



Supplementary Agenda

Ordinary Meeting

Thursday, 26 November 2020

held at Council Chambers, Station Street, Mullumbimby
commencing at 9.00am

Public Access relating to items on this Agenda can be made between 9.00am and 10.30am on the day of the Meeting. Requests for public access should be made to the General Manager or Mayor no later than 12.00 midday on the day prior to the Meeting.

Mark Arnold
General Manager

CONFLICT OF INTERESTS

What is a “Conflict of Interests” - A conflict of interests can be of two types:

Pecuniary - an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated.

Non-pecuniary – a private or personal interest that a Council official has that does not amount to a pecuniary interest as defined in the Code of Conduct for Councillors (eg. A friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature).

Remoteness – a person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to a matter or if the interest is of a kind specified in the Code of Conduct for Councillors.

Who has a Pecuniary Interest? - a person has a pecuniary interest in a matter if the pecuniary interest is the interest of the person, or another person with whom the person is associated (see below).

Relatives, Partners - a person is taken to have a pecuniary interest in a matter if:

- The person’s spouse or de facto partner or a relative of the person has a pecuniary interest in the matter, or
- The person, or a nominee, partners or employer of the person, is a member of a company or other body that has a pecuniary interest in the matter.

N.B. “Relative”, in relation to a person means any of the following:

- (a) the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descends or adopted child of the person or of the person’s spouse;
- (b) the spouse or de facto partners of the person or of a person referred to in paragraph (a)

No Interest in the Matter - however, a person is not taken to have a pecuniary interest in a matter:

- If the person is unaware of the relevant pecuniary interest of the spouse, de facto partner, relative or company or other body, or
- Just because the person is a member of, or is employed by, the Council.
- Just because the person is a member of, or a delegate of the Council to, a company or other body that has a pecuniary interest in the matter provided that the person has no beneficial interest in any shares of the company or body.

Disclosure and participation in meetings

- A Councillor or a member of a Council Committee who has a pecuniary interest in any matter with which the Council is concerned and who is present at a meeting of the Council or Committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.
- The Councillor or member must not be present at, or in sight of, the meeting of the Council or Committee:
 - (a) at any time during which the matter is being considered or discussed by the Council or Committee, or
 - (b) at any time during which the Council or Committee is voting on any question in relation to the matter.

No Knowledge - a person does not breach this Clause if the person did not know and could not reasonably be expected to have known that the matter under consideration at the meeting was a matter in which he or she had a pecuniary interest.

Non-pecuniary Interests - Must be disclosed in meetings.

There are a broad range of options available for managing conflicts & the option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with. Non-pecuniary conflicts of interests must be dealt with in at least one of the following ways:

- It may be appropriate that no action be taken where the potential for conflict is minimal. However, Councillors should consider providing an explanation of why they consider a conflict does not exist.
- Limit involvement if practical (eg. Participate in discussion but not in decision making or vice-versa). Care needs to be taken when exercising this option.
- Remove the source of the conflict (eg. Relinquishing or divesting the personal interest that creates the conflict)
- Have no involvement by absenting yourself from and not taking part in any debate or voting on the issue as of the provisions in the Code of Conduct (particularly if you have a significant non-pecuniary interest)

RECORDING OF VOTING ON PLANNING MATTERS

Clause 375A of the Local Government Act 1993 – Recording of voting on planning matters

- (1) In this section, **planning decision** means a decision made in the exercise of a function of a council under the Environmental Planning and Assessment Act 1979:
 - (a) including a decision relating to a development application, an environmental planning instrument, a development control plan or a development contribution plan under that Act, but
 - (b) not including the making of an order under that Act.
- (2) The general manager is required to keep a register containing, for each planning decision made at a meeting of the council or a council committee, the names of the councillors who supported the decision and the names of any councillors who opposed (or are taken to have opposed) the decision.
- (3) For the purpose of maintaining the register, a division is required to be called whenever a motion for a planning decision is put at a meeting of the council or a council committee.
- (4) Each decision recorded in the register is to be described in the register or identified in a manner that enables the description to be obtained from another publicly available document, and is to include the information required by the regulations.
- (5) This section extends to a meeting that is closed to the public.

BYRON SHIRE COUNCIL

ORDINARY MEETING

BUSINESS OF ORDINARY MEETING

17. LATE REPORTS

17.1	Draft 2019/2020 Financial Statements	4
------	--	---

Councillors are encouraged to ask questions regarding any item on the business paper to the appropriate Director prior to the meeting. Any suggested amendments to the recommendations should be provided to Councillor Support prior to the meeting to allow the changes to be typed and presented on the overhead projector at the meeting.

LATE REPORTS

Report No. 17.1 Draft 2019/2020 Financial Statements**Directorate:** Corporate and Community Services5 **Report Author:** James Brickley, Manager Finance**File No:** I2020/179910 **Summary:**

At its 22 October 2020 Ordinary Meeting Council adopted the Draft 2019/2020 Financial Statements (Resolution: **20-549**) and referred the statements to external audit. The audit of the financial statements had not been completed by the time of agenda delivery for the 26 November 2020 Ordinary Meeting due to the significant asset revaluations undertaken by Council and their outcome, requiring this late report given there is a deadline of 30 November 2020 to lodge the Financial Statements with the Office of Local Government.

Given the change (primarily around prior period error reporting) in the financial statements from those presented at the 22 October 2020 Ordinary Meeting, this report recommends to Council the readoption of the Draft 2019/2020 Financial Statements as prepared, and the completion of the statutory steps outlined in Section 418 to 420 of the Local Government Act 1993.

A representative from the NSW Auditor General contracted audit firm, Thomas Noble and Russell, will be attending the 17 December 2020 Ordinary Meeting to make a presentation to Council on the financial outcomes for 2019/2020.

RECOMMENDATION:

1. **That Council adopts the Draft 2019/2020 Financial Statements incorporating the General Purpose Financial Statements (#E2020/94746) and Special Purpose Financial Statements (#E2020/94699).**
2. **That Council reapproves the signing of the “Statement by Councillors and Management” in accordance with Section 413(2)(c) of the Local Government Act 1993 and Clause 215 of the Local Government (General) Regulation 2005 in relation to the 2019/2020 Draft Financial Statements.**
3. **That the Audited Financial Statements and Auditors Report be presented to the public at the Ordinary Meeting of Council scheduled for 17 December 2020 in accordance with Section 418(1) of the Local Government Act 1993.**

30

Attachments:

- 1 Draft 2019-2020 General Purpose Financial Statements, E2020/94746 , page 14 [↓](#) 
- 2 Draft 2019-2020 Special Purpose Financial Statements, E2020/94699 , page 108 [↓](#) 
- 35 3 Draft 2019-2020 Special Schedules, E2020/94700 , page 121 [↓](#) 

REPORT

- At its 22 October 2020 Ordinary Meeting Council adopted the Draft 2019/2020 Financial Statements (Resolution: **20-549**) and referred the statements to external audit. The audit of the financial statements had not been completed by the time of agenda delivery for the 26 November 2020 Ordinary Meeting due to the significant asset revaluations undertaken by Council and their outcome, requiring this late report given there is a deadline of 30 November 2020 to lodge the Financial Statements with the Office of Local Government.
- Given the change (primarily around prior period error reporting) in the financial statements from those presented at the 22 October 2020 Ordinary Meeting, this report recommends to Council the readoption of the Draft 2019/2020 Financial Statements as prepared, and the completion of the statutory steps outlined in Section 418 to 420 of the Local Government Act 1993.
- The Draft 2019/2020 Financial Statements were to be considered by the Audit, Risk and Improvement Committee on 14 November 2020. A verbal update was provided to that Meeting and it is expected a copy of this report and attachments will be provided to the Committee prior to this Ordinary Meeting of Council.
- The Draft 2019/2020 Financial Statements will be considered again by Council at its Ordinary Meeting on 17 December 2020 where they will be presented to the public. At that Ordinary Meeting, a representative from the NSW Auditor General contracted audit firm, Thomas Noble and Russell, will be present to discuss the financial outcomes for 2019/2020 and answer any questions Councillors may have.
- Council received a report on this matter at its 22 October 2020 Ordinary Meeting and whilst the financial results overall have not changed, there have been disclosure adjustments made following audit, particularly surrounding the recording of a prior period error regarding the revaluation of assets conducted in the 2019/2020 financial year as discussed further in this report.
- The attachments provided with this report have had an initial review by the NSW Audit Office following review and audit by their contracted Audit firm, Thomas Noble and Russell. It is expected they will be the finalised results and should not change to an extent that will not enable Council to sign off the Draft 2019/2020 Financial Statements.
- The Draft 2019/2020 Financial Statements provided in the attachments are broken down into:
- General Purpose Financial Statements – Attachment 1
 - Special Purpose Financial Statements – Attachment 2
 - Special Schedules – Attachment 3
- As in previous years, Council produces Special Schedules that are not audited (except Permissible Income for General Rates). However from the 2018/2019 financial year, whilst the Special Schedules are still produced and submitted to the Office of Local Government, they are no longer required to be published as part of Council's Financial Statements, except for the Special Schedules relating to Permissible Income for General Rates and Report on Infrastructure Assets.
- Brief explanations for each item follow:
- General Purpose Financial Statements**
- These Statements provide an overview of the operating result, financial position, changes in equity and cash flow movement of Council as at 30 June 2020 on a consolidated basis with internal transactions between Council's General, Water and Sewerage Funds eliminated. The notes included with these reports provide details of major items of income and expenditure with

comparisons to the previous financial year. The notes also highlight the cash position of Council and indicate which funds are externally restricted (i.e. may be used for a specific purpose only), and those that may be used at Council's discretion.

5 **Special Purpose Financial Statements**

These Statements are a result of the implementation of the National Competition Policy and relate to those aspects of Council's operations that are business oriented and compete with other businesses with similar operations.

10

Mandatory disclosures in the Special Purpose Financial Reports are Water and Sewerage.

Additional disclosure relate to Council business units that Council deems 'commercial'. In this regard Council has traditionally reported its Caravan Park Operations, being Suffolk Beachfront Holiday Park and First Sun Holiday Park, on a combined basis. These financial reports must also classify business units in the following categories:

15

- Category 1 – operating turnover is greater than \$2million
- Category 2 – operating turnover is less than \$2million

20

All Council's business units are classed as Category 1 with all having operating turnover greater than \$2 million.

Another feature of the Special Purpose Financial Reports is to build taxes and charges, where not physically incurred, into the financial results in order that the results can be measured on a level playing field with other organisations operating similar businesses, who *are* required to pay these additional taxes and charges. These taxes and charges include:

25

- Land tax – Council is normally exempt from this tax, so notional land tax is applied.
- Income tax – Council is exempt from income tax and in regard to these reports, company tax. Any surplus generated has a notional company tax applied to it.
- Debt guarantee fees – Generally due to the low credit risk associated with Councils, Councils can often borrow loan funds at lower interest rates than the private sector. A debt guarantee fee inflates the borrowing costs by incorporating a notional cost between interest payable on loans at the interest rate borrowed by Council and one that would apply commercially.

30

The Special Purpose Financial Reports are prepared on a non-consolidated basis - in other words they are grossed up to include any internal transactions with the General Fund.

40 **Specific Items relating to 2019/2020 Draft Financial Statements**

The Draft 2019/2020 Financial Statement results have been impacted by the following items that require explanation:

- Operating Result from Continuing Operations

45

The 2019/2020 financial year has seen a positive overall financial result. Council recorded a \$23.778million surplus compared to the \$13.022million surplus in 2018/2019. This result incorporates the recognition of capital revenues such as capital grants and contributions for specific purposes and asset dedications amounting to \$32.021 million, compared to \$21.109million in 2018/2019. Capital grants and contributions in 2019/2020 were significantly influenced by additional grant funding i.e. from the Election Commitment Grant, and recognising asset values for the former Byron Hospital over and above the \$1 purchase price.

50

BYRON SHIRE COUNCIL

A more important indicator is the operating result before capital grants and contributions. This result was a deficit of \$8.243 million in 2019/2020 compared to a deficit of \$8.087million in 2018/2019, representing an increase of \$0.156million between financial years. This indicates Council's operating expenditures exceeded its operating revenues. Whilst operating revenues, excluding capital grants and contributions, grew by \$0.467million, overall operating expenses grew by \$0.623million. Considering the impacts of the COVID-19 pandemic during the later half of the 2019-2020 financial year, it could be considered that this is a reasonable outcome.

With reference to the Income Statement to the General Purpose Financial Reports included at Attachment 1, the following table indicates the major changes between 2019/2020 and 2018/2019 by line item:

Item	Change between 2019/2020 and 2018/2019 \$'000	Change Outcome	Comment
Income			
Rates & Annual Charges	+\$3,251	Increase	Reflects imposition of the third year of the 7.50% Special Rate Variation and changes in annual charges from Council's adopted 2019/2020 Revenue Policy
User Charges and Fees and Rental Income	-\$2,057	Decrease	Incorporating the new line item of rental income to provide comparison to previous year, there has been a reduction of \$2.057million. It is in this area that Council has realised most revenue losses from COVID-19. Revenue reductions include holiday parks \$1.180million and pay parking fees \$0.667million Further information is available in Note 3(b) to Attachment 1.
Other Revenues	-\$367	Decrease	The major reduction in this item relates to fine revenues.
Grants & Contributions – Operating	+\$302	Increase	Overall operating grants increased by \$257k including \$205k increase in the Financial Assistance Grant but contributions reduced by \$325k. Further information is available in Note 3(e) and Note 3(f) to Attachment 1.
Grants & Contributions – Capital	+\$10,912	Increase	Revenue increases in this item are associated with grant funding for the Byron Bay Bypass and Election Commitment Grant. Additionally Council recognised former Byron Hospital assets at fair value compared to the purchase price of \$1.
Interest and Investment Revenue	-\$715	Decrease	Interest rates during 2019-2020 have fallen to historic lows plus liquidity measures by Reserve Bank during COVID-19 have reduced investment rates significantly, lowering the return on Council's investments.
Net share of interests in associates	+53	Increase	Recognition of Byron Shire Council's share of a surplus for Richmond Tweed Regional Library for 2019/2020
Total Income Change	+\$11,379	Increase	
Expenditure			
Employee Benefits and Oncosts	+\$2,908	Increase	Increased leave entitlement expenses of \$143k reflecting emphasis on controlling leave balances and impact of declining interest rates on present value of liability calculations. There was a

BYRON SHIRE COUNCIL

LATE REPORTS

17.1

Item	Change between 2019/2020 and 2018/2019 \$'000	Change Outcome	Comment
			decrease of \$88k of employee costs capitalised on capital works in 2019/2020 compared to 2018/2019 and gross salary and wages increased \$2,884k. More information is provided at Note 5(a) to Attachment 1.
Borrowing Costs	-\$1,053	Decrease	Reduction due to significant refinancing of sewerage loan in 2019/2020, ongoing repayment of existing loans and borrowing of new loans at lower interest rates given current market conditions.
Materials & Contracts	-\$1,912	Decrease	Raw materials and contracts decreased overall as a result of increasing capital works spending along with reduction in the cost of the former Mullumbimby Hospital remediation of \$0.942million compared to previous year. Other changes can be found at Note 5(c) to Attachment 1.
Depreciation	+\$673	Increase	Respective changes between asset classes are outlined at Note 5(d) to Attachment 1. Essentially small incremental increases in each asset class.
Other Expenses	-\$60	Decrease	Overall small but there were variations in line items as disclosed at Note 5(e) to Attachment 1.
Net Losses from Disposal of Assets	+\$71	Increase	Reflection of the written down value of assets disposed of at the end of financial year and is contingent upon the extent of assets disposed and their written down value at the time of disposal which can vary. For 2019/2020, Council has more disposals than gains, including the disposal of infrastructure \$2,516k, against plant and equipment \$127k gain. Further details can be found at Note 6 to Attachment 1
Net share of interests in associates	-\$4	Decrease	Recognition of Council's share of the operating result of Richmond Tweed Regional Library for 2019/2020 was a surplus, not a deficit as it was in the previous year.
Total Expenditure Change	+\$623	Increase	
Change in Result	+\$10,756	Increase	Increase in overall surplus between financial years.

Following from the operating results, are the performance ratios at Note 27(a) to the General Purpose Financial Statements. These have been derived following the financial assessments undertaken by NSW Treasury Corporation on all NSW Councils in 2012, and are now incorporated into the latest update to the Code of Accounting Practice and Financial Reporting that determines the content of Council's Financial Statements. These ratios present either a stable or improving result for Council except for the following:

1. Operating Performance Ratio is a reflection of Council's operating result. The benchmark is to be greater than 0% but in 2018/2019 Council's ratio was -7.11% and in 2019/2020 it was -7.09%, a very slight improvement. This ratio was impacted by some one-off items i.e. demolition costs of the former Mullumbimby Hospital and revenue losses due to COVID-19, however Council will look to improve this result back towards the benchmark.

2. Outstanding, Rates and Annual Charges – Whilst still within the industry benchmark, Council’s ratio has increased to 7.32% in 2019/2020 from 4.63% in 2018/2019. The increase can be attributable not only to the third year of the special rate variation increases to annual charges but also the impact of the COVID-19 Pandemic. Through its assistance program Council has offered ratepayers extended payment arrangements and suspended debt recovery.

- Asset Revaluations

During 2019/2020, a revaluation of assets relating to Roads, Bridges, Stormwater Drainage and Community Land was undertaken. These revaluations have increased Council’s asset values by the following amounts:

- Roads – \$6.148million
- Bridges – \$9.010million
- Bulk Earthworks - \$3.403million
- Footpaths - \$0.698million
- Stormwater Drainage - \$57.992million
- Community Land - \$25.594million
- Crown Land - \$10.693million

For the upcoming 2020/2021 financial year, Council will need to consider the revaluation of Operational Land and Building along with Open Space and Recreation assets given these assets have not been revalued since 2016.

- Prior Period Error Adjustment

The asset revaluation carried out during the 2019/2020 financial year also resulted in the recognition of prior period errors relating to roads, bridges, footpaths and stormwater drainage assets previously omitted being recognised, totalling \$36.130million. The revaluation of Community Land also revealed overstatement of operational land related to a parcel of land with a dual classification of operational and community land valued at \$9.143million. The net effect of this is recognition of a further \$26.987million in asset values not previously recognised. Details of the prior period error are contained at Note 16(b) to the Draft 2019/22020 Financial Statements.

This error has occurred due to the following reasons:

1. The last comprehensive revaluations were carried out in 2015 for transport and drainage assets along with 2016 for community land.
2. Over this four to five year period Council has undertaken extensive asset inspections and data review, condition assessment of the entire road network, improved segmentation of the road network and reassessed stormwater drainage data.
3. Implementation of new capital value register system, removing asset financial data from being retained in spreadsheets to be now identified by distinct asset records in the Authority financial systems linked to the Authority Asset Management module.
4. Greater componentisation of assets able to be undertaken due to improved data collection following on from audit outcomes.
5. The previous revaluation undertaken in 2015 appears to have listed a significant number of existing assets with no value but without adequate explanation.

The ongoing effort Council is putting into asset management has shown the gains made in terms of understanding the quantum of Council’s assets, massively improving the quality of the asset data. Whilst the prior period error has required restatement of Council’s financial position back to 1 July 2018, it should be seen as a result of ongoing improvement in Council’s asset information. It is acknowledged that although the revaluation and recognition of assets previously omitted has

increased the value of Council's asset by in excess of \$135million, which may seem difficult to grasp, substantial work has been undertaken to verify the asset data and to ensure assets are not duplicated.

5 • Asset Recognition

As indicated at Note 11 to Council's financial statements, Council recognised \$22.538million on asset renewals and \$22.955million on new assets aside from any asset revaluations. The extent of asset renewals is significant and demonstrates ongoing commitment in that area. The depreciation expense of Council's assets for 2019/2020 was \$15.685million so it is pleasing to see that asset renewal was significantly more than the financial depreciation of Council's assets. The draft 2019/2020 Financial Statements at Note 11(a) indicates \$8.4million in new assets for Operational Land. This represents the value of land associated with the former Byron Bay Hospital. No value related to the buildings for the former Byron Bay Hospital has been included, as these assets would automatically then need to be impaired, as they are not able to be used for their intended purpose without redevelopment.

• Cash and Investments

20 As at 30 June 2020 (detailed at Note 7 to the financial statements), Council has maintained \$0.724million in unrestricted cash and investments being a reduction of \$0.276million compared to 2018/2019. This is a satisfactory result given the impacts of COVID-19 and the assistance Council has endeavoured to provide the community during these uncertain times.

25 Whilst still dealing with COVID-19 Council aims to restore one of its short term financial goals of reaching an unrestricted cash balance of \$1million by the end of 2020/2021. All other cash and investments totalling \$75.838million at 30 June 2020 are restricted for specific purposes. Overall the cash and investment position of Council decreased by \$1.808million during the year.

30 • Receivables

As at 30 June 2020 (detailed at Note 8 to the financial statements), Council was due \$9.674million in receivables. Of this amount \$1.276million was due for Government Grants, \$0.963million from the Commonwealth Government for Goods and Services Tax. Overall receivables increased by \$1.287million compared to the 2018/2019 financial year if including Contract Assets disclosed at Note 12 of \$2.8million that would have been classified as a receivable in 2018/2019.

• Payables and Provisions

40 At 30 June 2020 (detailed at Note 14 for payables and Note 15 for provisions), total payables by Council were \$13.067million including \$4.130million held in security bonds, deposits and retentions, \$0.442million in accrued expenses and \$8.007million payable to suppliers. In addition at 30 June 2020, Council has accrued employee leave entitlements valued at \$6.776million. Specific employee leave entitlements include \$2.348million for annual leave, \$4.272million for long service leave and \$0.156million for gratuities. In comparison to 2018/2019, total payables have increased by \$1.149million whereas total provisions for employee leave entitlements increased by \$0.924million.

50 • Loan Borrowings

During 2019/2020 Council borrowed new loans of \$1.884million and continued to make normal loan repayments. Council has now borrowed the full \$6million in loan funds it committed to as part of the 2017/2018 Special Rate Variation application to provide additional funding to infrastructure renewal.

55

Council's outstanding loans as at 30 June 2020 are \$62.835million. Total loan expenditure for 2019/2020 included interest of \$3.305million and principal payments of \$2.372million. Total expenditure in 2019/2020 related to loan repayments was \$5.677million or 6.60% of Council's revenue, excluding all grants and contributions.

5

The outstanding loans by Fund totalling \$62.835million are as follows:

- General Fund \$22.263million
- Water Fund \$0 – Water Fund is debt free
- 10 • Sewerage Fund \$40.572million

- New Accounting Standards

15 The 2019-2020 financial year has required Council to implement the following new accounting standards:

- AASB 15/AASB 1058 – Revenue from Contracts with Customers and Income of Not for Profit Entities
- AASB 16 – Leases

20

AASB15 and AASB 1058 have had the most impact on Council's reported results. Council now has to disclose rates received in advance as a liability. Previously these were reported in receivables, effectively reducing receivables outstanding. At 30 June 2020 Council has \$488k in prepaid rates which are now shown as a liability.

25

Council now also has to show advance bookings for its holiday parks as a contract liability instead of a payment in advance. Whilst ultimately still a liability, the change reflects the requirements of AASB15. Council historically has recognised grant revenues as revenue when received. The implications of AASB 15/AASB1058 now require revenue recognition when the obligations of the grant have been performed. At 30 June 2020, Council has \$925k in unexpended capital grants now recognised as a contract liability. Previously this would have been recognised as revenue.

30

Council is also now identifying and disclosing contract assets at Note 12 of \$2.8million relating to recognition of grant revenues based off expenditure but not shown as a receivable at Note 8 as Council has not yet reached the relevant milestone in the grant agreement in terms of timing or performance that prevents these amounts being shown as receivable. Once the milestone is reached the contract asset becomes a receivable.

35

Council is of the view that the implications of AAASB 16 concerning leases have an immaterial impact and therefore Council does not have any disclosure requirements.

40

The implementation of these new accounting standards does not require restating the previous year comparative and therefore this is not provided.

45 **Liquidity**

Council's Statement of Financial Position (balance sheet) indicates net current assets of \$58.161million. It is on this basis, in the opinion of the Responsible Accounting Officer, that the short term financial position of Council remains in a satisfactory position and that Council can be confident it can meet its payment obligations as and when they fall due. That is, there is no uncertainty as to Council being considered a 'going concern'. In addition, Council's cash expense cover ratio is at 8.76 months whereas the minimum benchmark is 3 months. Council exceeds this benchmark by nearly three times.

50

Council's Unrestricted Current Ratio has declined from 3.65 to 3.08, demonstrating Council has \$3.08 in unrestricted current assets compared to every \$1.00 of unrestricted current liabilities. Whilst a slight decline on the previous year, Council is exceeding this benchmark by 2.05 times.

5 On a longer term basis Council will need to consider its financial position carefully. Nevertheless in isolation, the financial results for 2019/2020 continue to present a 'stable' financial position especially given the impacts of COVID-19. Every effort will be made to manage the trend towards operational deficits before capital grants and contributions. Furthermore, it will be a goal to endeavour to restore the unrestricted cash balance back to \$1million during the course of the
10 2020-2021 financial year.

STRATEGIC CONSIDERATIONS

Community Strategic Plan and Operational Plan

CSP Objective	L2	CSP Strategy	L3	DP Action	L4	OP Activity
Community Objective 5: We have community led decision making which is open and inclusive	5.5	Manage Council's finances sustainably	5.5.2	Ensure the financial integrity and sustainability of Council through effective planning and reporting systems (SP)	5.5.2.2	Complete annual statutory financial reports

15 ***Legal/Statutory/Policy Considerations***

Section 413(2)(c) of the Local Government Act 1993 and Regulation 215 of the Local Government (General) Regulation 2005 requires Council to specifically form an opinion on the financial statements. Specifically Council needs to sign off an opinion on the Financial Statements regarding their preparation and content as follows:
20

In this regard the Financial Statements have been prepared in accordance with:

- 25
- The Local Government Act 1993 (as amended) and the Regulations made thereunder.
 - The Australian Accounting Standards and professional pronouncements.
 - The Local Government Code of Accounting Practice and Financial Reporting.

30 And the content to the best of knowledge and belief:

- Presents fairly the Council's operating result and financial position for the year.
- Accords with Council's accounting and other records.
- Management is not aware of any matter that would render the Financial Statements false or misleading in any way.

35 Section 416(1) of the Local Government Act 1993, requires a Council's annual Financial Statements to be prepared and audited within four (4) months of the end of that financial year i.e. on or before 31 October 2020. Due to the COVID-19 Pandemic, all Councils in NSW have been granted an extra month ie on or before 30 November 2020 for the 2019/2020 financial year.

40 Section 417(4) of the Local Government Act 1993 requires, as soon as practicable after completing the audit, the Auditor must send a copy of the Auditor's Reports to the Departmental Chief Executive and to the Council.

5 Section 417(5) of the Local Government Act 1993 requires Council, as soon as practicable after receiving the Auditor's Reports, to send a copy of the Auditor's Reports on the Council's Financial Statements, together with a copy of the Council's audited Financial Statements, to the Departmental Chief Executive before 7 November 2020. Due to the COVID-19 Pandemic, all Councils in NSW have been granted an extra month ie on or before 7 December 2020 for the 2019/2020 financial year.

10 Section 418(1) of the Local Government Act 1993 requires Council to fix a date for the Meeting at which it proposes to present its audited Financial Statements, together with the Auditor's Reports, to the public, and must give public notice of the date so fixed. This requirement must be completed within five weeks after Council has received the Auditors Reports.

Financial Considerations

15 There are no direct financial implications associated with this report as the report does not involve any future expenditure of Council funds but is a report advising on Council's draft financial outcomes during the 2019/2020 financial year, which are identified in this report and attachments. It is expected the financial outcomes in this report will not change and the progress of the external audit that has been undertaken. Council is expecting the financial statements to be signed off by the NSW Audit Office on 27 November 2020.

20

Consultation and Engagement

25 Section 420 of the Local Government Act 1993 requires Council to provide the opportunity for the public to submit submissions on the Financial Statements. Submissions are to be submitted within seven days of the Financial Statements being presented to the public. In the case of the 2019/2020 Financial Statements, the closing date for submissions is expected to be 24 December 2020.

Byron Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

*Culturally rich and thriving communities living in harmony,
responding positively to the challenges of our world, and
leading by example.*



Byron Shire Council

Financial Statements 2020

General Purpose Financial Statements
for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. 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
4. Notes to the Financial Statements	10

Overview

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

70 Station Street
MULLUMBIMBY NSW 2482

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 2(b).

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: <https://www.byron.nsw.gov.au>

Byron Shire Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of 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 2020.

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.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the 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.

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 Auditor's Reports

Council's 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.

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.

Byron Shire Council

Financial Statements 2020

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 November 2020.

Simon Richardson
Mayor
26 November 2020

Michael Lyon
Deputy Mayor
26 November 2020

Mark Arnold
General Manager
26 November 2020

James Brickley
Responsible Accounting Officer
26 November 2020

Byron Shire Council

Financial Statements 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
43,557		3a	45,220	41,969
29,874		3b	27,597	30,570
1,583		3c	1,663	2,030
5,232		3d,3e	8,702	8,400
27,764		3d,3e	32,021	21,109
1,985		4	1,802	2,517
–		13	916	–
–		18	53	–
109,995			117,974	106,595
Expenses from continuing operations				
26,855		5a	28,143	25,235
4,417		5b	3,372	4,425
32,892		5c	38,242	40,154
14,657		5d	15,685	15,012
6,764		5e	6,365	6,425
–		6	2,389	2,318
–		18	–	4
85,585			94,196	93,573
24,410			23,778	13,022
24,410			23,778	13,022
22,292			23,778	13,022
(3,353)			(8,243)	(8,087)

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

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

Byron Shire Council

Financial Statements 2020

Statement of Comprehensive Income
for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		23,778	13,022
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11	115,711	8,726
Total items which will not be reclassified subsequently to the operating result		115,711	8,726
Total other comprehensive income for the year		115,711	8,726
Total comprehensive income for the year		139,489	21,748
Total comprehensive income attributable to Council		139,489	21,748

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

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

Byron Shire Council

Financial Statements 2020

Statement of Financial Position
as at 30 June 2020

\$ '000	Notes	2020	Restated 2019 ^{1,2}	Restated 1 July 2018 ^{1,2}
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	37,327	30,589	26,388
Investments	7(b)	31,000	40,570	47,590
Receivables	8	9,259	10,791	9,726
Inventories	9a	498	395	402
Contract assets	12a	2,800	-	-
Other	9b	17	29	16
Non-Current assets classified as 'held for sale'	10	-	-	992
Total current assets		80,901	82,374	85,114
Non-current assets				
Investments	7(b)	8,235	7,211	3,422
Receivables	8	415	396	378
Infrastructure, property, plant and equipment	11	992,431	849,466	822,245
Investments accounted for using the equity method	18	1,206	1,153	1,156
Total non-current assets		1,002,287	858,226	827,201
Total assets		1,083,188	940,600	912,315
LIABILITIES				
Current liabilities				
Payables	14	13,067	10,312	9,783
Income received in advance	14	-	291	227
Contract liabilities	12b	1,489	-	-
Borrowings	14	3,527	2,812	2,719
Provisions	15	6,086	5,422	5,402
Total current liabilities		24,169	18,837	18,131
Non-current liabilities				
Borrowings	14	59,308	61,338	56,520
Provisions	15	8,703	8,139	7,126
Total non-current liabilities		68,011	69,477	63,646
Total liabilities		92,180	88,314	81,777
Net assets		991,008	852,286	830,538
EQUITY				
Accumulated surplus	16	622,961	599,950	586,928
Revaluation reserves	16	368,047	252,336	243,610
Council equity interest		991,008	852,286	830,538
Total equity		991,008	852,286	830,538

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

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

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

Byron Shire Council

Financial Statements 2020

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

	Notes	as at 30/06/20 ^{1,2}			as at 30/06/19		
		Accumulated surplus ^{1,2}	IPP&E revaluation reserve ^{1,2}	Total equity ^{1,2}	Accumulated surplus ^{1,2}	IPP&E revaluation reserve ^{1,2}	Total equity
\$ '000					Restated	Restated	Restated
Opening balance		563,820	261,479	825,299	550,798	252,753	803,551
Correction of prior period errors	16b	36,130	(9,143)	26,987	36,130	(9,143)	26,987
Changes due to AASB 1058 and AASB 15 adoption	16	(767)	-	(767)	-	-	-
Restated opening balance		599,183	252,336	851,519	586,928	243,610	830,538
Net operating result for the year		23,778	-	23,778	13,022	-	13,022
Other comprehensive income							
- Gain (loss) on revaluation of IPP&E	11	-	115,711	115,711	-	8,726	8,726
Other comprehensive income		-	115,711	115,711	-	8,726	8,726
Total comprehensive income		23,778	115,711	139,489	13,022	8,726	21,748
Equity – balance at end of the reporting period		622,961	368,047	991,008	599,950	252,336	852,286

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

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

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

Byron Shire Council

Financial Statements 2020

Statement of Cash Flows
for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
43,557			44,282	41,407
29,874			28,834	30,141
1,985			1,779	2,173
32,996			27,710	24,432
-			138	14
1,583			5,416	1,083
<i>Payments:</i>				
(26,855)			(27,219)	(24,901)
(32,892)			(36,129)	(39,538)
(4,417)			(3,382)	(4,271)
(6,764)			(6,126)	(5,988)
39,067		17b	35,303	24,552
Cash flows from investing activities				
<i>Receipts:</i>				
-			135,000	85,000
-			401	1,651
-			10	10
<i>Payments:</i>				
-			(126,280)	(81,479)
(49,891)			(36,381)	(30,444)
(49,891)			(27,250)	(25,262)
Cash flows from financing activities				
<i>Receipts:</i>				
1,844			19,408	7,669
<i>Payments:</i>				
(2,907)			(20,723)	(2,758)
(1,063)			(1,315)	4,911
(11,887)			6,738	4,201
30,589		17a	30,589	26,388
18,702		17a	37,327	30,589
47,781		7(b)	39,235	47,781
66,483			76,562	78,370

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

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Revenue from continuing operations	17
4	Interest and investment income	25
5	Expenses from continuing operations	26
6	Gain or loss from disposal of assets	31
7(a)	Cash and cash equivalents	32
7(b)	Investments	33
7(c)	Restricted cash, cash equivalents and investments	35
8	Receivables	37
9	Inventories and other assets	39
10	Non-current assets classified as held for sale	40
11	Infrastructure, property, plant and equipment	41
12	Contract assets and liabilities	45
13	Leases	47
14	Payables and borrowings	49
15	Provisions	52
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	55
17	Statement of cash flow information	62
18	Interests in other entities	63
19	Commitments	63
20	Contingencies	64
21	Financial risk management	67
22	Material budget variations	71
23	Fair Value Measurement	73
24	Related party disclosures	81
25	Statement of developer contributions	83
26	Result by fund	88
27(a)	Statement of performance measures – consolidated results	90
27(b)	Statement of performance measures – by fund	91
Additional Council disclosures (unaudited)		
27(c)	Statement of performance measures – consolidated results (graphs)	92
28	Council information and contact details	94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 26 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council**(a) The Consolidated Fund**

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

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

- General purpose operations
- Water service
- Sewerage service

continued on next page ...

Page 11 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council currently utilises the services of volunteers to assist in the management/operation of eleven community facilities under Section 355 of the *Local Government Act 1993*. The financial operations of these facilities in the main are contained within the financial outcomes of Council. The financial consideration relevant though to specific volunteer services (labour) has not been recognised in the financial statements as it is considered not material overall nor can it be reliably measured. That aside, whilst the financial consideration cannot be reliably measured, Council acknowledges the importance and appreciation of the support it receives from volunteers.

New accounting standards and interpretations issued not yet effective

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

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059
- AASB 2019-2 Amendments to Australian Accounting Standards - Implementation of AASB 1059

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

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

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

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

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

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

continued on next page ...

Page 12 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosure can be found at Note 15.

COVID-19 Impact

COVID-19 virus was declared a world-wide pandemic by the World Health Organisation in March 2020.

COVID-19 and even more so the associated government and societal measures to slow the spread of the virus have had a significant impact on global and local economies across communities and individuals. Council has not been isolated from the direct and indirect effects of COVID-19 and therefore has had to react to impacts caused but was well positioned to rise to the challenge.

Due to excellent information technology systems Council already had in place, we were able to seamlessly move to remote working with little to no interruption to services. Council activated remote access for all end user computing services within one day for all staff. This was due to Council's advanced virtualised end user computing environment. Council meetings were able to quickly switch to digital platforms and live streaming.

Being a hotspot for international backpackers and visitors, Council worked closely with local Police and the North Coast Local Health Service, and supported Government messaging with the hugely #ByronStayHome campaign. Council resourced additional, unanticipated work such as closing beaches and public spaces, putting forward financial support procedures in place for ratepayers and businesses, but in addition to our existing Operational Plan activities, we were also able to bring forward infrastructure projects, like resealing beach-side carparks, while there was no one around. This allowed those projects to be done more quickly and efficiently and with less interruption and it also means improved infrastructure has been installed to support local businesses reopening.

The financial impacts of COVID-19 for the reporting period are disclosed in these financial statement but in respect of Council's financial performance for the 19/20 financial year the following specific information can be provided:

Additional revenue received to fund COVID-19 effects and initiatives were received from:

- Funding from the NSW Government for JobKeeper payments associated with Council's childcare facilities \$211k.

Reduced income attributable to COVID-19 included in the following revenue sources compared to the previous financial year:

- User charges and fees - Holiday Park revenues \$1.180million
- User charges and fees - Pay Parking fees \$667k
- Interest Revenues - Interest on Investments \$651k
- Other Revenues - Fine Income \$339K

Additional COVID-19 expenditure incurred by Council:

- Directly identifiable costs involved in implementing public health order requirements, COVID-19 prevention etc \$127k

COVID-19 effects on Council's financial position at 30 June 2020

continued on next page ...

Page 13 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Council is of the view that its financial position has not been materially impacted however it has not been able to maintain one of its fown internal financial benchmarks of \$1million in unrestricted cash. At 30 June 2020 Council's unrestricted cash balance has reduced to \$724k, a reduction of \$276k from the previous financial year. It is Council's position to recover the unrestricted cash balance as soon as practicable.

Due to Council extending assistance to ratepayers in the form of payment arrangements and suspension of debt recovery, Council's outstanding rates and annual charges percentage has increased from 4.63% in 2018-2019 to be 7.32% at 30 June 2020.

Going Concern

Despite both the impacts to date of COVID-19 and the future unknowns of COVID-19 in terms of its evolution, effects and duration, Council has determined that COVID-19 does not create any uncertainty as to Council continuing as a going concern.

Byron Shire Council

Financial Statements 2020

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

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019 ¹ Restated
\$ '000										
Functions or activities										
We have, infrastructure, transport and services which meet our expectations	69,025	56,299	64,511	50,012	4,514	6,287	21,028	10,791	691,925	586,029
We cultivate and celebrate our diverse cultures, lifestyle and sense of community	5,989	6,581	17,624	15,965	(11,635)	(9,384)	1,760	2,526	215,589	193,973
We protect and enhance our natural environment	2,187	2,486	2,878	5,100	(691)	(2,614)	1,807	787	20,661	19,429
We manage growth and change responsibly	12,791	13,279	8,177	9,667	4,614	3,612	32	155	39,164	38,336
We have community led decision making which is open and inclusive	27,982	27,950	1,006	12,829	26,976	15,121	2,092	2,036	115,849	102,833
Total functions and activities	117,974	106,595	94,196	93,573	23,778	13,022	26,719	16,295	1,083,188	940,600

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

We have infrastructure, transport and services which meet our expectations

Provide a road network which is safe, accessible and maintained to an acceptable level of service. Provide essential services and reliable infrastructure which meet an acceptable community standard. Support, through partnership, a network of integrated sustainable transport options. Provide a regular and acceptable waste and recycling service. Provide continuous urban water and sewerage service within the Shire. Manage traffic and parking in an efficient manner.

We cultivate and celebrate our diverse cultures, lifestyle and sense of community

Support and encourage our vibrant culture and creativity. Support access to a wide range of services and activities that contribute to the wellbeing of all members of the Byron Shire community. Provide accessible, local community spaces and facilities. Enhance community safety and amenity while respecting our shared values. Encourage appreciation of cultural vitality and diversity.

We protect and enhance our natural environment

Partner to protect and enhance our biodiversity, ecosystems and ecology. Strive to become a sustainable community. Partner to protect and enhance the health of the Shire's coastlines, estuaries, waterways and catchments. Support and secure our farming future.

We manage growth and change responsibly

Support the visions and aspirations of local communities through place-based planning and management. Support housing diversity in appropriate locations across the Shire. Promote and support local business development, education and employment opportunities. Support tourism and events that reflect our culture and lifestyle. Work to improve community resilience in our changing environment.

We have community led decision making which is open and inclusive

Engage and involve community in decision making. Create a culture of trust with the community by being open, genuine and transparent. Deliver a high level of customer service. Manage Council's assets and allocate resources in a fair and holistic manner. Manage Council's finances sustainably. Manage Council's resources sustainably.

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	18,026	16,621
Farmland	1058 (1)	1,228	1,147
Business	1058 (1)	4,838	4,469
Rates levied to ratepayers		24,092	22,237
Pensioner rate subsidies received	1058 (1)	218	227
Total ordinary rates		24,310	22,464
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	6,147	5,381
Stormwater management services	1058 (1)	297	293
Water supply services	1058 (1)	2,426	2,322
Sewerage services	1058 (1)	10,963	10,505
Waste management services (non-domestic)	1058 (1)	872	794
Annual charges levied		20,705	19,295
Pensioner subsidies received:			
– Water	1058 (1)	75	77
– Sewerage	1058 (1)	72	75
– Domestic waste management	1058 (1)	58	58
Total annual charges		20,910	19,505
TOTAL RATES AND ANNUAL CHARGES		45,220	41,969

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

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

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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.

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

continued on next page ...

Page 17 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	6,700	7,093
Sewerage services	15 (2)	4,731	5,306
Total specific user charges		11,431	12,399
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	231	80
Private works – section 67	15 (1)	251	203
Regulatory/ statutory fees	15 (1)	75	74
Section 10.7 certificates (EP&A Act)	15 (1)	104	98
Section 603 certificates	15 (1)	71	58
Building inspections	15 (1)	527	559
Building services	15 (1)	324	413
Developer fees	15 (1)	981	800
Dog registration / release	15 (1)	47	34
Engineering services	15 (1)	7	17
Freedom of information	15 (1)	26	26
Health inspection	15 (1)	531	631
Total fees and charges – statutory/regulatory		3,175	2,993
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	71	47
Caravan park	15 (1)	3,532	4,712
Cemeteries	15 (1)	234	181
Child care	15 (1)	973	714
Leaseback fees – Council vehicles	15 (1)	276	270
Parking fees	15 (1)	3,536	4,203
Tourism	15 (1)	(1)	(6)
Water connection fees	15 (1)	144	149
Administration and financial services	15 (1)	234	179
Property rentals and leases	15 (1)	–	1,142
Public halls	15 (1)	228	269
Sewerage charges	15 (1)	266	232
Swimming pools	15 (1)	299	252
Other	15 (1)	137	306
Waste	15 (1)	3,062	2,528
Total fees and charges – other		12,991	15,178
TOTAL USER CHARGES AND FEES		27,597	30,570

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

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

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

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

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

Accounting policy for user charges and fees

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

continued on next page ...

Page 18 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

2019 accounting policy

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

continued on next page ...

Page 19 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Fines	1058 (1)	1,304	1,643
Insurance claims recoveries	1058 (1)	16	114
Sales – general	15 (1)	159	151
Legal Fees Recovery - Other	1058 (1)	40	4
Workers Compensation	1058 (1)	144	118
<u>TOTAL OTHER REVENUE</u>		<u>1,663</u>	<u>2,030</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

continued on next page ...

Page 20 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,077	2,036	–	–
Financial assistance – local roads component	1058 (1)	1,235	1,190	–	–
Total general purpose		3,312	3,226	–	–
Specific purpose					
Animal Enforcement	1058 (1)	4	–	–	–
Bushfire and emergency services	1058 (1)	1,444	144	–	–
Child care	1058 (1)	1,054	1,079	–	171
Community centres	1058 (1)	–	325	316	600
Economic development	1058 (1)	–	50	–	–
Library	1058 (1)	142	26	–	–
Library – per capita	1058 (1)	–	62	–	–
Street lighting	1058 (1)	55	54	–	75
transport (Roads to Recovery)	1058 (2)	–	–	784	–
Transport (other roads and bridges funding)	1058 (2)	7	77	18,241	9,117
Waste management	1058 (1)	79	162	28	15
Emergency Services	1058 (1)	46	–	88	83
Parks & Gardens	1058 (1)	–	–	248	263
Other sport and recreation	1058 (1)	–	–	–	76
Planning	1058 (1)	32	105	–	–
Crown lands maintenance	1058 (1)	204	201	–	–
Environmental management	1058 (1)	201	179	–	13
Employment & Training	1058 (1)	15	–	–	–
Foreshore maintenance	1058 (1)	28	27	–	–
Flood Restoration	1058 (1)	56	–	–	–
Footpaths	1058 (1)	–	–	335	165
Total specific purpose		3,367	2,491	20,040	10,578
Total grants		6,679	5,717	20,040	10,578
Grant revenue is attributable to:					
– Commonwealth funding		5,256	4,424	1,966	4,316
– State funding		1,423	1,293	18,074	6,262
		6,679	5,717	20,040	10,578

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

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

continued on next page ...

Page 21 of 94

Byron Shire Council

Financial Statements 2020

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

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	1,069	2,010
S 7.12 – fixed development consent levies		1058 (1)	–	–	–	345
S 64 – water supply contributions		1058 (1)	–	–	366	251
S 64 – sewerage service contributions		1058 (1)	–	–	1,161	1,800
Total developer contributions – cash			–	–	2,596	4,406
Total developer contributions	25		–	–	2,596	4,406
Other contributions:						
Cash contributions						
Roads and bridges		1058 (2)	962	1,834	37	79
RMS contributions (regional roads, block grant)		1058 (1)	861	700	–	–
Surf lifesaving		1058 (1)	122	119	–	–
Other economic development		1058 (1)	78	–	–	6
OLG - Crown Lands Contribution		1058 (1)	–	30	–	–
Total other contributions – cash			2,023	2,683	37	85
Non-cash contributions						
Crown land devolved		1058 (1)	–	–	–	1,217
Dedications – Assets		1058 (1)	–	–	948	4,823
Purchase of Former Byron Bay Hospital		1058 (1)	–	–	8,400	–
Total other contributions – non-cash			–	–	9,348	6,040
Total other contributions			2,023	2,683	9,385	6,125
Total contributions			2,023	2,683	11,981	10,531
TOTAL GRANTS AND CONTRIBUTIONS			8,702	8,400	32,021	21,109

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

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

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

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

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

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

continued on next page ...

Page 22 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets 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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

continued on next page ...

Page 23 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	225	289
Add: operating grants recognised in the current period but not yet spent	1,486	325
Less: operating grants recognised in a previous reporting period now spent	(126)	(326)
Less: operating grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (operating grants)	1,585	288
Capital grants		
Unexpended at the close of the previous reporting period	767	573
Add: capital grants recognised in the current period but not yet spent	733	623
Less: capital grants recognised in a previous reporting period now spent	(575)	(492)
Less: capital grants received in a previous reporting period now spent and recognised as income	–	–
Unexpended and held as externally restricted assets (capital grants)	925	704
Contributions		
Unexpended at the close of the previous reporting period	28,701	32,416
Add: contributions recognised in the current period but not yet spent	–	17
Add: contributions received for the provision of goods and services in a future period	3,064	5,159
Less: contributions recognised in a previous reporting period now spent	(6,758)	(8,891)
Unexpended and held as externally restricted assets (contributions)	25,007	28,701

Byron Shire Council

Financial Statements 2020

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

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	211	159
– Cash and investments	1,417	2,068
Fair value adjustments		
– Movements in investments at fair value through profit and loss	174	290
Finance income on the net investment in the lease	–	–
Total Interest and investment income	<u>1,802</u>	<u>2,517</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	121	235
General Council cash and investments	1,122	1,403
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	291	445
– Section 64	178	311
Water fund operations	30	–
Sewerage fund operations	60	123
Total interest and investment revenue	<u>1,802</u>	<u>2,517</u>

Accounting policy for interest and investment revenue

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	20,949	18,065
Employee termination costs	67	382
Employee leave entitlements (ELE)	4,940	4,797
Superannuation	2,438	2,369
Workers' compensation insurance	501	446
Fringe benefit tax (FBT)	48	17
Payroll tax	123	131
Training costs (other than salaries and wages)	269	308
Total employee costs	29,335	26,515
Less: capitalised costs	(1,192)	(1,280)
TOTAL EMPLOYEE COSTS EXPENSED	28,143	25,235
Number of 'full-time equivalents' employees (FTE) at year end	325	304

Accounting policy for employee benefits and on-costs

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

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.

Defined benefit superannuation contribution plans

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 20 for more information.

continued on next page ...

Page 26 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,305	4,252
Total interest bearing liability costs		3,305	4,252
Total interest bearing liability costs expensed		3,305	4,252
(ii) Other borrowing costs			
– Remediation liabilities	15	67	173
Total other borrowing costs		67	173
TOTAL BORROWING COSTS EXPENSED		3,372	4,425

Accounting policy for borrowing costs

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

continued on next page ...

Page 27 of 94

Byron Shire Council

Financial Statements 2020

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

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	24,987	28,739
– Caravan parks	1,088	1,406
– Cleaning	238	255
– Security	46	45
– Surf lifesaving	584	596
– Swimming pools	451	370
– Temporary employment	2,611	2,197
– Waste	6,323	4,555
Auditors remuneration ²	175	164
Infringement notice contract costs (SEINS)	173	198
Expenses from leases of low value assets (2020 only)	981	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	1,229
Legal expenses:		
– Legal expenses: planning and development	440	239
– Legal expenses: other	145	161
TOTAL MATERIALS AND CONTRACTS	38,242	40,154

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Information Technology Hardware	–	586
Parking Meters	–	643
	<u>–</u>	<u>1,229</u>

2. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit of financial statements	86	80
Remuneration for audit and other assurance services	86	80
Total Auditor-General remuneration	86	80

Non NSW Auditor-General audit firms

(ii) Non-assurance services

Internal audit services	89	84
Remuneration for non-assurance services	89	84
Total remuneration of non NSW Auditor-General audit firms	89	84
Total Auditor remuneration	175	164

continued on next page ...

Page 28 of 94

Byron Shire Council

Financial Statements 2020

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

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,085	1,120
Office equipment		34	140
Furniture and fittings		15	19
Land improvements (depreciable)		182	159
Infrastructure:	11		
– Buildings		1,271	1,028
– Other structures		38	36
– Roads		5,366	5,166
– Bridges		678	553
– Footpaths		169	150
– Stormwater drainage		730	720
– Water supply network		1,495	1,402
– Sewerage network		3,113	3,048
– Swimming pools		56	56
– Other open space/recreational assets		528	452
Right of use assets	13	–	–
Other assets:			
– Other		127	221
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,11	513	485
– Quarry assets	15,11	285	257
Total gross depreciation and amortisation costs		<u>15,685</u>	<u>15,012</u>
Total depreciation and amortisation costs		<u>15,685</u>	<u>15,012</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		<u>15,685</u>	<u>15,012</u>

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 Infrastructure, Property, Plant and Equipment.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

continued on next page ...

Page 29 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	82	77
Bad and doubtful debts	11	8
Bank charges	116	88
Computer software charges	773	804
Contributions/levies to other levels of government		
– Bushfire fighting fund	228	182
– Emergency services levy (includes FRNSW, SES, and RFS levies)	53	44
– NSW fire brigade levy	93	85
– Far North Coast Weeds	113	110
– Other contributions/levies	191	184
Councillor expenses – mayoral fee	52	51
Councillor expenses – councillors' fees	183	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	53	56
Donations, contributions and assistance to other organisations (Section 356)	60	40
Richmond Tweed Regional Library	1,371	1,310
Electricity and heating	1,156	1,290
Insurance	863	942
Postage	102	119
Printing and stationery	78	68
Street lighting	330	402
Telephone and communications	368	294
Valuation fees	89	93
Total other expenses	6,365	6,425
TOTAL OTHER EXPENSES	6,365	6,425

Accounting policy for other expenses

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	11		
Proceeds from disposal – plant and equipment		401	351
Less: carrying amount of plant and equipment assets sold/written off		(274)	(309)
Net gain/(loss) on disposal		<u>127</u>	<u>42</u>
Infrastructure	11		
Less: carrying amount of infrastructure assets sold/written off		(2,516)	(2,668)
Net gain/(loss) on disposal		<u>(2,516)</u>	<u>(2,668)</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		135,000	85,000
Less: carrying amount of investments sold/redeemed/matured		(135,000)	(85,000)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
Non-current assets classified as ‘held for sale’	10		
Proceeds from disposal – non-current assets ‘held for sale’		–	1,300
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(992)
Net gain/(loss) on disposal		<u>–</u>	<u>308</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(2,389)</u>	<u>(2,318)</u>

Accounting policy for disposal of assets

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

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

Byron Shire Council

Financial Statements 2020

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	704	538
Cash-equivalent assets		
– Deposits at call	26,623	5,051
– Short-term deposits	10,000	25,000
Total cash and cash equivalents	37,327	30,589

Accounting policy for cash and cash equivalents

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	31,000	8,235	40,570	7,211
Total Investments	31,000	8,235	40,570	7,211
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	68,327	8,235	71,159	7,211
Financial assets at amortised cost				
Long term deposits	31,000	-	40,570	-
NCD's, FRN's (with maturities > 3 months)	-	2,267	-	2,917
Other long term financial assets	-	5,968	-	4,294
Total	31,000	8,235	40,570	7,211

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables 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 nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

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

continued on next page ...

Page 33 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

Financial assets through profit or loss

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

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

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	68,327	8,235	71,159	7,211
attributable to:				
External restrictions	40,959	8,235	43,112	7,211
Internal restrictions	26,644	-	27,047	-
Unrestricted	724	-	1,000	-
	68,327	8,235	71,159	7,211

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

Details of restrictions

External restrictions – included in liabilities

Bonds and deposits	3,830	2,983
Specific purpose unexpended grants – general fund (2020 only)	925	-
Specific purpose unexpended grants – water fund (2020 only)	-	-
Specific purpose unexpended grants – sewer fund (2020 only)	-	-
External restrictions – included in liabilities	4,755	2,983

External restrictions – other

Developer contributions – general	15,139	16,398
Developer contributions – water fund	1,484	3,117
Developer contributions – sewer fund	8,117	8,685
RMS contributions	247	481
Specific purpose unexpended grants (recognised as revenue) – general fund	1,585	992
Water supplies	9,260	8,325
Sewerage services	7,781	7,166
Domestic waste management	15	1,202
Crown paid parking reserve	747	694
Crown reserve	44	260
Other	20	20
External restrictions – other	44,439	47,340

Total external restrictions

49,194	50,323
---------------	---------------

Internal restrictions

Plant and vehicle replacement	1,966	1,982
Infrastructure renewal - Byron Bay	306	532
Infrastructure renewal reserve – non Byron Bay	630	330
Employees leave entitlement	633	971
Asset revaluation reserve	11	11
Bridge replacement fund	152	202
Brunswick Heads Memorial Hall	33	87
Byron Bay Library Exhibition Space	28	34
Byron Bay Library	306	312
Byron Senior Citizens Hall	52	41
Children's services	192	43
Community development	427	272
Council caravan parks	3,089	3,811
Economic development	152	88
Environmental levy	78	93

continued on next page ...

Page 35 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Financial assistance grant (in advance)	1,704	1,643
Footpath dining	327	239
General managers office	61	44
Human resources	352	178
Information technology	194	158
Information & technology service fee	99	15
Infrastructure services carryover	405	744
Land and natural environment	309	190
Land remediation	10	10
Legal services	500	500
Mullumbimby Pioneer Centre	-	6
On-site sewerage management reserve	358	290
Property	246	684
Quarry	617	640
Revolving energy fund	38	38
Risk management	156	89
Special events response and mitigation	164	164
South Golden Beach Hall	34	24
2017/2018 Special Rate Carryover Reserve	114	34
Stormwater	146	36
Suffolk Park Community Hall	9	8
Suffolk park open space	50	50
Unexpended loans	4,134	5,665
Waste management	5,713	4,316
Ocean Shores Community Centre	27	28
Council election	157	127
Grant management	29	45
Community Building Maintenance	372	602
WHS Incentive	40	69
Public Toilets	180	218
Volunteer Visitor Fund	17	8
Byron Bay Town Centre Masterplan	859	455
Mullumbimby Civic Hall	-	15
Property development	777	906
Environmental Enforcement Levy	91	-
Brunswick Valley Community Centre	-	-
Byron Bay Construction Contingency	300	-
Total internal restrictions	26,644	27,047
TOTAL RESTRICTIONS	75,838	77,370

Byron Shire Council

Financial Statements 2020

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

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,025	217	1,624	192
Interest and extra charges	204	28	175	24
User charges and fees	3,463	-	4,425	-
Accrued revenues				
– Interest on investments	238	-	422	-
– Other income accruals	70	-	120	-
Net investment in finance lease	-	-	-	-
Deferred debtors	10	170	10	180
Government grants and subsidies	740	-	1,518	-
Net GST receivable	963	-	866	-
Pensioner subsidy	10	-	15	-
Roads and Maritime Services	536	-	1,535	-
Miscellaneous water and sewer	30	-	109	-
Total	9,289	415	10,819	396
Less: provision of impairment				
User charges and fees	(30)	-	(28)	-
Total provision for impairment – receivables	(30)	-	(28)	-
TOTAL NET RECEIVABLES	9,259	415	10,791	396
Externally restricted receivables				
Water supply				
– Specific purpose grants	2	-	3	-
– Rates and availability charges	2	-	116	-
– Other	1,996	-	2,089	-
Sewerage services				
– Specific purpose grants	2	-	3	-
– Rates and availability charges	737	-	532	-
– Other	1,268	-	1,806	-
Total external restrictions	4,007	-	4,549	-
Unrestricted receivables	5,252	415	6,242	396
TOTAL NET RECEIVABLES	9,259	415	10,791	396

continued on next page ...

Page 37 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	28	43
+ new provisions recognised during the year	2	6
Balance at the end of the year	30	49

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	498	-	395	-
Total inventories at cost	498	-	395	-
TOTAL INVENTORIES	498	-	395	-
(b) Other assets				
Prepayments	-	-	12	-
Other	17	-	17	-
TOTAL OTHER ASSETS	17	-	29	-

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.

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Details of assets and disposal groups

During the 2018/2019 financial year, Council completed the sale of one lot of operational land that it had resolved to sell.

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

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	–	992
Less: carrying value of assets/operations sold	–	(992)
Balance still unsold after 12 months:	–	–
Closing balance of 'held for sale' non-current assets and operations	–	–

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

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

BYRON SHIRE COUNCIL

Byron Shire Council

Financial Statements 2020

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

Note 11. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Restated Gross carrying amount	Restated Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Restated Gross carrying amount	Restated Accumulated depreciation	Net carrying amount
Capital work in progress	12,852	–	12,852	9,594	11,714	–	–	(3,419)	–	–	30,741	–	30,741
Plant and equipment	12,983	(9,076)	3,907	–	1,564	(274)	(1,085)	–	–	–	12,846	(8,734)	4,112
Office equipment	3,035	(2,930)	105	–	–	–	(34)	–	–	–	2,664	(2,593)	71
Furniture and fittings	296	(235)	61	–	–	–	(15)	–	–	–	276	(230)	46
Land:													
– Operational land ²	77,658	–	77,658	–	8,400	–	–	–	1,440	–	87,498	–	87,498
– Community land	78,760	–	78,760	–	364	–	–	–	–	25,954	105,078	–	105,078
– Crown land	45,544	–	45,544	–	–	–	–	–	–	10,693	56,237	–	56,237
– Land under roads (post 30/6/08)	260	–	260	–	7	–	–	–	–	96	363	–	363
Land improvements – depreciable	6,215	(2,811)	3,404	–	–	–	(182)	–	–	–	6,215	(2,993)	3,222
Infrastructure:													
– Buildings	85,673	(14,466)	71,207	339	–	(14)	(1,271)	122	–	–	86,116	(15,733)	70,383
– Other structures	2,311	(434)	1,877	152	–	–	(38)	17	–	–	2,481	(473)	2,008
– Roads ²	346,941	(153,739)	193,202	6,232	–	(93)	(5,366)	616	(434)	6,148	321,811	(121,505)	200,306
– Bridges ²	43,412	(10,371)	33,041	841	860	–	(678)	793	–	9,010	49,590	(5,722)	43,868
– Footpaths ²	10,050	(3,363)	6,687	372	–	(26)	(169)	57	568	698	12,198	(4,011)	8,187
– Bulk earthworks (non-depreciable)	32,415	–	32,415	224	–	(272)	–	21	–	3,403	35,790	–	35,790
– Stormwater drainage ²	99,870	(23,904)	75,966	814	–	(110)	(730)	73	20	57,992	181,921	(47,896)	134,025
– Water supply network	112,178	(42,927)	69,251	1,536	–	(998)	(1,495)	–	–	641	113,124	(44,189)	68,935
– Sewerage network	187,417	(72,128)	115,289	1,447	–	(192)	(3,113)	205	–	1,076	190,580	(75,868)	114,712
– Swimming pools	2,800	(721)	2,079	–	–	–	(56)	–	–	–	2,800	(777)	2,023
– Other open space/recreational assets	15,411	(5,212)	10,199	987	–	(287)	(528)	1,374	(154)	–	17,098	(5,507)	11,591
Other assets:													
– Other	3,766	(2,121)	1,645	–	–	(525)	(127)	–	–	–	2,238	(1,245)	993
Reinstatement, rehabilitation and restoration assets (refer Note 17):													
– Tip assets	14,072	(1,970)	12,102	–	46	–	(513)	140	(1,570)	–	12,685	(2,480)	10,205
– Quarry assets	2,739	(784)	1,955	–	–	–	(285)	–	367	–	3,106	(1,069)	2,037
Total Infrastructure, property, plant and equipment	1,196,658	(347,192)	849,466	22,538	22,955	(2,791)	(15,685)	(1)	237	115,711	1,333,456	(341,025)	992,431

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

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

continued on next page ...

Page 41 of 94

BYRON SHIRE COUNCIL

LATE REPORTS

17.1 - ATTACHMENT 1

Byron Shire Council

Financial Statements 2020

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

Note 11. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19			
	Restated Gross carrying amount	Restated Accumulated depreciation	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)	Restated Gross carrying amount	Restated Accumulated depreciation	Net carrying amount
Capital work in progress	18,766	-	18,766	5,589	1,790	-	-	(12,448)	(845)	-	-	12,852	-	12,852
Plant and equipment	13,003	(8,938)	4,065	-	1,271	(309)	(1,120)	-	-	-	-	12,983	(9,076)	3,907
Office equipment	3,035	(2,790)	245	-	-	-	(140)	-	-	-	-	3,035	(2,930)	105
Furniture and fittings	296	(216)	80	-	-	-	(19)	-	-	-	-	296	(235)	61
Land:														
- Operational land ²	75,189	-	75,189	-	2,450	-	-	-	19	-	-	77,658	-	77,658
- Community land	122,645	-	122,645	-	1,946	-	-	-	(45,563)	(268)	-	78,760	-	78,760
- Crown land	-	-	-	-	-	-	-	-	45,544	-	-	45,544	-	45,544
- Land under roads (post 30/6/08) ²	231	-	231	-	29	-	-	-	-	-	-	260	-	260
Land improvements - non-depreciable	80	-	80	-	-	(80)	-	-	-	-	-	-	-	-
Land improvements - depreciable	6,215	(2,652)	3,563	-	-	-	(159)	-	-	-	-	6,215	(2,811)	3,404
Infrastructure:														
- Buildings	74,317	(11,857)	62,460	966	271	(30)	(1,028)	769	-	-	7,798	85,673	(14,466)	71,207
- Other structures	2,526	(387)	2,139	-	-	-	(36)	-	1,474	(1,814)	114	2,311	(434)	1,877
- Roads ²	341,035	(149,084)	191,951	4,016	-	(391)	(5,166)	2,755	34	-	-	346,941	(153,739)	193,202
- Bridges ²	37,792	(10,628)	27,164	4,834	-	(321)	(553)	1,922	-	-	-	43,412	(10,371)	33,041
- Footpaths ²	8,878	(3,220)	5,658	1,138	-	(6)	(150)	47	-	-	-	10,050	(3,363)	6,687
- Bulk earthworks (non-depreciable) ²	31,679	-	31,679	698	-	-	-	37	-	-	-	32,415	-	32,415
- Stormwater drainage ²	94,619	(23,266)	71,353	5,165	-	(43)	(720)	243	(34)	-	-	99,870	(23,904)	75,966
- Water supply network	105,668	(41,081)	64,587	236	2,035	(70)	(1,402)	2,773	-	-	1,091	112,178	(42,927)	69,251
- Sewerage network	179,976	(68,510)	111,466	3,006	-	(1,471)	(3,048)	3,531	-	-	1,805	187,417	(72,128)	115,289
- Swimming pools	2,800	(665)	2,135	-	-	-	(56)	-	-	-	-	2,800	(721)	2,079
- Other open space/recreational assets	15,727	(5,078)	10,649	1,359	-	(255)	(452)	371	(1,474)	-	-	15,411	(5,212)	10,199
Other assets:														
- Other	3,766	(1,900)	1,866	-	-	-	(221)	-	-	-	-	3,766	(2,121)	1,645
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
- Tip assets	13,547	(1,485)	12,062	-	-	-	(485)	-	524	-	-	14,072	(1,970)	12,102
- Quarry assets	2,739	(527)	2,212	-	-	-	(257)	-	-	-	-	2,739	(784)	1,955
Total Infrastructure, property, plant and equipment	1,154,529	(332,284)	822,245	27,007	9,792	(2,976)	(15,012)	-	(321)	(2,082)	10,808	1,196,658	(347,192)	849,466

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

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

continued on next page ...

Page 42 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment (DoPIE) - Best Practice Management Water Supply and Sewerage Guidelines.

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 30
Computer equipment	4		
Vehicles	7 to 10		
Heavy plant/road making equipment	7 to 10		
Other plant and equipment	5 to 10		
Buildings		Buildings	
Envelope	32 to 160	Mechanical Services	13 to 53
Floors	90 to 140	Fire Services	22 to 25
Floor Coverings	17 to 34	Electrical Services	65 to 95
Internal Screens	38 to 75	Hydraulic Services	73 to 103
Roof	14 to 105		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	40 to 100	Drains	100 to 200
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	70 to 80	Flood control structures	100
Reticulation pipes: other	40 to 80		
Pumps and telemetry	10 to 60		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	8 to 25	Bulk earthworks	Infinite
Sealed roads: structure	45 to 225	Swimming pools	25 to 50
Unsealed roads	12 to 36	Other open space / recreational assets	5 to 50
Bridge: concrete	60 to 100		
Bridge: other	60 to 100		
Road pavements	50		
Kerb, gutter and footpaths	80		

continued on next page ...

Page 43 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

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

Land under roads

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

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

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer Note 13.

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

Rural Fire Service assets

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

Byron Shire Council

Financial Statements 2020

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

Note 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
(a) Contract assets		
Government Grants and Subsidies - Roads and Cycleways	2,141	-
Government Grants and Subsidies - Bridges	659	-
Total Contract assets	2,800	-

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	925	-
Unexpended operating grants (received prior to performance obligation being satisfied)		-	-
Unexpended capital contributions (to construct Council controlled assets)		-	-
Unexpended operating contributions (received prior to performance obligation being satisfied)		-	-
Total grants received in advance		925	-
User fees and charges received in advance:			
Advance bookings - holiday parks	(ii)	564	-
Total user fees and charges received in advance		564	-
Total contract liabilities		1,489	-

Notes

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

(ii) Advance booking fees for Council's holiday parks do meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when the customer has completed their booking by virtue of their stay at the holiday park.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	575
Operating grants (received prior to performance obligation being satisfied)	-
Capital contributions (to construct Council controlled assets)	-
Operating contributions (received prior to performance obligation being satisfied)	-
User Fees and Charges received in advance:	
Advance bookings - holiday parks	32
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	607

continued on next page ...

Page 45 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council has a number of 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.

Land and Buildings

Council has fourteen leases and licences for a variety of land and buildings as a lessee. These leases/licences are with the NSW Government and are often for minimal rentals, some of the agreements have no end dates and rentals generally increase in line with the Consumer Price Index on anniversary. Council has not outlined any right of use assets or lease liabilities for these leases/licences as it is of the view they are not material to the financial statements of Council.

Vehicles

Council does not lease any vehicles.

Office and IT equipment

Council leases all of its Information Technology equipment including servers, printers, WYSE terminals, laptops, and audio visual equipment. Council also leases all of the parking meters associated with the Byron Bay pay parking scheme.

The vast majority of these assets individually are below the low value threshold individually and therefore Council has taken the view that disclosure requirements of AASB 16 do not apply to this equipment. Council will continue to recognise the operating lease payments as an operating expense.

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

continued on next page ...

Page 47 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(ii) Council as a lessor

Operating leases

Council leases out a number of properties to community groups and businesses. These leases have been classified as operating leases for financial reporting purposes.

\$ '000	2020
(i) Operating lease income	
Other lease income	
Room/Facility Hire	33
Property Agreements	658
Cavanbah Centre	225
Total income relating to operating leases	916
(ii) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	316
1–2 years	269
2–3 years	246
3–4 years	143
4–5 years	105
> 5 years	373
Total undiscounted contractual lease income receivable	1,452

Byron Shire Council

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

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	488	-	-	-
Goods and services – operating expenditure	8,007	-	5,791	-
Accrued expenses:				
– Borrowings	148	-	225	-
– Other expenditure accruals	294	-	304	-
Security bonds, deposits and retentions	4,130	-	3,992	-
Total payables	13,067	-	10,312	-
Income received in advance (2019 only)				
Payments received in advance	-	-	291	-
Total income received in advance	-	-	291	-
Borrowings				
Loans – secured ¹	3,527	59,308	2,812	61,338
Total borrowings	3,527	59,308	2,812	61,338
TOTAL PAYABLES AND BORROWINGS	16,594	59,308	13,415	61,338

(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 18.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Sewer	3,779	38,200	1,962	40,897
Bonds and deposits	4,131	-	3,992	-
Payables and borrowings relating to externally restricted assets	7,910	38,200	5,954	40,897
Total payables and borrowings relating to restricted assets	7,910	38,200	5,954	40,897
Total payables and borrowings relating to unrestricted assets	8,684	21,108	7,461	20,441
TOTAL PAYABLES AND BORROWINGS	16,594	59,308	13,415	61,338

continued on next page ...

Page 49 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	64,150	(1,315)	–	–	–	–	62,835
TOTAL	64,150	(1,315)	–	–	–	–	62,835

	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
\$ '000						
Loans – secured	59,239	4,911	–	–	–	64,150
TOTAL	59,239	4,911	–	–	–	64,150

\$ '000	2020	2019

(c) Financing arrangements

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

Bank overdraft facilities ¹	1,000	–
Credit cards/purchase cards	185	185
Total financing arrangements	1,185	185

Drawn facilities as at balance date:

– Credit cards/purchase cards	2	1
Total drawn financing arrangements	2	1

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	–
– Credit cards/purchase cards	183	184
Total undrawn financing arrangements	1,183	184

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.

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Byron Shire Council

Financial Statements 2020

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

Note 15. Provisions

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	2,348	–	2,044	–
Long service leave	3,582	690	3,224	430
Gratuities	156	–	154	–
Sub-total – aggregate employee benefits	6,086	690	5,422	430
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	8,013	–	7,709
Sub-total – asset remediation/restoration	–	8,013	–	7,709
TOTAL PROVISIONS	6,086	8,703	5,422	8,139

(a) Provisions relating to restricted assets

There are no restrictions (internal or external) relating to any of these provisions.

\$ '000	2020	2019
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,667	3,384
	<u>3,667</u>	<u>3,384</u>

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	2,044	3,654	154	5,852
Additional provisions	1,970	1,059	2	3,031
Amounts used (payments)	(1,666)	(441)	–	(2,107)
Total ELE provisions at end of year	2,348	4,272	156	6,776
2019				
At beginning of year	1,958	3,410	150	5,518
Additional provisions	1,815	990	24	2,829
Amounts used (payments)	(1,729)	(746)	(20)	(2,495)
Total ELE provisions at end of year	2,044	3,654	154	5,852

continued on next page ...

Page 52 of 94

Byron Shire Council

Financial Statements 2020

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

Note 15. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	7,709	7,709
Unwinding of discount	67	67
Other	237	237
Total other provisions at end of year	8,013	8,013
2019		
At beginning of year	7,011	7,011
Additional provisions	525	525
Unwinding of discount	173	173
Total other provisions at end of year	7,709	7,709

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

continued on next page ...

Page 53 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

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

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

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

Rehabilitation

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

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

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

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

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

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors**(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

(b) Correction of errors relating to a previous reporting period**Nature of prior-period error****Transport/Stormwater Drainage Asset Revaluations 2019-2020**

Council revalued Roads, Bridges, Footpaths and Stormwater Drainage assets for the year ended 30 June 2020. The revaluation has discovered previously omitted assets which have now been recognised and have an impact of increasing the value of Infrastructure, Property, Plant and Equipment with the following values:

- Roads \$13.383million.
- Bridges, Footpaths and Earthworks \$2.403million
- Stormwater Drainage \$20.344million

The prior period error identified above has been corrected by restating the balances at the beginning of the earliest reporting period presented (1 July 2018) and taking the adjustment through to Accumulated Surplus at that date.

Community/Operational Land 2019-2020

Council revalued Community Land for the year ended 30 June 2020. As part of this revaluation, Council has identified that the value of the operational land component of a dual purpose land parcel was overstated as it incorrectly included the area of the Community land component. This has resulted in a decrease in the carrying value of operational land of \$9.143million and a corresponding decrease in Revaluation reserves. The prior period error identified above have been corrected by restating balances at the beginning of the earliest reporting period presented (1 July 2018) and taking the adjustment through to Revaluation Reserve at that date.

In summary adjustments overall need to be realised as follows back to 1 July 2018:

Infrastructure, Property, Plant and Equipment - increase of \$26.987million

- Roads, Bridges, Footpaths, Earthworks and Stormwater Drainage 2019/2020 - increase \$36.130million
- Operational Land 2019/2020 - reduce by \$9.143million

Asset Revaluation Reserve - reduction of \$9.143million

- Operational Land 2019/2020 - reduce by \$9.143million

Accumulated Surplus - increase of \$36.130million

- Roads, Bridges, Footpaths, Earthworks and Stormwater Drainage 2019/2020 - increase \$36.130million

The impacts on each line item are shown in the table below:

continued on next page ...

Page 55 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, Property, Plant and Equipment	795,258	26,987	822,245
Total assets	885,329	26,987	912,316
Accumulated Surplus	550,798	36,130	586,928
Asset Revaluation Reserve	252,753	(9,143)	243,610
Total equity	803,552	26,987	830,539

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, Property, Plant and Equipment	822,479	26,987	849,466
Total assets	913,613	26,987	940,600
Accumulated Surplus	563,820	36,130	599,950
Asset Revaluation Reserve	261,479	(9,143)	252,336
Total equity	825,299	26,987	852,286

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

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

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

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

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses

continued on next page ...

Page 56 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Advance Bookings - holiday parks

Prior to adopting AASB 15, the Council recognised holiday park advance bookings as a payment in advance. Under AASB 15, since the advance bookings do relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e. the duration of their stay at the holiday park).

Revenue recognition from contract modifications

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

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Council has recognised pre-paid rates amounting to \$488,394 as a liability. Previously pre-paid rates were netted off against receivables for rates and annual charges outstanding.
- Council at the end of the financial year had at 1 July 2019 had \$767,613 in unexpended capital grants that it had not met its obligations under the various grant agreements. Of this amount during the course for the 2019/2020 financial year, it had expended \$575,422 of this amount and recognised a further \$732,776 in capital grants received during 2019/2020 that remained unexpended. At 30 June 2020, Council is recognising \$924,967 as a contract liability.
- Council at 30 June 2020 has reclassified advance booking fees for its holiday parks as a payable relating to payments received in advance to a contract liability. At 30 June 2020 advance bookings for the holiday parks are \$564,493 and at 1 July 2019 they were \$291,116.

continued on next page ...

Page 57 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
- Under AASB 15	-
- Under AASB 1058	-
Total Contract assets	-
Contract liabilities	
- Under AASB 15	291
- Under AASB 1058	767
Total Contract liabilities	1,058

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

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

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	37,327	-	-	37,327	
Investments	31,000	-	-	31,000	
Receivables	9,259	2,312	-	11,571	
Inventories	498	-	-	498	
Contract assets	2,800	(2,800)	-	-	
Other	17	-	-	17	
Total current assets	80,901	(488)	-	80,413	
Current liabilities					
Payables	13,067	488	(564)	12,991	
Contract liabilities	1,489	-	(1,489)	-	
Borrowings	3,527	-	-	3,527	
Provisions	6,086	-	-	6,086	
Total current liabilities	24,169	488	(2,053)	22,604	
Non-current assets					
Investments	8,235	-	-	8,235	
Receivables	415	-	-	415	
Infrastructure, property, plant and equipment	992,431	-	-	992,431	
Investments accounted for using equity method	1,206	-	-	1,206	
Total non-current assets	1,002,287	-	-	1,002,287	

continued on next page ...

Page 58 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasur-ement	Carrying amount under previous revenue standards	Notes
Non-current liabilities					
Borrowings	59,308	-	-	59,308	
Provisions	8,703	-	-	8,703	
Total Non-current liabilities	68,011	-	-	68,011	
Net assets	991,008	(976)	2,053	992,085	
Equity					
Accumulated surplus	622,961	(976)	2,053	624,038	
Revaluation reserves	368,047	-	-	368,047	
Council equity interest	991,008	(976)	2,053	992,085	
Total equity	991,008	(976)	2,053	992,085	

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasur-ement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	45,220	-	-	45,220	
User charges and fees	27,597	-	-	27,597	
Other revenues	1,663	-	-	1,663	
Grants and contributions provided for operating purposes	8,702	-	-	8,702	
Grants and contributions provided for capital purposes	32,021	-	925	32,946	
Interest and investment income	1,802	-	-	1,802	
Rental income	916	-	-	916	
Net share of interests in joint ventures and associates using the equity method	53	-	-	53	
Total Income from continuing operations	117,974	-	925	118,899	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	28,143	-	-	28,143	
Borrowing costs	3,372	-	-	3,372	
Materials and contracts	38,242	-	-	38,242	
Depreciation and amortisation	15,685	-	-	15,685	
Other expenses	6,365	-	-	6,365	
Net losses from the disposal of assets	2,389	-	-	2,389	
Total Expenses from continuing operations	94,196	-	-	94,196	

continued on next page ...

Page 59 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Total Operating result from continuing operations	23,778	–	925	24,703	
Net operating result for the year	23,778	–	925	24,703	
Total comprehensive income	139,489	–	–	139,489	

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019 ¹
Receivables	11,187	(2,312)	8,875
Contract assets	–	2,800	2,800
Total assets	940,600	488	941,088
Payables	10,312	196	10,508
Contract liabilities	–	1,058	1,058
Total liabilities	88,314	1,254	89,568
Accumulated surplus	599,950	(767)	599,183
Total equity	852,286	(767)	851,520

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

(iii) AASB 16 Leases

Council as a lessee

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

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

Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.

continued on next page ...

Page 60 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council is of the view that there is no financial impact upon the financial statements of Council for the following reasons:

- Equipment leased fall below the low asset threshold of \$10,000 on an individual basis.
- Property leased is considered not material.

For these reasons, Council has not recognised any right of use assets or lease liabilities. Council will continue to recognise operating lease payments as an operating expense as per current practice.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	3,185

Council as a lessor

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

Byron Shire Council

Financial Statements 2020

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

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	37,327	30,589
Balance as per the Statement of Cash Flows		37,327	30,589
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		23,778	13,022
Adjust for non-cash items:			
Depreciation and amortisation		15,685	15,012
Net losses/(gains) on disposal of assets		2,389	2,318
Non-cash capital grants and contributions		(9,348)	(6,040)
Adoption of AASB 15/1058		(767)	-
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(174)	(290)
Unwinding of discount rates on reinstatement provisions		67	173
Share of net (profits)/losses of associates/joint ventures using the equity method		(53)	4
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,501	(1,078)
Increase/(decrease) in provision for impairment of receivables		2	(15)
Decrease/(increase) in inventories		(103)	7
Decrease/(increase) in other current assets		12	(13)
Decrease/(increase) in contract assets		(2,800)	-
Increase/(decrease) in payables		2,216	609
Increase/(decrease) in accrued interest payable		(77)	(19)
Increase/(decrease) in other accrued expenses payable		(10)	(75)
Increase/(decrease) in other liabilities		335	78
Increase/(decrease) in contract liabilities		1,489	-
Increase/(decrease) in provision for employee benefits		924	334
Increase/(decrease) in other provisions		237	525
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		35,303	24,552
(c) Non-cash investing and financing activities			
Crown land devolved		-	1,217
Developer dedications		9,348	4,823
Total non-cash investing and financing activities		9,348	6,040

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Associates	53	(4)	1,206	1,153
Total	53	(4)	1,206	1,153

Associates

The following information is provided for associates that are individually material to the Council. Included are the amounts as per the individual associates' financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Summarised financial information for individually immaterial associates

\$ '000	2020	2019
Individually immaterial associates		
Aggregate carrying amount of individually immaterial associates	1,206	1,153
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	53	(4)
Total comprehensive income – individually immaterial associates	53	(4)

Note 19. Commitments

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

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Roads	7,933	16,914
Water	953	225
Sewer	–	431
Parks and Gardens	–	547
Emergency Services	–	199
Total commitments	8,886	18,316

These expenditures are payable as follows:

Within the next year	8,886	14,316
Later than 1 year not later than 5 years	–	4,000
Total payable	8,886	18,316

Sources for funding of capital commitments:

Future grants and contributions	7,380	12,824
Section 7.11 and 64 funds/reserves	411	4,988
Internally restricted reserves	1,095	504
Total sources of funding	8,886	18,316

continued on next page ...

Page 63 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	1,136
Later than one year and not later than 5 years	–	2,029
Total non-cancellable operating lease commitments	–	3,165

b. Non-cancellable operating leases include the following assets:

Refer to Note 15 for information relating to leases for 2020.

Conditions relating to finance and operating leases:

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Note 20. Contingencies

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

ASSETS NOT RECOGNISED**(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(ii) Infringement notices/fines

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

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

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

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

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.

continued on next page ...

Page 64 of 94

Byron Shire Council

Financial Statements 2020

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

Note 20. Contingencies (continued)

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

Description of the funding arrangements.

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

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

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

*For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$222,577. The last valuation of the Scheme was performed by Mr Richard Bayfield, FIAA, on 30 June 2019, and covers the period ended 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$151,400. Council's expected contribution to the plan for the next annual reporting period is \$273,049.16.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$296,400 (0.38%) as at 30 June 2020.

continued on next page ...

Page 65 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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 *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

2. Other liabilities**(i) Third party claims**

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

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

(ii) Section 7.11 Contributions (Previously S94 Plans)

Council levies Section 7.11 Contributions (previously Section 94/94A) upon various developments across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend monies in accordance with those Plans.

continued on next page ...

Page 66 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

As well, these Plans indicate future expenditure to be undertaken by Council, which will be funded by making levies and receiving funds in future years or where a shortfall exists by the use of Council's General Funds.

The future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intentions to spend funds in the manner and timing set out in those Plans.

(iii) Butler Street Byron Bay Contamination

Council is currently in consultation with the Environment Protection Authority undertaking monitoring and investigation of contamination levels at the Butler Street Reserve that is still ongoing. This being the site of a disused landfill. The ongoing monitoring will be used to determine the future management of the Reserve. The current assessment indicates that the site is fit for its current use of passive recreation.

(iv) Former Landfill Brunswick Heads

Council is currently investigating the environmental impact of a former landfill at Brunswick Heads in association with the NSW Department of Lands and the Environment Protection Agency. These investigations are ongoing and it is yet unknown as to whether there is a requirement to undertake any remediation works or their extent.

Note 21. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	37,327	30,589	37,327	30,589
Receivables	9,674	11,187	12,474	11,187
Investments				
– 'Financial assets at amortised cost'	39,235	47,781	39,235	47,881
Total financial assets	86,236	89,557	89,036	89,657
Financial liabilities				
Payables	13,067	10,312	13,067	10,312
Loans/advances	62,835	64,150	64,841	68,091
Total financial liabilities	75,902	74,462	77,908	78,403

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.

continued on next page ...

Page 67 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	765	765	765	765
2019				
Possible impact of a 1% movement in interest rates	784	784	784	784

(b) Credit risk

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

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

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

continued on next page ...

Page 68 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	2,844	29	47	56	266	3,242
2019						
Gross carrying amount	1,598	29	46	56	87	1,816

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	4,196	1,271	583	25	387	6,462
Expected loss rate (%)	0.43%	2.64%	4.40%	8.04%	6.25%	1.60%
ECL provision	18	34	26	2	24	104
2019						
Gross carrying amount	9,107	227	19	2	44	9,399
Expected loss rate (%)	0.43%	2.64%	4.40%	8.04%	6.25%	0.52%
ECL provision	39	6	1	-	3	49

(c) Liquidity risk

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

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

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

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

continued on next page ...

Page 69 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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		
2020							
Trade/other payables	0.00%	4,130	8,449	-	-	12,579	12,579
Loans and advances	4.96%	-	6,583	29,191	51,661	87,435	62,835
Total financial liabilities		4,130	15,032	29,191	51,661	100,014	75,414
2019							
Trade/other payables	0.00%	3,992	6,320	-	-	10,312	10,312
Loans and advances	6.65%	-	6,316	25,963	59,648	91,927	84,676
Total financial liabilities		3,992	12,636	25,963	59,648	102,239	94,988

Byron Shire Council

Financial Statements 2020

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

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 27/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
REVENUES					
Rates and annual charges	43,557	45,220	1,663	4%	F
User charges and fees	29,874	27,597	(2,277)	(8)%	U
Other revenues	1,583	1,663	80	5%	F
Operating grants and contributions	5,232	8,702	3,470	66%	F
The Financial Assistance Grant (FAG) advance payment was more than the budget by \$1.7million. The original budget was not based on receiving an advance payment for the 2019-2020 financial year. Following the bushfire crisis in early 2020, Council received \$1.3million in funding from Federal and State Governments that was not provided for in the original budget estimates. These items were the major variances.					
Capital grants and contributions	27,764	32,021	4,257	15%	F
The original budget assumed developer contributions would yield \$4.2 million. The actual contribution received was \$2.6m. Council also recognised property assets related to the former Byron Bay Hospital at fair value opposed to the purchase price of \$1. This gain was not included in the original budget estimates. In addition, Council has recognised \$925k of capital grant revenue as a contract liability upon adoption of AASB 15 and AASB 1058 that would ordinarily be recognised as revenue which was the basis the original budget was developed.					
Interest and investment revenue	1,985	1,802	(183)	(9)%	U
Rental income	-	916	916	∞	F
Joint ventures and associates – net profits	-	53	53	∞	F
EXPENSES					
Employee benefits and on-costs	26,855	28,143	(1,288)	(5)%	U
Borrowing costs	4,417	3,372	1,045	24%	F
During the year, Council refinanced a significant sewerage fund loan at approximately 5.5% lower interest rate than originally borrowed. The original budget for interest expense was set at the higher interest rate as the refinancing outcome was not known at the time the original budget was set.					
Materials and contracts	32,892	38,242	(5,350)	(16)%	U
Additional expenditure not included in the original 2019-2020 budget included: Natural Disaster recovery expenditure associated with the February 2020 Flood event \$1.117million, additional legal expenses \$393k, capital works \$2.485million included in budget but not capitalised, remediation costs associated with the former Mullumbimby Hospital \$1.083million and costs associated with the former Byron Bay Hospital \$358k that were not included in the original budget.					
Depreciation and amortisation	14,657	15,685	(1,028)	(7)%	U

continued on next page ...

Page 71 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Other expenses	6,764	6,365	399	6% F
Net losses from disposal of assets	-	2,389	(2,389)	∞ U
Joint ventures and associates – net losses	-	-	-	∞ F

STATEMENT OF CASH FLOWS

Cash flows from operating activities	39,067	35,303	(3,764)	(10)% U
Cash flows from investing activities	(49,891)	(27,250)	22,641	(45)% F

During the year Council realised property, plant and equipment sales of \$401k that were not included in the original budget. In cash terms, Council did not complete \$13.5million of the capital works program included in the original budget. Council also sold or redeemed \$9million in investment securities during the course of the financial year.

Cash flows from financing activities	(1,063)	(1,315)	(252)	24% U
--------------------------------------	---------	---------	-------	-------

During the year Council repaid additional loan principal of \$252k following refinancing of sewerage fund loans. The additional repayments were not included in the original budget as the refinancing outcome was not known when the original budget was set. The refinancing at a significantly lower interest rate has determined more loan principal will be repaid.

Byron Shire Council

Financial Statements 2020

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

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Restated Total ¹
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Infrastructure, property, plant and equipment					
Plant and equipment		-	-	4,112	4,112
Office equipment		-	-	70	70
Furniture and fittings		-	-	45	45
Operational land	30/06/16	-	87,497	-	87,497
Community land	01/07/19	-	-	161,314	161,314
Land under roads (Post 30/6/08)	30/06/20	-	-	363	363
Land improvements – non-depreciable	30/06/16	-	-	-	-
Land improvements – depreciable	30/06/16	-	-	3,222	3,222
Buildings specialised	30/06/16	-	-	70,382	70,382
Other structures	30/06/16	-	-	2,008	2,008
Roads	30/06/20	-	-	200,306	200,306
Bridges	30/06/20	-	-	43,868	43,868
Footpaths	30/06/20	-	-	8,187	8,187
Bulk earthworks	30/06/20	-	-	35,790	35,790
Stormwater drainage	30/06/20	-	-	134,028	134,028
Water supply network	30/06/17	-	-	68,935	68,935
Sewerage network	30/06/17	-	-	114,712	114,712
Swimming pools	30/06/16	-	-	2,023	2,023
Other open space and recreational assets	30/06/16	-	-	11,589	11,589
Other assets	30/06/16	-	-	993	993
Tip assets	30/06/16	-	-	10,204	10,204
Quarry assets	30/06/16	-	-	2,038	2,038
Total infrastructure, property, plant and equipment		-	87,497	874,189	961,686

continued on next page ...

Page 73 of 94

Byron Shire Council

Financial Statements 2020

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

Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Restated Total ¹
Infrastructure, property, plant and equipment					
Plant and equipment		-	-	3,907	3,907
Office equipment		-	-	105	105
Furniture and fittings		-	-	61	61
Operational land	30/06/16	-	77,658	-	77,658
Community land	30/06/17	-	-	124,304	124,304
Land under roads (Post 30/6/08)	30/06/16	-	-	260	260
Land improvements – non-depreciable	30/06/16	-	-	-	-
Land improvements – depreciable	30/06/16	-	-	3,404	3,404
Buildings specialised	30/06/16	-	-	71,207	71,207
Other structures	30/06/16	-	-	1,877	1,877
Roads	30/06/15	-	-	193,202	193,202
Bridges	30/06/15	-	-	33,041	33,041
Footpaths	30/06/15	-	-	6,687	6,687
Bulk earthworks	30/06/15	-	-	32,415	32,415
Stormwater drainage	30/06/15	-	-	75,966	75,966
Water supply network	30/06/17	-	-	69,251	69,251
Sewerage network	30/06/17	-	-	115,289	115,289
Swimming pools	30/06/16	-	-	2,079	2,079
Other open space and recreational assets	30/06/16	-	-	10,198	10,198
Other assets	30/06/16	-	-	1,647	1,647
Tip assets	30/06/16	-	-	12,101	12,101
Quarry assets	30/06/16	-	-	1,955	1,955
Total infrastructure, property, plant and equipment		-	77,658	758,956	836,614

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

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

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

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

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

Financial assets

Financial assets are exposed to financial risks such as price risk, credit risk, liquidity risk and interest rate risk surrounding the unpredictable nature of financial markets.

The valuation technique for these assets is based on a market approach observing that the carrying value is a reasonable approximation of the fair value.

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

Plant and equipment, office equipment, furniture and fittings

Plant and equipment, office equipment and furniture & fittings assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

continued on next page ...

Page 74 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Operational land

Operational Land has been valued by APV Valuers and Asset Management (APV), an external valuer utilised by Council at 30 June 2016. The report provided by APV stated - Except in the circumstance of any assets being held for sale (valued in accordance with AASB 5 Assets Held for Sale) or in accordance with specific accounting standards (such as Investment Properties) the balance of the portfolio is valued in accordance with AASB116 Property Plant and Equipment at Fair Value. Depending upon the unique circumstances of each lot, land has been valued using a range of approaches. Where there is an active market the 'market approach' has been adopted. If its value is primarily dependent on its income generating capability the income approach was used. For other types of land the 'cost approach' was adopted. Details of each approach are detailed below.

Level 2 valuation inputs

Market (Direct Comparison) – This has been applied to land held in freehold title and has been assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between market participants given highest and best use or highest and best alternative use. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability.

As this was based on observable evidence they have been classified as Level 2. Cost (Direct Comparison) - The valuation of some restricted or otherwise non-saleable land has been valued using the cost approach. This approach was used where, assuming if Byron Shire Council need to purchase the land or acquire additional land from an adjoining neighbour, the value of that land could be determined based on known zoning and town planning restrictions. This was determined by comparison to recent sales of land with similar characteristics. This was then adjusted to reflect condition and comparability. As this was based on observable evidence they have been classified as Level 2.

Community land

Community Land has been valued using the Valuer Generals value of land. These rates are not considered to be observable market evidence and as such they have been classified as Level 3

Land under roads (Post 30/6/08)

Land under roads is valued using the 'Englobo' valuation method at 30 June 2019. The Englobo value of the land under the road is the proportional site value of the land at the time when the land is sold for subdivision. In prior years, this was valued through information provided by the Valuer General (VG). Information was received by the VG for each zone description and an applicable rate per square metre for rural and residential areas was applied to the land recognised under roads, post 30/6/08. These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Buildings – specialised

Buildings were valued by APV at 30th June 2016 using the cost approach. This approach estimated the replacement cost for each building by componentising it into significant parts with different useful lives taking into account a range of factors. Some of these factors required extensive professional judgement and as such were classified as Level 3.

Roads, bridges and footpaths

Valuations for these asset classes were undertaken by Assetic using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Water

Water Network assets were valued by AssetVal at 30 June 2017. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Sewer

Sewer Network assets were valued by AssetVal at 30 June 2017. The replacement cost approach was used to value these assets. Some of the significant inputs considered in the valuation of those assets are remaining useful life, pattern of consumption, dimensions and asset components. Some of these inputs are unobservable and as such this asset class is classified as Level 3.

Stormwater drainage

Valuations for these asset classes were undertaken by Assetic using the replacement cost approach. No market based evidence (Level 2) inputs are available, therefore Level 3 valuation inputs were used for this asset class.

Swimming pools

continued on next page ...

Page 75 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

This asset class is for the swimming pool shells only. This was valued externally by Assetic at 30 June 2016. Other open space and recreational assets. This asset class was valued by Assetic as at 30 June 2016. All assets within the revaluation identified the assets as Level 3, valued using the cost approach.

Other assets

Other assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value.

Tip assets

Tip assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the tip provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

Quarry assets

Quarry assets are valued at cost. The carrying amount of these assets is assumed to approximate fair value based on the cost estimate to remediate the quarry provided by Councils engineering staff. The cost of the asset is influenced by change in cost factors measured by the consumer price index and the discounting to present value by the applicable Government bond rate.

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Community Land	Land under Roads (post 30/6/08) Restated
2019					
Opening balance	4,065	245	80	122,645	231
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	(19)	-
Purchases (GBV)	1,271	-	-	1,946	29
Disposals (WDV)	(309)	-	-	-	-
Depreciation and impairment	(1,120)	(140)	(19)	-	-
WIP Transfers	-	-	-	-	-
Adjustments & Transfers	-	-	-	-	-
Reval Equity Movements	-	-	-	(268)	-
Closing balance	3,907	105	61	124,304	260
2020					
Opening balance	3,907	105	61	124,304	260
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	1,563	-	-	364	7
Disposals (WDV)	(274)	-	-	-	-
Depreciation and impairment	(1,085)	(34)	(15)	-	-
WIP Transfers	-	-	-	-	-
Adjustments & Transfers	-	-	-	-	-
Reval Equity Movements	-	-	-	36,646	95
Closing balance	4,111	71	46	161,314	362

continued on next page ...

Page 76 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Land improv'mnt non-depr.	Land improv'mnt depreciable	Building specialised	Other structures	Roads Restated
2019					
Opening balance	80	3,563	62,460	2,139	191,953
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	-	-	1,237	-	4,016
Disposals (WDV)	(80)	-	(30)	-	(391)
Depreciation and impairment	-	(159)	(1,028)	(36)	(5,166)
WIP Transfers	-	-	769	-	2,755
Adjustments & Transfers	-	-	-	1,474	34
Reval Equity Movements	-	-	7,798	(1,700)	-
Closing balance	-	3,404	71,206	1,877	193,201
2020					
Opening balance	-	3,404	71,206	1,877	193,201
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	-	-	339	152	6,232
Disposals (WDV)	-	-	(13)	-	(93)
Depreciation and impairment	-	(181)	(1,271)	(38)	(5,365)
WIP Transfers	-	-	122	17	616
Adjustments & Transfers	-	-	-	-	(434)
Reval Equity Movements	-	-	-	-	6,148
Closing balance	-	3,223	70,383	2,008	200,305
2019					
\$ '000	Bridges Restated	Footpaths Restated	Bulk earthworks Restated	Stormwater drainage Restated	Water supply network
Opening balance	27,159	5,658	31,680	71,355	64,587
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	4,834	1,138	698	5,165	2,271
Disposals (WDV)	(321)	(6)	-	(43)	(70)
Depreciation and impairment	(553)	(150)	-	(720)	(1,402)
WIP Transfers	1,922	47	37	243	2,773
Adjustments & Transfers	-	-	-	(34)	-
Reval Equity Movements	-	-	-	-	1,091
Closing balance	33,041	6,687	32,415	75,966	69,250
2020					
Opening balance	33,041	6,687	32,415	75,966	69,250
Prior Period adjustment (Note 13b)	-	-	-	-	-

continued on next page ...

Page 77 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Bridges Restated	Footpaths Restated	Bulk earthworks Restated	Stormwater drainage Restated	Water supply network
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	1,701	372	224	814	1,536
Disposals (WDV)	-	(26)	(272)	(111)	(998)
Depreciation and impairment	(678)	(169)	-	(729)	(1,495)
WIP Transfers	793	57	21	73	-
Adjustments & Transfers	-	568	-	20	-
Reval Equity Movements	9,010	698	3,403	57,992	641
Closing balance	43,867	8,187	35,791	134,025	68,934

\$ '000	Sewerage network	Swimming pools	Other open space and recreation	Other	Tip assets
2019					
Opening balance	111,466	2,135	10,649	1,867	12,062
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	-
Purchases (GBV)	3,006	-	1,359	-	-
Disposals (WDV)	(1,471)	-	(255)	-	-
Depreciation and impairment	(3,048)	(56)	(452)	(221)	(485)
WIP Transfers	3,531	-	371	-	-
Adjustments & Transfers	-	-	(1,474)	-	524
Reval Equity Movements	1,805	-	-	-	-
Closing balance	115,289	2,079	10,198	1,646	12,101
2020					
Opening balance	115,289	2,079	10,198	1,646	12,101
Prior Period adjustment (Note 13b)	-	-	-	-	-
Transfers from/(to) another asset class	-	-	-	-	(253)
Purchases (GBV)	1,447	-	987	-	46
Disposals (WDV)	(192)	-	(287)	(525)	-
Depreciation and impairment	(3,113)	(56)	(528)	(127)	(513)
WIP Transfers	205	-	1,374	-	140
Adjustments & Transfers	-	-	(155)	-	(1,317)
Reval Equity Movements	1,075	-	-	-	-
Closing balance	114,711	2,023	11,589	994	10,204

\$ '000	Quarry assets	Total
2019		
Opening balance	2,212	728,291
Prior Period adjustment (Note 13b)	-	-
Transfers from/(to) another asset class	-	(19)
Purchases (GBV)	-	26,970
Disposals (WDV)	-	(2,976)
Depreciation and impairment	(257)	(15,012)
WIP Transfers	-	12,448
Adjustments & Transfers	-	524

continued on next page ...

Page 78 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Quarry assets	Total
Reval Equity Movements	-	8,726
Closing balance	1,955	758,952
2020		
Opening balance	1,955	758,952
Prior Period adjustment (Note 13b)	-	-
Transfers from/(to) another asset class	253	-
Purchases (GBV)	-	15,784
Disposals (WDV)	-	(2,791)
Depreciation and impairment	(285)	(15,682)
WIP Transfers	-	3,418
Adjustments & Transfers	114	(1,204)
Reval Equity Movements	-	115,708
Closing balance	2,037	874,185

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

For 2020 there are no transfers into or out of the level 3 valuation hierarchy.

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant, Equipment, Furniture, Fittings and Office Equipment	-	Cost used to approximate fair value	Asset Condition, remaining useful lives
Community Land	161,314	Land values obtained from the NSW Valuer General	Land Value, land area
Land Under Roads	363	Square metre rate calculated from Land and Property information of LG area and applied to depending on zoning of the land	Land Value, land area
Land Improvements	3,222	Cost used to approximate fair value	Asset Condition, remaining useful lives
Buildings	70,382	APV Valuers report	Condition, remaining lives, valuers individual knowledge and skills.
Other Structures	2,008	Cost used to approximate fair value	Asset Condition, remaining useful lives
Roads, Bridges & Footpaths	252,362	Assetic Report - Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Stormwater Drainage	134,029	Assetic Report - Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Bulk Earthworks	35,790	Assetic Report - Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Water	69,935	Independent valuation using depreciated replacement cost. Indexation applied annually since comprehensive revaluation	Condition, remaining lives, valuers individual knowledge and skills.
Sewer	114,712	Independent valuation using depreciated replacement cost. Indexation applied annually since comprehensive revaluation	Condition, remaining lives, valuers individual knowledge and skills.

continued on next page ...

Page 79 of 94

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Swimming Pools	2,023	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Open Space & Recreation	11,589	Independent valuation using depreciated replacement cost	Condition, remaining lives, valuers individual knowledge and skills.
Other Assets	993	Cost used to approximate fair value	Asset Condition, remaining useful lives
Tip Assets	10,204	Cost used to approximate fair value	Asset Condition, remaining useful lives
Quarry Assets	2,038	Cost used to approximate fair value	Asset Condition, remaining useful lives

(4) Highest and best use

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

Byron Shire Council

Financial Statements 2020

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

Note 24. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,133	1,028
Post-employment benefits	81	70
Total	1,214	1,098

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
For 2020 there are no other transactions with KMP and their related parties.						
2019						
Fees and Charges	1	10	-		-	-
Section 356 Local Government Act 1993 Donation	2	24	-		-	-
Event Funding	3	90	-		-	-

1 A community organisation has a number of leases and licences over land either owned or under the control of Council. These amounts disclosed is the total amount payable to Council during the reporting period. The General Manager of the community organisation until 20 June 2019 is a KMP of Council.

2 Council during the financial year provided a donation to a community organisation in accordance with a resolution of the Council. The General Manager of the community organisation until 20 June 2019 is a KMP of Council.

continued on next page ...

Page 81 of 94

Byron Shire Council

Financial Statements 2020

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

Note 24. Related party disclosures (continued)

3 Council during the reporting period provided event funding undertaken by a community organisation. The General Manager of that community organisation up until 20 June 2019 is a KMP of Council.

Byron Shire Council

Financial Statements 2020

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

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	4,772	193	-	84	(672)	-	4,378	-
Community facilities	1,388	185	-	21	(442)	-	1,153	-
Urban roads	3,849	117	-	74	(67)	-	3,974	-
Rural roads	1,485	301	-	33	(246)	-	1,573	-
Cycleways	1,141	73	-	20	(192)	-	1,042	-
Carparking	1,508	-	-	29	-	-	1,535	-
Civic and urban improvements	789	4	-	12	(277)	-	527	-
Shire support services	266	-	-	1	(134)	-	133	-
Administration	418	121	-	8	(126)	-	422	-
Section 7.12 levy	782	75	-	7	(463)	-	402	-
S7.11 contributions – under a plan	16,398	1,069	-	289	(2,619)	-	15,139	-
Total S7.11 and S7.12 revenue under plans	16,398	1,069	-	289	(2,619)	-	15,139	-
S64 contributions	11,802	1,527	-	178	(3,906)	-	9,601	-
Total contributions	28,200	2,596	-	467	(6,525)	-	24,740	-

continued on next page ...

Page 83 of 94

BYRON SHIRE COUNCIL

Byron Shire Council

Financial Statements 2020

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

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN NUMBER 1 – OPEN SPACE								
Byron Bay	823	72	-	6	(572)	-	327	-
Mullumbimby	554	168	-	14	-	-	735	-
Bangalow	413	(152)	-	5	-	-	266	-
Suffolk Park	983	-	-	19	(4)	-	999	-
Brunswick Heads	76	28	-	1	(54)	-	50	-
Ocean Shores	27	34	-	4	-	-	66	-
Shire Wide	1,824	41	-	35	-	-	1,900	-
Rural North	17	2	-	-	-	-	20	-
Rural South	55	-	-	-	(42)	-	15	-
Total	4,772	193	-	84	(672)	-	4,378	-
CONTRIBUTION PLAN NUMBER 2 – COMMUNITY FACILITIES								
Byron Bay	(57)	21	-	-	-	-	(35)	-
Mullumbimby	16	7	-	-	-	-	23	-
Bangalow	197	4	-	4	-	-	205	-
Brunswick Heads	12	3	-	-	-	-	15	-
Ocean Shores	96	28	-	2	-	-	126	-
Shire Wide	1,012	120	-	13	(442)	-	704	-
Rural South	111	2	-	-	-	-	112	-
Rural North	1	-	-	2	-	-	3	-
Total	1,388	185	-	21	(442)	-	1,153	-
CONTRIBUTION PLAN NUMBER 3 – CYCLEWAYS								
Byron Bay	227	24	-	4	(64)	-	190	-
Mullumbimby	317	64	-	7	-	-	389	-
Bangalow	275	(36)	-	5	-	-	244	-
Brunswick Heads	18	3	-	-	-	-	22	-
Ocean Shores	151	10	-	2	(79)	-	83	-

continued on next page ...

Page 84 of 94

BYRON SHIRE COUNCIL

Byron Shire Council

Financial Statements 2020

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

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Shire Wide	41	8	-	-	(49)	-	-	-
Rural North	15	-	-	-	-	-	15	-
Rural South	97	-	-	2	-	-	99	-
Total	1,141	73	-	20	(192)	-	1,042	-
CONTRIBUTION PLAN NUMBER 4 – SHIRE SUPPORT SERVICES								
Byron Bay	21	-	-	1	-	-	21	-
Mullumbimby	13	-	-	-	-	-	14	-
Bangalow	4	-	-	-	-	-	4	-
Ocean Shores	6	-	-	-	-	-	6	-
Rural North	27	-	-	-	-	-	27	-
Rural South	152	-	-	-	(134)	-	18	-
Shire Rural	42	-	-	-	-	-	42	-
Brunswick Heads	1	-	-	-	-	-	1	-
Total	266	-	-	1	(134)	-	133	-
CONTRIBUTION PLAN NUMBER 5 – CARPARKING								
Byron Bay	1,322	-	-	25	-	-	1,346	-
Mullumbimby	6	-	-	-	-	-	6	-
Bangalow	(17)	-	-	-	-	17	-	-
Brunswick Heads	197	-	-	4	-	(17)	183	-
Total	1,508	-	-	29	-	-	1,535	-
CONTRIBUTION PLAN NUMBER 6 – URBAN ROADS								
Byron Bay	1,835	37	-	35	(1)	-	1,907	-
Mullumbimby	497	33	-	10	-	-	541	-
Bangalow	1,285	14	-	24	(36)	-	1,286	-
Brunswick Heads	183	33	-	4	(30)	-	190	-
Ocean Shores	48	-	-	1	-	-	49	-
Batson Quarry	1	-	-	-	-	-	1	-
Total	3,849	117	-	74	(67)	-	3,974	-

continued on next page ...

Page 85 of 94

Byron Shire Council

Financial Statements 2020

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

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19		Contributions received during the year				as at 30/06/20	
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN NUMBER 7 – RURAL ROADS								
Shire Rural	3	23	-	-	-	-	26	-
Mudges Quarry	18	-	-	-	-	-	18	-
Leela Quarry	4	-	-	-	-	-	4	-
Myocum Quarry (Council)	20	-	-	-	-	-	20	-
Rural North	(226)	179	-	-	(238)	-	(285)	-
Rural South	1,666	99	-	33	(8)	-	1,790	-
Total	1,485	301	-	33	(246)	-	1,573	-
CONTRIBUTION PLAN NUMBER 8 – CIVIC AND URBAN IMPROVEMENTS								
Byron Bay	257	1	-	2	(174)	-	86	-
Mullumbimby	109	-	-	2	(10)	-	100	-
Bangalow	198	1	-	4	-	-	203	-
Brunswick Heads	13	2	-	-	(13)	-	3	-
Ocean Shores	132	-	-	3	-	-	135	-
Rural North	28	-	-	-	(80)	-	(54)	-
Rural South	52	-	-	1	-	-	54	-
Total	789	4	-	12	(277)	-	527	-
CONTRIBUTION PLAN NUMBER 9 – ADMINISTRATION								
Shire Wide	418	121	-	8	(126)	-	422	-
Total	418	121	-	8	(126)	-	422	-
CONTRIBUTION PLAN NUMBER 10 – SECTION 7.12 LEVY								
Shire Wide	782	75	-	7	(463)	-	402	-
Total	782	75	-	7	(463)	-	402	-

continued on next page ...

Page 86 of 94

Byron Shire Council

Financial Statements 2020

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

Note 25. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year				as at 30/06/20	
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
S64 contributions								
CONTRIBUTION PLAN NUMBER 11 – WATER SUPPLY SERVICES								
Byron, Bang, Burns, O/Shires	3,457	75	-	13	(1,920)	(933)	692	-
Mullumbimby	(340)	291	-	15	(106)	933	793	-
Total	3,117	366	-	28	(2,026)	-	1,485	-
CONTRIBUTION PLAN NUMBER 12 – SEWERAGE SERVICES								
Bangalow	2,256	149	-	45	-	-	2,450	-
Byron Bay	6,429	1,013	-	105	(1,880)	-	5,667	-
Total	8,685	1,162	-	150	(1,880)	-	8,117	-

Byron Shire Council

Financial Statements 2020

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

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	32,250	2,474	11,083
User charges and fees	16,892	7,067	5,170
Interest and investment revenue	1,533	58	211
Other revenues	1,663	-	-
Grants and contributions provided for operating purposes	8,548	77	77
Grants and contributions provided for capital purposes	30,327	445	1,249
Rental income	689	161	66
Share of interests in joint ventures and associates using the equity method	53	-	-
Total income from continuing operations	91,955	10,282	17,856
Expenses from continuing operations			
Employee benefits and on-costs	24,170	1,045	2,928
Borrowing costs	781	-	2,591
Materials and contracts	29,982	3,486	6,893
Depreciation and amortisation	11,038	1,504	3,143
Other expenses	2,034	4,289	42
Net losses from the disposal of assets	2,389	-	-
Total expenses from continuing operations	70,394	10,324	15,597
Operating result from continuing operations	21,561	(42)	2,259
Net operating result for the year	21,561	(42)	2,259
Net operating result attributable to each council fund	21,561	(42)	2,259
Net operating result for the year before grants and contributions provided for capital purposes	(8,766)	(487)	1,010

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

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

continued on next page ...

Page 88 of 94

Byron Shire Council

Financial Statements 2020

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

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	37,327	-	-
Investments	4,359	10,744	15,897
Receivables	5,252	2,000	2,007
Inventories	498	-	-
Contract assets	2,800	-	-
Other	17	-	-
Total current assets	50,253	12,744	17,904
Non-current assets			
Investments	8,235	-	-
Receivables	415	-	-
Infrastructure, property, plant and equipment	780,616	76,876	134,939
Investments accounted for using the equity method	1,206	-	-
Total non-current assets	790,472	76,876	134,939
TOTAL ASSETS	840,725	89,620	152,843
LIABILITIES			
Current liabilities			
Payables	12,939	-	128
Contract liabilities	1,489	-	-
Borrowings	1,155	-	2,372
Provisions	6,086	-	-
Total current liabilities	21,669	-	2,500
Non-current liabilities			
Borrowings	21,108	-	38,200
Provisions	8,703	-	-
Total non-current liabilities	29,811	-	38,200
TOTAL LIABILITIES	51,480	-	40,700
Net assets	789,245	89,620	112,143
EQUITY			
Accumulated surplus	485,209	42,912	94,840
Revaluation reserves	304,036	46,708	17,303
Council equity interest	789,245	89,620	112,143
Total equity	789,245	89,620	112,143

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

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

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019 2018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	<u>(6,081)</u>	(7.09)%	(7.11)%	(1.01)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	<u>85,726</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	<u>77,024</u>	65.41%	72.24%	61.24%	>60.00%
Total continuing operating revenue ¹	<u>117,747</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions	<u>35,935</u>	3.08x	3.65x	3.40x	>1.50x
Current liabilities less specific purpose liabilities	<u>11,667</u>				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	<u>12,976</u>	1.99x	1.86x	2.61x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>6,531</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>3,474</u>	7.32%	4.63%	3.56%	<10.00%
Rates, annual and extra charges collectible	<u>47,446</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>68,327</u>	8.76	11.02	12.33	>3.00
Monthly payments from cash flow of operating and financing activities	<u>7,798</u>	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

Byron Shire Council

Financial Statements 2020

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

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(11.14)%	(12.78)%	(4.95)%	4.05%	6.08%	5.80%	>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	56.62%	65.45%	94.92%	90.39%	92.57%	89.02%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.08x	3.65x	∞	∞	3.91x	4.85x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.51x	2.63x	∞	∞	1.19x	1.20x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.61%	4.48%	6.55%	4.85%	6.61%	4.99%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.68 mths	15.67 mths	0.00	0.00	0.00	0.00	>3.00 mths
Payments from cash flow of operating and financing activities							

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

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

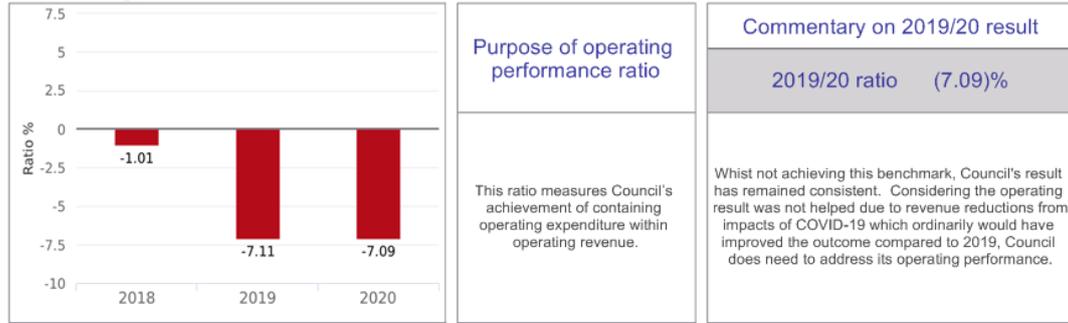
Byron Shire Council

Financial Statements 2020

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

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

1. Operating performance ratio



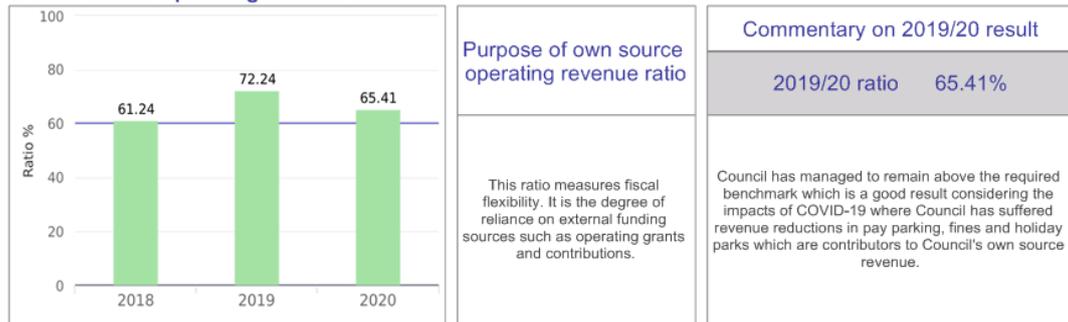
Benchmark: — > 0.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

2. Own source operating revenue ratio



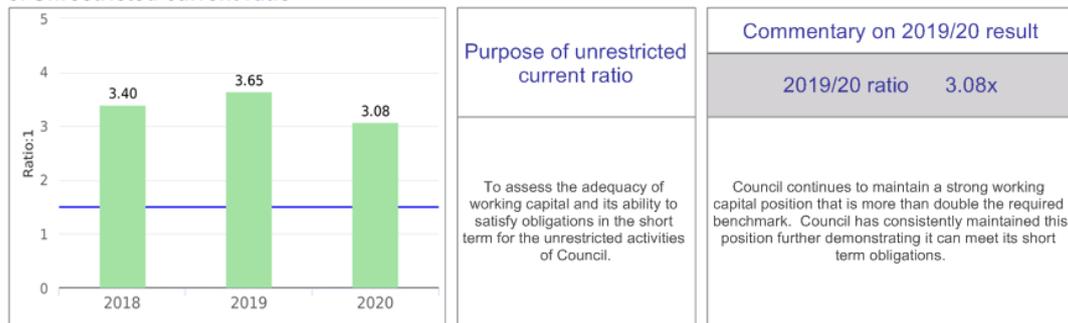
Benchmark: — > 60.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

3. Unrestricted current ratio



Benchmark: — > 1.50x

Ratio achieves benchmark

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

Ratio is outside benchmark

continued on next page ...

Page 92 of 94

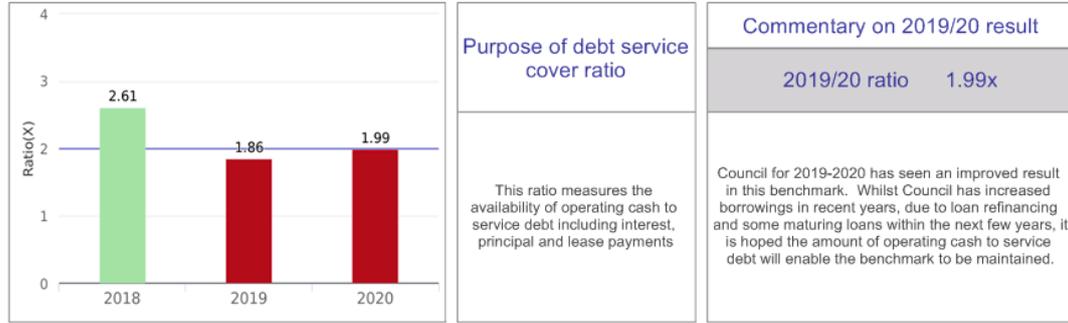
Byron Shire Council

Financial Statements 2020

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.99x

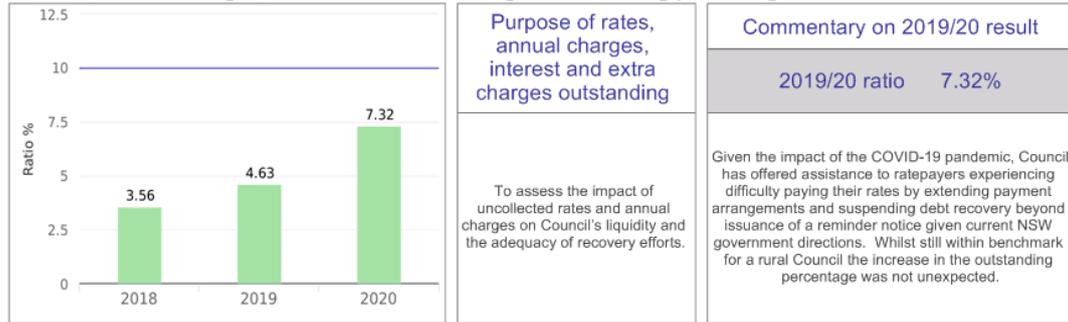
Council for 2019-2020 has seen an improved result in this benchmark. Whilst Council has increased borrowings in recent years, due to loan refinancing and some maturing loans within the next few years, it is hoped the amount of operating cash to service debt will enable the benchmark to be maintained.

Benchmark: — > 2.00x

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

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



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

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

Commentary on 2019/20 result

2019/20 ratio 7.32%

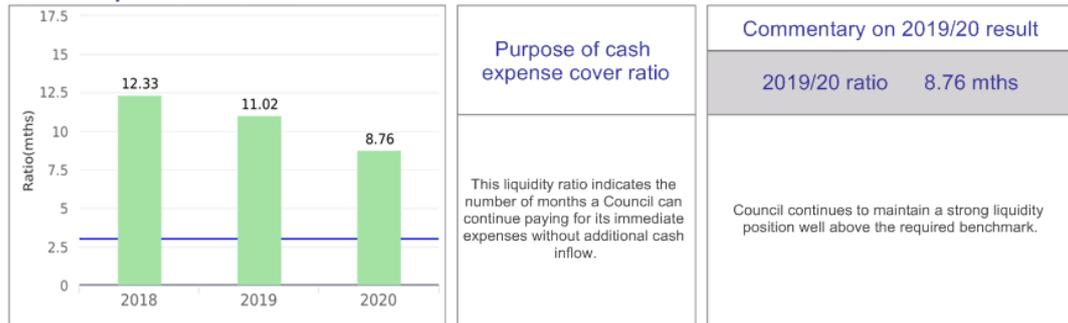
Given the impact of the COVID-19 pandemic, Council has offered assistance to ratepayers experiencing difficulty paying their rates by extending payment arrangements and suspending debt recovery beyond issuance of a reminder notice given current NSW government directions. Whilst still within benchmark for a rural Council the increase in the outstanding percentage was not unexpected.

Benchmark: — < 10.00%

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.76 mths

Council continues to maintain a strong liquidity position well above the required benchmark.

Benchmark: — > 3.00mths

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

Ratio achieves benchmark (Green)
Ratio is outside benchmark (Red)

Byron Shire Council

Financial Statements 2020

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Note 28. Council information and contact details

Principal place of business:

70 Station Street
MULLUMBIMBY NSW 2482

Contact details

Mailing Address:

PO Box 219
MULLUMBIMBY NSW 2482

Telephone: 02 6626 7000

Facsimile: 02 6684 3018

Opening hours:

8:30am - 4.30pm
Monday to Friday (except public holidays)

Internet: www.byron.nsw.gov.au

Email: council@byron.nsw.gov.au

Officers

General Manager

Mark Arnold

Responsible Accounting Officer

James Brickley

Auditors

Audit Office of New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000

Elected members

Mayor

Simon Richardson

Councillors

Sarah Ndiaye
Michael Lyon
Basil Cameron
Cate Coorey
Jan Hackett
Jeanette Martin
Paul Spooner
Alan Hunter

Other information

ABN: 14 472 131 473

Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2020

*Culturally rich and thriving communities living in harmony,
responding positively to the challenges of our world, and
leading by example.*



Byron Shire Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Holiday Parks	6
Statement of Financial Position – Water Supply Business Activity	7
Statement of Financial Position – Sewerage Business Activity	8
Statement of Financial Position – Holiday Parks	9
Note 1 – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

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).

Byron Shire Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements
for the year ended 30 June 2020**Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting**

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 November 2020.

Simon Richardson
Mayor
26 November 2020

Michael Lyon
Deputy Mayor
26 November 2020

Mark Arnold
General Manager
26 November 2020

James Brickley
Responsible Accounting Officer
26 November 2020

Byron Shire Council

Special Purpose Financial Statements 2020

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

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,474	2,369
User charges	6,924	7,353
Fees	304	327
Interest	58	104
Grants and contributions provided for non-capital purposes	77	77
Total income from continuing operations	9,837	10,230
Expenses from continuing operations		
Employee benefits and on-costs	1,045	861
Materials and contracts	3,486	3,146
Depreciation, amortisation and impairment	1,504	1,413
Water purchase charges	4,278	4,386
Loss on Sale of Assets	998	70
Calculated taxation equivalent	86	88
Other expenses	11	10
Total expenses from continuing operations	11,408	9,974
Surplus (deficit) from continuing operations before capital amounts	(1,571)	256
Grants and contributions provided for capital purposes	445	1,002
Surplus (deficit) from continuing operations after capital amounts	(1,126)	1,258
Surplus (deficit) from all operations before tax	(1,126)	1,258
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(70)
SURPLUS (DEFICIT) AFTER TAX	(1,126)	1,188
Plus accumulated surplus	43,979	42,661
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	86	88
– Corporate taxation equivalent	–	70
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	42,911	43,979
Return on capital %	(2.0)%	0.3%
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,126)	1,188
Less: capital grants and contributions (excluding developer contributions)	(445)	(755)
Surplus for dividend calculation purposes	–	433
Potential dividend calculated from surplus	–	216

Byron Shire Council

Special Purpose Financial Statements 2020

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

\$ '000	2020	2019
Income from continuing operations		
Access charges	11,083	10,617
User charges	4,670	5,216
Liquid trade waste charges	256	275
Fees	310	293
Interest	211	275
Grants and contributions provided for non-capital purposes	77	75
Total income from continuing operations	16,607	16,751
Expenses from continuing operations		
Employee benefits and on-costs	2,928	2,426
Borrowing costs	2,591	3,246
Materials and contracts	6,893	6,984
Depreciation, amortisation and impairment	3,143	3,076
Loss on sale of assets	192	1,471
Calculated taxation equivalents	225	228
Debt guarantee fee (if applicable)	974	1,006
Other expenses	42	48
Total expenses from continuing operations	16,988	18,485
Surplus (deficit) from continuing operations before capital amounts	(381)	(1,734)
Grants and contributions provided for capital purposes	1,249	1,982
Surplus (deficit) from continuing operations after capital amounts	868	248
Surplus (deficit) from all operations before tax	868	248
SURPLUS (DEFICIT) AFTER TAX	868	248
Plus accumulated surplus	92,802	91,348
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	225	228
– Debt guarantee fees	974	1,006
Less:		
– Tax equivalent dividend paid	(28)	(28)
Closing accumulated surplus	94,841	92,802
Return on capital %	1.6%	1.1%
Calculation of dividend payable:		
Surplus (deficit) after tax	868	248
Less: capital grants and contributions (excluding developer contributions)	(1,249)	(182)
Surplus for dividend calculation purposes	–	66
Potential dividend calculated from surplus	–	33

Byron Shire Council

Special Purpose Financial Statements 2020

Income Statement – Holiday Parks
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Fees	3,541	4,712
Total income from continuing operations	<u>3,541</u>	<u>4,712</u>
Expenses from continuing operations		
Materials and contracts	1,653	1,974
Depreciation, amortisation and impairment	157	141
Calculated taxation equivalents	361	363
Other expenses	981	934
Total expenses from continuing operations	<u>3,152</u>	<u>3,412</u>
Surplus (deficit) from continuing operations before capital amounts	<u>389</u>	<u>1,300</u>
Surplus (deficit) from continuing operations after capital amounts	389	1,300
Surplus (deficit) from all operations before tax	389	1,300
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(107)	(358)
SURPLUS (DEFICIT) AFTER TAX	<u>282</u>	<u>942</u>
Plus accumulated surplus	9,685	9,038
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	361	363
– Corporate taxation equivalent	107	358
Less:		
– TER dividend paid	(906)	(907)
– Dividend paid	(996)	(109)
Closing accumulated surplus	<u>8,533</u>	<u>9,685</u>
Return on capital %	1.4%	4.9%

Byron Shire Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	10,744	11,442
Receivables	2,000	2,208
Total current assets	<u>12,744</u>	<u>13,650</u>
Non-current assets		
Infrastructure, property, plant and equipment	76,876	76,396
Total non-current assets	<u>76,876</u>	<u>76,396</u>
TOTAL ASSETS	<u>89,620</u>	<u>90,046</u>
NET ASSETS	<u>89,620</u>	<u>90,046</u>
EQUITY		
Accumulated surplus	42,912	43,979
Revaluation reserves	46,708	46,067
TOTAL EQUITY	<u>89,620</u>	<u>90,046</u>

Byron Shire Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Investments	15,897	15,851
Receivables	2,007	2,341
Total current assets	<u>17,904</u>	<u>18,192</u>
Non-current assets		
Infrastructure, property, plant and equipment	134,939	133,695
Total non-current assets	<u>134,939</u>	<u>133,695</u>
TOTAL ASSETS	<u>152,843</u>	<u>151,887</u>
LIABILITIES		
Current liabilities		
Payables	128	201
Borrowings	2,372	1,761
Total current liabilities	<u>2,500</u>	<u>1,962</u>
Non-current liabilities		
Borrowings	38,200	40,897
Total non-current liabilities	<u>38,200</u>	<u>40,897</u>
TOTAL LIABILITIES	<u>40,700</u>	<u>42,859</u>
NET ASSETS	<u>112,143</u>	<u>109,028</u>
EQUITY		
Accumulated surplus	94,840	92,802
Revaluation reserves	17,303	16,226
TOTAL EQUITY	<u>112,143</u>	<u>109,028</u>

Byron Shire Council

Special Purpose Financial Statements 2020

Statement of Financial Position – Holiday Parks

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Investments	3,089	3,811
Infrastructure, property, plant and equipment	27,586	26,453
Total non-current assets	<u>30,675</u>	<u>30,264</u>
TOTAL ASSETS	<u>30,675</u>	<u>30,264</u>
LIABILITIES		
Current liabilities		
Payables	564	291
Total current liabilities	<u>564</u>	<u>291</u>
TOTAL LIABILITIES	<u>564</u>	<u>291</u>
NET ASSETS	<u>30,111</u>	<u>29,973</u>
EQUITY		
Accumulated surplus	8,534	9,685
Revaluation reserves	21,577	20,288
TOTAL EQUITY	<u>30,111</u>	<u>29,973</u>

Byron Shire Council

Special Purpose Financial Statements 2020

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

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Finance Position includes notional assets/liabilities receivable from/payable to Council's General Fund. These balances reflect the notional inter-entity funding arrangement with the declared business activities.

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Byron Shire Council Water Supplies

Water supply operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

b. Byron Shire Council Sewerage Service

Sewerage reticulation and treatment operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

c. Byron Shire Council Holiday Parks

Council owned Holiday Parks operated in the Shire. The holiday parks include First Sun and Suffolk Beachfront.

Category 2

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

Nil

continued on next page ...

Page 10 of 13

Byron Shire Council

Special Purpose Financial Statements 2020

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

In accordance with the Department of Planning, Industry & Environment (DoPIE) – Best Practice Management of Water Supply and Sewerage 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 DoPIE – Best Practice Management of Water Supply and Sewerage 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 DoPIE – Best Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

continued on next page ...

Page 11 of 13

Byron Shire Council

Special Purpose Financial Statements 2020

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30 June 2020.

(iv) Dividends

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

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

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

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

In accordance with the Department of Planning, Industry and Environment (DoPIE) – Best Practice Management Water Supply and Sewerage 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.

Byron Shire Council

Special Purpose Financial Statements 2020

Special Purpose Financial Statements
for the year ended 30 June 2020

Byron Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

*Culturally rich and thriving communities living in harmony,
responding positively to the challenges of our world, and
leading by example.*



Byron Shire Council

Special Schedules 2020

Special Schedules
for the year ended 30 June 2020

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

Byron Shire Council

Special Schedules 2020

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	24,828	22,963
Plus or minus adjustments ²	b	95	122
Notional general income	c = a + b	24,923	23,085
Permissible income calculation			
Special variation percentage ³	d	7.50%	7.50%
Plus special variation amount	h = d x (c + g)	1,869	1,731
Sub-total	k = (c + g + h + i + j)	26,792	24,816
Plus (or minus) last year's carry forward total	l	5	17
Sub-total	n = (l + m)	5	17
Total permissible income	o = k + n	26,797	24,833
Less notional general income yield	p	26,783	24,828
Catch-up or (excess) result	q = o - p	15	5
Carry forward to next year ⁶	t = q + r + s	15	5

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

BYRON SHIRE COUNCIL

Byron Shire Council

Special Schedules 2020

Report on Infrastructure Assets as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000						\$ '000	\$ '000	\$ '000	\$ '000	1
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – non-specialised	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings – specialised	-	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	175	175	208	24	6,210	7,815	65.5%	21.8%	6.3%	6.3%	0.1%	
	Council Operations	1,070	1,070	409	503	12,218	14,325	97.3%	0.0%	2.7%	0.0%	0.0%	
	Swimming Pool Buildings	107	107	30	25	904	1,046	93.6%	6.0%	0.0%	0.4%	0.0%	
	Showground Buildings	258	258	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Residential Leases	237	237	-	59	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Recreation Buildings	544	544	378	25	11,286	13,084	87.4%	11.6%	0.8%	0.2%	0.0%	
	Libraries	-	-	153	150	4,554	5,104	90.9%	9.1%	0.0%	0.0%	0.0%	
	Public Amenities	632	632	155	759	4,616	5,648	68.3%	29.4%	2.0%	0.3%	0.0%	
	Emergency Services	115	115	28	10	821	952	90.7%	9.2%	0.0%	0.1%	0.0%	
	Community Buildings	2,584	2,584	406	275	12,127	15,669	72.0%	22.0%	5.1%	1.0%	0.0%	
	Commercial Leases	118	118	-	27	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Holiday Parks	-	-	191	281	5,698	6,856	87.4%	10.8%	1.5%	0.3%	0.0%	
	Childcare	-	-	188	73	5,628	7,044	75.5%	19.1%	5.0%	0.3%	0.0%	
	Cultural Facilities	-	-	20	-	599	708	84.7%	9.8%	0.0%	2.8%	2.8%	
Surf Clubs	-	-	101	-	3,025	4,551	24.5%	64.7%	9.2%	1.5%	0.0%		
Council Works Depot	-	-	90	27	2,697	3,313	79.7%	19.2%	0.6%	0.5%	0.0%		
Sub-total		5,840	5,840	2,357	2,238	70,383	86,115	78.7%	17.0%	3.2%	1.0%	0.0%	
Other structures	Other structures	-	-	-	-	2,008	2,480	0.0%	0.0%	0.0%	0.0%	100.0%	
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total					2,008	2,480	0.0%	0.0%	0.0%	0.0%	100.0%	
	Sealed roads	48,701	48,701	13,977	2,764	178,334	272,854	57.8%	0.0%	31.9%	10.0%	0.2%	
	Unsealed roads	1,132	1,132	325	524	5,014	7,084	16.5%	43.1%	5.5%	34.3%	0.6%	
	Bridges	479	479	138	47	43,868	49,591	94.7%	4.5%	0.7%	0.1%	0.0%	
	Footpaths	2,478	2,478	711	132	8,187	12,198	27.0%	27.2%	34.3%	8.6%	2.9%	
	Kerb and gutter	725	725	208	50	19,639	28,082	1.1%	96.4%	0.0%	2.5%	0.0%	
	Traffic Control Devices	-	-	-	6	11,803	16,019	81.3%	15.6%	0.0%	3.0%	0.1%	
	Carparks	1,061	1,061	304	-	1,815	3,334	0.0%	0.0%	0.0%	0.0%	100.0%	
	Roadside Barriers	5,123	5,123	1,470	22	7,686	14,588	21.9%	47.1%	0.0%	27.8%	3.2%	

continued on next page ...

Page 4 of 10

BYRON SHIRE COUNCIL

LATE REPORTS

17.1 - ATTACHMENT 3

Byron Shire Council

Special Schedules 2020

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000			\$ '000	1	2	3	4
Roads	Roadside Furniture	36	36	10	4	250	359	30.3%	65.4%	0.3%	2.9%	1.1%	
Roads	Walls	-	-	-	-	10,278	13,683	84.7%	12.4%	0.0%	2.9%	0.1%	
Roads	Signs	-	-	-	244	1,277	1,597	0.0%	100.0%	0.0%	0.0%	0.0%	
	Sub-total	59,735	59,735	17,143	3,793	288,151	419,389	56.6%	11.6%	21.9%	8.7%	1.1%	
Water supply network	Water supply network	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Mains	-	-	1,244	1,244	50,310	79,982	25.0%	33.0%	42.0%	0.0%	0.0%	
	Reservoirs	-	-	4,550	4,550	11,520	16,224	43.0%	20.0%	33.0%	4.0%	0.0%	
	Pumping Stations	-	-	14	14	252	489	32.0%	57.0%	11.0%	0.0%	0.0%	
	Treatment	-	-	421	421	3,278	5,366	0.0%	100.0%	0.0%	0.0%	0.0%	
	Hydrants	-	-	-	-	2,215	5,289	21.0%	32.0%	10.0%	37.0%	0.0%	
	Dam Weirs	-	-	-	-	192	2,731	0.0%	0.0%	0.0%	89.0%	11.0%	
	Monitor Control Stations	-	-	-	-	23	38	6.0%	94.0%	0.0%	0.0%	0.0%	
	Valves	-	-	-	-	1,145	3,006	26.0%	59.0%	0.0%	0.0%	15.0%	
	Sub-total	-	-	6,229	6,229	68,935	113,125	25.7%	34.3%	34.9%	4.5%	0.7%	
Sewerage network	Sewerage network	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Pumping Stations	-	-	1,606	1,606	12,294	23,333	26.6%	34.3%	24.3%	15.0%	(0.3%)	
	Treatment	-	-	4,364	4,364	54,000	73,442	43.1%	50.8%	6.1%	0.0%	0.0%	
	Mains	490	490	1,324	1,324	38,491	75,741	63.9%	29.6%	5.4%	1.1%	0.0%	
	Valves	-	-	-	-	570	954	6.1%	79.6%	5.1%	9.2%	0.0%	
	Manholes	-	-	-	-	9,114	16,669	15.8%	34.0%	46.6%	3.7%	0.0%	
	Vacuum Pods	-	-	-	-	243	440	0.0%	0.0%	100.0%	0.0%	0.0%	
	Sub-total	490	490	7,294	7,294	114,712	190,579	46.7%	38.9%	11.8%	2.6%	(0.0%)	
Stormwater drainage	Stormwater drainage	8,377	8,377	1,228	904	134,025	181,925	75.9%	5.2%	13.8%	5.2%	0.0%	
	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	8,377	8,377	1,228	904	134,025	181,925	75.9%	5.2%	13.8%	5.2%	0.0%	
	Swimming pools	-	-	-	746	2,025	-	0.0%	0.0%	0.0%	0.0%	0.0%	
	Other	2,032	2,032	1,028	-	59	59	100.0%	0.0%	0.0%	0.0%	0.0%	
	Fences	-	-	54	54	1,291	2,122	25.1%	38.8%	27.6%	7.3%	1.3%	
	Lighting	-	-	-	9	2,495	3,294	34.8%	47.8%	16.8%	0.5%	0.1%	

continued on next page ...

Page 5 of 10

BYRON SHIRE COUNCIL

Byron Shire Council

Special Schedules 2020

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

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	2019/20 Required maintenance ^a \$ '000	2019/20 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
Open space / recreational assets	Open Space Furniture	-	-	-	27	1,412	1,911	61.7%	17.7%	16.5%	3.8%	0.2%
Open space / recreational assets	Other Structures	-	-	-	5	1,301	1,825	47.1%	32.2%	18.4%	2.1%	0.3%
Open space / recreational assets	Park Active Areas	-	-	-	509	1,601	3,173	25.6%	26.5%	3.3%	44.4%	0.2%
Open space / recreational assets	Park Equipment	-	-	-	77	2,088	3,020	73.4%	14.7%	4.3%	7.1%	0.5%
Open space / recreational assets	Park Infrastructure	-	-	-	5	71	84	78.9%	8.3%	11.8%	0.9%	0.2%
Open space / recreational assets	Park Passive Areas	-	-	-	1,975	1,062	1,295	85.5%	8.1%	1.0%	4.7%	0.8%
Open space / recreational assets	Playgrounds	-	-	-	-	172	263	2.7%	79.0%	13.6%	1.0%	3.8%
Open space / recreational assets	Public Artwork	-	-	-	-	37	50	12.0%	72.1%	15.9%	0.0%	0.0%
	Sub-total	2,032	2,032	1,082	3,407	13,614	17,096	46.7%	29.0%	12.2%	11.5%	0.5%
Other infrastructure assets	Other	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	76,474	76,474	35,333	23,865	691,828	1,010,709	56.3%	18.9%	18.2%	5.8%	0.8%

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

Infrastructure asset condition assessment 'key'

continued on next page ...

Page 6 of 10

Byron Shire Council

Special Schedules 2020

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

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

continued on next page ...

Page 7 of 10

Byron Shire Council

Special Schedules 2020

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

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	2018	Benchmark
Infrastructure asset performance indicators (consolidated) ¹					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	12,944	96.28%	169.84%	110.37%	>=100.00%
Depreciation, amortisation and impairment	13,444				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	76,474	11.05%	17.42%	6.86%	<2.00%
Net carrying amount of infrastructure assets	691,828				
Asset maintenance ratio					
Actual asset maintenance	23,865	67.54%	100.00%	96.48%	>100.00%
Required asset maintenance	35,333				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	76,474	7.57%	11.23%	4.40%	
Gross replacement cost	1,010,709				

(¹) All asset performance indicators are calculated using classes identified in the previous table.

(¹) Excludes Work In Progress (WIP)

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

continued on next page ...

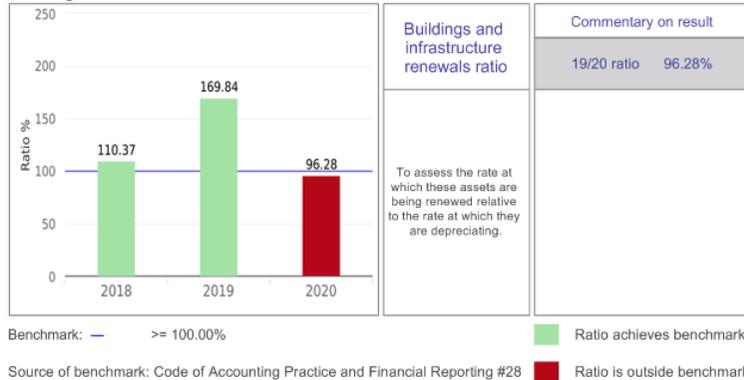
Page 8 of 10

Byron Shire Council

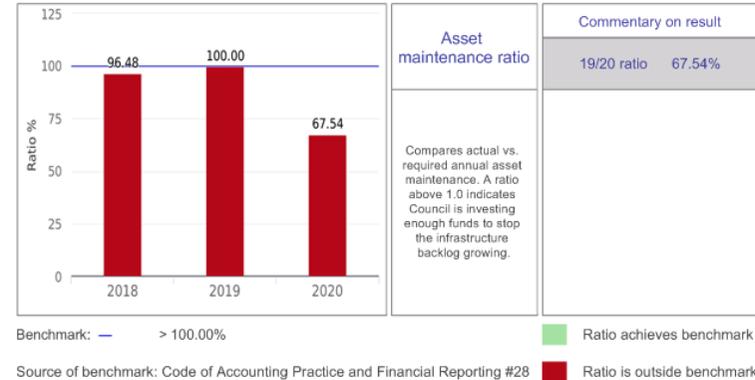
Special Schedules 2020

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

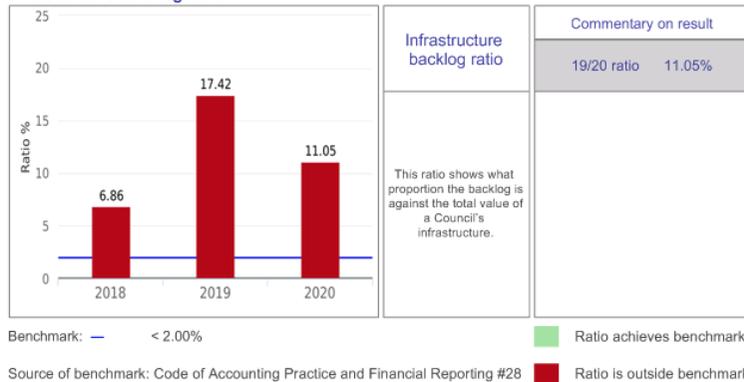
Buildings and infrastructure renewals ratio



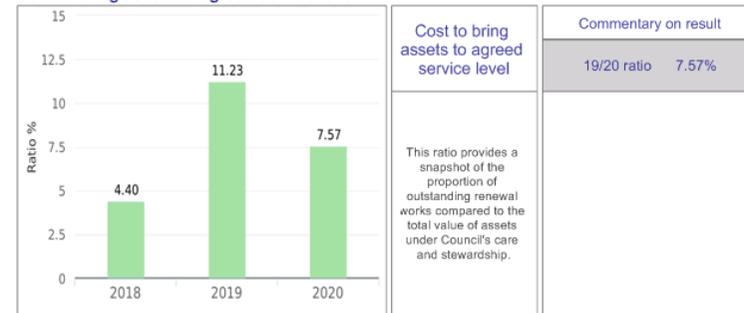
Asset maintenance ratio



Infrastructure backlog ratio



Cost to bring assets to agreed service level



continued on next page ...

Byron Shire Council

Special Schedules 2020

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

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	112.73%	222.72%	102.74%	16.83%	46.48%	98.62%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	14.95%	25.65%	0.00%	0.00%	0.43%	0.00%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	47.42%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	10.75%	16.90%	0.00%	0.00%	0.26%	0.00%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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