grant)		1058 (1)	268	233	54	83
Crown lands			45	48	–	–
Total other contributions – cash			313	281	54	83
Total other contributions			313	281	54	83
Total contributions			313	281	185	344
TOTAL GRANTS AND CONTRIBUTIONS			7,546	7,559	2,058	2,378

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

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

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

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	2,218	2,467
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	1,309	2,141
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(2,130)	(2,390)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	1,397	2,218
Capital grants		
Unexpended at the close of the previous reporting period	1,279	249
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	100	1,119
Add: capital grants received for the provision of goods and services in a future period	–	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(1,071)	(89)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	308	1,279
Contributions		
Unexpended at the close of the previous reporting period	8,928	8,503
Add: contributions recognised as income in the current period but not yet spent	166	495
Add: contributions received for the provision of goods and services in a future period	–	–
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 (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(1,230)	(70)
Unexpended and held as externally restricted assets (contributions)	7,864	8,928

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	37	37
– Cash and investments	1,183	1,355
– Other	22	16
Finance income on the net investment in the lease	–	–
Total Interest and investment income	1,242	1,408
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	37	37
General Council cash and investments	317	353
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	10	81
– Section 64	24	154
Overdue rates and annual charges (water)	1	–
Overdue rates and annual charges (sewer)	–	–
Water fund operations	631	566
Sewerage fund operations	175	182
Domestic waste management operations	47	35
Total interest and investment revenue	1,242	1,408

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	9,139	8,702
Employee leave entitlements (ELE)	1,533	1,718
Superannuation – defined contribution plans	879	817
Superannuation – defined benefit plans	133	132
Workers' compensation insurance	296	191
Fringe benefit tax (FBT)	11	11
Training costs (other than salaries and wages)	201	125
Other	73	28
Total employee costs	12,265	11,724
Less: capitalised costs	(1,671)	(1,451)
TOTAL EMPLOYEE COSTS EXPENSED	10,594	10,273

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		444	482
Total interest bearing liability costs		444	482
Total interest bearing liability costs expensed		444	482
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	16	43	150
Total other borrowing costs		43	150
TOTAL BORROWING COSTS EXPENSED		487	632

Accounting policy for borrowing costs

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	2,299	1,728
– Externally hired plant	613	204
– Labour hire	859	906
– Swimming pool	382	395
– Transport (roads, bridges, footpaths maintenance)	1,952	2,153
– Waste contracts	1,809	2,388
– Other contractors	3,459	3,471
– Building and regulation	–	7
Contractor and consultancy costs		
– Heritage advisor	–	13
– Waste	–	1
– Contractor and consultancy costs	498	37
- IT Support	78	–
Auditors remuneration ²	69	69
Legal expenses:		
– Legal expenses: planning and development	7	26
– Legal expenses: debt recovery	37	42
– Legal expenses: other	25	19
Total materials and contracts	12,087	11,459
TOTAL MATERIALS AND CONTRACTS	12,087	11,459

Accounting policy for materials and contracts

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

Operating leases (2019 only)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	69	69
Remuneration for audit and other assurance services	69	69
Total Auditor-General remuneration	69	69
Non NSW Auditor-General audit firms		
Total Auditor remuneration	69	69

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		811	734
Office equipment		55	63
Furniture and fittings		7	9
Land improvements (depreciable)		68	88
Infrastructure:	10(a)		
– Buildings – non-specialised		658	657
– Buildings – specialised		365	364
– Roads		2,703	2,670
– Bridges		508	560
– Footpaths		36	33
– Stormwater drainage		227	226
– Water supply network		721	706
– Sewerage network		1,113	1,084
– Swimming pools		61	64
– Other open space/recreational assets		123	187
– Other infrastructure		64	76
Other assets:			
– Other		2	11
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	16,10(a)	61	61
Intangible Assets:			
– Intangible assets	12	61	–
Total gross depreciation and amortisation costs		<u>7,644</u>	<u>7,593</u>
Total depreciation and amortisation costs		<u>7,644</u>	<u>7,593</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – non-specialised	10(a)	104	–
– Buildings – specialised		42	–
– Bridges		96	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>242</u>	<u>–</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>242</u>	<u>–</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>7,886</u>	<u>7,593</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

Other assets 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	113	172
Bad and doubtful debts	154	49
Bank charges	73	63
Conferences / seminars (now included in employee - training costs)	–	73
Contributions/levies to other levels of government		
– Bushfire fighting fund	403	321
– Emergency services levy (includes FRNSW, SES, and RFS levies)	20	17
– Libraries contribution	234	267
– NSW fire brigade levy	54	49
– Waste levy	49	38
Councillor expenses – mayoral fee	26	26
Councillor expenses – councillors' fees	85	83
Donations, contributions and assistance to other organisations (Section 356)		
– Donations, contributions and assistance to local and regional bodies	319	256
Electricity and heating	404	537
Insurance	418	286
Licence fees	386	246
Postage	34	53
Printing and stationery	84	119
Street lighting	143	145
Subscriptions and publications	27	177
Telephone and communications	103	123
Valuation fees	49	43
Other	73	48
Cleaning	89	–
Councillor Expenses Other	30	–
Gas & Other Energy Costs	1	–
Internet, Network Connectivity & Other Communication	57	–
Total other expenses	3,428	3,191
TOTAL OTHER EXPENSES	3,428	3,191

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		271	379
Less: carrying amount of plant and equipment assets sold/written off		(76)	(388)
Net gain/(loss) on disposal		<u>195</u>	<u>(9)</u>
Investment properties	11		
Proceeds from disposal – investment property		–	404
Less: carrying amount of investment property sold/written off		–	(392)
Net gain/(loss) on disposal		<u>–</u>	<u>12</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		17,500	22,802
Less: carrying amount of investments sold/redeemed/matured		(17,500)	(22,802)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>195</u>	<u>3</u>

Accounting policy for disposal of assets

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash at bank	6,973	1,376
Cash on Hand	2	–
ME Bank Call Account	2,001	–
Total cash and cash equivalents	<u>8,976</u>	<u>1,376</u>

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	9,917	–	14,928	–
b. 'Financial assets at amortised cost'	7,002	3,100	6,715	9,102
Total Investments	16,919	3,100	21,643	9,102
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	25,895	3,100	23,019	9,102
Financial assets at fair value through the profit and loss				
Managed funds	9,917	–	14,928	–
Total	9,917	–	14,928	–
Financial assets at amortised cost				
Long term deposits	1,000	–	5,200	–
NCD's, FRN's (with maturities > 3 months)	6,002	3,100	1,515	9,102
Total	7,002	3,100	6,715	9,102

Accounting policy for investments

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

On initial recognition, all financial instruments are measured at fair value 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.

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

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

Financial assets through profit or loss

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

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

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	25,895	3,100	23,019	9,102
attributable to:				
External restrictions	22,758	3,100	18,285	9,102
Internal restrictions	2,264	–	2,904	–
Unrestricted	873	–	1,830	–
	25,895	3,100	23,019	9,102

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	100	–
Deposits, bonds, etc	71	71
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
External restrictions – included in liabilities	171	71

External restrictions – other

Developer contributions – general	1,865	3,031
Developer contributions – water fund	5,207	5,133
Developer contributions – sewer fund	792	764
Specific purpose unexpended grants (recognised as revenue) – general fund	1,605	3,497
Water supplies	9,737	9,544
Sewerage services	5,766	4,345
Domestic waste management	276	547
Environmental levy	362	379
Crown reserves	77	76

External restrictions – other

Total external restrictions

Internal restrictions

Plant and vehicle replacement	685	685
Employees leave entitlement	512	904
Business plan	–	25
IT reserve	–	519
Quarry remediation	70	70
Revolving energy	284	284
Waste management	271	271
Weeds	56	56

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Workers comp contingency	–	90
Proceeds from sale of investment property	386	–
Total internal restrictions	2,264	2,904
TOTAL RESTRICTIONS	28,122	30,291

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	812	212	514	32
Interest and extra charges	18	69	165	10
User charges and fees	4,783	–	4,792	–
Accrued revenues				
– Interest on investments	36	–	163	–
Net GST receivable	667	–	527	–
Fringe Benefit Tax (FBT) Instalments Paid	3	–	–	–
Rural Fire Service	168	–	172	–
Total	6,487	281	6,333	42
Less: provision of impairment				
Rates and annual charges	(225)	–	(76)	–
User charges and fees	(7)	–	–	(2)
Total provision for impairment – receivables	(232)	–	(76)	(2)
TOTAL NET RECEIVABLES	6,255	281	6,257	40

Externally restricted receivables**Water supply**

– Rates and availability charges	26	–	77	–
– Other	536	6	412	25

Sewerage services

– Rates and availability charges	149	–	123	–
– Other	39	29	113	9

Total external restrictions	750	35	725	34
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Unrestricted receivables	5,505	246	5,532	6
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TOTAL NET RECEIVABLES	6,255	281	6,257	40
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\$ '000	2020	2019
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	78	28
+ new provisions recognised during the year	154	50
Balance at the end of the year	232	78

Accounting policy for receivables**Recognition and measurement**

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	462	–	409	–
Total inventories at cost	462	–	409	–
TOTAL INVENTORIES	462	–	409	–
(b) Other assets				
Prepayments	–	–	32	–
TOTAL OTHER ASSETS	–	–	32	–

Externally restricted assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Water				
Stores and materials	162	–	129	–
Total water	162	–	129	–
Total externally restricted assets	162	–	129	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	300	–	312	–
TOTAL INVENTORIES AND OTHER ASSETS	462	–	441	–

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

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

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

	as at 30/06/19 ²		Asset movements during the reporting period							as at 30/06/20			
	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment revaluation decrements (recognised in P/L)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	7,358	–	7,358	5,129	452	–	–	–	(7,949)	–	4,991	–	4,991
Plant and equipment	11,964	(7,325)	4,639	–	1,520	(71)	(811)	–	604	–	13,212	(7,331)	5,881
Office equipment	1,641	(1,240)	401	–	–	(6)	(55)	–	–	–	1,634	(1,294)	340
Furniture and fittings	467	(385)	82	–	–	–	(7)	–	–	–	467	(392)	75
Land:													
– Operational land	10,400	–	10,400	–	–	–	–	–	–	–	10,400	–	10,400
– Community land	7,654	–	7,654	–	–	–	–	–	–	–	7,654	–	7,654
– Crown land	7,867	–	7,867	–	–	–	–	–	–	–	7,867	–	7,867
Land improvements – depreciable	2,588	(1,390)	1,198	–	–	–	(68)	–	–	–	2,588	(1,458)	1,130
Infrastructure:													
– Buildings – non-specialised	29,391	(14,015)	15,376	–	–	–	(658)	(104)	184	–	29,415	(14,617)	14,798
– Buildings – specialised	16,776	(8,707)	8,069	–	–	–	(365)	(42)	–	–	16,676	(9,014)	7,662
– Roads	128,688	(52,001)	76,687	1,908	–	–	(2,703)	–	1,134	6,934	131,886	(47,925)	83,961
– Bridges	38,652	(14,001)	24,651	14	–	–	(508)	(96)	879	(1,616)	42,205	(18,881)	23,324
– Footpaths	2,654	(691)	1,963	–	–	–	(36)	–	437	(249)	2,886	(771)	2,115
– Bulk earthworks (non-depreciable)	188,365	–	188,365	–	–	–	–	–	–	19,697	188,062	–	188,062
– Stormwater drainage	22,721	(9,109)	13,612	–	–	–	(227)	–	10	1,283	25,223	(10,545)	14,678
– Water supply network	57,567	(23,794)	33,773	–	167	–	(721)	–	1,847	547	60,127	(24,514)	35,613
– Sewerage network	60,342	(23,559)	36,783	22	280	–	(1,113)	–	1,195	573	62,412	(24,672)	37,740
– Swimming pools	1,988	(1,107)	881	–	–	–	(61)	–	–	–	1,988	(1,166)	820
– Other open space/recreational assets	4,594	(2,367)	2,227	160	–	–	(123)	–	525	–	5,279	(2,490)	2,789
– Other infrastructure	2,695	(902)	1,793	–	35	–	(64)	–	531	–	3,261	(966)	2,295
Other assets:													
– Library books	4	(4)	–	–	–	–	–	–	–	–	5	(5)	–
– Other	169	(76)	93	–	–	–	(2)	–	–	–	169	(78)	91

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18				Asset movements during the reporting period							as at 30/06/19 ²		
	Gross carrying amount	Accumulated depreciation	Net carrying amount		Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation	Net carrying amount Restated
\$ '000														
– Stormwater drainage	22,585	(8,863)	13,702	136	–	–	(226)	–	–	–	–	22,721	(9,109)	13,612
– Water supply network	56,482	(23,088)	33,394	39	139	–	(706)	–	–	907	–	57,567	(23,794)	33,773
– Sewerage network	59,038	(22,475)	36,563	354	–	–	(1,084)	–	–	950	–	60,342	(23,559)	36,783
– Swimming pools	2,071	(1,104)	967	2	38	–	(64)	(63)	–	–	–	1,988	(1,107)	881
– Other open space/recreational assets	3,986	(1,498)	2,488	27	56	–	(187)	478	(635)	–	–	4,594	(2,367)	2,227
– Other infrastructure	3,291	(1,075)	2,216	–	–	–	(76)	(347)	–	–	–	2,695	(902)	1,793
Other assets:														
– Library books	5	(5)	–	–	–	–	–	–	–	–	–	4	(4)	–
– Other	363	(192)	171	–	–	–	(11)	(66)	–	–	–	169	(76)	93
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Tip assets	848	(61)	787	–	–	–	(61)	–	–	–	–	849	(121)	728
– Quarry assets	34	(34)	–	–	–	–	–	–	–	–	–	34	(34)	–
Total infrastructure, property, plant and equipment	572,602	(152,412)	420,190	8,443	2,723	(388)	(7,593)	1	(635)	1,857	585,428	(160,828)	424,600	

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

(2) Refer to Note 17(b) for details regarding restatement as a result of prior period error

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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		
Office equipment	5 to 10		
Office furniture	5 to 20		
Computer equipment	4		
Vehicles	3 to 8	Buildings	Years
Other plant and equipment	5 to 20	Buildings: Non Specialised	10 to 60
		Buildings: other	5 to 60
Water and sewer assets		Stormwater assets	
Sewer Network	30 to 100	Drains	85 to 106
Water Network	30 to 100	Pipes	85 to 106
Transportation assets		Other infrastructure assets	
Sealed roads: surface	25	Bulk earthworks	Infinite
Sealed roads: structure	60 to 175		
Unsealed roads	25		
Bridges	30 to 106		
Road pavements - Sealed	55		
Road pavements - Unsealed	20		
Kerb and gutter	100		
Footpaths and cycleways	15 to 120		

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 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 in accordance with AASB 1051 Land Under Roads.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

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

Rural Fire Service assets

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

Council has assessed and determined to not recognise rural fire service assets including land, buildings, plant and vehicles.

Note 10(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(i) Impairment losses recognised in the Income Statement:			
Buildings - non specialised		104	–
Buildings - specialised		42	–
Bridges		96	–
Total impairment losses		242	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	5d	242	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	2,630	2,455
Total owned investment property	<u>2,630</u>	<u>2,455</u>

Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	2,455	2,316
– Capitalised expenditure – this year	47	–
– Disposals during year	–	(392)
– Net gain/(loss) from fair value adjustments	128	531
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	<u>2,630</u>	<u>2,455</u>

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Movements for the year		
Additions	1,131	–
Amortisation expense	(61)	–
Closing values at 30 June		
Gross book value	1,131	–
Accumulated amortisation	(61)	–
Total software – net book value	<u>1,070</u>	<u>–</u>

Accounting policy for intangible assets

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Other		400	–
Total Contract assets		400	–

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	100	–
Total grants received in advance		100	–
Total contract liabilities		100	–

Notes

(i) Council has received funding for expenditure relating to its waste facility. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

\$ '000		2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets			
Externally restricted assets			
Unspent grants held as contract liabilities (excl. Water & Sewer)		100	–
Contract liabilities relating to externally restricted assets		100	–
Total contract liabilities relating to restricted assets		100	–
Total contract liabilities relating to unrestricted assets		–	–
Total contract liabilities		100	–

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	

Grants and contributions received in advance:

Capital grants (to construct Council controlled assets)	1,011
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	1,011

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

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

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

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases

(i) Council as a lessee

Council has several short term and/or low-value asset lease arrangements for which a right-of-use asset and corresponding lease liability are not required to be recognised under AASB 116. Refer to Note 17(b)(iii) for further details.

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- child care centres
- community halls

The leases are generally between 1 and 10 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

(ii) Council as a lessor

Operating leases

Council leases out a number of properties to businesses and community groups; these leases have been classified as operating leases for financial reporting purposes. Assets relating to commercial property are included as investment property (refer note 11) in the Statement of Financial Position.

\$ '000	2020	2019
(i) Operating lease income		
Investment properties		
Lease income (excluding variable lease payments not dependent on an index or rate)	140	129
Total income relating to operating leases	140	129
(ii) Operating lease expenses		
Investment properties		
Direct operating expenses that generated rental income	21	-
Direct operating expenses that did not generate rental income	32	-
Other leased assets		
Other	-	-
Total expenses relating to operating leases	53	-
(iii) Repairs and maintenance: investment property		
Contractual obligations for future repairs and maintenance	-	-
Other	34	-
Total repairs and maintenance: investment property	34	-
(iv) Maturity analysis of contractual lease income		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	102	-
1-2 years	13	-
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
> 5 years	-	-
Total undiscounted contractual lease income receivable	115	-

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.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Leases (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and Services - operating expenditure:				
- Trade Creditors Control	992	-	3,258	-
- Other	3,045	-	-	-
Accrued expenses:				
- Salaries and wages	204	-	53	4
- Borrowings	89	-	96	-
- Other expenditure	229	9	330	-
Security bonds, deposits and retentions	158	-	154	-
Funds held on behalf of Midwaste	-	-	461	-
Prepaid rates	301	-	320	-
Other Payables	4	-	-	-
Total payables	5,022	9	4,672	4
Borrowings				
Loans – secured ¹	779	5,522	737	6,302
Total borrowings	779	5,522	737	6,302
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,801</u>	<u>5,531</u>	<u>5,409</u>	<u>6,306</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	119	-	1	-
Sewer	42	-	6	-
Other	-	-	71	-
Payables and borrowings relating to externally restricted assets	161	-	78	-
Total payables and borrowings relating to restricted assets	161	-	78	-
Total payables and borrowings relating to unrestricted assets	5,640	5,531	5,331	6,306
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>5,801</u>	<u>5,531</u>	<u>5,409</u>	<u>6,306</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	7,039	(738)	–	–	–	–	6,301
TOTAL	7,039	(738)	–	–	–	–	6,301

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	7,741	(702)	–	–	–	7,039
TOTAL	7,741	(702)	–	–	–	7,039

\$ '000	2020	2019
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	100	100
Total financing arrangements	100	100

Drawn facilities as at balance date:

– Credit cards/purchase cards	4	26
Total drawn financing arrangements	4	26

Undrawn facilities as at balance date:

– Credit cards/purchase cards	96	74
Total undrawn financing arrangements	96	74

Additional financing arrangements information**Breaches and defaults**

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

Accounting policy for payables and borrowings

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.

Borrowings

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Finance leases (2019 only)

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	958	–	854	–
Sick leave	298	–	329	–
Long service leave	1,267	141	1,332	199
Other leave – RDO and TIL	225	–	185	–
Sub-total – aggregate employee benefits	2,748	141	2,700	199
Asset remediation/restoration:				
Asset remediation/restoration (future works)	978	1,091	978	1,034
Sub-total – asset remediation/restoration	978	1,091	978	1,034
TOTAL PROVISIONS	3,726	1,232	3,678	1,233

(a) Provisions relating to restricted assets

Externally restricted assets

Water	132	7	–	–
Sewer	156	9	–	–
Provisions relating to externally restricted assets	288	16	–	–
Total provisions relating to restricted assets	288	16	–	–
Total provisions relating to unrestricted assets	3,438	1,216	3,678	1,233
TOTAL PROVISIONS	3,726	1,232	3,678	1,233

\$ '000	2020	2019
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,713	1,778
	2,713	1,778

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2020					
At beginning of year	854	329	1,531	185	2,899
Other	104	(31)	(123)	40	(10)
Total ELE provisions at end of year	958	298	1,408	225	2,889
2019					
At beginning of year	829	323	1,285	153	2,590
Other	25	6	246	32	309
Total ELE provisions at end of year	854	329	1,531	185	2,899

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	2,012	2,012
Other	57	57
Total other provisions at end of year	2,069	2,069
2019		
At beginning of year	1,521	1,521
Unwinding of discount	150	150
Other	341	341
Total other provisions at end of year	2,012	2,012

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

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

Restoration

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

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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

Nature of prior-period error

The revaluation of transport assets during the year discovered previously omitted road and associated bulk earthworks assets. The assets have now been recognised and have an impact of increasing the value of infrastructure, property, plant and equipment as follows:

1 July 2018 by \$6.407m (Roads by \$2.029m and associated bulk earthworks by \$4.378m)
30 June 2019 by \$6.407m (Roads by \$2.029m and associated bulk earthworks by \$4.378m)

Council have commenced depreciating roads in accordance with their remaining useful economic lives from 1 July 2020. The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to Accumulated Surplus at that date. Comparatives have been changed to reflect the correction of errors. The impact on each line item are shown in the table below.

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

\$ '000	Notes	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	10(a)	413,783	6,407	420,190
Total non-current assets		425,045	6,407	431,452
Total assets		457,801	6,407	464,208
Net assets		442,412	6,407	448,819
Accumulate surplus	17	273,707	6,407	280,114
Total equity		442,412	6,407	448,819

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

\$ '000	Notes	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	10(a)	418,193	6,407	424,600
Total non-current assets		429,790	6,407	436,197
Total assets		459,507	6,407	465,914
Net assets		442,881	6,407	449,288

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Accumulated surplus	17	272,954	6,407	279,361
Total equity		442,881	6,407	449,288

(c) Changes in accounting policies due to adoption of new accounting standards

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

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

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

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

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

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

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

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

Principal v agent

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

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

Movement of balances between receivables and contract assets.

- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	1,011
Total Contract liabilities	1,011

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	8,976	–	–	8,976	
Investments	16,919	–	–	16,919	
Receivables	6,255	400	–	6,655	
Inventories	462	–	–	462	
Contract assets	400	(400)	–	–	
Total current assets	33,012	–	–	33,012	
Current liabilities					
Payables	5,022	100	–	5,122	
Contract liabilities	100	(100)	–	–	
Borrowings	779	–	–	779	
Provisions	3,726	–	–	3,726	
Total current liabilities	9,627	–	–	9,627	
Non-current assets					
Investments	3,100	–	–	3,100	
Receivables	281	–	–	281	
Infrastructure, property, plant and equipment	452,951	–	–	452,951	
Investment property	2,630	–	–	2,630	
Intangible assets	1,070	–	–	1,070	
Total non-current assets	460,032	–	–	460,032	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
Non-current liabilities					
Payables	9	-	-	9	
Borrowings	5,522	-	-	5,522	
Provisions	1,232	-	-	1,232	
Total Non-current liabilities	6,763	-	-	6,763	
Net assets	476,654	-	-	476,654	
Equity					
Accumulated surplus	279,558	-	-	279,558	
Revaluation reserves	197,096	-	-	197,096	
Council equity interest	476,654	-	-	476,654	
Total equity	476,654	-	-	476,654	

Grants received for capital purposes, to be expended in future financial periods as the underlying obligation is satisfied.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	15,528	-	-	15,528	
User charges and fees	8,490	-	-	8,490	
Other revenues	363	-	-	363	
Grants and contributions provided for operating purposes	7,546	-	-	7,546	
Grants and contributions provided for capital purposes	2,058	-	(1,011)	1,047	
Interest and investment income	1,242	-	-	1,242	
Net gains from the disposal of assets	195	-	-	195	
Fair value increment on investment properties	128	-	-	128	
Rental income	140	-	-	140	
Total Income from continuing operations	35,690	-	(1,011)	34,679	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	10,594	-	-	10,594	
Borrowing costs	487	-	-	487	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Materials and contracts	12,087	–	–	12,087	
Depreciation and amortisation	7,644	–	–	7,644	
Other expenses	3,428	–	–	3,428	
Revaluation decrement / impairment of IPP&E	242	–	–	242	
Total Expenses from continuing operations	34,482	–	–	34,482	
Total Operating result from continuing operations	1,208	–	(1,011)	197	
Net operating result for the year	1,208	–	(1,011)	197	
Total comprehensive income	28,377	–	1,011	29,388	

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	465,914	–	465,914
Contract liabilities	–	1,011	1,011
Total liabilities	16,626	1,011	17,637
Accumulated surplus ¹	279,361	(1,011)	278,350
Total equity	449,288	(1,011)	448,277

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

(iii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	—

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,976	1,376
Balance as per the Statement of Cash Flows		8,976	1,376
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,208	(753)
Adjust for non-cash items:			
Depreciation and amortisation		7,644	7,593
Net losses/(gains) on disposal of assets		(195)	(3)
Adoption of AASB 15/1058		(1,011)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(128)	(531)
– Revaluation decrements / impairments of IPP&E direct to P&L		242	–
Unwinding of discount rates on reinstatement provisions		43	150
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1	1,446
Increase/(decrease) in provision for impairment of receivables		154	50
Decrease/(increase) in inventories		(53)	(161)
Decrease/(increase) in other current assets		32	(9)
Decrease/(increase) in contract assets		(400)	–
Increase/(decrease) in payables		(61)	1,453
Increase/(decrease) in accrued interest payable		6	(4)
Increase/(decrease) in other accrued expenses payable		144	(247)
Increase/(decrease) in other liabilities		(651)	(63)
Increase/(decrease) in contract liabilities		100	–
Increase/(decrease) in provision for employee benefits		(10)	309
Increase/(decrease) in other provisions		57	341
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		7,122	9,571

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
IT Infrastructure	–	558
Total commitments	–	558
These expenditures are payable as follows:		
Within the next year	–	558
Total payable	–	558
Sources for funding of capital commitments:		
Internally restricted reserves	–	558
Total sources of funding	–	558

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. 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 future service employer contributions and past service employer contributions to the Fund.

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries 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 2020. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$102,405. The last valuation of the Scheme was performed by Richard Boyfield FIA on 12 December 2017, and covers the period ended 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$42,000. Council's expected contribution to the plan for the next annual reporting period is \$91,523

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$78,000 as at 30 June 2020.

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.

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

(iii) Mixed Waste Landfill costs

The Council has a tripartite agreement with Coffs Harbour City Council (CHCC) and Nambucca Shire Council for its mixed (red bin) waste to be taken to CHCC's waste management facility for processing. Under an agreement between CHCC and the contractor, the mixed waste organic output (MWO) fraction of this waste is further processed into an organic soil conditioner. Through the tripartite agreement, the Council is required to pay its share of the costs of using the contractor.

In October 2018, the NSW Environmental Protection Authority (the NSW EPA) revoked exemptions which allowed the MWO fraction to be applied to land as an organic soil conditioner and instead by default, required it to be disposed of in approved landfills. As a result, and since November 2018, all mixed waste has been transported to Tamworth to be landfilled, triggering legal action by the contractor with CHCC. The cost of transport and landfilling was met by the NSW EPA until April 2020. Since then, the cost has been shared by CHCC and the contractor.

The outcome of the legal action between CHCC and the contractor is unknown, however Council may have the possible obligation for its share of these costs for the remaining 6 years of CHCC's agreement with the contractor. This has been estimated to be up to \$2.2million (\$360,000 per year).

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	8,976	1,376	8,976	1,376
Receivables	6,536	6,297	6,536	6,297
Investments				
– 'Financial assets at amortised cost'	10,102	15,817	10,102	15,817
Fair value through profit and loss				
Investments				
– 'Held for trading'	9,917	14,928	9,917	14,928
Total financial assets	35,531	38,418	35,531	38,418
Financial liabilities				
Payables	5,031	4,676	4,730	4,356
Loans/advances	6,301	7,039	6,301	7,039
Total financial liabilities	11,332	11,715	11,031	11,395

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	298	298	(298)	(298)
Possible impact of a 1% movement in interest rates	261	261	(261)	(261)
2019				
Possible impact of a 10% movement in market values	296	296	(296)	(296)
Possible impact of a 1% movement in interest rates	217	217	(217)	(217)

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	812	53	159	–	1,024

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	517	29	–	–	546

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	1,938	1,395	1,038	299	1,074	5,744
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%
2019						
Gross carrying amount	1,490	4,180	91	1	67	5,829
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	158	4,572	–	–	4,730	4,730
Loans and advances	6.44%	–	1,188	4,479	2,923	8,590	6,301
Total financial liabilities		158	5,760	4,479	2,923	13,320	11,031
2019							
Trade/other payables	0.00%	154	4,202	–	–	4,356	4,356
Loans and advances	6.44%	–	1,188	4,614	3,975	9,777	7,039

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

Total financial liabilities	154	5,390	4,614	3,975	14,133	11,395
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Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 26/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	15,261	15,528	267	2% F
User charges and fees	6,748	8,490	1,742	26% F
Revenue for user charges and fees exceeded budget due to Council receiving additional revenue due to additional RMS contracted works on MR716.				
Other revenues	351	363	12	3% F
Operating grants and contributions	6,005	7,546	1,541	26% F
Operational grant revenues exceeded budget due to Council receiving a one off \$1.325M grant as a result of the 2019 bushfires to go towards community resilience and recovery.				
Capital grants and contributions	12,921	2,058	(10,863)	(84)% U
Capital grants income is considerably less than budget due to:				
<ul style="list-style-type: none"> the delay in the commencement of the Sewering Coastal Villages project. Original budget forecasts estimated grant income towards this project of \$5M. This project will now commence in the 2020/21 financial year. Delay in commencement of Memorial Hall redevelopment project. This project will now commence in the 2020/21 financial year. Council was also anticipating the release of the Fixing Timber Bridges Program grants. All projects relating to this funding source have been delayed to the 2020/21 financial year. 				
Interest and investment revenue	814	1,242	428	53% F
Interest and investment revenues are higher than budget due to the sale of Council's Southern Phone shares to AGL Ltd during the financial year for the amount of \$785K. This was partially offset by a decrease in revenues due to the financial market impact of COVID-19.				
Net gains from disposal of assets	–	195	195	∞ F
Fair value increment on investment property	–	128	128	∞ F
Rental income	150	140	(10)	(7)% U

EXPENSES

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Employee benefits and on-costs	10,159	10,594	(435)	(4)% U
Borrowing costs	447	487	(40)	(9)% U
Materials and contracts	8,982	12,087	(3,105)	(35)% U
Materials and contracts expenditure is higher than budget due to additional works being undertaken on State Roads. This is offset by the additional revenues received in user charges and fees.				
Depreciation and amortisation	7,644	7,644	–	0% F
Other expenses	3,270	3,428	(158)	(5)% U
Revaluation decrement / impairment of IPP&E	–	242	(242)	∞ U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	20,308	7,122	(13,186)	(65)% U
Cashflows from operating activities are down due to the decrease in estimated grant revenues as outlined above.				
Cash flows from investing activities	(22,589)	1,216	23,805	(105)% F
Cashflows from investing activities are down due to the delay in commencement of significant capital works projects as outlined above.				
Cash flows from financing activities	2,259	(738)	(2,997)	(133)% U
Cashflows from financing activities are down due to Council not taking out forecast loans during 2019/20. See commentary regarding delayed capital projects.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
\$ '000				
Recurring fair value measurements				
Financial assets				
Investments				
– 'At fair value through profit and loss'	–	9,917	–	9,917
Total financial assets	–	9,917	–	9,917
Investment property				
Investment properties	–	2,630	–	2,630
Total investment property	–	2,630	–	2,630
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	5,881	5,881
Office equipment	–	–	340	340
Furniture and fittings	–	–	75	75
Land – operational	–	10,400	–	10,400
Land – community and crown	–	–	15,521	15,521
Land improvements – depreciated	–	–	1,130	1,130
Buildings –specialised	–	–	7,662	7,662
Buildings – non-specialised	–	–	14,798	14,798
Roads	–	–	83,961	83,961
Bridges	–	–	23,324	23,324
Footpaths	–	–	2,115	2,115
Bulk earthworks	–	–	188,062	188,062
Stormwater drainage	–	–	14,678	14,678
Water supply network	–	–	35,613	35,613
Sewerage network	–	–	37,740	37,740
Swimming pools	–	–	820	820
Open space and recreation	–	–	2,789	2,789
Other infrastructure	–	–	2,295	2,295
Other assets	–	–	91	91
Tip assets	–	–	666	666

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2020	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
\$ '000				
Total infrastructure, property, plant and equipment	–	10,400	437,561	447,961

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

2019	Fair value measurement hierarchy			Total ¹ Restated
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	
\$ '000				

Recurring fair value measurements

Financial assets

Investments

– 'At fair value through profit and loss'

	–	14,928	–	14,928
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Total financial assets

Investment property

Investment properties

	–	2,455	–	2,455
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Total investment property

Infrastructure, property, plant and equipment

Plant and equipment	–	–	4,639	4,639
Office equipment	–	–	401	401
Furniture and fittings	–	–	82	82
Land – operational	–	10,400	–	10,400
Land – community and crown	–	–	15,521	15,521
Land improvements – depreciated	–	–	1,198	1,198
Buildings –specialised	–	–	8,069	8,069
Buildings – non-specialised	–	–	15,376	15,376
Roads	–	–	76,687	76,687
Bridges	–	–	24,651	24,651
Footpaths	–	–	1,963	1,963
Bulk earthworks	–	–	168,365	168,365
Stormwater drainage	–	–	13,612	13,612
Water supply network	–	–	33,773	33,773
Sewerage network	–	–	36,783	36,783
Swimming pools	–	–	881	881
Open space and recreation	–	–	2,227	2,227
Other infrastructure	–	–	1,793	1,793
Other assets	–	–	93	93
Tip assets	–	–	728	728
Total infrastructure, property, plant and equipment	–	10,400	406,842	417,242

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

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

Investment property

The investment property is included in Level 2 of the hierarchy and the valuation is based upon the best sales evidence in an active market for similar assets. The key unobservable input to the valuation is price per square metre.

The fair value of the investment property is determined by a qualified and experienced valuer. Council's last valuation of its investment property occurred in June 2020 by Cardow & Partners Property (estate agents). There has been no change to the valuation process during the reporting period.

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

Community & Crown Land

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. The last revaluation of community land was undertaken at 30 June 2016. There has been no change to the valuation process during the reporting period.

Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. The last valuation was undertaken at 30 June 2018 by Griffin Valuation Advisory.

Land Under Roads

Land under roads has not been recognised in Council's accounts.

Other Structures

This asset class comprises of various park assets such as water tanks, fencing, small sheds & shelters, lighting & retaining walls. The valuation process involved the market value approach and depreciated replacement cost approach. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken in June 2016 by Scott Fullarton Valuations Pty Ltd. There has been no change to the valuation process during the reporting period.

Plant & Equipment, Office Equipment, Furniture & Fittings

Office Equipment are valued at cost but disclosed at fair value in the Notes of the financial statements. It is assumed that the carrying amount of these asset classes is approximate fair value. Assets include graders, motor vehicles, mowers, chainsaws, computers, tables and chairs. The key unobservable inputs are residual life, patterns of consumption and useful life. The last revaluation was undertaken at 30 June 2013. There has been no change to the valuation process during the reporting period.

Buildings

Buildings are classified as either Specialised or Non Specialised as required by the NSW Code of Accounting Practice. Where possible the valuation was based upon the Market Value Approach where comparable market transactions have been obtained and used in the valuation. For the remaining assets the depreciated replacement cost approach was used in the valuation process. The unobservable inputs such as asset condition, patterns of consumption, replacement cost value and useful life relies on the experience and judgement of the valuer and therefore these assets are recorded at Level 3.

The last valuation was undertaken at 30 June 2018 by Opus International Consultants (Australia) Pty Ltd.

Swimming Pools

Swimming Pools were valued as part of Other Structures in June 2016 by Scott Fullarton Valuations Pty Ltd. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

valuer. The unobservable inputs place this class of asset at Level 3. There has been no change to the valuation process during the reporting period.

Open Space & Recreation

This asset class comprises of lighting, benches, barbecues, seating and any other asset relating to open spaces and recreation that were in the Other Structures class of asset. The valuation of these assets have been undertaken internally by Councils Engineering department by experienced engineers. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the engineers. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken internally by Councils Engineers at 30 June 2019. There has been no change to the valuation process during the reporting period.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. Water system assets were valued at 30 June 2017 by JRA Consulting Services. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The Sewer system assets were valued at 30 June 2017 by JRA Consulting Services. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. There has been no change to the valuation process during the reporting period.

Roads, Bridges, Bulk Earthworks, Stormwater Drainage and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. Each asset class has been broken down into significant components with similar physical and operating characteristics. A separate useful life is applied to each component and they are depreciated independently. The unit replacement cost and the useful life of each asset is aligned with Councils Asset Management Plan. The valuation includes observable inputs for some elements of the revaluation but not for the complete asset. Key unobservable inputs include unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The last valuation was undertaken by G7 Asset Management at 30 June 2020.

Remediation Assets

This class of asset includes the Raleigh Waste Facility and Whites Quarry. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation of these assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, the timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period. The last valuation was undertaken by Impact Environmental at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Land operational	Land community
2019					
Opening balance	4,903	460	91	10,400	15,521
Purchases (GBV)	859	4	–	–	–
Disposals (WDV)	(388)	–	–	–	–
Depreciation and impairment	(735)	(63)	(9)	–	–
Revaluation increment/(decrement)	–	–	–	–	–
Closing balance	4,639	401	82	10,400	15,521
2020					
Opening balance	4,639	401	82	10,400	15,521
Transfers from/(to) another asset class	604	–	–	–	–
Purchases (GBV)	1,520	–	–	–	–
Disposals (WDV)	(71)	(6)	–	–	–
Depreciation and impairment	(811)	(55)	(7)	–	–
Revaluation increment/(decrement)	–	–	–	–	–
Closing balance	5,881	340	75	10,400	15,521

\$ '000	Land improvements	Buildings non-specialised	Roads ¹ Restated	Bridges	Footpaths
2019					
Opening balance	1,287	15,993	77,038	21,679	1,945
Transfers from/(to) another asset class	–	–	(2,604)	2,604	–
Purchases (GBV)	–	41	4,923	928	52
Depreciation and impairment	(88)	(657)	(2,670)	(560)	(34)
Other movement	(1)	–	–	–	–
Revaluation increment/(decrement)	–	–	–	–	–
Closing balance	1,198	15,377	76,687	24,651	1,963
2020					
Opening balance	1,198	15,377	76,687	24,651	1,963
Transfers from/(to) another asset class	–	184	1,134	879	437
Purchases (GBV)	–	–	1,909	14	–
Depreciation and impairment	(68)	(763)	(2,703)	(604)	(36)
Revaluation increment/(decrement)	–	–	8,963	(1,616)	(249)
Closing balance	1,130	14,798	85,990	23,324	2,115

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

\$ '000	Bulk earthworks ¹ Restated	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Bulk earthworks ¹ Restated	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
Opening balance	168,345	13,701	33,395	36,563	966
Transfers from/(to) another asset class	–	–	–	–	(63)
Purchases (GBV)	20	137	177	354	42
Depreciation and impairment	–	(226)	(706)	(1,084)	(64)
FV gains – other comprehensive income	–	–	907	950	–
Revaluation increment/(decrement)	–	–	–	–	–
Closing balance	168,365	13,612	33,773	36,783	881
Opening balance	168,365	13,612	33,773	36,783	881
Transfers from/(to) another asset class	–	10	1,847	1,195	–
Purchases (GBV)	–	–	167	302	–
Depreciation and impairment	–	(227)	(721)	(1,113)	(61)
Revaluation increment/(decrement)	24,075	1,283	547	573	–
Closing balance	192,440	14,678	35,613	37,740	820

(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

\$ '000	Open space/recreational assets	Buildings specialised	Other infrastructure
2019			
Opening balance	2,487	8,433	2,216
Transfers from/(to) another asset class	479	–	(347)
Purchases (GBV)	83	–	–
Depreciation and impairment	(187)	(364)	(76)
FV gains – other comprehensive income	(635)	–	–
Revaluation increment/(decrement)	–	–	–
Closing balance	2,227	8,069	1,793
2020			
Opening balance	2,227	8,069	1,793
Transfers from/(to) another asset class	525	–	531
Purchases (GBV)	160	–	35
Depreciation and impairment	(123)	(407)	(64)
Revaluation increment/(decrement)	–	–	–
Closing balance	2,789	7,662	2,295

\$ '000	Other assets	Tip assets	Total
2019			
Opening balance	171	788	416,382
Transfers from/(to) another asset class	(67)	–	2
Purchases (GBV)	–	–	7,620
Disposals (WDV)	–	–	(388)
Depreciation and impairment	(11)	(60)	(7,594)
FV gains – other comprehensive income	–	–	1,222
Other movement	–	–	(1)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Other assets	Tip assets	Total
Revaluation increment/(decrement)	–	–	–
Closing balance	93	728	417,243
2020			
Opening balance	93	728	417,243
Transfers from/(to) another asset class	–	–	7,346
Purchases (GBV)	–	–	4,107
Disposals (WDV)	–	–	(77)
Depreciation and impairment	(2)	(61)	(7,826)
Revaluation increment/(decrement)	–	–	33,576
Closing balance	91	667	454,369

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

No transfers were made in or out of Level 3 fair value hierarchy

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Financial assets			
Investments	9,917	Value based upon unit prices calculated and published daily	Prices are observable, however no active market exists for these funds as they are only accessible to government agencies.
Investment properties			
Properties	2,630	Valued provided by third-party experienced valuer	Price per square metre and future maintainable earnings assessments.
Infrastructure, property, plant and equipment			
Office Equipment, Furniture and Fittings and Plant and Equipment	6,296	Replacement cost	Gross replacement cost Asset condition Remaining useful life Residual value
Land - Operational	10,400	Rate per square metre	Rate per square metre
Land - Community	15,521	Land values obtained from the NSW Valuer-General	Unimproved Capital Value per square metre provided by Valuer General
Land Improvements	1,130	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised and non-specialised)	22,460	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	83,961	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Bridges	23,324	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	2,115	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bulk Earthworks	188,062	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	14,678	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	35,613	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	37,740	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming pools	820	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Open space and Recreational Assets	2,789	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Infrastructure	2,295	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other assets (Library books and Miscellaneous)	91	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Assets	667	Industry Cost Indexes, council and contractor construction rates	Future rehabilitation regulations

d. The valuation process for level 3 fair value measurements

The valuation processes used for fair value on Level 3 assets is the depreciated replacement cost approach and the market value approach. Assets that have been valued using the market value approach have been included in the Level Fair Value as the unobservable inputs rely on the skill and experience of the valuer.

The depreciated replacement cost approach involves using comparative sales evidence, asset conditions and relies on the skill and experience of the valuer.

The land improvements, operational land, community land, other structures, swimming pools, buildings and open space and recreation assets have had valuations completed by external valuers. The external valuers are independent and are qualified and experienced in their field. The valuations have been prepared in accordance with AASB5, AASB13, ASSB116, AASB136 and AASB140.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

In the case of stormwater, sewer and water assets, the valuations have been based on the modern engineering equivalent replacement asset (MEERA).

Before engaging a valuer to undertake valuations, Council requires at least three (3) quotations from suitably qualified valuers. Valuation of the road infrastructure assets has been undertaken internally by Council's Engineering Department. This valuation process involved using unit rates to obtain a replacement cost value and condition assessments of the asset obtained a remaining life. The valuation process also relied on the skill and experience of the Engineers.

The analysis of the Level 3 fair value movements after valuations will be undertaken by the Chief Financial Officer.

(4) Highest and best use

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,018	868
Post-employment benefits	83	72
Total	1,101	940

(b) Other transactions with KMP and their related parties

There were no other material transactions between KMP and their related parties and Council during the financial year.

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

	as at 30/06/19		Contributions received during the year				Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Non-cash	Cash			Held as restricted asset				Cumulative internal borrowings due/(payable)	
\$ '000											
Drainage	11	-	-	-	-	-	-	-	-	11	-
Roads	2,127	-	33	-	(1,230)	7	(1,230)	-	-	937	-
Parking	30	-	-	-	-	-	-	-	-	30	-
Community facilities	766	-	8	-	-	3	-	-	-	777	-
S7.11 contributions – under a plan	2,934	-	41	-	(1,230)	10	(1,230)	-	-	1,755	-
Total S7.11 and S7.12 revenue under plans	2,934	-	41	-	(1,230)	10	(1,230)	-	-	1,755	-
S7.11 not under plans	110	-	-	-	-	-	-	-	-	110	-
S64 contributions	5,884	-	91	-	-	24	-	-	-	5,999	-
Total contributions	8,928	-	132	-	(1,230)	34	(1,230)	-	-	7,864	-
S7.11 Contributions – under a plan											
CONTRIBUTION PLAN – Community services and amenities											
Community facilities	616	-	8	-	-	3	-	-	-	627	-
Total	616	-	8	-	-	3	-	-	-	627	-
CONTRIBUTION PLAN – South Urunga Development Area											
Roads	14	-	-	-	-	-	-	-	-	14	-
Total	14	-	-	-	-	-	-	-	-	14	-

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19		Contributions received during the year				as at 30/06/20		
	Opening Balance		Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN – Bellingen Council Roads									
Roads	2,092		33	-	9	(365)	-	1,769	-
Total	2,092		33	-	9	(365)	-	1,769	-
CONTRIBUTION PLAN – Bridge replacement									
Roads	21		-	-	(2)	(865)	-	(846)	-
Total	21		-	-	(2)	(865)	-	(846)	-
CONTRIBUTION PLAN – Bushfire Services Plan									
Community facilities	150		-	-	-	-	-	150	-
Total	150		-	-	-	-	-	150	-
CONTRIBUTION PLAN – Bellingen drainage									
Drainage	11		-	-	-	-	-	11	-
Total	11		-	-	-	-	-	11	-
CONTRIBUTION PLAN – Bellingen Parking									
Parking	30		-	-	-	-	-	30	-
Total	30		-	-	-	-	-	30	-
S7.11 Contributions – not under a plan									
CONTRIBUTIONS NOT UNDER A PLAN									
Drainage	11		-	-	-	-	-	11	-
Other	99		-	-	-	-	-	99	-
Total	110		-	-	-	-	-	110	-

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	11,460	618	3,450
User charges and fees	6,598	1,694	198
Interest and investment revenue	410	653	179
Other revenues	339	14	10
Grants and contributions provided for operating purposes	7,173	373	–
Grants and contributions provided for capital purposes	1,968	63	27
Net gains from disposal of assets	195	–	–
Fair value increment on investment property	128	–	–
Rental income	140	–	–
Total income from continuing operations	28,411	3,415	3,864
Expenses from continuing operations			
Employee benefits and on-costs	7,892	1,428	1,275
Borrowing costs	487	–	–
Materials and contracts	10,821	687	579
Depreciation and amortisation	5,694	775	1,175
Other expenses	3,020	219	188
Revaluation decrement /impairment of IPPE	200	21	21
Total expenses from continuing operations	28,114	3,130	3,238
Operating result from continuing operations	297	285	626
Net operating result for the year	297	285	626
Net operating result attributable to each council fund	297	285	626
Net operating result for the year before grants and contributions provided for capital purposes	(1,671)	222	599

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	2,319	4,626	2,030
Investments	4,372	8,720	3,827
Receivables	5,506	562	188
Inventories	300	162	–
Contract assets	400	–	–
Total current assets	12,897	14,070	6,045
Non-current assets			
Investments	801	1,598	701
Receivables	246	6	29
Infrastructure, property, plant and equipment	374,086	39,580	39,285
Investment property	2,630	–	–
Intangible assets	418	326	326
Total non-current assets	378,181	41,510	40,341
TOTAL ASSETS	391,078	55,580	46,386
LIABILITIES			
Current liabilities			
Payables	4,861	119	42
Contract liabilities	100	–	–
Borrowings	779	–	–
Provisions	3,438	132	156
Total current liabilities	9,178	251	198
Non-current liabilities			
Payables	9	–	–
Borrowings	5,522	–	–
Provisions	1,216	7	9
Total non-current liabilities	6,747	7	9
TOTAL LIABILITIES	15,925	258	207
Net assets	375,153	55,322	46,179
EQUITY			
Accumulated surplus	245,762	20,720	13,076
Revaluation reserves	129,391	34,602	33,103
Council equity interest	375,153	55,322	46,179
Total equity	375,153	55,322	46,179

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(931)	(2.80)%	(12.43)%	0.42%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	33,309				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	25,763	72.84%	68.81%	63.41%	>60.00%
Total continuing operating revenue ¹	35,367				
3. Unrestricted current ratio					
Current assets less all external restrictions	9,342	2.56x	1.94x	2.33x	>1.50x
Current liabilities less specific purpose liabilities	3,652				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,200	5.88x	3.42x	6.44x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,225				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	886	5.46%	4.13%	5.25%	<10.00%
Rates, annual and extra charges collectible	16,237				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	19,893	8.33	10.43	11.76	>3.00
Monthly payments from cash flow of operating and financing activities	2,387	mths	mths	mths	mths

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

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

Bellingen Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
\$ '000							
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(6.71)%	(19.29)%	6.62%	7.71%	15.61%	13.09%	>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	67.46%	61.20%	87.23%	95.94%	99.30%	96.58%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.56x	1.94x	56.06x	4,562.00x	30.53x	639.33x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.59x	1.43x	∞	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.46%	3.81%	5.50%	13.79%	5.45%	3.72%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	3.35	3.26	22.26	4.41	11.16	1.36	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

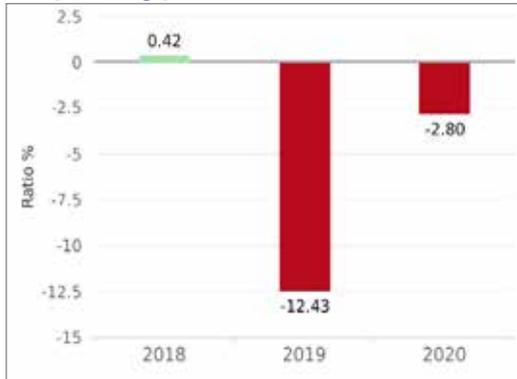
(1) - (2) Refer to Notes at Note 31a above.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (2.80)%

The improvement in this ratio for 2019/20 is primarily attributed to an increase in RMS revenues received during the year. Ratio is in line with original budget estimates.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 72.84%

Council's generation of own source revenue is primarily achieved through the collection of rating revenue. The result of 72% exceeds the industry benchmark of 60%.

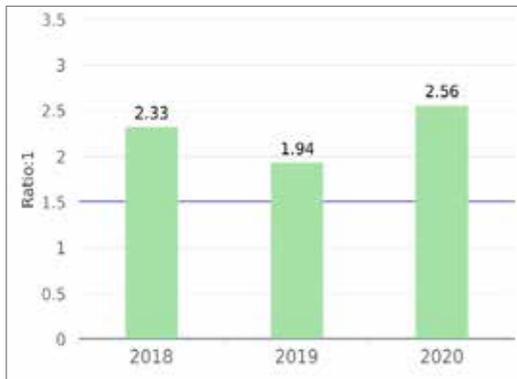
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.56x

Council's unrestricted current ratio is well above the industry benchmark of 1.50x, indicating Council is able to satisfy its debts as and when they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 5.88x

This ratio exceeds the industry benchmark, indicating that Council has sufficient operating cash to service its debts.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2019/20 result

2019/20 ratio 5.46%

Council has seen a slight increase in this ratio during 2019-20. The rise in the outstanding rates and annual charges is due to the impact of COVID-19 on businesses and individuals within our Shire. The result of 5.46% is well below industry benchmark.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.33 mths

This ratio is above the industry benchmark, indicating that Council has sufficient liquidity to mitigate any unforeseen future events.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Principal place of business:

Hyde Street
BELLINGEN NSW 2454

Contact details

Mailing Address:

PO Box 117
BELLINGEN NSW 2454

Telephone: 02 6655 7300

Facsimile: 02 6655 2310

Opening hours:

8:30am to 4:30pm
Monday to Friday

Internet: www.bellingen.nsw.gov.au

Email: council@bellingen.nsw.gov.au

Officers

GENERAL MANAGER

Liz Jeremy

RESPONSIBLE ACCOUNTING OFFICER

Chris Hodge

Elected members

MAYOR

Dominic King

Other information

ABN: 26 066 993 265



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

I have audited the accompanying financial statements of Bellingen Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 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

27 November 2020
SYDNEY



Mr Dominic King
 Mayor
 Bellingen Shire Council
 33-39 Hyde Street
 Bellingen NSW 2454

Contact: Gearoid Fitzgerald
 Phone no: 9275 7392
 Our ref: D/1691

27 November 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Bellingen Shire Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	15.5	14.8	4.7
Grants and contributions revenue	9.6	9.9	3.0
User charges and fees	8.5	5.2	63.5
Operating result from continuing operations	1.2	(0.8)	250.0

Net operating result
before capital grants and contributions

(0.8)

(3.1)

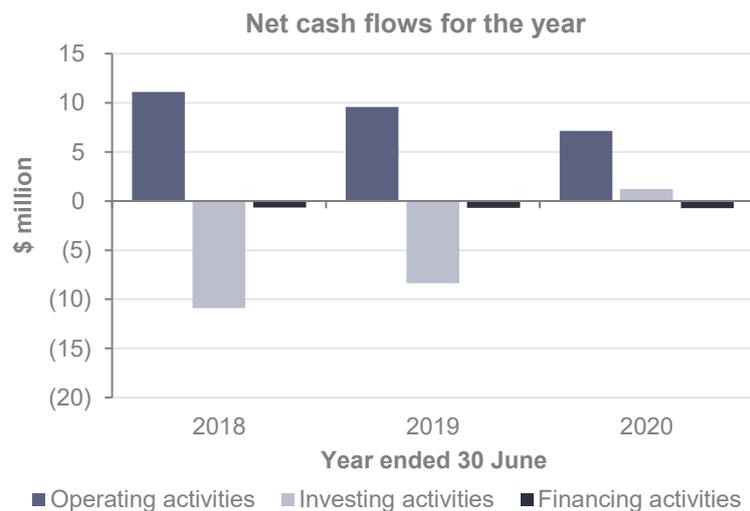
74.2

The Council's operating result from continuing operations (\$1.2 million including depreciation and amortisation expense of \$7.6 million) was \$2 million higher than the 2018–19 result. This increase is largely attributable to the following:

- rates and annual charges revenue (\$15.5 million) increased by \$0.7 million due to the Council's approved Special Rate Variation of 6% per annum (inclusive of rate peg) in 2019–20
- user charges and fees revenue (\$8.5 million) increased by \$3.3 million. The main driver for this increase was a \$2.8 million increase in RMS Charges for routine maintenance and order works in 2019-20. Significant projects included the Dorrigo roundabout construction, Dome Road pavement and rehabilitation and heavy patching on Waterfall Way
- employee benefits and on-costs (\$10.6 million) increased by \$0.3 million; and
- materials and contracts (\$12.1 million) increased by \$0.6 million.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by \$2.5 million. This was largely due to an increase in materials and contracts expenditure, offset by an increase in rates and annual charges and user fees and charges
- Net cash used in investing activities decreased by \$9.9 million due to Council purchasing less investment securities (\$6.7 million) compared to sale of securities held (\$17.5 million).
- Net cash used in financing activities has remained consistent due to the continued repayment of existing borrowings with no new borrowings during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	25.9	27.4	<ul style="list-style-type: none"> Externally restricted cash and investments decreased by \$1.5 million largely due to the expenditure of developer contributions and unexpended grants offset by an increase in the sewerage services reserve.
Internal restrictions	2.3	2.9	
Unrestricted	0.9	1.8	
Cash and investments	29.1	32.1	<ul style="list-style-type: none"> Internally restricted cash and investments has been reduced by the expenditure of funds on the implementation of the new IT System. Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE

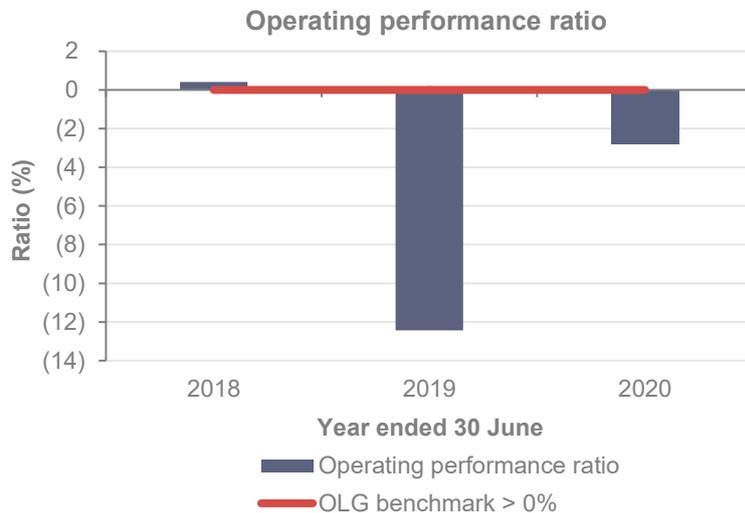
Performance measures

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.

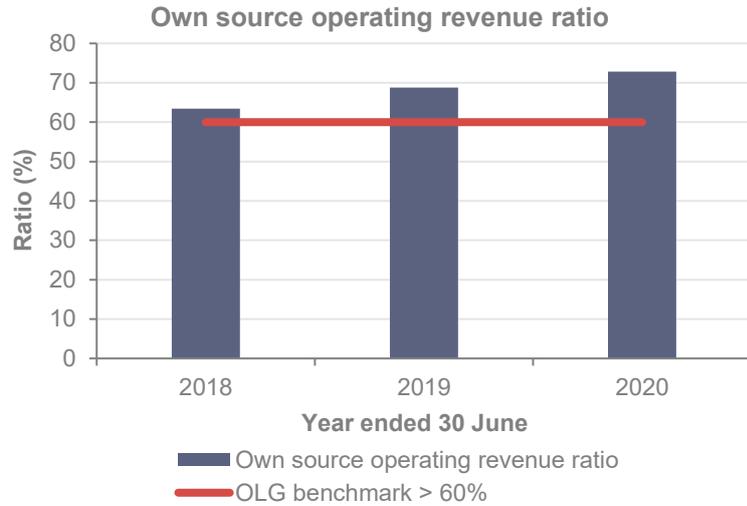
Council did not meet the OLG benchmark for the current reporting period but demonstrated a significant improvement in the operating performance ratio compared to the prior year. We note that Council met the benchmark for both the Water and Sewer Funds however did not achieve the benchmark for the General Fund.



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.

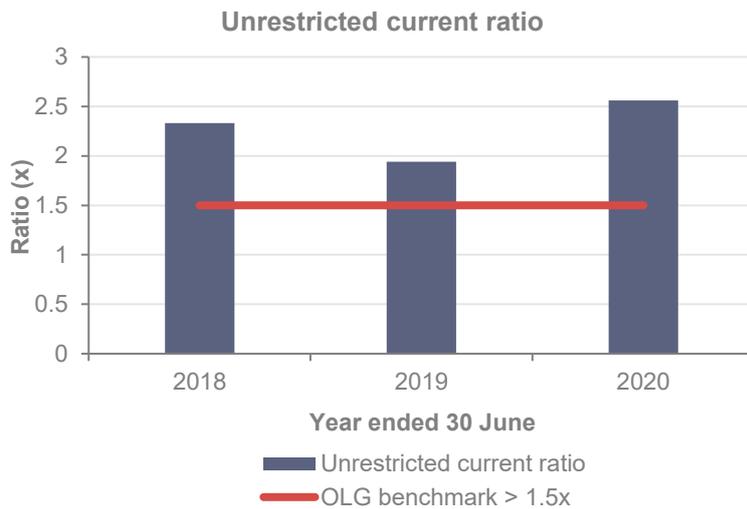
Council exceeded the OLG benchmark for the current and comparative reporting periods with an improved ratio in 2019-20.



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.

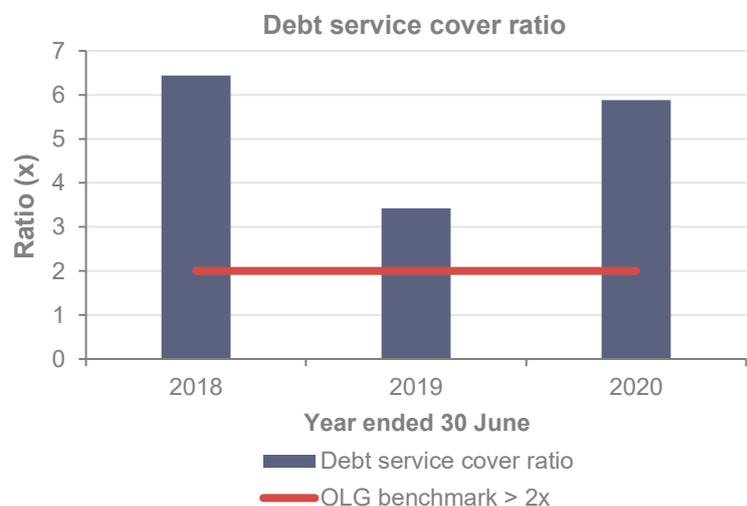
Council exceeded the OLG benchmark for the current and comparative reporting periods.



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.

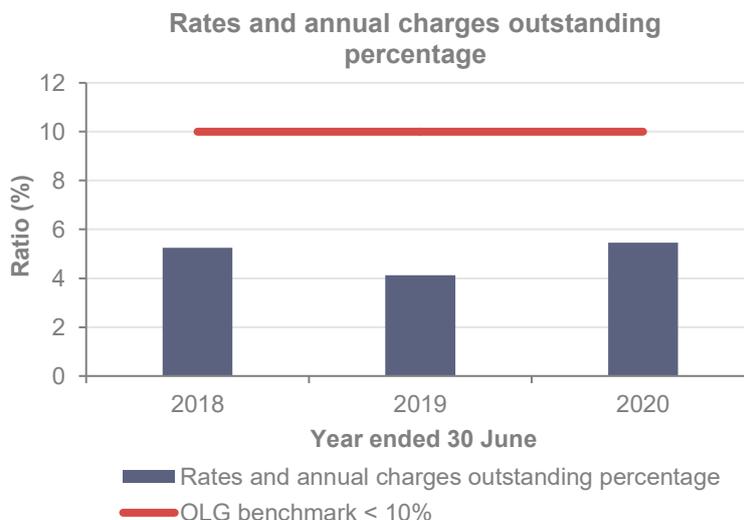
Council exceeded the OLG benchmark for the current and comparative reporting periods.



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 metro councils for regional and rural councils.

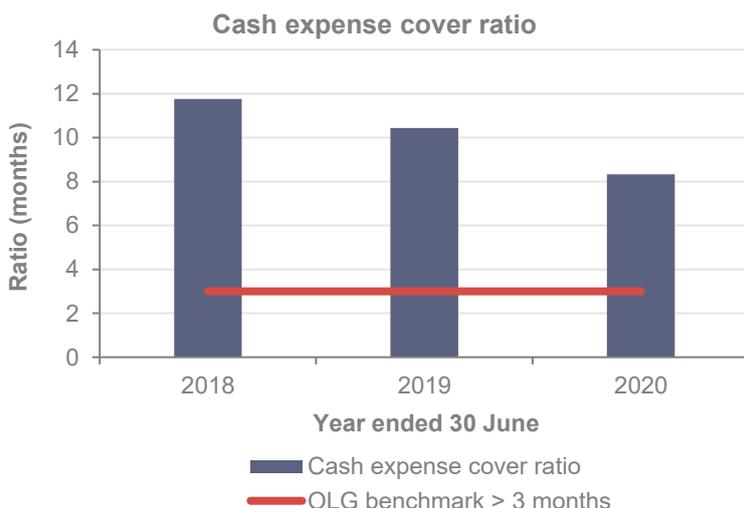
Council remains below the OLG benchmark for the current and comparative reporting periods.



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.

Council met the OLG benchmark for the current reporting period however has seen a decrease in the ratio in 2019-20 primarily due to increased outflows from operations.



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2019-20 year was \$7.2 million (\$8.4 million in 2018-19). In 2019-20, major renewal projects included Deep Creek bridge replacement, Memorial Hall stage 3 development, Telemetry conversion to digital network, Savins bridge replacement and Mylestom Path.

OTHER MATTERS

Impact of new accounting standards

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

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

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

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

The Council recognised a \$1 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

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

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

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

The Council disclosed the impact of adopting AASB 16 in Note 14.

Prior period errors

The revaluation process undertaken in relation to transport assets during 2019-20 identified previously omitted road infrastructure assets controlled by Council.

Note 17 of the financial statements provides details of the prior period error.

Further details of this matter and recommendations for improvement will also be included in the Management Letter addressed to the General Manager.

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 that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

cc: Liz Jeremy, General Manager
Allan Shorter, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Connected, Sustainable, Creative.



Special Purpose Financial Statements

for the year ended 30 June 2020

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(1) Refer to Note 17(b) for details regarding restatement as a result of prior period error

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

(2) Refer to Note 17(b) for details regarding restatement as a result of prior period error

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).

Special Purpose Financial Statements
for the year ended 30 June 2020

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

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

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

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

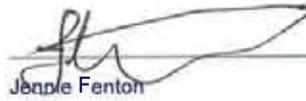
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 28 October 2020.



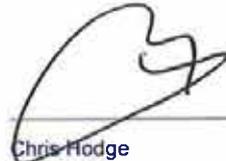
Dominic King
Mayor
28 October 2020



Jennie Fenton
Councillor
28 October 2020



Liz Jeremy
General Manager
28 October 2020



Chris Hodge
Responsible Accounting Officer
28 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	618	522
User charges	1,694	1,754
Interest	653	700
Grants and contributions provided for non-capital purposes	373	53
Other income	14	5
Total income from continuing operations	3,352	3,034
Expenses from continuing operations		
Employee benefits and on-costs	1,428	1,154
Materials and contracts	687	476
Depreciation, amortisation and impairment	796	787
Calculated taxation equivalents (incl. NSW Land tax)	9	–
Other expenses	219	383
Total expenses from continuing operations	3,139	2,800
Surplus (deficit) from continuing operations before capital amounts	213	234
Grants and contributions provided for capital purposes	63	73
Surplus (deficit) from continuing operations after capital amounts	276	307
Surplus (deficit) from all operations before tax	276	307
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(59)	(64)
SURPLUS (DEFICIT) AFTER TAX	217	243
Plus accumulated surplus	20,435	20,128
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	9	–
– Corporate taxation equivalent	59	64
Closing accumulated surplus	20,720	20,435
Return on capital %	0.5%	0.6%
Subsidy from Council	135	283
Calculation of dividend payable:		
Surplus (deficit) after tax	217	243
Surplus for dividend calculation purposes	217	243
Potential dividend calculated from surplus	109	121

Income Statement – Sewerage Business Activity for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,450	3,279
User charges	156	146
Liquid trade waste charges	42	46
Interest	179	201
Grants and contributions provided for non-capital purposes	–	41
Other Revenues	10	–
Total income from continuing operations	3,837	3,713
Expenses from continuing operations		
Employee benefits and on-costs	1,275	1,207
Materials and contracts	579	556
Depreciation, amortisation and impairment	1,196	1,144
Other expenses	188	320
Total expenses from continuing operations	3,238	3,227
Surplus (deficit) from continuing operations before capital amounts	599	486
Grants and contributions provided for capital purposes	27	89
Surplus (deficit) from continuing operations after capital amounts	626	575
Surplus (deficit) from all operations before tax	626	575
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(165)	(134)
SURPLUS (DEFICIT) AFTER TAX	461	441
Plus accumulated surplus	12,450	11,875
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	165	134
Closing accumulated surplus	13,076	12,450
Return on capital %	1.5%	1.2%
Subsidy from Council	–	37
Calculation of dividend payable:		
Surplus (deficit) after tax	461	441
Surplus for dividend calculation purposes	461	441
Potential dividend calculated from surplus	231	221

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	4,626	624
Investments	8,720	8,453
Receivables	562	489
Inventories	162	129
Contract Assets	–	–
Total current assets	14,070	9,695
Non-current assets		
Investments	1,598	5,600
Receivables	6	25
Infrastructure, property, plant and equipment	39,580	39,172
Intangible assets	326	–
Total non-current assets	41,510	44,797
TOTAL ASSETS	55,580	54,492
LIABILITIES		
Current liabilities		
Payables	119	1
Provisions	132	–
Total current liabilities	251	1
Non-current liabilities		
Provisions	7	–
Total non-current liabilities	7	–
TOTAL LIABILITIES	258	1
<u>NET ASSETS</u>	<u>55,322</u>	<u>54,491</u>
EQUITY		
Accumulated surplus	20,720	20,435
Revaluation reserves	34,602	34,056
<u>TOTAL EQUITY</u>	<u>55,322</u>	<u>54,491</u>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,030	217
Investments	3,827	4,147
Receivables	188	236
Total current assets	6,045	4,600
Non-current assets		
Investments	701	745
Receivables	29	9
Infrastructure, property, plant and equipment	39,285	39,632
Intangible assets	326	–
Total non-current assets	40,341	40,386
TOTAL ASSETS	46,386	44,986
LIABILITIES		
Current liabilities		
Payables	42	6
Provisions	156	–
Total current liabilities	198	6
Non-current liabilities		
Provisions	9	–
Total non-current liabilities	9	–
TOTAL LIABILITIES	207	6
NET ASSETS	46,179	44,980
EQUITY		
Accumulated surplus	13,076	12,450
Revaluation reserves	33,103	32,530
TOTAL EQUITY	46,179	44,980

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1 - Business activities with gross operating turnover more than \$2 million

a. Bellingen Shire Council Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Bellingen, Urunga, Repton, Mylestom and Dorrigo.

b. Bellingen Shire Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Bellingen, Urunga and Dorrigo.

Category 2 - Business activities with gross operating turnover less than \$2 million

Nil

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Bellingen Shire Council

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

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

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(iv) Dividends

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

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

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

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

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



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

To the Councillors of Bellingen Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage Service.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

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 Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



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

27 November 2020
SYDNEY

Bellingen Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

Connected, Sustainable, Creative.



Special Schedules

for the year ended 30 June 2020

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Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	8,276	7,792
Plus or minus adjustments ²	b	45	26
Notional general income	c = a + b	8,321	7,818
Permissible income calculation			
Special variation percentage ³	d	6.00%	6.00%
Plus special variation amount	h = d x (c + g)	499	469
Sub-total	k = (c + g + h + i + j)	8,820	8,287
Plus (or minus) last year's carry forward total	l	7	1
Less valuation objections claimed in the previous year	m	-	(4)
Sub-total	n = (l + m)	7	(3)
Total permissible income	o = k + n	8,827	8,284
Less notional general income yield	p	8,541	8,276
Catch-up or (excess) result	q = o - p	286	8
Less unused catch-up ⁵	s	-	(1)
Carry forward to next year ⁶	t = q + r + s	286	7

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



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

27 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets agreed level of to satisfactory service set by Council maintenance ^a		2019/20 Actual maintenance \$ '000	2019/20 Required maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000					1	2	3	4	5
Buildings	Buildings	1,974	1,974	385	385	22,460	46,091	0.0%	16.0%	79.0%	4.0%	1.0%
	Sub-total	1,974	1,974	385	385	22,460	46,091	0.0%	16.0%	79.0%	4.0%	1.0%
Roads	Sealed roads	14,889	14,889	941	941	68,618	102,857	16.0%	31.0%	30.0%	15.0%	8.0%
	Unsealed roads	-	-	366	366	9,010	20,561	11.0%	32.0%	31.0%	14.0%	12.0%
	Bridges	4,533	4,533	236	236	23,324	42,205	24.0%	32.0%	19.0%	17.0%	8.0%
	Footpaths	1,997	1,997	-	-	2,115	2,886	16.0%	14.0%	42.0%	25.0%	3.0%
	Bulk earthworks	-	-	-	-	188,062	188,062	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Sub-total	21,625	21,625	1,543	1,543	297,462	365,038	59.7%	15.0%	14.0%	7.4%	3.9%	
Water supply network	Water supply network	5,499	5,499	877	877	35,613	60,128	6.0%	42.0%	40.0%	10.0%	2.0%
	Sub-total	5,499	5,499	877	877	35,613	60,128	6.0%	42.0%	40.0%	10.0%	2.0%
Sewerage network	Sewerage network	3,754	3,754	1,581	1,581	37,740	62,412	16.0%	35.0%	32.0%	13.0%	4.0%
	Sub-total	3,754	3,754	1,581	1,581	37,740	62,412	16.0%	35.0%	32.0%	13.0%	4.0%
Stormwater drainage	Stormwater drainage	953	953	34	34	14,678	25,223	0.0%	44.0%	33.0%	23.0%	0.0%
	Sub-total	953	953	34	34	14,678	25,223	0.0%	44.0%	33.0%	23.0%	0.0%
Open space / recreational assets	Swimming pools	1,367	1,367	-	-	3,609	7,267	1.0%	8.0%	52.0%	31.0%	8.0%
	Sub-total	1,367	1,367	-	-	3,609	7,267	1.0%	8.0%	52.0%	31.0%	8.0%
Other infrastructure assets	Other	852	852	-	-	2,295	3,261	4.0%	10.0%	46.0%	34.0%	6.0%
	Sub-total	852	852	-	-	2,295	3,261	4.0%	10.0%	46.0%	34.0%	6.0%
TOTAL - ALL ASSETS		36,024	36,024	4,420	4,420	413,857	569,420	40.7%	21.3%	25.5%	9.2%	3.4%

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

Bellingen Shire Council

Report on Infrastructure Assets - Values (continued) as at 30 June 2020

Infrastructure asset condition assessment 'key'

- | | | |
|----------|----------------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	7,233				
Depreciation, amortisation and impairment	6,821	106.04%	127.40%	165.91%	>=100.00%
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	36,024	8.70%	5.85%	6.33%	<2.00%
Net carrying amount of infrastructure assets	413,857				
Asset maintenance ratio					
Actual asset maintenance	4,420				
Required asset maintenance	4,420	100.00%	100.00%	100.00%	>100.00%
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	36,024	6.33%	4.28%	4.63%	
Gross replacement cost	569,420				

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

(1) Excludes Work In Progress (WIP)

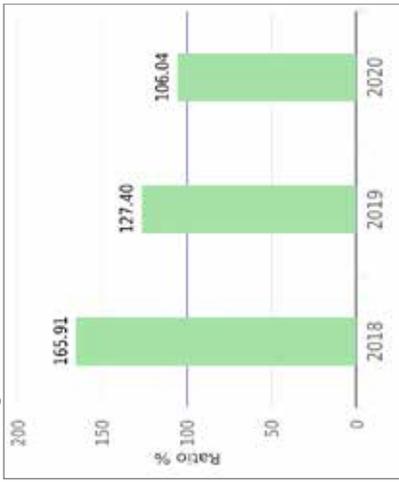
(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Bellingen Shire Council

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Benchmark: — $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Buildings and infrastructure renewals ratio

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

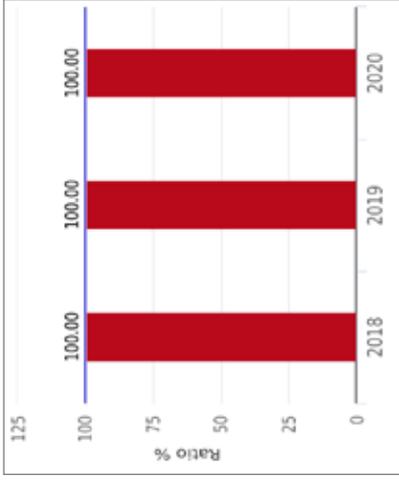
Commentary on result
19/20 ratio 106.04%

Councils infrastructure renewals expenditure for 2019/20 exceeded \$7M, highlighting Councils focus on the renewal of road and bridge infrastructure. This resulted in Council exceeding the industry benchmark of 100%.

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



Benchmark: — $> 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Asset maintenance ratio

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

Commentary on result
19/20 ratio 100.00%

Councils result of 100% meets the industry benchmark due to allowing acceptable budgets to continue to maintain assets to a satisfactory standard.

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Benchmark: — $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Infrastructure backlog ratio

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

Commentary on result
19/20 ratio 8.70%

Councils current infrastructure backlog ratio exceeds the acceptable industry benchmark of 2%. Council is focused on reducing its backlog by heavily investing in road and bridge infrastructure during the next 10 years.

Ratio achieves benchmark

Ratio is outside benchmark

Cost to bring assets to agreed service level



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

Commentary on result
19/20 ratio 6.33%

This result reflects the backlog ratio above. The acceptable levels of service has been based on community consultation during the recent special rate variation process.

Report on Infrastructure Assets (continued)

as at 30 June 2020

	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
\$ '000							
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	144.60%	162.29%	0.00%	33.85%	1.98%	32.66%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	7.86%	7.16%	15.44%	0.00%	9.95%	0.00%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	5.99%	5.52%	9.15%	0.00%	6.01%	0.00%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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



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