

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.*



General Purpose Financial Statements

for the year ended 30 June 2020

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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

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.

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

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 | Rates and annual charges | 3a | 45,220 | 41,969 |
| 29,874 | User charges and fees | 3b | 27,597 | 30,570 |
| 1,583 | Other revenues | 3c | 1,663 | 2,030 |
| 5,232 | Grants and contributions provided for operating purposes | 3d,3e | 8,702 | 8,400 |
| 27,764 | Grants and contributions provided for capital purposes | 3d,3e | 32,021 | 21,109 |
| 1,985 | Interest and investment income | 4 | 1,802 | 2,517 |
| – | Rental income | 13 | 916 | – |
| – | Net share of interests in joint ventures and associates using the equity method | 18 | 53 | – |
| 109,995 | Total income from continuing operations | | 117,974 | 106,595 |
| Expenses from continuing operations | | | | |
| 26,855 | Employee benefits and on-costs | 5a | 28,143 | 25,235 |
| 4,417 | Borrowing costs | 5b | 3,372 | 4,425 |
| 32,892 | Materials and contracts | 5c | 38,242 | 40,154 |
| 14,657 | Depreciation and amortisation | 5d | 15,685 | 15,012 |
| 6,764 | Other expenses | 5e | 6,365 | 6,425 |
| – | Net losses from the disposal of assets | 6 | 2,389 | 2,318 |
| – | Net share of interests in joint ventures and associates using the equity method | 18 | – | 4 |
| 85,585 | Total expenses from continuing operations | | 94,196 | 93,573 |
| 24,410 | Operating result from continuing operations | | 23,778 | 13,022 |
| 24,410 | Net operating result for the year | | 23,778 | 13,022 |
| 22,292 | Net operating result attributable to council | | 23,778 | 13,022 |
| (3,353) | Net operating result for the year before grants and contributions provided for capital purposes | | (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.

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.

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.

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.

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 | | | | |
| Receipts: | | | | |
| 43,557 | Rates and annual charges | | 44,282 | 41,407 |
| 29,874 | User charges and fees | | 28,834 | 30,141 |
| 1,985 | Investment and interest revenue received | | 1,779 | 2,173 |
| 32,996 | Grants and contributions | | 27,710 | 24,432 |
| – | Bonds, deposits and retention amounts received | | 138 | 14 |
| 1,583 | Other | | 5,416 | 1,083 |
| Payments: | | | | |
| (26,855) | Employee benefits and on-costs | | (27,219) | (24,901) |
| (32,892) | Materials and contracts | | (36,129) | (39,538) |
| (4,417) | Borrowing costs | | (3,382) | (4,271) |
| (6,764) | Other | | (6,126) | (5,988) |
| 39,067 | Net cash provided (or used in) operating activities | 17b | 35,303 | 24,552 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| – | Sale of investment securities | | 135,000 | 85,000 |
| – | Sale of infrastructure, property, plant and equipment | | 401 | 1,651 |
| – | Deferred debtors receipts | | 10 | 10 |
| Payments: | | | | |
| – | Purchase of investment securities | | (126,280) | (81,479) |
| (49,891) | Purchase of infrastructure, property, plant and equipment | | (36,381) | (30,444) |
| (49,891) | Net cash provided (or used in) investing activities | | (27,250) | (25,262) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| 1,844 | Proceeds from borrowings and advances | | 19,408 | 7,669 |
| Payments: | | | | |
| (2,907) | Repayment of borrowings and advances | | (20,723) | (2,758) |
| (1,063) | Net cash flow provided (used in) financing activities | | (1,315) | 4,911 |
| (11,887) | Net increase/(decrease) in cash and cash equivalents | | 6,738 | 4,201 |
| 30,589 | Plus: cash and cash equivalents – beginning of year | 17a | 30,589 | 26,388 |
| 18,702 | Cash and cash equivalents – end of the year | 17a | 37,327 | 30,589 |
| 47,781 | plus: Investments on hand – end of year | 7(b) | 39,235 | 47,781 |
| 66,483 | Total cash, cash equivalents and investments | | 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 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

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.

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

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.

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

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.

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.

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.

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.

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”,

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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.

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”.

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:

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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.

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. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000 | 2020 | 2019 |
|--|---------------|---------------|
| (f) Unspent grants and contributions – external restrictions | | |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions. | | |
| Operating grants | | |
| Unexpended at the close of the previous reporting period | 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 |

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.

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 equivalent' 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.

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.

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 |
| | – | 1,229 |

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 |
|--|------------|------------|

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> |
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u> | | <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.

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 |
| <u>TOTAL OTHER EXPENSES</u> | <u>6,365</u> | <u>6,425</u> |

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

| \$ '000 | Notes | 2020 | 2019 |
|--|-------|----------------|----------------|
| Plant and equipment | 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> |
| <u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u> | | <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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Investments | | | | |
| a. 'Financial assets at fair value through profit and loss' | | | | |
| 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.

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.

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 ...

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 |

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 |

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

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

Raw materials and stores, work in progress and finished goods

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. 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.

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

Note 11. Infrastructure, property, plant and equipment

| \$ '000 | 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 |
| ² 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

Notes to the Financial Statements

for the year ended 30 June 2020

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

| | 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 |
| \$ '000 | | | | | | | | | | | | | | |
| 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.

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 | | |

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".

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 | – |
| <u>Total Contract assets</u> | | <u>2,800</u> | <u>–</u> |

| \$ '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) | | – | – |
| <u>Total grants received in advance</u> | | <u>925</u> | <u>–</u> |
| User fees and charges received in advance: | | | |
| Advance bookings - holiday parks | (ii) | 564 | – |
| <u>Total user fees and charges received in advance</u> | | <u>564</u> | <u>–</u> |
| <u>Total contract liabilities</u> | | <u>1,489</u> | <u>–</u> |

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 |
| <u>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</u> | <u>607</u> |

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.

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.

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 |

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 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>16,594</u> | <u>59,308</u> | <u>13,415</u> | <u>61,338</u> |

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 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 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>16,594</u> | <u>59,308</u> | <u>13,415</u> | <u>61,338</u> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

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

| \$ '000 | as at 30/06/18 | | Non-cash changes | | | as at 30/06/19 |
|-----------------|-----------------|--------------|------------------|--------------------|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Other non-cash movement | Closing balance |
| Loans – secured | 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Provisions | | | | |
| Employee benefits | | | | |
| Annual leave | 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 |

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.

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.

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:

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

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.

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 ...

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 | Reclassific- ation | Remeasur-e ment | 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 comprehen- sive income under AASB 15 and AASB 1058 | Reclassific- ation | Remeasur- ement | Income Statement and comprehen- sive income under previous revenue standards | Notes |
|---|---|-----------------------|--------------------|--|-------|
| Income from continuing operations | | | | | |
| 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 | |
| Expenses from continuing operations | | | | | |
| 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 ...

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.

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.

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 |

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 |

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.

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.

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.

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 receipting 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.

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

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.

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.

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 | payable in: | | | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|---------------|----------------|---------------|------------------------|------------------------------|
| | | | ≤ 1 Year | 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 | | <u>4,130</u> | <u>15,032</u> | <u>29,191</u> | <u>51,661</u> | <u>100,014</u> | <u>75,414</u> |
| 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 | | <u>3,992</u> | <u>12,636</u> | <u>25,963</u> | <u>59,648</u> | <u>102,239</u> | <u>94,988</u> |

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 |

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.

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 |

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 |
|--|--------------------------|--------------------------------------|---------------------------------------|---|-----------------------------|
| | 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.

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

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 |

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 |
|---|---------------------------------|-----------------------------------|--------------------------------|------------------------------------|-------------------------|
| \$ '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 |
| \$ '000 | Bridges Restated | Footpaths Restated | Bulk earthworks Restated | Stormwater drainage Restated | Water supply network |
| 2019 | | | | | |
| 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) | - | - | - | - | - |

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 ...

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. |

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.

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 |
|---|-----|-----------------------------------|---|----------------------|--|--|
| \$ '000 | | | | | | |
| 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.

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.

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 | – |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

| \$ '000 | as at 30/06/19 | | | as at 30/06/20 | | | | |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | Opening Balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| | | Cash | Non-cash | | | | | |
| S7.11 Contributions – under a plan | | | | | | | | |
| CONTRIBUTION PLAN 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 | – |

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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 | – | |

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 | | | | | | |
| 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 | – | |

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 | | | | | |
| 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 | – |

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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 | | | | | | | |

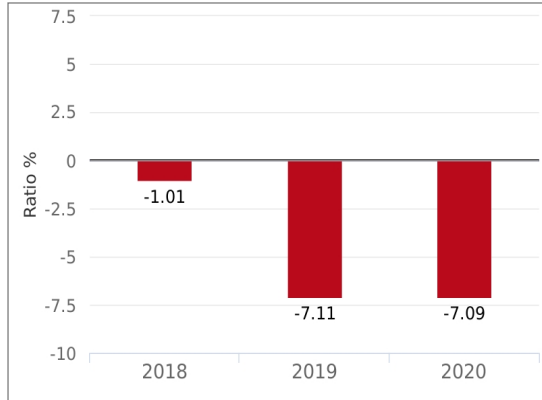
(1) - (2) Refer to Notes at Note 31a above.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (7.09)%

Whilst not achieving this benchmark, Council's result has remained consistent. Considering the operating result was not helped due to revenue reductions from impacts of COVID-19 which ordinarily would have improved the outcome compared to 2019, Council does need to address its operating performance.

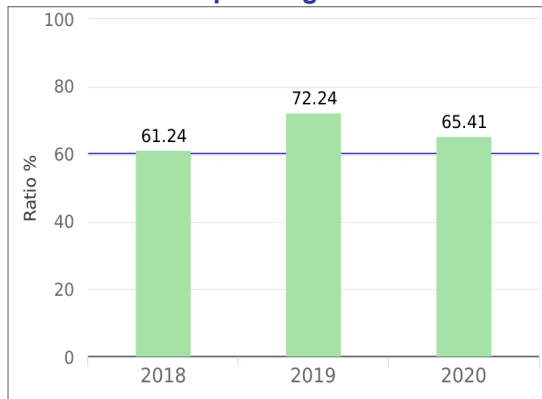
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 65.41%

Council has managed to remain above the required benchmark which is a good result considering the impacts of COVID-19 where Council has suffered revenue reductions in pay parking, fines and holiday parks which are contributors to Council's own source revenue.

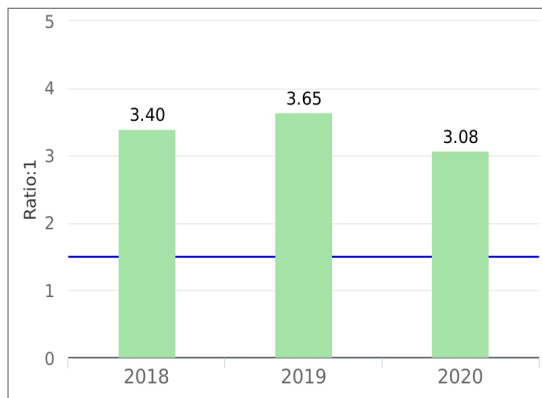
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.08x

Council continues to maintain a strong working capital position that is more than double the required benchmark. Council has consistently maintained this position further demonstrating it can meet its short term obligations.

Benchmark: — > 1.50x

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

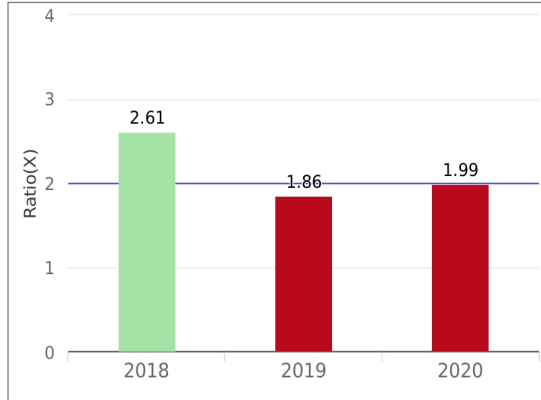
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 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.

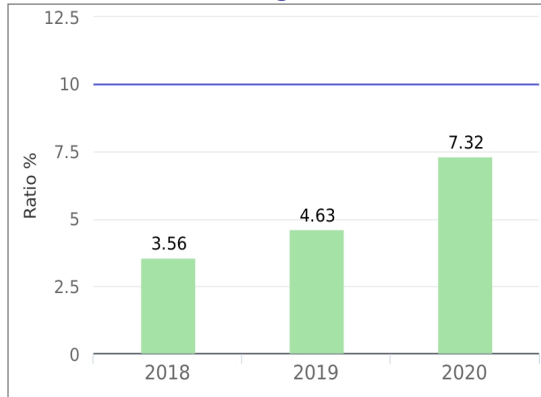
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 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.

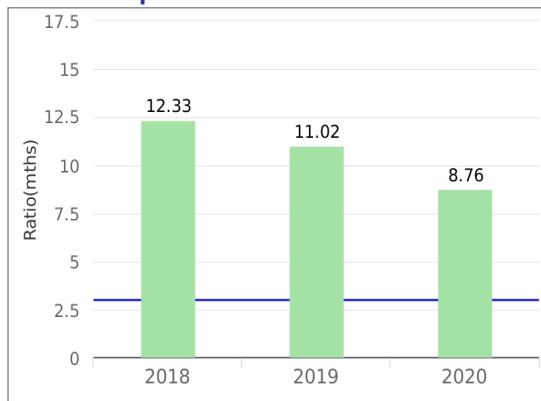
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 8.76 mths

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

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

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