



Tweed Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021





Tweed Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Tweed Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	82
On the Financial Statements (Sect 417 [3])	85

Overview

Tweed Shire Council is constituted under the Local Government Act 1993 (NSW) [LGA] and has its principal place of business at:

Civic and Cultural Centre, Tumbulgum Road
Murwillumbah NSW 2484

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

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

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

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

Tweed Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

About the Auditor's Reports

Council's consolidated financial statements are required to be audited by the NSW Audit Office.

In NSW the Auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

About the Councillor/Management Statement

The financial statements must include an opinion by management and councillors as 'presenting fairly' the Council's financial results for the year and – ensuring both responsibility for and ownership of the financial statements.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

Introduction

Each year NSW local governments are required to present audited financial statements to their Council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Tweed Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

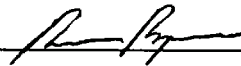
Signed in accordance with a resolution of Council made on 28 October 2021.



Chris Cherry

Mayor

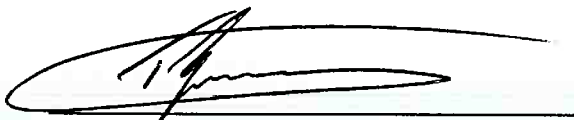
28 October 2021



Reece Bymes

Councillor

28 October 2021



Troy Green

General Manager

28 October 2021



Michael Chorlton

Responsible Accounting Officer

28 October 2021

Tweed Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		46,457	33,121
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>11,182</u>	<u>117,283</u>
Total items which will not be reclassified subsequently to the operating result		11,182	117,283
Total other comprehensive income for the year		11,182	117,283
Total comprehensive income for the year attributable to Council		57,639	150,404

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

Tweed Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	27,350	45,458
Investments	C1-2	162,446	180,958
Receivables	C1-4	16,517	18,809
Inventories	C1-5	766	759
Contract assets and contract cost assets	C1-6	1,998	763
Other		522	467
Total current assets		209,599	247,214
Non-current assets			
Investments	C1-2	225,422	167,925
Receivables	C1-4	489	222
Infrastructure, property, plant and equipment	C1-7	2,994,940	2,969,339
Intangible Assets	C1-8	1,388	1,245
Right of use assets	C2-1	367	511
Investments accounted for using the equity method	D2-1	1,174	1,289
Total non-current assets		3,223,780	3,140,531
Total assets		3,433,379	3,387,745
LIABILITIES			
Current liabilities			
Payables	C3-1	20,518	14,776
Contract liabilities	C3-2	13,732	9,199
Lease liabilities	C2-1	72	76
Borrowings	C3-3	7,133	8,159
Employee benefit provisions	C3-4	23,975	23,076
Provisions	C3-5	49	368
Total current liabilities		65,479	55,654
Non-current liabilities			
Payables	C3-1	780	854
Lease liabilities	C2-1	311	445
Borrowings	C3-3	118,469	143,670
Employee benefit provisions	C3-4	2,058	2,502
Provisions	C3-5	7,382	3,359
Total non-current liabilities		129,000	150,830
Total liabilities		194,479	206,484
Net assets		3,238,900	3,181,261
EQUITY			
Accumulated surplus	C4-1	1,563,209	1,516,752
IPPE revaluation reserve	C4-1	1,675,691	1,664,509
Council equity interest		3,238,900	3,181,261
Total equity		3,238,900	3,181,261

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

Tweed Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		1,516,752	1,664,509	3,181,261	1,486,566	1,547,226	3,033,792
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(2,930)	-	(2,930)
Changes due to AASB 16 adoption		-	-	-	(5)	-	(5)
Restated opening balance		1,516,752	1,664,509	3,181,261	1,483,631	1,547,226	3,030,857
Net operating result for the year		46,457	-	46,457	33,121	-	33,121
Net operating result for the period		46,457	-	46,457	33,121	-	33,121
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	-	11,182	11,182	-	117,283	117,283
Other comprehensive income		-	11,182	11,182	-	117,283	117,283
Total comprehensive income		46,457	11,182	57,639	33,121	117,283	150,404
Closing balance at 30 June		1,563,209	1,675,691	3,238,900	1,516,752	1,664,509	3,181,261

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

Tweed Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
121,143	Rates and annual charges		121,939	120,986
50,407	User charges and fees		54,308	46,774
9,616	Investment and interest revenue received		6,095	9,521
35,235	Grants and contributions		46,486	41,640
2,179	Other		7,202	7,757
<i>Payments:</i>				
(58,604)	Employee benefits and on-costs		(61,401)	(58,995)
(68,687)	Materials and services		(64,994)	(67,360)
(9,841)	Borrowing costs		(9,791)	(11,240)
(100)	Bonds, deposits and retention amounts refunded		(64)	(634)
(6,006)	Other		(2,141)	(4,556)
75,342	Net cash flows from operating activities	G1-1a	97,639	83,893
Cash flows from investing activities				
<i>Receipts:</i>				
8,903	Sale of investment securities		189,500	166,350
1,326	Sale of infrastructure, property, plant and equipment		1,550	570
–	Deferred debtors receipts		2	25
<i>Payments:</i>				
(11)	Purchase of investment securities		(207,242)	(172,935)
–	Acquisition of term deposits		(21,182)	–
(60,805)	Purchase of infrastructure, property, plant and equipment		(51,574)	(46,471)
–	Purchase of intangible assets		(496)	(511)
(133)	Other investing activity payments		–	–
(50,720)	Net cash flows from investing activities		(89,442)	(52,972)
Cash flows from financing activities				
<i>Receipts:</i>				
2,026	Proceeds from borrowings		2,026	1,991
<i>Payments:</i>				
(28,255)	Repayment of borrowings		(28,253)	(9,254)
–	Principal component of lease payments		(78)	(68)
(26,229)	Net cash flows from financing activities		(26,305)	(7,331)
(1,607)	Net change in cash and cash equivalents		(18,108)	23,590
19,000	Cash and cash equivalents at beginning of year		45,458	21,868
17,393	Cash and cash equivalents at end of year	C1-1	27,350	45,458
–	plus: Investments on hand at end of year	C1-2	387,868	348,883
17,393	Total cash, cash equivalents and investments		415,218	394,341

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

Tweed Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
B2 Sources of income	17
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenue	19
B2-4 Grants and contributions	19
B2-5 Interest and investment income	23
B2-6 Other income	23
B3 Costs of providing services	24
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	24
B3-3 Borrowing costs	24
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	29
B5-1 Material budget variations	29
C Financial position	31
C1 Assets we manage	31
C1-1 Cash and cash equivalents	31
C1-2 Financial investments	31
C1-3 Restricted cash, cash equivalents and investments	33
C1-4 Receivables	35
C1-5 Inventories	36
C1-6 Contract assets and Contract cost assets	37
C1-7 Infrastructure, property, plant and equipment	38
C1-8 Intangible assets	43
C2 Leasing activities	44
C2-1 Council as a lessee	44
C2-2 Council as a lessor	46
C3 Liabilities of Council	48
C3-1 Payables	48
C3-2 Contract Liabilities	49
C3-3 Borrowings	50
C3-4 Employee benefit provisions	52
C3-5 Provisions	53

Tweed Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C4 Reserves	55
C4-1 Nature and purpose of reserves	55
D Council structure	56
D1 Results by fund	56
D1-1 Income Statement by fund	56
D1-2 Statement of Financial Position by fund	57
D2 Interests in other entities	58
D2-1 Interests in associates	58
D2-2 Subsidiaries, joint arrangements and associates not recognised	58
E Risks and accounting uncertainties	59
E1-1 Risks relating to financial instruments held	59
E2-1 Fair value measurement	62
E3-1 Contingencies	68
F People and relationships	70
F1 Related party disclosures	70
F1-1 Key management personnel (KMP)	70
F1-2 Councillor and Mayoral fees and associated expenses	71
F2 Other relationships	71
F2-1 Audit fees	71
G Other matters	72
G1-1 Statement of Cash Flows information	72
G2-1 Commitments	72
G3-1 Events occurring after the reporting date	73
G4 Changes from prior year statements	73
G4-1 Changes in accounting policy	73
G5 Statement of developer contributions as at 30 June 2021	74
G5-1 Summary of developer contributions	74
G5-2 Developer contributions by plan	74
G6 Statement of performance measures	77
G6-1 Statement of performance measures – consolidated results	77
G6-2 Statement of performance measures by fund	78
H Additional Council disclosures (unaudited)	79
H1-1 Statement of performance measures – consolidated results (graphs)	79
H1-2 Council information and contact details	81

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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.

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

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

The COVID-19 health and economic crisis has had an impact on some of Council's operations. As with other events, these impacts are reflected in the financial results reported in these statements.

The temporary closure and restricted use of facilities including aquatic centres and cultural facilities has resulted in a loss of revenue. Similarly, Council initiatives such as the temporary suspension of some fees and charges has also had an impact on revenue. Increased frequency of the cleaning of public toilets has resulted in additional operating costs.

There has been a minor decrease in receivables and at this stage there is no expectation of any increase in future credit losses.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.

A1-1 Basis of preparation (continued)

- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Tweed Holiday Parks

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 other than receivables are recognised excluding 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 inclusive of GST. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Volunteer services

Council utilises volunteers for customer service functions at art galleries and museums. As volunteers do not undergo a selection or performance appraisal process, and each volunteer would have differing levels of skills and abilities, the value of their services cannot be measured reliably. Whilst volunteers provide a valuable service, there is no evidence that had those services not been donated, that Council would have purchased those services to a full or partial extent.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

A1-1 Basis of preparation (continued)

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 for the first time at 30 June 2021.

Those newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

The new standard AASB 1059 Service Concession Arrangements: Grantors however will have an impact on future financial reports, as it coincides with council entering into such an arrangement which is expected to commence during the 2021-2022 financial year.

The arrangement involves the design, construction and operation of an organics processing facility at council's waste management site by an external contractor. This will require the recognition of a service concession asset of around \$11M and corresponding liability. The asset is required to have a design life of 30 years with a full handover to council at no cost after the initial contract period of ten years, unless a further five year option is agreed to. Council will make capital contributions to the contractor of around \$7M by instalments over the design and construction phase, which will be deducted from the liability on recognition. The balance of the liability will be extinguished over the ten year initial contract period through payment of the agreed processing fees.

The Statement of Financial Position for 30 June 2021 includes an amount of \$4.4M in Infrastructure, Property, Plant and Equipment as Work In Progress, for the capital contribution payments made.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Natural resource management	1,614	1,244	5,648	5,234	(4,034)	(3,990)	1,572	1,034	45,307	44,842
Asset protection	8,612	4,557	6,041	10,474	2,571	(5,917)	8,708	4,708	208,379	200,009
Utility services	106,589	101,479	74,295	74,522	32,294	26,957	11,624	6,920	1,373,050	1,371,285
Managing community growth	88	86	828	1,208	(740)	(1,122)	12	12	–	–
Built environment	4,918	4,652	6,268	6,213	(1,350)	(1,561)	1,124	1,544	–	1
Engagement	74,870	74,050	13,178	12,390	61,692	61,660	7,748	8,038	238,260	213,918
People	4,407	5,612	12,937	12,643	(8,530)	(7,031)	2,049	3,405	61,490	60,431
Places	19,503	18,804	30,563	29,254	(11,060)	(10,450)	7,290	7,753	340,421	331,437
Moving around	23,489	12,951	39,250	32,407	(15,761)	(19,456)	23,246	12,247	1,081,461	1,079,777
Assurance	542	1,483	5,691	5,394	(5,149)	(3,911)	414	1,334	57,652	57,874
Support services	907	948	4,383	3,006	(3,476)	(2,058)	–	–	27,359	28,171
Total functions and activities	245,539	225,866	199,082	192,745	46,457	33,121	63,787	46,995	3,433,379	3,387,745

B1-2 Components of functions or activities

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

Natural resource management

Biodiversity, bushland, coastal, and waterways management. Environmental sustainability and sustainable agriculture

Asset protection

Floodplain management and stormwater drainage

Utility services

Rubbish & recycling, Tweed Laboratory, sewerage services and water supply

Managing community growth

Strategic land use planning

Built environment

Building certification, development assessment and development engineering

Engagement

Animal management, communications, contact centre, councillor & civic business and financial services

People

Cemeteries, community & cultural development, community services, compliance services, economic development, environmental health, events, lifeguard services, local emergency management, pest management, public toilets and tourism

Places

Aquatic centres, art gallery, auditoriums, holiday parks, libraries, museums, parks & gardens, saleyards and sporting fields

Moving around

Airfield, construction services, design services, roads, traffic and footpaths & cycleways

Assurance

Governance, audit and legal services

Support services

Fleet management, Human resources & workplace health & safety, information technology and procurement services

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	55,577	53,740
Farmland	3,111	3,042
Business	5,549	5,361
Less: pensioner rebates (mandatory)	(1,786)	(1,764)
Rates levied to ratepayers	62,451	60,379
Pensioner rate subsidies received	982	970
Total ordinary rates	63,433	61,349
Special rates		
Koala beach	88	86
Cobaki Lakes	606	591
Total special rates	694	677
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	16,298	16,055
Water supply services	7,009	6,846
Sewerage services	31,591	30,840
Waste management services (non-domestic)	3,130	3,382
Less: pensioner rebates (mandatory)	(1,697)	(1,696)
Annual charges levied	56,331	55,427
Pensioner subsidies received:		
– Water	377	375
– Sewerage	364	362
– Domestic waste management	192	196
Total annual charges	57,264	56,360
Total rates and annual charges	121,391	118,386

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	737	677
Water supply services	2	22,789	23,202
Sewerage services	2	3,128	3,109
Waste management services (non-domestic)	2	4,648	4,213
Total specific user charges		31,302	31,201
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	2	47	112
Section 603 certificates	2	264	200
Town planning	2	1,504	1,034
Animal control	2	127	130
Health approvals	2	765	722
Building	2	1,637	1,317
Total fees and charges – statutory/regulatory		4,344	3,515
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	36	32
Caravan park	2	10,255	8,552
Cemeteries	2	927	769
Leaseback fees – Council vehicles	2	407	460
Library and art gallery	2	734	316
Parking fees	2	14	12
Water connection fees	2	328	311
Beach vehicles	2	19	20
Parks and gardens	2	116	120
Pools	2	1,355	1,540
Sewer/drainage	2	461	318
Other	2	1,195	1,123
Sportsgrounds	2	73	51
Tweed laboratory	2	594	614
Total fees and charges – other		16,514	14,238
Total user charges and fees		52,160	48,954
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		52,160	48,954
Total user charges and fees		52,160	48,954

Accounting policy

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

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

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

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Fines – parking	2	342	219
Fines – other	2	143	346
Legal fees recovery – rates and charges (extra charges)	2	7	62
Legal fees recovery – other	2	–	66
Diesel rebate	2	193	183
Short-term rent and facilities hire	2	554	561
Insurance claims recoveries	2	233	147
Other	2	1,040	1,207
Total other revenue		2,512	2,791

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	2,512	2,791
Total other revenue	2,512	2,791

Accounting policy for other revenue

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

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

Fines are recognised as revenue when the payment is received.

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	3,744	3,899	–	–
Financial assistance – local roads component	2	1,453	1,463	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	4,004	4,135	–	–
Financial assistance – local roads component	2	1,560	1,554	–	–
Amount recognised as income during current year		10,761	11,051	–	–

Special purpose grants and non-developer contributions (tied)

Cash contributions

Previously specific grants:

Water supplies	2	–	13	–	–
Bushfire and emergency services	2	158	158	–	–
Community centres	1	–	–	626	510
Economic development	1	–	–	–	757
Library	2	307	295	–	–
LIRS subsidy	2	–	98	–	–
Other waste and sustainability improvement	2	122	122	–	–
Art gallery	2	113	100	–	3
Community service	2	235	631	–	–
Cycleways/walkways	1	–	–	427	393
Street lighting	2	1,720	156	–	–

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Environment (incl. coastal/estuary management)	2	1,143	1,421	151	233
Museums	2	–	91	–	–
Positions funded by other govt. dept	2	59	43	–	–
Transport (other roads and bridges funding)	1/2	1,377	241	7,228	2,203
Other specific grants	1/2	708	137	3,467	5,930
Previously contributions:					
Bushfire services	2	–	1,275	–	–
Community services	1/2	480	455	–	–
Heritage/cultural	2	–	245	–	–
Recreation and culture	2	–	–	970	451
Transport for NSW contributions (regional roads, block grant)	2	2,317	2,317	152	152
Sewerage (excl. section 64 contributions)	2	219	240	–	–
Other contributions	2	32	336	165	10
Environment	2	196	298	–	–
Roads	2	–	–	–	842
Total special purpose grants and non-developer contributions – cash		9,186	8,672	13,186	11,484
Non-cash contributions					
Recreation and culture		–	–	–	118
Sewerage (excl. section 64 contributions)		–	–	4,573	1,270
Water supplies (excl. section 64 contributions)		–	–	1,298	194
Art gallery	2	–	–	431	700
Dedications (other than by s7.11) – land	2	–	–	2,370	1,102
Dedications (other than by s7.11) – drainage	2	–	–	7,654	380
Dedications (other than by s7.11) – land under roads	2	–	–	69	156
Dedications (other than by s7.11) – open space	2	–	–	182	112
Dedications (other than by s7.11) – roads	2	–	–	4,151	400
Total other contributions – non-cash		–	–	20,728	4,432
Total special purpose grants and non-developer contributions (tied)		9,186	8,672	33,914	15,916
Total grants and non-developer contributions		19,947	19,723	33,914	15,916
Comprising:					
– Commonwealth funding		11,258	11,934	7,258	2,734
– State funding		6,761	2,623	4,792	7,295
– Other funding		1,928	5,166	21,864	5,887
		19,947	19,723	33,914	15,916

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	6,225	6,286
S 64 – water supply contributions		2	–	–	2,049	2,914
S 64 – sewerage service contributions		2	–	–	1,652	2,156
Total developer contributions – cash			–	–	9,926	11,356
Total developer contributions			–	–	9,926	11,356
Total contributions			–	–	9,926	11,356
Total grants and contributions			19,947	19,723	43,840	27,272
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			197	117	12,050	4,659
Grants and contributions recognised at a point in time (2)			19,750	19,606	31,790	22,613
Total grants and contributions			19,947	19,723	43,840	27,272

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	2,867	2,809	3,656	3,134
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Add: Funds received and not recognised as revenue in the current year	1,878	1,531	4,706	1,151
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,327)	(1,473)	(1,548)	(629)
Unspent funds at 30 June	3,418	2,867	6,814	3,656
Contributions				
Unspent funds at 1 July	–	–	49,230	44,619
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	6,605	7,128
	–	–	–	–

B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(1,140)	(2,517)
Unspent contributions at 30 June	-	-	54,695	49,230

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	164	398
– Cash and investments	5,195	8,093
– Deferred debtors	2	2
Fair value adjustments		
– Movements in investments at fair value through profit and loss	61	(167)
Finance income on the net investment in the lease	–	–
Total interest and investment income (losses)	5,422	8,326
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	39	234
General Council cash and investments	935	1,513
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	663	1,171
Water fund operations	1,189	1,714
Sewerage fund operations	1,790	2,211
Domestic waste management operations	398	614
Restricted investments/funds – internal:		
Internally restricted assets	408	869
Total interest and investment income	5,422	8,326

Accounting policy

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

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Rental Income		267	317
Total rental income	C2-2	267	317
Net share of interests in joint ventures and associates using the equity method			
Joint Ventures ¹	D2-1	–	97
Total other income		267	414

(1) The joint venture incurred a net operating loss for the year and this is reported in Note B3-5 Other expenses

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	48,815	48,640
Travel expenses	67	71
Employee leave entitlements (ELE)	8,755	8,866
Superannuation	6,011	6,867
Workers' compensation insurance	2,833	1,304
Fringe benefit tax (FBT)	135	137
Payroll tax	921	1,021
Training costs (other than salaries and wages)	250	498
Other	174	145
Total employee costs	67,961	67,549
Less: capitalised costs	(7,148)	(7,612)
Total employee costs expensed	60,813	59,937

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		52,675	52,229
Audit Fees	F2-1	148	127
Councillor and Mayoral fees and associated expenses	F1-2	265	231
Electricity		4,460	4,627
Insurance		2,032	1,758
Street lighting		906	1,008
Telephone and communications		724	529
Other expenses		37	–
Legal expenses: planning and development		592	789
Legal expenses: other		68	84
Expenses from short-term leases		34	22
Expenses from leases of low value assets		340	365
Expenses from Peppercorn leases		2	2
Total materials and services		62,283	61,771

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
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B3-3 Borrowing costs (continued)

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on leases		6	9
Interest on loans		9,732	11,209
Total interest bearing liability costs		9,738	11,218
(ii) Other borrowing costs			
Amortisation of discounts and premiums:			
- Remediation liabilities	C3-5	897	141
- Interest free loan received		-	139
Total other borrowing costs		897	280
Total borrowing costs expensed		10,635	11,498

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		3,300	3,390
Office equipment		162	108
Furniture and fittings		148	108
Infrastructure:	C1-7		
– Buildings		2,676	2,658
– Other structures		14	11
– Roads		14,171	12,598
– Bridges		2,269	2,299
– Footpaths		761	729
– Stormwater drainage		2,664	2,596
– Water supply network		7,609	7,574
– Sewerage network		11,810	11,748
– Swimming pools		265	303
– Other open space/recreational assets		1,742	1,806
– Other infrastructure		687	677
Right of use assets	C2-1	84	78
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	385	99
– Quarry assets	C3-5,C1-7	80	110
Intangible assets	C1-8	353	315
Total depreciation and amortisation costs		49,180	47,207
Total depreciation, amortisation and impairment for non-financial assets		49,180	47,207

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Net share of interests in joint ventures and associates using the equity method			
Joint ventures	D2-1	115	–
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		855	796
– Waste levy		547	693
– Department of Lands levy – holiday parks		493	405
Donations, contributions and assistance to other organisations (Section 356)		2,806	2,661
Total other expenses		4,816	4,555

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		45	49
Less: carrying amount of property assets sold/written off		(630)	(733)
Gain (or loss) on disposal		(585)	(684)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		1,366	660
Less: carrying amount of plant and equipment assets sold/written off		(1,167)	(763)
Gain (or loss) on disposal		199	(103)
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(10,969)	(6,990)
Gain (or loss) on disposal		(10,969)	(6,990)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		189,500	166,350
Less: carrying amount of investments sold/redeemed/matured		(189,500)	(166,350)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(11,355)	(7,777)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 17/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	121,402	121,391	(11)	0% U
User charges and fees	50,589	52,160	1,571	3% F
Other revenues	1,953	2,512	559	29% F
Council received income from insurance claim recoveries and Container Deposit Scheme refunds for which no budget had been provided.				
Operating grants and contributions	20,662	19,947	(715)	(3)% U
Capital grants and contributions	15,346	43,840	28,494	186% F
Council received a number of grants which were unforeseen and therefore not included in the budget. In addition, non-cash contributions, representing asset dedications, are not included in the budget.				
Interest and investment revenue	9,645	5,422	(4,223)	(44)% U
Low interest rates have had an adverse impact on investment revenue.				
Other income	281	267	(14)	(5)% U
EXPENSES				
Employee benefits and on-costs	60,198	60,813	(615)	(1)% U
Materials and services	69,386	62,283	7,103	10% F
Borrowing costs	9,826	10,635	(809)	(8)% U
Depreciation, amortisation and impairment of non-financial assets	45,577	49,180	(3,603)	(8)% U
Other expenses	6,006	4,816	1,190	20% F
The waste levy charges were well below budget.				
Net losses from disposal of assets	-	11,355	(11,355)	∞ U
This mainly includes the written down value of assets replaced for which a budget is not provided.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	75,342	97,639	22,297	30% F
Grants and contributions receipts exceeded budget expectations while costs for operating materials and services were well below budget.				
Cash flows from investing activities	(50,720)	(89,442)	(38,722)	76% U

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
Due to favourable cash flows, more funds than anticipated were able to be invested.				
Cash flows from financing activities	(26,229)	(26,305)	(76)	0% U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	437	570
Cash-equivalent assets		
– Deposits at call	26,913	44,888
Total cash and cash equivalents	27,350	45,458

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	27,350	45,458
Balance as per the Statement of Cash Flows	27,350	45,458

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	146,248	147,000	160,066	112,000
Total	146,248	147,000	160,066	112,000
Equity securities at fair value through other comprehensive income				
NCD's, FRN's (with maturities > 3 months)	16,198	78,422	20,892	55,925
Total	16,198	78,422	20,892	55,925
Total financial investments	162,446	225,422	180,958	167,925
Total cash assets, cash equivalents and investments	189,796	225,422	226,416	167,925

Equity securities designated as at FVOCI

The investments shown designated as equity securities as at FVOCI represent investments that council intends to hold for long-term strategic purposes.

No strategic investments were disposed of during 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy

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

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

C1-2 Financial investments (continued)

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/or interest on the principal amount outstanding.

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

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

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence or control. Council has made an irrevocable election to classify these equity investments at fair value through other comprehensive income as they are not held for trading purposes.

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

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

Financial assets through profit or loss

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	189,796	225,422	226,416	167,925
attributable to:				
External restrictions	176,352	91,000	182,324	82,000
Internal restrictions	1,569	134,422	33,285	85,925
Unrestricted	11,875	–	10,807	–
	189,796	225,422	226,416	167,925

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	10,232	6,523
Specific purpose unexpended loans – sewer	–	6,174
Other – security deposits	3,257	3,321
External restrictions – included in liabilities	13,489	16,018

External restrictions – other

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

Developer contributions – general	54,581	49,230
Water fund	3,567	2,809
Water supplies – asset replacement	67,072	65,752
Sewer fund	3,660	1,815
Sewerage services – Banora Point laboratory	1,319	1,137
Sewerage services – asset replacement	96,499	101,091
Domestic waste management	26,894	26,220
Special rate – Koala Beach	271	252
External restrictions – other	253,863	248,306

Total external restrictions

267,352	264,324
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Internal restrictions

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

Tweed Holiday Parks	17,761	14,755
Employees leave entitlement	13,298	13,298
Carry over works	17,676	11,805
Unexpended loans	3,306	3,332
Asset management reserve – infrastructure	18,793	15,600
Community facilities asset management	9,419	12,482
Drainage infrastructure	321	321
Software and equipment – asset management	4,308	4,719
Access funding	136	168
Art gallery construction	276	255
Beach vehicle licence income	248	229
Catchment water quality	563	524
Insurance	500	380
Land development	610	676
Museum donations	7	2
Non-DWM management	27,228	23,393
Plant operations	10,345	8,110
Revolving energy fund	248	267
Road land sale	92	92
7 year plan	5,016	4,019

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

\$ '000	2021	2020
Voluntary Planning Agreements	5,840	4,783
Total internal restrictions	135,991	119,210
Total restrictions	403,343	383,534

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	4,623	–	4,799	–
Interest and extra charges	665	–	742	–
User charges and fees	3,878	–	4,165	–
Capital debtors (being sale of assets)				
– Other asset sales	–	–	139	–
Accrued revenues				
– Interest on investments	1,736	–	2,393	–
Deferred debtors	14	54	13	57
Government grants and subsidies	4,820	–	5,706	–
Loans to sporting clubs	20	435	20	165
Net GST receivable	860	–	931	–
Total	16,616	489	18,908	222
Less: provision of impairment				
Doubtful debts	(99)	–	(99)	–
Total provision for impairment – receivables	(99)	–	(99)	–
Total net receivables	16,517	489	18,809	222
Externally restricted receivables				
Water supply				
– Specific purpose grants	11	–	12	–
– Rates and availability charges	244	–	254	–
– Other	3,569	–	3,474	–
Sewerage services				
– Specific purpose grants	10	–	12	–
– Rates and availability charges	1,180	–	1,202	–
– Other	838	–	1,453	–
Domestic waste management	676	–	675	–
Total external restrictions	6,528	–	7,082	–
Internally restricted receivables				
Tweed Holiday Parks	24	–	82	–
Internally restricted receivables	24	–	82	–
Unrestricted receivables	9,965	489	11,645	222
Total net receivables	16,517	489	18,809	222

Accounting policy

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

Impairment

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

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

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

C1-4 Receivables (continued)

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	766	–	759	–
Total inventories	766	–	759	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

\$ '000	2021	2020
Contract assets	1,998	763
Total contract assets and contract cost assets	1,998	763

Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Work relating to infrastructure grants	1,998	-	763	-
Total contract assets	1,998	-	763	-

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	25,424	–	25,424	16,018	9,650	–	–	(13,052)	(218)	–	–	37,822	–	37,822
Plant and equipment	40,884	(15,385)	25,499	3,240	983	(1,166)	(3,300)	54	–	–	–	42,383	(17,073)	25,310
Office equipment	1,480	(1,014)	466	256	–	–	(162)	–	–	–	–	1,609	(1,049)	560
Furniture and fittings	3,293	(2,397)	896	–	9	–	(148)	–	–	–	–	3,302	(2,545)	757
Land:														
– Operational land	334,292	–	334,292	–	2,880	(50)	–	79	–	–	–	337,201	–	337,201
– Community land	71,564	–	71,564	–	1,296	–	–	–	–	–	–	72,860	–	72,860
– Crown land	74,842	–	74,842	–	–	–	–	–	–	(940)	–	73,902	–	73,902
– Land under roads (pre 1/7/08)	58,814	–	58,814	–	–	(144)	–	–	–	(359)	–	58,311	–	58,311
– Land under roads (post 30/6/08)	1,413	–	1,413	–	78	–	–	–	–	–	–	1,491	–	1,491
Infrastructure:														
– Buildings	187,110	(45,509)	141,601	938	1,299	(435)	(2,676)	1,210	–	–	111	190,009	(47,961)	142,048
– Other structures	695	(379)	316	–	3	–	(14)	22	–	–	–	720	(393)	327
– Roads	736,171	(123,697)	612,474	8,525	5,022	(4,507)	(14,171)	5,149	–	(120)	19	746,573	(134,182)	612,391
– Bridges	201,932	(24,215)	177,717	3	–	(122)	(2,269)	507	–	(209)	–	202,036	(26,409)	175,627
– Footpaths	43,133	(18,618)	24,515	50	968	(15)	(761)	507	–	–	110	44,718	(19,344)	25,374
– Bulk earthworks (non-depreciable)	164,971	–	164,971	–	613	–	–	78	–	–	–	165,662	–	165,662
– Stormwater drainage	243,386	(87,790)	155,596	25	8,287	(55)	(2,664)	133	–	–	455	252,274	(90,497)	161,777
– Water supply network	627,678	(120,278)	507,400	2,560	2,258	(5,072)	(7,609)	2,354	(603)	–	5,099	630,961	(124,574)	506,387
– Sewerage network	716,212	(179,560)	536,652	320	7,033	(956)	(11,810)	1,223	–	–	5,565	729,070	(191,043)	538,027
– Swimming pools	5,180	(3,026)	2,154	–	–	–	(265)	–	2	–	–	5,182	(3,291)	1,891
– Other open space/recreational assets	46,070	(16,261)	29,809	–	656	(241)	(1,742)	1,473	–	–	–	47,561	(17,606)	29,955
– Other infrastructure	21,021	(7,721)	13,300	–	438	–	(687)	263	–	–	1,451	24,090	(9,325)	14,765
Other assets:														
– Artworks	8,416	–	8,416	–	433	–	–	–	–	–	–	8,849	–	8,849
Reinstatement, rehabilitation and restoration assets														
– Tip assets	2,228	(1,336)	892	–	–	–	(385)	–	2,961	–	–	5,190	(1,722)	3,468
– Quarry assets	847	(531)	316	–	–	–	(80)	–	(58)	–	–	788	(610)	178
Total infrastructure, property, plant and equipment	3,617,056	(647,717)	2,969,339	31,935	41,906	(12,763)	(48,743)	–	2,084	(1,628)	12,810	3,682,564	(687,624)	2,994,940

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	17,458	–	17,458	10,891	7,145	–	–	(10,070)	–	–	–	25,424	–	25,424
Plant and equipment	42,421	(14,932)	27,489	1,717	341	(734)	(3,390)	76	–	–	–	40,884	(15,385)	25,499
Office equipment	1,313	(1,099)	214	–	390	(30)	(108)	–	–	–	–	1,480	(1,014)	466
Furniture and fittings	2,982	(2,289)	693	–	311	–	(108)	–	–	–	–	3,293	(2,397)	896
Land:														
– Operational land	331,741	–	331,741	–	2,679	–	–	75	–	(203)	–	334,292	–	334,292
– Community land	70,649	–	70,649	–	915	–	–	–	–	–	–	71,564	–	71,564
– Crown land	74,677	–	74,677	–	187	–	–	–	–	(22)	–	74,842	–	74,842
– Land under roads (pre 1/7/08)	58,814	–	58,814	–	–	–	–	–	–	–	–	58,814	–	58,814
– Land under roads (post 30/6/08)	1,257	–	1,257	–	156	–	–	–	–	–	–	1,413	–	1,413
Infrastructure:														
– Buildings	185,398	(43,200)	142,198	1,463	734	(733)	(2,658)	572	–	–	25	187,110	(45,509)	141,601
– Other structures	695	(368)	327	–	–	–	(11)	–	–	–	–	695	(379)	316
– Roads	716,611	(192,117)	524,494	8,122	6,527	(1,691)	(12,598)	2,105	–	–	85,515	736,171	(123,697)	612,474
– Bridges	195,260	(33,624)	161,636	–	374	(142)	(2,299)	2,700	–	–	15,448	201,932	(24,215)	177,717
– Footpaths	42,331	(9,100)	33,231	45	86	(5)	(729)	–	–	(8,113)	–	43,133	(18,618)	24,515
– Bulk earthworks (non-depreciable)	150,293	–	150,293	261	164	(12)	–	–	–	–	14,265	164,971	–	164,971
– Stormwater drainage	240,917	(82,507)	158,410	578	380	(679)	(2,596)	126	–	(623)	–	243,386	(87,790)	155,596
– Water supply network	622,180	(113,220)	508,960	1,895	964	(2,838)	(7,574)	1,815	–	–	4,178	627,678	(120,278)	507,400
– Sewerage network	709,486	(170,235)	539,251	2,144	1,785	(1,554)	(11,748)	1,399	–	–	5,375	716,212	(179,560)	536,652
– Swimming pools	5,262	(2,805)	2,457	–	–	–	(303)	–	–	–	–	5,180	(3,026)	2,154
– Other open space/recreational assets	41,712	(13,192)	28,520	54	1,102	(68)	(1,806)	568	1	–	1,438	46,070	(16,261)	29,809
– Other infrastructure	20,746	(7,042)	13,704	148	108	–	(677)	19	(2)	–	–	21,021	(7,721)	13,300
Other assets:														
– Artworks	7,683	–	7,683	–	733	–	–	–	–	–	–	8,416	–	8,416
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	2,228	(1,237)	991	–	–	–	(99)	–	–	–	–	2,228	(1,336)	892
– Quarry assets	593	(420)	173	–	253	–	(110)	–	–	–	–	847	(531)	316
Total infrastructure, property, plant and equipment	3,542,707	(687,387)	2,855,320	27,318	25,334	(8,486)	(46,814)	(615)	(1)	(8,961)	126,244	3,617,056	(647,717)	2,969,339

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

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Buildings	Years
Office equipment	3 to 10	Buildings - floor	60 to 130
Office furniture	4 to 20	Buildings - envelope	45 to 125
Computer equipment	4	Buildings - roof	40 to 90
Vehicles	2.5 to 3		
Heavy plant/road making equipment	5 to 10		
Other plant and equipment	5 to 10		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	100
Reticulation pipes: PVC and other	40 to 140	Culverts	75
Pumps and telemetry	14 to 25		
Transportation assets			
Sealed roads: surface	15 to 30	Bridges - concrete	80 to 100
Concrete/paved road	80	Bridges - other	30 to 100
Road pavement - gravel	10	Footpaths	30 to 60
Road pavement - sealed	60 to 100	Kerb and guttering	80
Road pavement - sub-base	180 to 300	Traffic facilities	20 to 80
Other Infrastructure Assets			
Bulk earthworks	Infinite	Flood control structures	80

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

Revaluation Model

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

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

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

Land under roads

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

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Crown reserves

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

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

Notwithstanding the above, Council has determined that it does not control Rural Fire Service plant and vehicles, in accordance with SAC 4, AASB 10, and the Framework for the Preparation of Financial Statements. Council therefore does not recognise these assets.

Figures provided to council for these assets indicate a net asset value of \$1,352,000, which is 0.05% of council's net value of IPP&E, and an annual depreciation expense of \$204,000, which is 0.4% of council's total depreciation expense.

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	10,200	–	10,200	6,583	–	6,583
Plant and equipment	299	218	81	249	187	62
Office equipment	9	9	–	9	7	2
Furniture and fittings	20	20	–	20	20	–
Land						
– Operational land	54,572	–	54,572	54,353	–	54,353
– Community land	130	–	130	130	–	130
Buildings	2,639	872	1,767	2,639	835	1,804
Infrastructure	630,234	124,574	505,660	626,951	120,278	506,673
Other assets	728	–	728	728	–	728
Total water supply	698,831	125,693	573,138	691,662	121,327	570,335
Sewerage services						
WIP	4,945	–	4,945	3,072	–	3,072
Plant and equipment	1,330	995	335	1,150	925	225
Office equipment	25	25	–	25	23	2
Furniture and fittings	92	90	2	92	90	2
Land						
– Operational land	57,404	–	57,404	56,959	–	56,959
– Community land	258	–	258	258	–	258
Buildings	7,237	1,920	5,317	7,220	1,816	5,404
Infrastructure	729,070	191,044	538,026	716,212	179,560	536,652
Total sewerage services	800,361	194,074	606,287	784,988	182,414	602,574
Domestic waste management						
Plant and equipment	36	23	13	36	18	18
Office equipment	27	27	–	27	27	–
Furniture and fittings	198	198	–	198	198	–
Land						
– Operational land	3,827	–	3,827	3,796	–	3,796
Buildings	1,367	350	1,017	1,367	328	1,039
Other structures	66	66	–	66	66	–
Total domestic waste management	5,521	664	4,857	5,490	637	4,853
Holiday Parks						
– Capital WIP	15	–	15	59	–	59
– Plant & Equipment	8,370	1,082	7,288	8,313	852	7,461
– Office Equipment	41	7	34	41	4	37
– Operational Land	30,511	–	30,511	30,511	–	30,511
– Buildings	18,656	3,757	14,899	18,697	3,500	15,197
– Swimming Pools	189	178	11	189	168	21
Total other restrictions	57,782	5,024	52,758	57,810	4,524	53,286
Total restricted infrastructure, property, plant and equipment	1,562,495	325,455	1,237,040	1,539,950	308,902	1,231,048

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	5,132	4,582
Accumulated amortisation	(3,887)	(3,533)
Net book value – opening balance	1,245	1,049
Movements for the year		
Purchases	496	511
Amortisation charges	(353)	(315)
Gross book value written off	–	(39)
Accumulated amortisation charges written off	–	39
Closing values at 30 June		
Gross book value	5,628	5,132
Accumulated amortisation	(4,240)	(3,887)
Total intangible assets – net book value	1,388	1,245

Accounting policy

IT development and software

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

Costs capitalised include external direct costs of materials and services. No direct payroll, and payroll related costs of employees' time spent on the project are capitalised. 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.

Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Land and buildings

Council leases land and buildings for a variety of purposes, including open space, marine infrastructure, visitor centre, art gallery, car parking, and operational needs; the leases are generally between 1 and 40 years and some of them include an option to continue the lease for an undefined term at either party's discretion.

These leases often contain an annual pricing mechanism, typically based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as servers. The leases are for between 3 and 6 years with no renewal option with fixed payments.

(a) Right of use assets

\$ '000	Office Equipment	Land	Total
2021			
Opening balance at 1 July	118	393	511
Adjustments to right-of-use assets due to re-measurement of lease liability	–	(60)	(60)
Depreciation charge	(40)	(44)	(84)
Balance at 30 June	78	289	367
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	65	438	503
Additions to right-of-use assets	86	–	86
Depreciation charge	(33)	(45)	(78)
Balance at 30 June	118	393	511

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	72	311	76	445
Total lease liabilities	72	311	76	445

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	78	158	226	462	383

C2-1 Council as a lessee (continued)

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2020					
Cash flows	85	227	340	652	521

(d) Income Statement

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

\$ '000	2021	2020
Interest on lease liabilities	6	9
Depreciation of right of use assets	84	78
Expenses relating to short-term leases	34	22
Expenses relating to low-value leases	340	365
Expenses relating to Peppercorn leases	2	2
	466	476

(e) Statement of Cash Flows

Total cash outflow for leases	1,019	467
	1,019	467

(f) 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:

- Museum Uki
- RFS storage facility Burringbar
- Carparking Murwillumbah

The leases are generally between 3 and 20 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

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

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

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

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

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

C2-1 Council as a lessee (continued)

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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

- investment property – where the asset is held predominantly for rental or capital growth purposes (refer note C1-9)
- property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-8).

\$ '000	2021	2020
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(i) Assets held as investment property

Council does not have any assets held as investment property.

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

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of various community and recreational services. The table below relates to operating leases on assets disclosed in C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	267	317
Total income relating to operating leases for Council assets	267	317

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

< 1 year	267	317
Total undiscounted lease payments to be received	267	317

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.

C2-2 Council as a lessor (continued)

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
– Interest on leases	4	–	5	–
Prepaid rates	3,277	–	2,905	–
Goods and services – operating expenditure	6,899	–	4,359	–
Goods and services – capital expenditure	6,516	–	2,890	–
Accrued expenses:				
– Borrowings	305	–	358	–
– Salaries and wages	849	–	1,671	–
– Other expenditure accruals	191	–	121	–
Security bonds, deposits and retentions	2,477	780	2,467	854
Total payables	20,518	780	14,776	854

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	7,009	–	3,361	–
Sewer	653	–	492	–
Other – bonds and deposits	2,477	780	3,312	–
Payables relating to externally restricted assets	10,139	780	7,165	–
Internally restricted assets				
Other – Tweed Holiday Parks	1,044	–	624	–
Payables relating to internally restricted assets	1,044	–	624	–
Total payables relating to restricted assets	11,183	780	7,789	–
Total payables relating to unrestricted assets	9,335	–	6,987	854
Total payables	20,518	780	14,776	854

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,614	-	3,245	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	357	-	161	-
User fees and charges received in advance:					
Other		6,761	-	5,793	-
Total contract liabilities		13,732	-	9,199	-

Notes

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15/AASB 1058 being satisfied since the performance obligations are ongoing.

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,548	643
Operating grants (received prior to performance obligation being satisfied)	184	149
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,732	792

Significant changes in contract liabilities

There was a net increase of \$3.4M to contract liabilities in the period for unexpended capital grants. This included the transfer of \$1.7M of previous years liabilities to revenue for contract obligations met, offset by the receipt of \$5.1M for 25 new grant projects relating to various recreational, environmental and transport infrastructure. There was also an increase in advance payments for holiday parks of \$1M.

Accounting policy

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

C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	7,133	118,469	8,159	143,670
Total borrowings	7,133	118,469	8,159	143,670

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

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

Borrowings relating to restricted assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,912	53,852	1,794	55,764
Sewer	–	–	1,586	20,053
Borrowings relating to externally restricted assets	1,912	53,852	3,380	75,817
Total borrowings relating to restricted assets	1,912	53,852	3,380	75,817
Total borrowings relating to unrestricted assets	5,221	64,617	4,779	67,853
Total borrowings	7,133	118,469	8,159	143,670

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	151,829	(28,253)	2,026	–	–	–	125,602
Lease liability (Note C2-1b)	521	(77)	–	(61)	–	–	383
Total liabilities from financing activities	152,350	(28,330)	2,026	(61)	–	–	125,985

C3-3 Borrowings (continued)

	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	158,953	(7,263)	–	139	–	–	151,829
Lease liability (Note C2-1b)	–	(68)	–	–	589	–	521
Total liabilities from financing activities	158,953	(7,331)	–	139	589	–	152,350

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	300	300
Total financing arrangements	1,300	1,300
Drawn facilities		
– Credit cards/purchase cards	19	15
Total drawn financing arrangements	19	15
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	281	285
Total undrawn financing arrangements	1,281	1,285

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

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.

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	4,730	–	4,612	–
Sick leave	5,128	1,010	4,923	1,493
Long service leave	12,054	907	12,222	920
ELE on-costs	2,063	141	1,319	89
Total employee benefit provisions	23,975	2,058	23,076	2,502

Employee benefit provisions relating to restricted assets

Total employee benefit provisions relating to restricted assets	–	–	–	–
Total employee benefit provisions relating to unrestricted assets	23,975	2,058	23,076	2,502
Total employee benefit provisions	23,975	2,058	23,076	2,502

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	16,532	17,513
	16,532	17,513

Description of and movements in provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	49	7,382	368	3,359
Total provisions	49	7,382	368	3,359
Provisions relating to restricted assets				
Externally restricted assets				
Domestic waste management	–	3,326	–	1,445
Provisions relating to externally restricted assets	–	3,326	–	1,445
Internally restricted assets				
Non-Domestic waste management	–	3,326	–	1,445
Provisions relating to internally restricted assets	–	3,326	–	1,445
Total provisions relating to restricted assets	–	6,652	–	2,890
Total provisions relating to unrestricted assets	49	730	368	469
Total provisions	49	7,382	368	3,359

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.

All are expected to be settled.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	3,727	3,727
Changes to provision:		
– Revised discount rate	866	866
– Revised life	2,903	2,903
Unwinding of discount	32	32
Amounts used (payments)	(97)	(97)
Total other provisions at end of year	7,431	7,431
2020		
At beginning of year	3,338	3,338
– Revised discount rate	121	121
– Revised life	253	253
Unwinding of discount	20	20
Amounts used (payments)	(5)	(5)
Total other provisions at end of year	3,727	3,727

Nature and purpose of provisions

Asset remediation

C3-5 Provisions (continued)

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	83,261	6,736	31,555
User charges and fees	24,202	24,148	3,810
Interest and investment revenue	2,695	1,376	1,351
Other revenues	2,165	186	161
Grants and contributions provided for operating purposes	19,728	–	219
Grants and contributions provided for capital purposes	33,824	3,346	6,670
Other income	267	–	–
Total income from continuing operations	166,142	35,792	43,766
Expenses from continuing operations			
Employee benefits and on-costs	48,026	5,407	7,380
Materials and services	42,261	10,332	9,851
Borrowing costs	5,742	4,000	893
Depreciation, amortisation and impairment of non-financial assets	29,473	7,692	12,015
Other expenses	1,250	1,224	2,342
Net losses from the disposal of assets	5,387	5,072	896
Total expenses from continuing operations	132,139	33,727	33,377
Operating result from continuing operations	34,003	2,065	10,389
Net operating result for the year	34,003	2,065	10,389
Net operating result attributable to each council fund	34,003	2,065	10,389
Net operating result for the year before grants and contributions provided for capital purposes	179	(1,281)	3,719

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	32,233	(6,361)	1,478
Investments	76,446	44,000	42,000
Receivables	10,665	3,824	2,028
Inventories	766	–	–
Contract assets and contract cost assets	1,998	–	–
Other	414	52	56
Total current assets	122,522	41,515	45,562
Non-current assets			
Investments	134,422	33,000	58,000
Receivables	489	–	–
Infrastructure, property, plant and equipment	1,815,515	573,138	606,287
Investments accounted for using the equity method	1,174	–	–
Intangible assets	1,328	26	34
Right of use assets	367	–	–
Total non-current assets	1,953,295	606,164	664,321
TOTAL ASSETS	2,075,817	647,679	709,883
LIABILITIES			
Current liabilities			
Payables	19,217	648	653
Contract liabilities	13,732	–	–
Lease liabilities	72	–	–
Borrowings	5,221	1,912	–
Employee benefit provision	23,975	–	–
Provisions	49	–	–
Total current liabilities	62,266	2,560	653
Non-current liabilities			
Payables	780	–	–
Lease liabilities	311	–	–
Borrowings	64,617	53,852	–
Employee benefit provision	2,058	–	–
Provisions	7,382	–	–
Total non-current liabilities	75,148	53,852	–
TOTAL LIABILITIES	137,414	56,412	653
Net assets	1,938,403	591,267	709,230
EQUITY			
Accumulated surplus	1,068,287	223,126	271,796
Revaluation reserves	870,116	368,141	437,434
Council equity interest	1,938,403	591,267	709,230
Total equity	1,938,403	591,267	709,230

D2 Interests in other entities

\$ '000	Council's share of net assets	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Associates	1,174	1,289
Total net share of interests in joint ventures and associates using the equity method – assets	1,174	1,289
Total Council's share of net assets	1,174	1,289

D2-1 Interests in associates

Council has incorporated the following associates into its consolidated financial statements. On 1 July 2017 Council entered into an agreement with other local councils to operate regional library services. Richmond Tweed Regional Library (RTRL) was previously controlled by Lismore City Council. The execution of the new agreement has resulted in RTRL becoming an associate of Council. Council cannot access the assets of RTRL, but is entitled to, on termination of the agreement, equal share of the total equity as at 1 July 2017 and a share of the changes in equity from this date in the same proportion as Council's financial contributions over the duration of the agreement.

Summarised financial information for individually immaterial associates

Council has interest in an individually immaterial joint venture - Richmond Tweed Regional Library - that has been accounted for using the equity method.

\$ '000	2021	2020
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,174	1,289
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	(115)	97
Total comprehensive income – individually immaterial associates	(115)	97

Accounting policy

Interests in associates are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

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

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

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

D2-2 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2021	2021
		Net profit	Net assets
North East Weight of Loads Group (NEWLOG)	Enforcement of load weights carried by heavy vehicles.	(208)	214

Reasons for non-recognition

Council's share of NEWLOG net assets is 12.74%. Council considers this immaterial to the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	27,350	45,458	27,350	45,458
Receivables	17,006	19,031	18,335	19,031
Investments				
– Debt securities at amortised cost	293,248	272,066	293,248	272,066
Fair value through other comprehensive income				
Investments				
– Equity securities at fair value through other comprehensive income	94,620	76,817	94,620	76,817
Total financial assets	432,224	413,372	433,553	413,372
Financial liabilities				
Payables	21,298	15,630	21,298	15,630
Loans/advances	125,602	151,829	164,153	203,229
Total financial liabilities	146,900	167,459	185,451	218,859

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 measure at amortised cost investments** – are based upon estimated future cash flows discounted by the current market 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) **at fair value through other comprehensive income** – 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 Financial Services unit manages the cash and investments portfolio.

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether their changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

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

- **Liquidity risk** – the risk that Council will not have sufficient liquid assets 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 concentrating on investments with high credit ratings or capital guarantees.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	3,600	3,943
Impact of a 10% movement in price of investments		
– Equity / Income Statement	9,462	7,682

(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 predominantly financial institutions with high quality external credit ratings.

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	615	1,364	2,199	445	4,623
2020						
Gross carrying amount	–	2,072	1,356	1,107	264	4,799

Receivables - non-rates and annual charges and contract assets

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

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	11,878	–	161	29	414	12,482
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2020						
Gross carrying amount	13,641	–	105	17	568	14,331
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient liquid 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.

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 and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	3,257	14,764	–	–	18,021	18,021
Loans and advances	6.84%	–	15,586	58,691	118,854	193,131	125,602
Total financial liabilities		3,257	30,350	58,691	118,854	211,152	143,623
2020							
Trade/other payables	0.00%	3,321	9,404	–	–	12,725	12,725
Loans and advances	7.15%	–	20,087	70,266	146,408	236,761	151,829
Total financial liabilities		3,321	29,491	70,266	146,408	249,486	164,554

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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).

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2021	2020
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At fair value through profit or loss		–	–	–	–	–	–
At fair value through other comprehensive income		94,620	76,817	–	–	94,620	76,817
Total financial assets		94,620	76,817	–	–	94,620	76,817
Infrastructure, property, plant and equipment							
Operational land	C1-7	337,201	334,292	–	–	337,201	334,292
Community land including Crown land		–	–	146,762	146,406	146,762	146,406
Land under roads		–	–	59,802	60,227	59,802	60,227
Buildings		–	–	142,048	141,602	142,048	141,602
Roads (including bulk earthworks)		–	–	778,053	777,445	778,053	777,445
Bridges		–	–	175,627	177,717	175,627	177,717
Footpaths		–	–	25,374	24,515	25,374	24,515
Stormwater drainage		–	–	161,777	155,596	161,777	155,596
Water supply network		–	–	506,387	507,400	506,387	507,400
Sewerage network		–	–	538,027	536,652	538,027	536,652
Total infrastructure, property, plant and equipment		337,201	334,292	2,533,857	2,527,560	2,871,058	2,861,852

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Financial assets

Council's financial assets are held in a number of forms including cash on hand and at bank, deposits at call, term deposits, floating rate notes and fixed rate bonds. Of these, floating rate notes and fixed rate bonds are fair valued.

These investments are valued by Laminar Group Pty Ltd, using marked to market methodology. Laminar has elected to use the mid-price, that is, the price point that falls halfway between the bid and offer spread to value securities held in portfolios within the Treasury Direct system. Typically when an asset has no bid price or ask price, other level 2 inputs are used to determine the most appropriate fair value, such as quoted prices for similar assets, interest rates, yield curves and credit spreads. Appropriateness may change depending upon market conditions and asset type.

Movements in investments, including fair value movements, are reported to Council monthly.

Infrastructure, property, plant and equipment (IPPE)

Operational Land

Council's operational land includes all of Council's land classified as operational land under the Local Government Act 1993. Land use is extremely varied and includes public parks, drainage reserves, sportsfields, sewer pump stations and other uses.

Valuation indices are applied on an annual basis only where the percentage indexation results in a material change. A comprehensive revaluation is ordinarily completed every five years, the most recent one being performed for 1 July 2018 by APV Valuers and Asset Management.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence such as sales of dissimilar but comparable land. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Current Replacement Cost) rather than the amount for which it could be sold (Market Value).

Operational land has historically been valued at highest and best use; that is at values provided by independent professional valuers. The *Local Government Code of Accounting Practice and Financial Reporting – Appendix F* – references NSW Treasury Policy Paper TPP14-01 which promotes the need to take restrictions on assets into account in determining asset values. As crown land has restrictions imposed by the state government that Council cannot remove – Council has used the Valuer Generals' valuations as a proxy for these restricted land parcels. Likewise canal land which is predominately under water has also been re assessed using Valuer Generals' valuations.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining a rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 2.

Community Land

Council's Community Land is land owned by Council and Council Administered Crown Land (CACL). It is land intended for public access and use or where other restrictions applied to the land create some obligation to maintain public access. Many of these parcels of land have no practical use other than for parks, reserves and cemeteries. Community Land cannot be sold, cannot be leased or licensed for more than 21 years at a time and must have a plan of management for it.

A revaluation was performed for 1 July 2018 (value date), when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2017. Only in a couple of instances where the Valuer has not yet provided a land value, a unit rate per square metre is applied at the same rate as a similar community land parcel within close proximity.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

E2-1 Fair value measurement (continued)

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

Land under Roads

Land under Roads is land under roadways, and road reserves, including land under footpaths, nature strips and median strips, as per AASB1051.

Land under Roads was recognised for the first time at 30 June 2011. Council elected to recognise Land under Roads acquired pre 1 July 2008 and post 30 June 2008 as per ASSB 116 - Property, Plant and Equipment. Fair Value for Land under Roads was determined using the Englobo methodology derived from the Local Government Code of Accounting Practice and Financial Reporting. This method applies the total shires road reserve in square metres to the average shires rate calculated from the latest Valuers General Unimproved Capital Values (UCV), with a 90% discount.

A revaluation was performed for 1 July 2018 (value date), when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2017.

This asset class is categorised as Level 3 as inputs used in the valuation require significant professional judgement and are therefore unobservable.

Buildings

Buildings are owned or controlled. They are componentised into Floor, Building Envelope, Floor Fit-out, Internal Screens Fit-out, Roof, Mechanical Services, Fire Services and Transportation and Security Services. Building use is extremely varied and includes civic centre administration, depot, community and cultural services such as museums, art galleries, libraries, childcare and aged care, sport and recreation clubhouse amenities and public amenities.

A comprehensive revaluation is ordinarily completed every five years, the most recent one being performed for 1 July 2018 by a registered valuation company.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence; Such as sales of dissimilar but comparable buildings or if the value is driven by its cash generation, a Discounted Cash Flow (DCF) approach is used to determine its fair value. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Depreciated Current Replacement Cost) rather than what you could sell it for (Market Value).

This asset class is categorised as Level 3 with the key unobservable input to the valuation being the Gross Replacement Cost which is influenced by changes in construction costs. Other unobservable inputs are condition changes to any of the buildings components and hence patterns of consumption and remaining useful life. Professional judgement is required to establish the value of a building which is intrinsically linked to the value of the associated land, as combined, they represent fair value of the entire parcel.

The depreciation method used for this asset class is straight line.

Roads

This asset class comprises the Road Carriageway, Car Parks, Kerb and Gutter, Retaining Walls and Traffic Facilities. The road carriageway consists of the trafficable portion of a road, between but not including the kerb and gutter. The road carriageway is componentised into surface, pavement, pavement sub base and formation and further separated into segments for inspection and valuation.

A valuation of Road assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

The valuation process commences with a condition assessment of each asset. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The condition of Tweed Shire Council's road segment asset stock is determined by visual inspection in a revaluation year, with the latest condition assessment undertaken in 2020.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

E2-1 Fair value measurement (continued)

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption and remaining service potential. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Bridges

Council's Bridge asset register consists of all pedestrian and vehicle access bridges. Bridge assets are componentised into significant parts with different useful lives and patterns of consumption, including the Sub Structure (abutments and foundations), Super Structure, Rails and Surface (where applicable).

A valuation of Bridge assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

The valuation process commences with a condition assessment of each asset. Bridges were physically inspected to determine condition. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The data collected is used to calculate the remaining service potential of each asset with the latest condition assessment undertaken in 2020.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system.

Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life and remaining life. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Footpaths

This asset class consists of footpaths on road reserves and cycle-ways on Council owned and controlled reserves. Footpaths are segmented to match the adjacent road segment. No further componentisation is undertaken.

A valuation of Footpath assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

A condition assessment was undertaken by an external provider in 2020 to determine footpath condition ratings. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. Footpath unit rates were developed by a registered valuation company. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgement based on historical information and experience was applied in determining and remaining useful life. The depreciation method used for this asset class is condition based straight-line.

Drainage Infrastructure

This asset class consists of pits, pipes, open channels, culverts and headwalls. Pipes are segmented from node to node. No further componentisation is undertaken.

A valuation of Drainage assets is undertaken on a five year cycle with values indexed in others years - only where the percentage indexation results in a material change - as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics.

Fair Values were calculated by a registered valuation company as at 30 June 2020. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, and remaining life. Asset conditions are assumed based on the age of the pipe with some sample testing via CCTV inspections. A condition scale of 1 to 5 is assigned to each asset, with 1 representing

E2-1 Fair value measurement (continued)

excellent condition and 5 representing very poor condition. The depreciation method used for this asset class is condition based straight-line.

Water Supply Network

Assets within this class comprise dams, weirs, reservoirs, water treatment plant, water pumping stations and water pipelines. This asset class is classified as being valued using Level 3 inputs.

The water supply network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 0.92% for the 2020/21 reporting period. This asset class is classified as being valued using Level 3 inputs.

Sewerage Network

Assets within this class comprise sewer treatment plants, sewer pumping stations, sewer pipelines. This asset class is classified as being valued using Level 3 inputs.

The sewerage network, was valued by APV Valuers & Asset Management for 1 July 2016. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

These assets are indexed annually using the rate as determined by NSW DPI Water, being 0.92% for the 2020/21 reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Community Land		Land under Roads		Buildings		Roads	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	146,406	145,326	60,227	60,071	141,602	142,198	777,445	674,787
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(940)	–	(359)	–	110	26	(101)	99,780
Other movements								
Purchases (GBV)	1,296	1,102	78	156	3,447	2,769	19,387	17,179
Disposals (WDV)	–	–	(144)	–	(435)	(733)	(4,507)	(1,703)
Depreciation and impairment	–	–	–	–	(2,676)	(2,658)	(14,171)	(12,598)
Other movement	–	(22)	–	–	–	–	–	–
Closing balance	146,762	146,406	59,802	60,227	142,048	141,602	778,053	777,445

\$ '000	Bridges		Footpaths		Stormwater drainage		Water supply network	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	177,717	161,636	24,515	33,231	155,596	158,410	507,400	508,960
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	(209)	15,448	110	–	455	(623)	5,099	4,178
Other movements								
Purchases (GBV)	510	3,074	1,525	131	8,445	1,084	7,172	4,674
Disposals (WDV)	(122)	(142)	(15)	(5)	(55)	(679)	(5,072)	(2,838)
Depreciation and impairment	(2,269)	(2,299)	(761)	(729)	(2,664)	(2,596)	(7,609)	(7,574)
Other movement	–	–	–	(8,113)	–	–	(603)	–
Closing balance	175,627	177,717	25,374	24,515	161,777	155,596	506,387	507,400

\$ '000	Sewerage network		Total	
	2021	2020	2021	2020
Opening balance	536,652	539,251	2,527,560	2,423,870
Recognised in other comprehensive income – revaluation surplus	5,565	5,375	9,730	124,184
Purchases (GBV)	8,576	5,328	50,436	35,497
Disposals (WDV)	(956)	(1,554)	(11,306)	(7,654)
Depreciation and impairment	(11,810)	(11,748)	(41,960)	(40,202)
Other movement	–	–	(603)	(8,135)
Closing balance	538,027	536,652	2,533,857	2,527,560

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$1,137,703.57. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$650,500.00. Council's expected contribution to the plan for the next annual reporting period is \$1,105,652.64.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 1.63%

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

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

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

* Plus promotional increases

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

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

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.

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,996	1,984
Post-employment benefits	153	151
Other long-term benefits	61	61
Total	2,210	2,196

Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
2021						
Employee expenses relating to close family members of KMP	1	137	-		-	-
2020						
Employee expenses relating to close family members of KMP	1	143	-		-	-

¹ Close family members of Council's KMP are employed by Council under the relevant pay award on an arm's length basis. There is 1 close family member of KMP currently employed by Council.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	59	44
Councillors' fees	187	165
Total	246	209

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditors of Council and its controlled entity		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	148	122
Remuneration for audit and other assurance services	148	122
Total Auditor-General remuneration	148	122
Auditors of controlled entity - Non NSW Auditor-General audit firms		
(ii) Non-assurance services		
Other services – grant acquittals	–	5
Remuneration for non-assurance services	–	5
Total remuneration of non NSW Auditor-General audit firms	–	5
Total audit fees	148	127

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
Net operating result from Income Statement	46,457	33,121
Adjust for non-cash items:		
Depreciation and amortisation	49,180	47,207
Net losses/(gains) on disposal of assets	11,355	7,777
Non-cash capital grants and contributions	(20,728)	(4,432)
Adoption of AASB 15/1058	–	(2,930)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(61)	167
Amortisation of premiums, discounts and prior period fair valuations		
– Interest exp. on interest-free loans received by Council (previously fair valued)	–	139
- Unwinding of discount rates on reinstatement provisions	898	141
Share of net (profits)/losses of associates/joint ventures using the equity method	115	(97)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	1,884	(1,134)
Decrease/(increase) in inventories	(7)	32
Decrease/(increase) in other current assets	(55)	83
Decrease/(increase) in contract assets	(1,235)	(763)
Increase/(decrease) in payables	2,540	(243)
Increase/(decrease) in accrued interest payable	(54)	(22)
Increase/(decrease) in other accrued expenses payable	(752)	445
Increase/(decrease) in other liabilities	308	(5,642)
Increase/(decrease) in contract liabilities	4,533	9,199
Increase/(decrease) in provision for employee benefits	455	597
Increase/(decrease) in other provisions	2,806	248
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	97,639	83,893

(b) Non-cash investing and financing activities

Other dedications	–	118
Art gallery	431	700
Development contributions – general	13,980	2,150
Development contributions – water	1,298	194
Development contributions – sewerage	5,019	1,270
Total non-cash investing and financing activities	20,728	4,432

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	400	3,586
Plant and equipment	697	415

G2-1 Commitments (continued)

\$ '000	2021	2020
Infrastructure	26,514	12,709
Total commitments	27,611	16,710
These expenditures are payable as follows:		
Within the next year	22,959	11,019
Later than one year and not later than 5 years	4,652	5,691
Total payable	27,611	16,710

Details of capital commitments

Capital commitments represent the unfulfilled portion of contracts awarded for asset related capital works, such as roads, water and sewer infrastructure.

G3-1 Events occurring after the reporting date

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

COVID-19

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

COVID-19 is ongoing, however it is not practical to estimate the potential future impact, positive or negative, after 30 June 2021.

There are no other known events occurring after the reporting date that would have a significant affect on the financial statements.

G4 Changes from prior year statements

G4-1 Changes in accounting policy

Adoption of new accounting standards – not retrospective

There were no new accounting standards adopted during 2020/21 that impacted the 2020/21 Annual Financial Statements.

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	345	9	–	5	(59)	–	300	–
Roads	24,496	2,671	–	385	(244)	–	27,308	–
Traffic facilities	192	18	–	3	1	–	214	–
Parking	1,707	–	–	26	(227)	–	1,506	–
Open space	14,211	2,218	–	110	(425)	–	16,114	–
Community facilities	5,269	809	–	83	(97)	–	6,064	–
Other	2,004	429	–	33	(454)	–	2,012	–
Path/cycleways	744	43	–	11	(24)	–	774	–
Street trees	262	25	–	4	(2)	–	289	–
S7.11 contributions – under a plan	49,230	6,222	–	660	(1,531)	–	54,581	–
Total S7.11 and S7.12 revenue under plans	49,230	6,222	–	660	(1,531)	–	54,581	–
Total contributions	49,230	6,222	–	660	(1,531)	–	54,581	–

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 1								
Open space	5,350	360	–	69	(18)	–	5,761	–
Total	5,350	360	–	69	(18)	–	5,761	–
CONTRIBUTION PLAN NUMBER 2								
Drainage	101	–	–	1	(58)	–	44	–
Total	101	–	–	1	(58)	–	44	–
CONTRIBUTION PLAN NUMBER 3								
Community facilities	2	–	–	–	–	–	2	–
Total	2	–	–	–	–	–	2	–

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 4								
Roads	24,389	2,671	-	384	(244)	-	27,200	-
Total	24,389	2,671	-	384	(244)	-	27,200	-
CONTRIBUTION PLAN NUMBER 5								
Open space	1,020	96	-	6	(132)	-	990	-
Total	1,020	96	-	6	(132)	-	990	-
CONTRIBUTION PLAN NUMBER 6								
Street trees	262	25	-	4	(2)	-	289	-
Total	262	25	-	4	(2)	-	289	-
CONTRIBUTION PLAN NUMBER 7								
Drainage	244	9	-	4	(1)	-	256	-
Open space	901	19	-	13	(1)	-	932	-
Total	1,145	28	-	17	(2)	-	1,188	-
CONTRIBUTION PLAN NUMBER 11								
Community facilities (libraries)	1,223	254	-	20	(70)	-	1,427	-
Total	1,223	254	-	20	(70)	-	1,427	-
CONTRIBUTION PLAN NUMBER 12								
Traffic facilities – bus shelters (other)	192	18	-	3	1	-	214	-
Total	192	18	-	3	1	-	214	-
CONTRIBUTION PLAN NUMBER 13								
Other (cemeteries)	114	35	-	2	(23)	-	128	-
Total	114	35	-	2	(23)	-	128	-
CONTRIBUTION PLAN NUMBER 14								
Roads (mebbin springs)	107	-	-	1	-	-	108	-
Total	107	-	-	1	-	-	108	-
CONTRIBUTION PLAN NUMBER 15								
Community facilities	2,652	307	-	40	(15)	-	2,984	-
Total	2,652	307	-	40	(15)	-	2,984	-
CONTRIBUTION PLAN NUMBER 16								
Other (surf lifesaving)	109	-	-	1	-	-	110	-
Total	109	-	-	1	-	-	110	-

continued on next page ...

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 18								
Other (council admin fees)	1,781	394	-	30	(431)	-	1,774	-
Total	1,781	394	-	30	(431)	-	1,774	-
CONTRIBUTION PLAN NUMBER 19								
Open space	(437)	14	-	1	512	-	90	-
Community facilities	1,349	248	-	23	(12)	-	1,608	-
Path/cycleways	121	-	-	2	-	-	123	-
Total	1,033	262	-	26	500	-	1,821	-
CONTRIBUTION PLAN NUMBER 21								
Open space	2	-	-	-	-	-	2	-
Community facilities	43	-	-	-	-	-	43	-
Total	45	-	-	-	-	-	45	-
CONTRIBUTION PLAN NUMBER 22								
Path/cycleways (shire wide cycleways)	623	43	-	9	(24)	-	651	-
Total	623	43	-	9	(24)	-	651	-
CONTRIBUTION PLAN NUMBER 23								
Parking (shire wide car parking)	1,707	-	-	26	(227)	-	1,506	-
Total	1,707	-	-	26	(227)	-	1,506	-
CONTRIBUTION PLAN NUMBER 25								
Open space (salt open space)	1,293	-	-	15	(265)	-	1,043	-
Total	1,293	-	-	15	(265)	-	1,043	-
CONTRIBUTION PLAN NUMBER 26								
Open space (shirewide)	4,409	1,629	-	(3)	(244)	-	5,791	-
Total	4,409	1,629	-	(3)	(244)	-	5,791	-
CONTRIBUTION PLAN NUMBER 27								
Open space	619	-	-	9	-	-	628	-
Total	619	-	-	9	-	-	628	-
CONTRIBUTION PLAN NUMBER 28								
Open space	1,055	100	-	-	(277)	-	878	-
Total	1,055	100	-	-	(277)	-	878	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	14,026	6.96%	6.89%	11.19%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	201,638				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	181,691	74.02%	79.20%	77.41%	> 60.00%
Total continuing operating revenue ¹	245,478				
3. Unrestricted current ratio					
Current assets less all external restrictions	26,503	0.80x	1.92x	2.31x	> 1.50x
Current liabilities less specific purpose liabilities	33,025				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	73,841	1.90x	3.48x	3.86x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	38,966				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	5,288	4.16%	4.47%	4.42%	< 10.00%
Rates and annual charges collectable	127,103				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	320,598	23.08	25.05	23.43	> 3.00
Monthly payments from cash flow of operating and financing activities	13,893	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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.25%	4.74%	11.68%	17.36%	12.44%	4.95%	> 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	67.72%	73.53%	90.65%	90.37%	84.26%	90.05%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.83x	1.96x	5.37x	8.49x	69.77x	29.79x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.07x	2.84x	2.44x	3.91x	0.73x	7.09x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	4.27%	4.42%	3.77%	6.28%	3.97%	4.23%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.74 mths	16.72 mths	40.60 mths	36.84 mths	28.92 mths	51.46 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

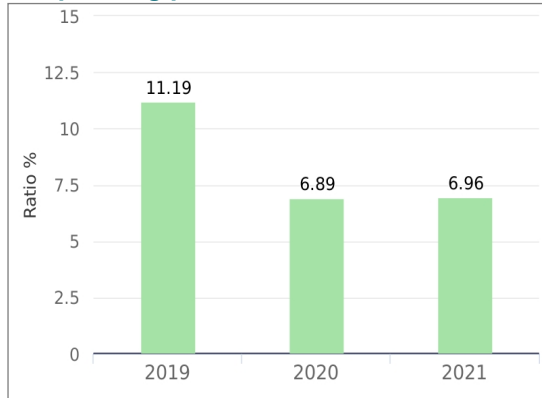
(1) - (2) Refer to Notes at Note G6-1 above.

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

H Additional Council disclosures (unaudited)

H1-1 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 2020/21 result

2020/21 ratio 6.96%

Operating performance ratio is a strong positive result and remains above the benchmark of 0%.

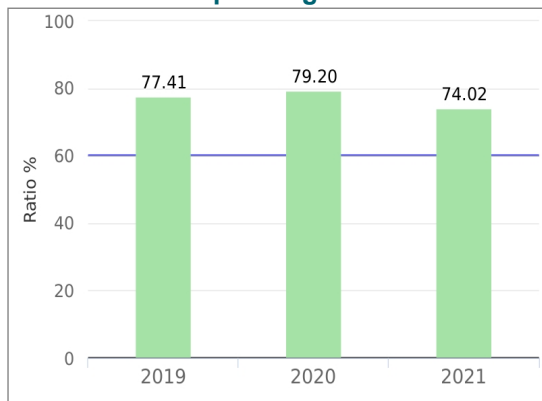
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 74.02%

Ratio remains at an acceptable level and above benchmark.

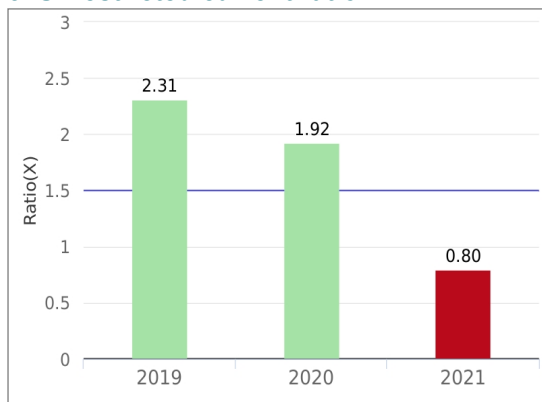
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 0.80x

The ratio has fallen below bench mark due to an increase in unrestricted funds held in investments classified as non-current as at 30 June.

Benchmark: — > 1.50x

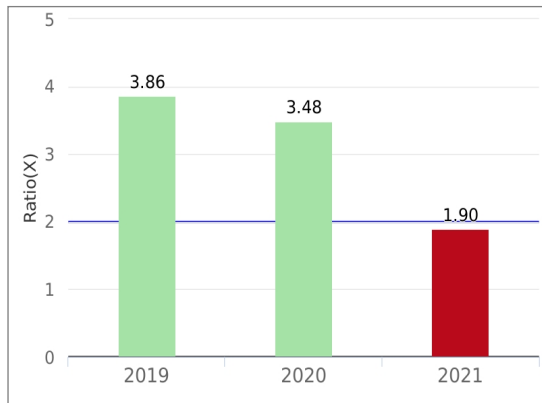
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

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 2020/21 result

2020/21 ratio 1.90x

The 2021 ratio has been significantly impacted by a principal repayment of \$21.6m in Council's Sewer Fund which has resulted in the Sewer Fund being debt free and future year's ratios are predicted to return to above benchmark levels.

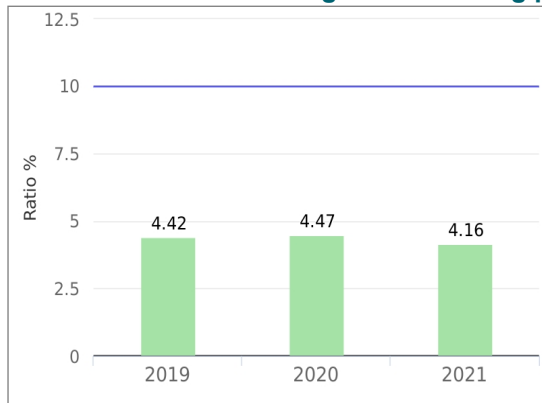
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 4.16%

Ratio at an acceptable level and well below benchmark.

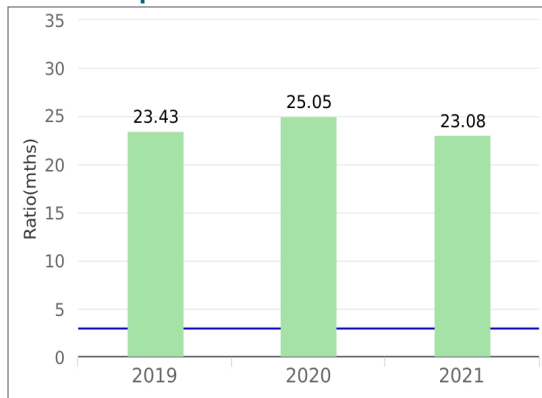
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 23.08 mths

Ratio remains well above benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

Civic & Cultural Centre
10-14 Tumbulgum Road
Murwillumbah NSW 2484

Contact details

Mailing Address:

PO Box 816
Murwillumbah NSW 2484

Telephone: 02 6670 2400

Opening hours:

9:00am - 4:00pm
Monday to Friday
Closed Public Holidays

Internet: www.tweed.nsw.gov.au

Email: tsc@tweed.nsw.gov.au

Officers

General Manager

Troy Green

Responsible Accounting Officer

Michael Chorlton

Auditor

Audit Office of New South Wales

Elected members

Mayor

Chris Cherry

Councillors

Pryce Allsop
Reece Byrnes
Ron Cooper
Katie Milne
James Owen
Warren Polglase

Other information

ABN: 90 178 732 496



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Tweed Shire Council

To the Councillors of the Tweed Shire Council

Opinion

I have audited the accompanying financial statements of Tweed 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 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

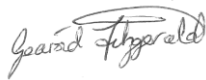
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



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

29 October 2021
SYDNEY



Ms Chris Cherry
Mayor
Tweed Shire Council
PO Box 816
MURWILLUMBAH NSW 2484

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: D2123924/1795

29 October 2021

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2021 Tweed Shire Council

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements





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

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

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

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	121.4	118.4	 2.5
Grants and contributions revenue	63.8	47.0	 35.7
Operating result from continuing operations	46.5	33.1	 40.5
Net operating result before grants and contributions for capital purposes	2.6	5.8	 55.2

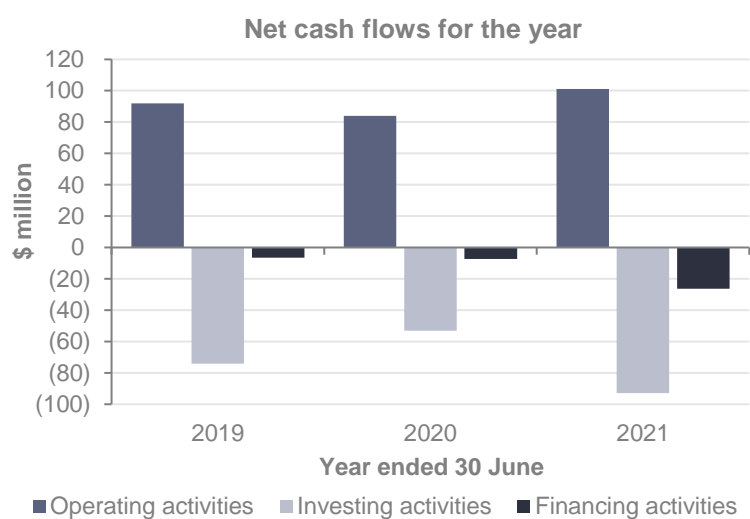
The Council's operating result from continuing operations (\$46.5 million including depreciation, amortisation and impairment for non-financial assets of \$49.2 million) was \$13.4 million higher than the 2019–20 result.

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

- rates and annual charges revenue (\$121.4 million) increased by \$3.0 million (2.5 per cent)
- grants and contributions revenue (\$63.8 million) increased by \$16.8 million (35.7 per cent)
- user charges and fees (\$52.2 million) increased by \$3.2 million (6.5 per cent)
- a net loss (\$11.4 million) on disposal of assets was recorded in 2020–21 (\$7.8 million net loss in 2019–20). An increased loss on disposal of infrastructure (\$4.0 million) was the main contributor.
- employee benefits and on-cost expense (\$60.8 million) increased by \$0.9 million (1.5 per cent)
- materials and services expense (\$62.3 million) increased by \$0.5 million (0.8 per cent)
- depreciation, amortisation and impairment for non-financial assets (\$49.2 million) increased by \$2.0 million (4.2 per cent).

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$17.3 million. This is largely due to an increase in rates, annual charges, user charges and fees as well as grants and contributions.
- Net cash used in investing activities increased by \$40.0 million. Most of the increase relates to Council's Treasury function investing surplus cash assets in higher yielding investments.
- Net cash used in financing activities increased by \$19.0 million and relates to a greater reduction of borrowings when compared to the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	415.2	394.3	<ul style="list-style-type: none"> • Externally restricted cash and investments has marginally increased by \$3.2 million. • The level of internally restricted cash and investments has increased by \$16.8 million primarily due cash surpluses generated by Tweed Holiday Parks and commercial waste activities as well as cash reserves set aside for carried forward works.
Restricted cash and investments:			
• External restrictions	267.5	264.3	
• Internal restrictions	136.0	119.2	

PERFORMANCE

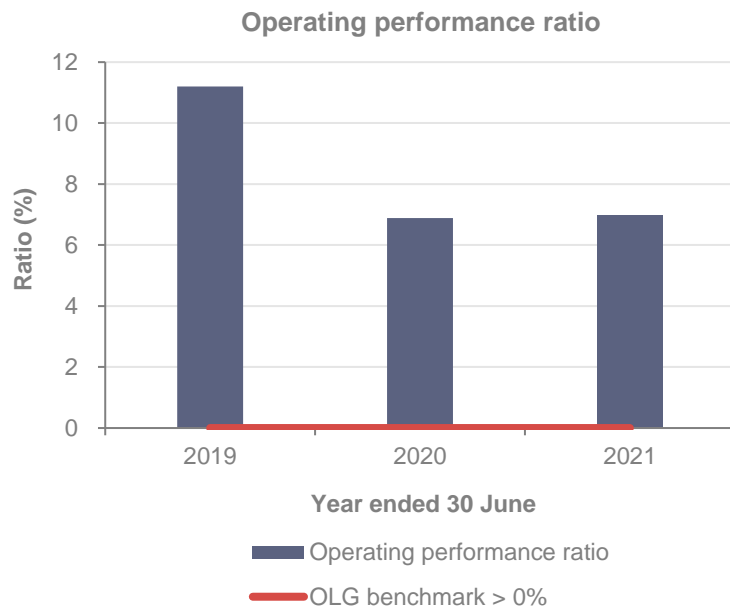
Performance measures

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

Operating performance ratio

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

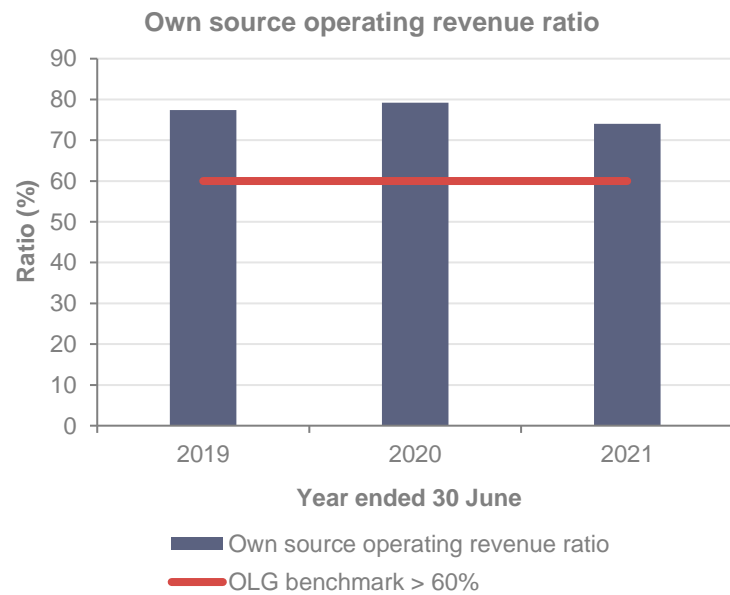
The Council met the OLG benchmark for the current and comparative reporting periods.



Own source operating revenue ratio

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

The Council met the OLG benchmark for the current and comparative reporting periods.

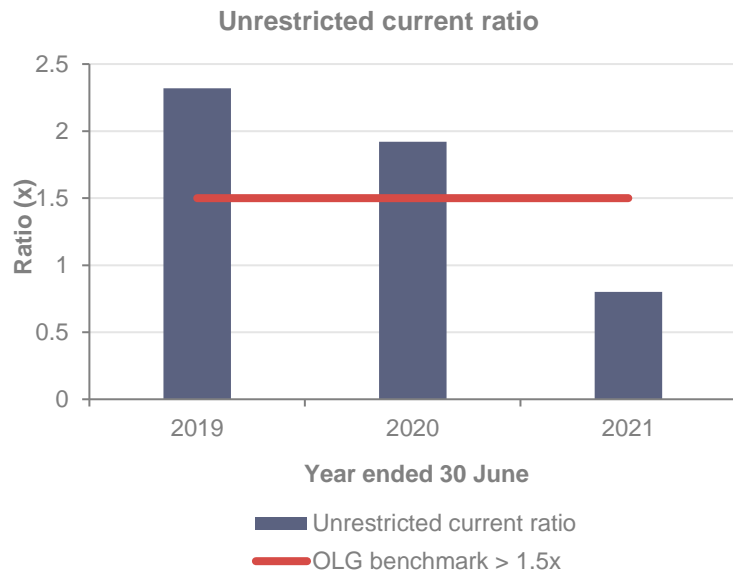


Unrestricted current ratio

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

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

The reduction in this ratio has arisen as Council has invested surplus cash in longer term investments which now are classified as non-current assets in the Statement of Financial Position.

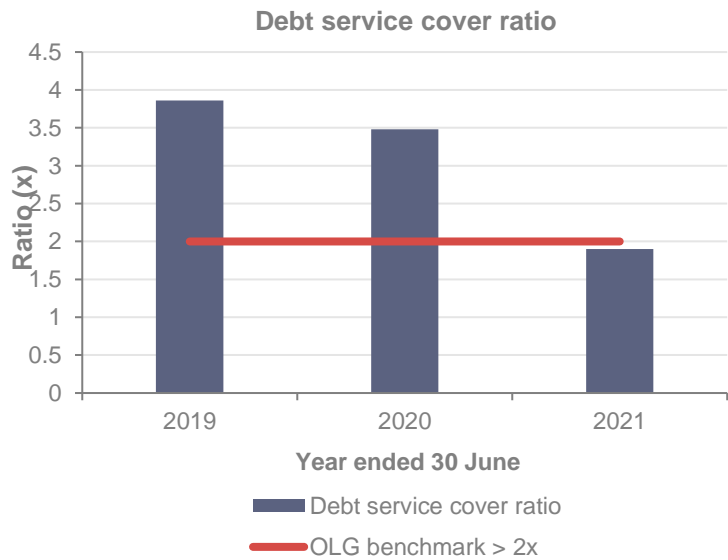


Debt service cover ratio

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

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

Council's loan principal repayments increased in the current year, resulting in a decrease in the ratio at 30 June 2021.

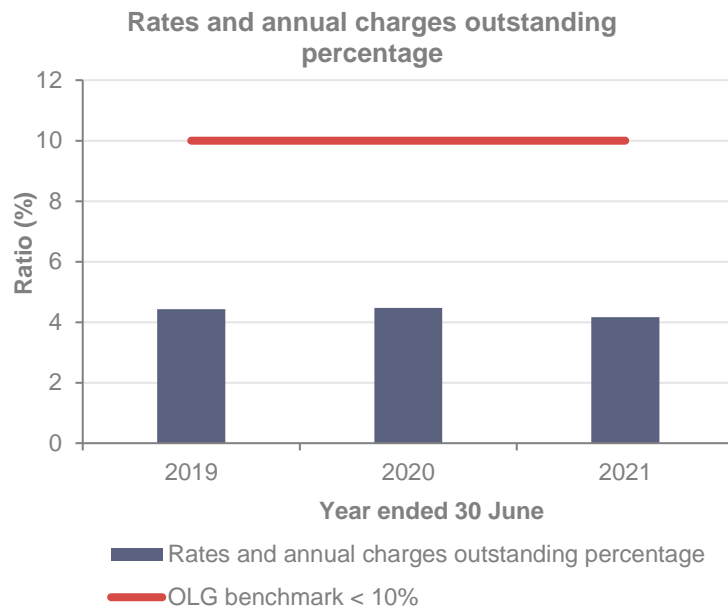


Rates and annual charges outstanding percentage

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

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

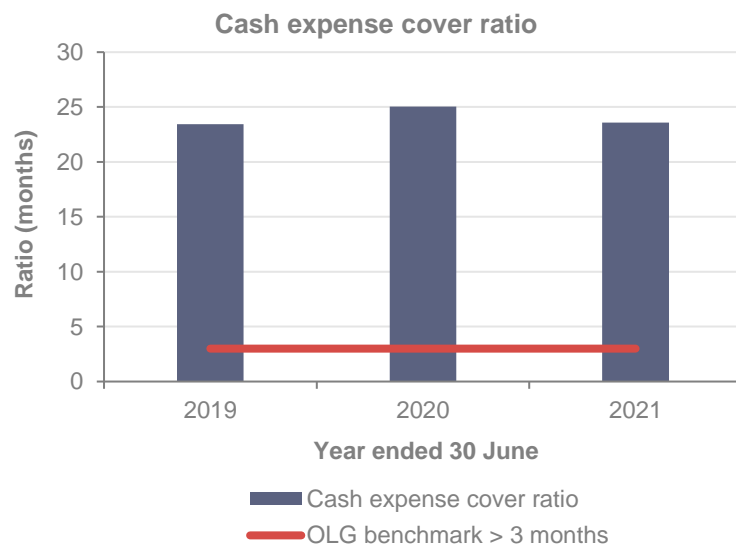
The ratio has remained consistent with the comparative reporting periods.



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.

The Council met the OLG benchmark for the current and comparative reporting periods.



Infrastructure, property, plant and equipment renewals

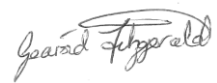
Council's asset renewal expenditure in the 2020–21 year was \$32.6 million (2019–20 - \$27.3 million). Renewal expenditure continues to be below the rate at which these assets are depreciating.

OTHER MATTERS

Legislative compliance

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

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



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

cc: Mr Troy Green, General Manager
Mr Colin Wight, Chair of the Audit, Risk and Improvement Committee



Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of Water Supply Business Activity	4
Income Statement of Sewerage Business Activity	5
Income Statement of Holiday Parks	6
Income Statement of Commercial Waste	7
Statement of Financial Position of Water Supply Business Activity	8
Statement of Financial Position of Sewerage Business Activity	9
Statement of Financial Position of Holiday Parks	10
Statement of Financial Position of Commercial Waste	11
Note – Significant Accounting Policies	12
Auditor's Report on Special Purpose Financial Statements	15

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).

Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

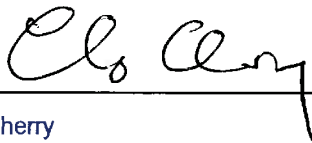
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

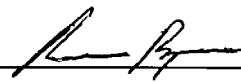
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

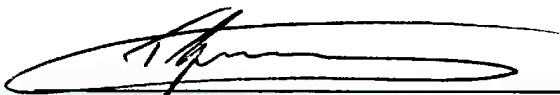
Signed in accordance with a resolution of Council made on 28 October 2021.



Chris Cherry
Mayor
28 October 2021



Reece Byrnes
Councillor
28 October 2021



Troy Green
General Manager
28 October 2021



Michael Chorlton
Responsible Accounting Officer
28 October 2021

Tweed Shire Council

Income Statement of Water Supply Business Activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	6,736	6,200
User charges	24,148	24,755
Interest	1,376	1,714
Grants and contributions provided for non-capital purposes	–	388
Other income	186	197
Total income from continuing operations	32,446	33,254
Expenses from continuing operations		
Employee benefits and on-costs	5,407	5,289
Borrowing costs	4,000	4,154
Materials and services	10,332	10,079
Depreciation, amortisation and impairment	7,692	7,660
Loss on sale of assets	5,072	2,892
Calculated taxation equivalents	1,064	1,060
Debt guarantee fee (if applicable)	279	288
Other expenses	1,224	1,377
Total expenses from continuing operations	35,070	32,799
Surplus (deficit) from continuing operations before capital amounts	(2,624)	455
Grants and contributions provided for capital purposes	3,346	3,115
Surplus (deficit) from continuing operations after capital amounts	722	3,570
Surplus (deficit) from all operations before tax	722	3,570
Less: corporate taxation equivalent [based on result before capital]	–	(125)
Surplus (deficit) after tax	722	3,445
Plus accumulated surplus	221,490	216,682
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,064	1,060
– Debt guarantee fees	279	288
– Corporate taxation equivalent	–	125
Less:		
– Tax equivalent dividend paid	(110)	(110)
Return on capital %	0.2%	0.8%
Subsidy from Council	7,164	–
Calculation of dividend payable:		
Surplus (deficit) after tax	722	3,445
Less: capital grants and contributions (excluding developer contributions)	(1,297)	(201)
Surplus for dividend calculation purposes	–	3,244
Potential dividend calculated from surplus	–	1,622

Tweed Shire Council

Income Statement of Sewerage Business Activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	31,555	30,442
Liquid trade waste charges	3,128	3,109
Fees	682	665
Interest	1,351	2,211
Grants and contributions provided for non-capital purposes	219	602
Other income	161	34
Total income from continuing operations	37,096	37,063
Expenses from continuing operations		
Employee benefits and on-costs	7,380	7,502
Borrowing costs	893	2,065
Materials and services	9,851	10,378
Depreciation, amortisation and impairment	12,015	11,959
Loss on sale of assets	896	1,555
Calculated taxation equivalents	1,123	1,115
Debt guarantee fee (if applicable)	–	108
Other expenses	2,342	2,236
Total expenses from continuing operations	34,500	36,918
Surplus (deficit) from continuing operations before capital amounts	2,596	145
Grants and contributions provided for capital purposes	6,670	3,426
Surplus (deficit) from continuing operations after capital amounts	9,266	3,571
Surplus (deficit) from all operations before tax	9,266	3,571
Less: corporate taxation equivalent [based on result before capital]	(675)	(40)
Surplus (deficit) after tax	8,591	3,531
Plus accumulated surplus	261,513	256,824
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,123	1,115
– Debt guarantee fees	–	108
– Corporate taxation equivalent	675	40
Less:		
– Tax equivalent dividend paid	(106)	(105)
Return on capital %	0.6%	0.4%
Subsidy from Council	5,545	–
Calculation of dividend payable:		
Surplus (deficit) after tax	8,591	3,531
Less: capital grants and contributions (excluding developer contributions)	(5,018)	(1,270)
Surplus for dividend calculation purposes	3,573	2,261
Potential dividend calculated from surplus	1,787	1,131

Tweed Shire Council

Income Statement of Holiday Parks

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
Fees	9,811	8,224
Interest	89	224
Other income	652	594
Total income from continuing operations	10,552	9,042
Expenses from continuing operations		
Employee benefits and on-costs	678	561
Materials and services	1,848	2,696
Depreciation, amortisation and impairment	502	467
Loss on sale of assets	41	–
Calculated taxation equivalents	580	581
Other expenses	4,443	4,010
Total expenses from continuing operations	8,092	8,315
Surplus (deficit) from continuing operations before capital amounts	2,460	727
Surplus (deficit) from continuing operations after capital amounts	2,460	727
Surplus (deficit) from all operations before tax	2,460	727
Less: corporate taxation equivalent [based on result before capital]	(640)	(200)
Surplus (deficit) after tax	1,820	527
Plus accumulated surplus	32,412	32,328
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	580	581
– Corporate taxation equivalent	640	200
Less:		
– Dividend paid	(1,918)	(1,224)
Return on capital %	4.7%	1.4%

Tweed Shire Council

Income Statement of Commercial Waste

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
Access charges	3,374	3,240
User charges	5,495	5,039
Other income	7	6
Total income from continuing operations	8,876	8,285
Expenses from continuing operations		
Employee benefits and on-costs	579	533
Borrowing costs	400	67
Materials and services	4,325	4,307
Depreciation, amortisation and impairment	220	77
Calculated taxation equivalents	46	44
Other expenses	304	373
Total expenses from continuing operations	5,874	5,401
Surplus (deficit) from continuing operations before capital amounts	3,002	2,884
Surplus (deficit) from continuing operations after capital amounts	3,002	2,884
Surplus (deficit) from all operations before tax	3,002	2,884
Less: corporate taxation equivalent [based on result before capital]	(781)	(793)
Surplus (deficit) after tax	2,221	2,091
Plus accumulated surplus	25,611	22,683
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	46	44
– Corporate taxation equivalent	781	793
Return on capital %	51.6%	55.7%

Tweed Shire Council

Statement of Financial Position of Water Supply Business Activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Investments	44,000	40,000
Receivables	3,824	3,740
Other	52	35
Total current assets	47,876	43,775
Non-current assets		
Investments	33,000	31,000
Infrastructure, property, plant and equipment	573,138	570,333
Intangible assets	26	22
Total non-current assets	606,164	601,355
Total assets	654,040	645,130
LIABILITIES		
Current liabilities		
Bank overdraft	6,361	2,438
Payables	648	923
Borrowings	1,912	1,794
Total current liabilities	8,921	5,155
Non-current liabilities		
Borrowings	53,852	55,764
Total non-current liabilities	53,852	55,764
Total liabilities	62,773	60,919
Net assets	591,267	584,211
EQUITY		
Accumulated surplus	223,126	221,490
Revaluation reserves	368,141	362,721
Total equity	591,267	584,211

Tweed Shire Council

Statement of Financial Position of Sewerage Business Activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	1,478	3,217
Investments	42,000	56,000
Receivables	2,028	2,667
Other	56	29
Total current assets	45,562	61,913
Non-current assets		
Investments	58,000	51,000
Infrastructure, property, plant and equipment	606,287	602,573
Intangible assets	34	27
Total non-current assets	664,321	653,600
Total assets	709,883	715,513
LIABILITIES		
Current liabilities		
Payables	653	492
Borrowings	-	1,586
Total current liabilities	653	2,078
Non-current liabilities		
Borrowings	-	20,053
Total non-current liabilities	-	20,053
Total liabilities	653	22,131
Net assets	709,230	693,382
EQUITY		
Accumulated surplus	271,796	261,513
Revaluation reserves	437,434	431,869
Total equity	709,230	693,382

Tweed Shire Council

Statement of Financial Position of Holiday Parks

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	12,513	7,688
Investments	5,248	7,066
Receivables	24	82
Other	70	70
Total current assets	17,855	14,906
Non-current assets		
Infrastructure, property, plant and equipment	52,759	53,286
Total non-current assets	52,759	53,286
Total assets	70,614	68,192
LIABILITIES		
Current liabilities		
Payables	6,110	4,810
Total current liabilities	6,110	4,810
Total liabilities	6,110	4,810
Net assets	64,504	63,382
EQUITY		
Accumulated surplus	33,534	32,412
Revaluation reserves	30,970	30,970
Total equity	64,504	63,382

Tweed Shire Council

Statement of Financial Position of Commercial Waste

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	3,613	584
Investments	26,750	23,393
Total current assets	30,363	23,977
Non-current assets		
Infrastructure, property, plant and equipment	6,592	5,298
Total non-current assets	6,592	5,298
Total assets	36,955	29,275
LIABILITIES		
Current liabilities		
Payables	2,921	202
Total current liabilities	2,921	202
Non-current liabilities		
Employee benefit provisions	3,326	1,445
Total non-current liabilities	3,326	1,445
Total liabilities	6,247	1,647
Net assets	30,708	27,628
EQUITY		
Accumulated surplus	28,659	25,611
Revaluation reserves	2,049	2,017
Total equity	30,708	27,628

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

- a. Tweed Water
Supply of water
- b. Tweed Sewerage
Sewerage Services
- c. Tweed Holiday Parks
Holiday/Caravan parks
- d. Commercial Waste
Non-domestic solid waste collection and disposal

Category 2

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

Nil

Taxation equivalent charges

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

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

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – 26%

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

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

In accordance with the 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 DoI – Water 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 26%.

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of 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 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Tweed Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Tweed 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 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- water supply
- Sewerage
- Holiday Parks
- Commercial Waste.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

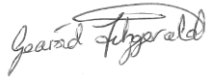
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY



Tweed Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Tweed Shire Council

Special Schedules

for the year ended 30 June 2021

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on Infrastructure Assets

7

Tweed Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	63,741	65,652
Plus or minus adjustments ²	b	250	555
Notional general income	c = a + b	63,991	66,207
Permissible income calculation			
Special variation percentage ³	d	0.00%	4.35%
Or rate peg percentage	e	2.60%	0.00%
Plus special variation amount	h = d x (c + g)	–	2,880
Or plus rate peg amount	i = e x c	1,664	–
Sub-total	k = (c + i)	65,655	69,087
Plus (or minus) last year's carry forward total	l	1	4
Sub-total	n = l	1	4
Total permissible income	o = k + n	65,656	69,091
Less notional general income yield	p	65,652	68,688
Catch-up or (excess) result	q = o – p	4	403
Carry forward to next year ⁴	t	4	403

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. The amount in addition to the 2.0% rate peg is to be applied to the Kings Forrest Special rate only.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule – Permissible income for general rates
Tweed Shire Council

To the Councillors of Tweed Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

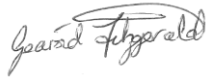
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald

Delegate of the Auditor-General for New South Wales

29 October 2021
SYDNEY

Tweed Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Civic Buildings/Admin	497	497	378	320	30,513	42,599	21.3%	37.4%	25.7%	15.0%	0.6%
	Community	311	311	153	210	14,965	20,375	34.7%	25.7%	28.9%	7.5%	3.3%
	Cultural	33	33	36	150	24,851	32,566	36.4%	56.7%	5.4%	1.4%	0.0%
	Emergency	108	108	46	53	2,519	3,828	10.0%	23.4%	49.9%	14.1%	2.6%
	Operational	302	302	195	154	31,139	40,932	12.5%	46.2%	27.8%	7.7%	5.8%
	Public Toilets	93	93	66	184	5,985	7,852	31.2%	25.3%	31.0%	8.6%	3.9%
	Recreation	287	287	274	307	29,107	38,071	14.1%	44.2%	31.8%	9.6%	0.4%
	Residential	69	69	38	45	2,969	3,786	64.2%	0.2%	13.9%	21.7%	0.0%
	Sub-total	1,700	1,700	1,186	1,423	142,048	190,009	23.0%	41.2%	24.7%	9.1%	2.0%
Other structures	Other structures	145	145	120	–	327	720	51.2%	4.7%	5.1%	30.6%	8.5%
	Sub-total	145	145	120	–	327	720	51.2%	4.7%	5.1%	30.6%	8.5%
Roads	Sealed roads	720	720	1,587	2,653	530,257	646,935	72.1%	21.4%	6.0%	0.5%	0.0%
	Unsealed roads	–	–	15	671	5,596	8,400	74.5%	21.7%	3.7%	0.0%	0.0%
	Bridges	–	–	69	330	175,627	202,036	93.2%	6.7%	0.0%	0.0%	0.0%
	Footpaths	57	57	583	520	25,374	44,718	7.7%	36.8%	55.0%	0.4%	0.1%
	Kerb and gutter	831	831	296	92	53,188	65,185	72.5%	13.7%	8.7%	4.4%	0.7%
	Street furniture	18	18	10	170	16,421	17,405	95.2%	3.2%	1.2%	0.3%	0.1%
	Car parks	106	106	39	3	6,929	8,648	75.2%	9.3%	10.9%	4.1%	0.5%
	Bulk earthworks	–	–	–	–	165,662	165,662	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,732	1,732	2,599	4,439	979,054	1,158,989	77.7%	15.6%	6.1%	0.6%	0.1%

Tweed Shire Council

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

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Water supply network	Dams/weirs	75	75	467	317	67,572	78,582	10.0%	81.0%	9.0%	0.0%	0.0%
	Mains	1,560	1,560	2,950	2,834	315,977	377,849	76.0%	18.0%	5.0%	1.0%	0.0%
	Pumping station/s	576	576	983	868	12,226	24,761	13.0%	44.0%	33.0%	9.0%	1.0%
	Reservoirs	701	701	595	574	36,007	50,184	10.0%	39.0%	38.0%	13.0%	0.0%
	Treatment	289	289	2,723	2,752	73,878	98,858	60.0%	34.0%	5.0%	1.0%	0.0%
	Other	–	–	–	–	727	727	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total		3,201	3,201	7,718	7,345	506,387	630,961	57.5%	31.0%	9.2%	2.1%
Sewerage network	Mains	7,272	7,272	2,481	2,150	330,470	408,198	66.0%	19.0%	6.0%	2.0%	7.0%
	Pumping station/s	508	508	4,597	3,710	55,957	93,964	20.0%	46.0%	31.0%	3.0%	0.0%
	Treatment	829	829	5,225	4,608	151,600	226,907	24.0%	42.0%	31.0%	3.0%	0.0%
	Sub-total		8,609	8,609	12,303	10,468	538,027	729,069	47.0%	29.6%	17.0%	2.4%
Stormwater drainage	Stormwater drainage	17,552	17,552	981	1,041	161,777	252,274	15.9%	23.3%	48.3%	1.6%	10.8%
	Sub-total		17,552	17,552	981	1,041	161,777	252,274	15.9%	23.3%	48.3%	1.6%
Open space / recreational assets	Swimming pools	387	387	42	34	1,891	4,992	0.3%	84.8%	1.1%	13.9%	0.0%
	Recreation other structures	2,644	2,644	828	761	29,955	47,561	32.4%	20.9%	5.4%	15.4%	25.8%
	Sub-total		3,031	3,031	870	795	31,846	52,553	29.4%	27.0%	5.0%	15.3%
Other infrastructure assets	Other	1,043	1,043	287	266	14,765	21,722	62.0%	5.0%	22.0%	5.0%	6.0%
	Sub-total		1,043	1,043	287	266	14,765	21,722	62.0%	5.0%	22.0%	5.0%
Total – all assets		37,013	37,013	26,064	25,777	2,374,231	3,036,297	56.6%	24.5%	14.1%	2.3%	2.5%

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

Infrastructure asset condition assessment 'key'

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

Tweed Shire Council

Report on Infrastructure Assets (continued)

as at 30 June 2021

5 **Very poor**

Urgent renewal/upgrading required

Tweed Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	29,083	65.11%	48.46%	51.15%	>= 100.00%
Depreciation, amortisation and impairment	44,668				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	37,013	1.53%	1.44%	1.62%	< 2.00%
Net carrying amount of infrastructure assets	2,412,053				
Asset maintenance ratio					
Actual asset maintenance	25,777	98.90%	110.81%	91.37%	> 100.00%
Required asset maintenance	26,064				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	37,013	1.22%	1.18%	1.26%	
Gross replacement cost	3,036,297				

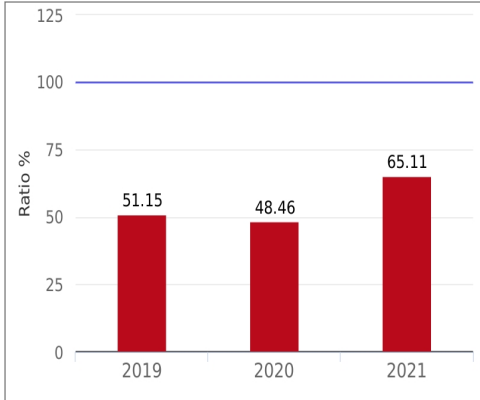
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Tweed Shire Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



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

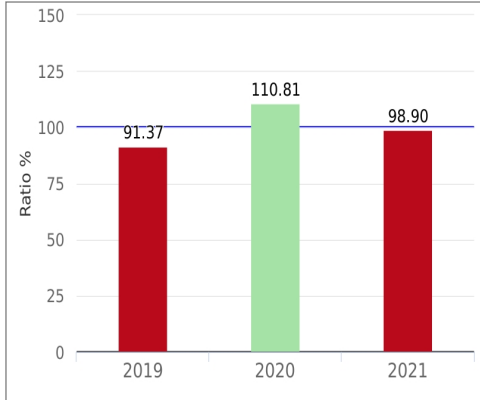
20/21 ratio 65.11%

Renewal of infrastructure assets typically occurs in a non-linear pattern, particularly for water and sewerage infrastructure. Whilst funding is reserved for future renewal expenditure, the expenditure itself does not occur evenly. Fluctuations in this ratio are expected.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark ■ Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Asset maintenance ratio



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

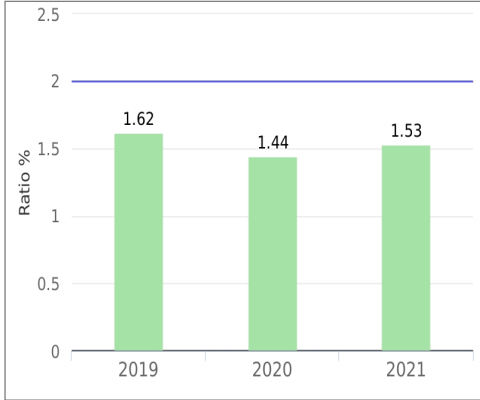
20/21 ratio 98.90%

This ratio remains strong.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark ■ Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

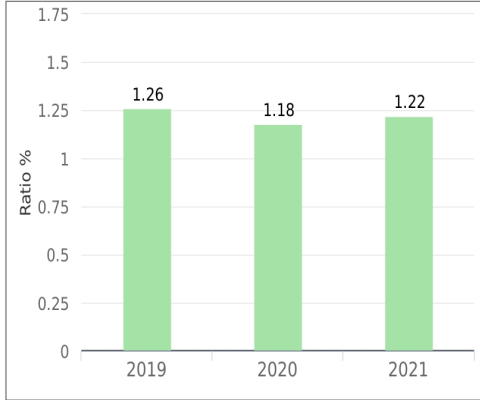
20/21 ratio 1.53%

This ratio remains strong.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark ■ Ratio is outside benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Cost to bring assets to agreed service level



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

20/21 ratio 1.22%

Remains at an acceptable level.

Tweed Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	83.24%	67.67%	85.66%	28.33%	13.11%	22.73%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	1.84%	1.69%	0.63%	0.62%	1.60%	1.56%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	131.79%	157.92%	95.17%	92.42%	85.08%	98.18%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.50%	1.44%	0.51%	0.50%	1.18%	1.17%	
Gross replacement cost							

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