Strengthening local government

Office of Local Government

LOCAL GOVERNMENT CODE OF ACCOUNTING PRACTICE AND FINANCIAL REPORTING

Update No. 28
March 2020

ACKNOWLEDGEMENTS

The Office of Local Government acknowledges the Australian Accounting Standards Board for its assistance in providing definitions from its Glossary of Terms for use in this document.

The Office of Local Government would like to thank Carmen Ridley, Principal, Australian Financial Reporting Solutions for her assistance in the development of this Code update.

The Office of Local Government would also like to thank the Institute of Public Works Engineering Australasia (IPWEA) for allowing sections of their Infrastructure Financial Management Guidelines to be used in the Code.

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Introduction and overview

Purpose

The Local Government Code of Accounting Practice and Financial Reporting (the Code) prescribes the forms of financial statements approved by the Office of Local Government (OLG).

The Code applies to each NSW council in respect of its general purpose financial statements, special purpose financial statements and special schedules and to Joint Organisations (JO) in respect of their general purpose financial statements.

The Code (including any relevant Supplements referred to below) is intended to facilitate the practical and effective implementation of the Australian Accounting Standards and aims to provide:

- a basis for providing assistance in the interpretation and application of management reporting, accounting, auditing and financial reporting requirements of Chapter 13 of the *Local Government Act 1993* (NSW) (Act) – "How are councils made accountable for their actions?"
- a mechanism which will ensure that appropriate accounting policies and practices are implemented by all councils
- a basis for audit and review functions to be undertaken in the context of comprehensive and approved accounting standards
- reliable, comparable and readily comprehensible financial information which will be invaluable for making and evaluating decisions about the allocation of scarce resources, and which will assist in assessing the performance, financial position, finances and investments of councils
- enhanced accountability of councils to the community.

The accounting, financial and other reporting requirements in this update (Update No. 28) of the Code apply to the general purpose and special purpose financial statements and the special schedules prepared by local governments and the JO general purpose financial statements for the financial year commencing 1 July 2019 and for subsequent years unless otherwise stated. The Code prescribes the minimum disclosures required where the balances/transactions are material (councils / JO can add additional disclosures at their discretion). Councils / JO should tailor these illustrative disclosures to their specific circumstances.

There is no requirement for councils / JO to disclose immaterial matters or make disclosures which are not relevant to their operations. In considering materiality for financial statements purposes, councils / JO should consider the Australian Accounting Standards Board (AASB) Practice Statement 2 *Making Materiality Judgements.*

Where additional information is added, the information must:

- not be inconsistent with Australian Accounting Standards (the Standards)
- not obscure material information required by Australian Accounting Standards
- not be disclosed in the financial statements if it is more appropriate to be shown elsewhere
- include information about why it is relevant to the users' understanding of the financial statements
- state that it is unaudited (if applicable).

In some cases, where the Standards provide options (as with the valuation of investment properties at cost or fair value), the Code will prescribe which option councils / JO must adopt.

Note: since the Code does not require councils/ JO to restate comparatives for AASB 1058 *Income of NFP Entities,* AASB 15 *Revenue from Contracts with Customers* or AASB 16 *Leases,* the comparative figures are prepared under the old standards.

The accounting policies show the policies from the old revenue and leases pronouncements for 2019 comparatives and AASB 1058, AASB 15 and AASB 16 for 2020 current year numbers.

Joint Organisations Supplement

In addition, Joint Organisations Supplement to Local Government Code of Accounting Practice and Financial Reporting (JO Code Supplement) applies to each JO in respect of its general purpose financial statements. Special purpose financial statements and special schedules in sections B and C of the Code are not required for JO.

The JO Code Supplement (Section D of the Code) should be used rather than Section A where the transaction/balance is included with the Supplement. Where the JO has a balance/transaction not covered by the Supplement then the relevant accounting and disclosures from Section A should be used (for example – intangible assets, employees under defined benefit plans).

Purpose of the Code

The purpose of the Code is to:

(a) establish a framework for the preparation and reporting of estimates of income and expenditure. [Clause 201, *Local Government (General) Regulation 2005* (NSW) (Regulation).]

(b) provide guidance on the application of professionally based accounting standards and various legislative requirements.

(c) specify the accounting records and practices to be followed to ensure adequate systems and internal controls are in place to manage council's resources. [Clause 206, Regulation.]

(d) establish financial reporting requirements to govern the form and content of financial statements of local governments. [Clause 214, Regulation.]

(e) specify the matters that an auditor must consider and comment on when conducting audits. [Clause 227, the Regulation.]

The purpose of the illustrative financial statements in this document is to highlight disclosure requirements, provide sample disclosures and worked examples, and serve as a convenient reference to source material.

The fictitious circumstances of our example council and joint organisation, have been chosen to illustrate the most common and significant accounting issues and associated disclosures under Australian Accounting Standards rather than to provide absolute wording or mandatory requirements for all councils. These issues may not necessarily apply to all councils, nor are they exhaustive. Therefore, these example financial statements should be tailored to the specific balances/transactions and circumstances of each council / joint organisation.

Authority of Code

For the purpose of Section 405 of the Act, the Code, issued and published by OLG, details the requirements of estimates of income and expenditure that a council must include in its draft operational plan for each financial year.

For the purpose of Section 412 of the Act, the Code, issued by the Minister and published by OLG, details the accounting records and accounting practices that a council must accord with in managing resources under its control.

For the purposes of Section 413(2b) and (3b) of the Act, the Code, issued by the Minister and published by OLG, details the financial reporting requirements that a council must incorporate when preparing its financial statements.

For the purposes of Section 415(3) of the Act and the Regulation, the auditor, in auditing a council's general purpose financial statements, must consider and provide comment on the following matters, where applicable:

(a) Relating to the Income Statement. The gain(/loss) from continuing activities for the year, including the effect of depreciation; the result for the year before capital amounts, level of grants and contributions; and the level of rates of increase for the year.

(b) Relating to the Statement of Financial Position. Consideration and comment should also be provided on the utilisation of overdraft facilities.

(c) Relating to performance. Performance indicators and trends, including current ratios, debt servicing, rates coverage, rates outstanding and the level of loan indebtedness, restricted assets, and level of asset renewal.

(d) Relating to the Statement of Cash Flows. The effect on the Statement of Cash Flows of material items such as borrowings or developer contributions.

(e) Relating to legislative compliance. The meeting of all statutory reporting requirements relating to Division 2 of Chapter 13 of the Act, the Regulation, and any legislatively prescribed standards.

(f) Relating to other matters. The auditor should comment on other such matters which are material, such as the effect of the introduction of new accounting standards, the effect of significant initiatives undertaken and future plans of council where these can be quantified and are sufficiently firm to comment on.

For the purposes of s.397I of the Local Government (General) Regulation 2005, the Code, issued and published by OLG, details the requirements of the annual statement of revenue policy that a Joint Organisation must prepare, including estimates of income and expenditure.

For the purpose of Section 412 of the Act, the Code, issued by the Minister and published by OLG, details the accounting records and accounting practices that a joint organisation must accord with in managing resources under its control. It should be noted that clause 397N of the Local Government (General) Regulation 2005 modifies how Section 412 of the Act applies in relation to a Joint Organisation for:

- its first financial report, and,
- so that the following sections of the Act that apply to councils do not apply to JOs:
    - s.610A and s.610B of the Act (Council fees for business activities), and
    - Chapter 17, Division 5 of Part 2 (s.713-s.726) (Sale of Land for Unpaid Rates and Charges).

For the purposes of Section 413(2b) and (3b) of the Act, the Code, issued by the Minister and published by OLG, details the financial reporting requirements that a joint organisation must incorporate when preparing its financial statements.

There are no prescribed matters that auditors must consider in auditing the JO financial statements under s415(3).

Foreign investment

Pursuant to Section 625 of the Act, a council may only invest money on the basis that all investments must be denominated in Australian dollars.

Legislative requirements for financial statements

The illustrated financial statements within the Code refer to the year-end date of 30 June 2020.

A graphical illustration of the legislative requirements pertaining to financial statements is provided at Appendix D. The dates specified are the latest applicable for the particular legislative requirements to be satisfied. All timetable deadlines are applicable from the financial year ending 30 June 2020.

All councils / JO are required to submit their financial statements on or before 31 October 2020.

Councils / JO are required to have access to the Australian Accounting Standards (www.aasb.gov.au).

Other information

The Code applies to the accounting, financial and other reporting requirements of the general purpose and special purpose financial statements and the special schedules prepared by NSW councils and of the general purpose financial statements prepared by NSW JO.

Where there has been a change in council policy which affects the calculation of performance ratios that change in policy must be stated and the ratios under the new policy must be provided for the current period and two previous years where available and comparable.

The headers on the top right-hand corner of the statements and notes are not mandatory.

Resources

Councils and JO are encouraged to review the resources on OLG's website accounting practice page (http://www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/accounting-practice) in relation to the new accounting standards:

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

Monitoring and review

OLG will ensure that the Code remains current, and will provide amendments by way of publication on its website at:
http://www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/accounting-practice

Industry feedback is actively encouraged to assist OLG in the development and delivery of sound financial policies that cater for the practical needs of councils. Feedback may be provided to the following email address (code@olg.nsw.gov.au) or by contacting the OLG's Senior Policy Officer - Finance on 02 4428 4100.

Date of issue of financial statements

OLG has determined that the date when the financial statements are authorised for issue is the date on which a council's / JO financial statements are signed. A council / JO should disclose that it has the power to amend and reissue the financial statements in cases where critical information is received from public submissions, or where the OLG directs the council / JO to amend the statements.

Lodgement of financial statements

Councils must electronically lodge a complete set of audited financial statements (General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules) with OLG by no later than the close of business on 31 October following the financial year end.

JO must electronically lodge General Purpose Financial Statements by no later than the close of business on 31 October following the financial year end.

Faxed copies of financial statements are not acceptable.

A council / JO financial statements lodged with the OLG will be deemed deficient if they:

(a) have a missing or an incomplete statement by the council as required by Section 413 (2c) of the Act

(b) have missing either of the two audit reports as required by Section 417 (1) of the Act; or

(c) have incomplete statements and/or incomplete notes to the accounts.

Where a council's financial statements are deemed deficient, the council will be required to re-lodge its reports and, if necessary, provide public notice of any amendments made in accordance with the Regulation.

Any request for extension to lodge financial statements must be in writing and lodged not later than 17 October following the financial year end. An application for an extension must:

(a) specify the reason(s) for which the extension is sought

(b) specify the period for which the extension is sought

(c) attach a copy of the audit notification of the council’s intention to seek an extension; and

(d) provide the lodgement dates of financial statements and details of any extensions sought (irrespective of approval) for the previous three years.

Tim Hurst
Deputy Secretary
Local Government, Planning and Policy

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Contents

The Code prescribes the minimum disclosures required for balances/transactions which are material. Councils / Joint organisations can add additional disclosures at their discretion. In some cases, where the Standards provide options (as with the valuation of investment properties at cost or fair value), the Code will prescribe which option must be adopted.

The format of the Code which locates the accounting policies within the relevant notes is mandatory, however the actual placement within the note is not mandatory.

Notes, line items and columns need only be included if applicable, and additional notes may be added as required. Importantly within the Code there are line items with nil or immaterial balances. These are included for completeness to show the line items which may be relevant and should not be taken as required to be included where the actual balances are not material.

Where notes are removed, the notes should be renumbered so they remain consecutive. This will lead to different councils / joint organisations having different numbers for the same note.

NSW Council

General purpose financial statements
for the year ended 30 June 2020

Contents

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

NSW Council
XXXX Street
XX NSW 2XXX.

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

Commentary – Financial statements

Accounting standard for financial statements presentation and disclosures

AASB101(10)

1. Per AASB 101, a 'complete set of financial statements' comprises:
   (a) a Statement of Financial Position as at the end of the period
   (b) a Statement of Income and Other Comprehensive Income for the period
   (c) a Statement of Changes in Equity for the period
   (d) a Statement of Cash Flow for the period
   (e) notes, comprising a summary of significant accounting policies and other explanatory notes
   (e1) comparative information in respect of the preceding period; and
   (f) a Statement of Financial Position as at the beginning of the earliest comparative period (only if the council has applied an accounting policy retrospectively, made a retrospective restatement of items, or reclassified items in its financial statements).

AASB101(11)

The statements must all be presented with equal prominence.

Consistency

AASB101(45)

2. The presentation and classification of items in the financial statements shall be retained from one period to the next unless:
   (a) it is apparent, following a significant change in the nature of the council's operations or a review of its financial statements, that another form of presentation or classification would be more appropriate, having regard to the criteria for the selection and application of accounting policies in AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or
   (b) an Australian Accounting Standard requires a change in presentation.

Materiality and aggregation

AASB101(29)

3. Each material class of similar items shall be presented separately in the financial statements. Items of a similar nature or function shall be presented separately unless they are immaterial.

Comparative information

AASB101(41)

4. When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, a council shall disclose:
   (a) the nature of the reclassification
   (b) the amount of each item or class of items that is reclassified
   (c) the reason for the reclassification.

AASB101(42)

5. When it is impracticable to reclassify comparative amounts, a council shall disclose:
   (a) the reason for not reclassifying the amounts
   (b) the nature of the adjustments that would have been made if the amounts had been reclassified.

Offsetting

AASB101(32)

6. Assets and liabilities, and income and expenses must not be offset unless required or permitted by an Australian Accounting Standard.

Budget figures

OLG

7. OLG requires the presentation of original budget figures in the Income Statement and Statement of Cash Flows for comparability.

NSW Council

General purpose financial statements for the year ended 30 June 2020

Statement by Councillors and Management made pursuant to Section 413 (2c) 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 NSW Council's operating result and financial position for the year
- accord with NSW Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on ……………………………………..

Councillor's name **Mayor** ___/___/___	Councillor's name **Councillor** ___/___/___
General Manager's name **General Manager** ___/___/___	Responsible Accounting Officer's name **Responsible Accounting Officer** ___/___/___

Commentary – Statement by Councillors and Management

LGA – Sec. 413 (2) (C)
LGGR - Cl 215

Dating and signing of Statement by Councillors and Management

1. The Statement by Councillors and Management must be made in accordance with a resolution of the council and specify the date on which it was made.
2. The Local Government Act requires a Council resolution prior to the financial statements being sent to Audit.
3. If there are significant changes between the financial statements referred to audit and the final audited statements, then the Council should consider whether it is appropriate for the financial statements to re-presented to the elected Council again as part of the governance process.

NSW Council

Income Statement
for the year ended 30 June 2020

Original unaudited budget 2020 $'000		Notes	Actual 2020 $'000	Actual 2019 $'000
	Income from continuing operations			
53,967	Rates and annual charges	3a	**54,259**	53,108
31,852	User charges and fees	3b	**34,926**	29,505
1,583	Other revenues	3c	**2,145**	2,222
23,896	Grants and contributions provided for operating purposes	3d,e	**31,287**	28,729
10,403	Grants and contributions provided for capital purposes	3d,e	**5,082**	11,376
2,333	Interest and investment revenue	4	**3,127**	2,925
-	Net gain from the disposal of assets	6	**-**	-
-	Fair value increment on investment properties	12	**-**	-
-	Reversal of revaluation decrements on IPPE previously expensed	11	**-**	-
-	Reversal of impairment losses on receivables	8	**-**	-
-	Rental income	15f, g	**-**	-
-	Net share of interests in joint ventures and associates using the equity method	20	**-**	-
124,034	**Total income from continuing operations**		**130,826**	129,154
	Expenses from continuing operations			
38,956	Employee benefits and on-costs	5a	**39,437**	39,135
8,487	Borrowing costs	5b	**8,632**	8,980
29,636	Materials and contracts	5c	**21,326**	27,921
35,137	Depreciation and amortisation	5d	**41,949**	35,805
-	Impairment of receivables	8	**112**	96
12,912	Other expenses	5e	**12,739**	11,351
-	Net loss from the disposal of assets	6	**13,809**	11,217
-	Revaluation decrement/impairment of IPPE	5d	**340**	-
-	Fair value decrement on investment properties	12	**-**	-
-	Net share of interests in joint ventures and associates using the equity method	20	**37**	60
125,128	**Total expenses from continuing operations**		**138,381**	134,565
(1,094)	**Operating result from continuing operations**		**(7,555)**	(5,411)
-	**Operating result from discontinued operations**	25	**-**	-
(1,094)	**Net operating result for the year**		**(7,555)**	(5,411)
	Attributable to:			
(1,094)	– Council		**(7,555)**	(5,411)
-	– non-controlling interests		**-**	-
(11,497)	**Net operating result for the year before grants and contributions provided for capital purposes**		**(12,637)**	(16,787)

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

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.

NSW Council

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Net operating result for the year – from Income Statement		**(7,555)**	(5,411)
Other comprehensive income			
Amounts that will not be reclassified subsequent to operating result			
Gain(/loss) on revaluation of infrastructure, property, plant and equipment		**(45,427)**	21,248
Fair value movement on investments at fair value through other comprehensive income (FVOCI)		**-**	-
Amounts that will be reclassified subsequent to operating result when specific conditions are met			
[Provide details]		**-**	-
Total other comprehensive income for the year		**(45,427)**	21,248
Total comprehensive income for the year		**(52,982)**	15,837
Attributable to – Council		**(52,982)**	15,837
– non-controlling interests		**-**	-

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

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.

Commentary – Income Statement and Statement of Comprehensive Income

Income Statement and Statement of Comprehensive Income

AASB101(81)(12)

1. Council must present
   (a) a separate Income Statement that displays components of the operating result, and
   (b) a Statement of Comprehensive Income that begins with operating result and displays components of other comprehensive income.

Revenue of equity accounted investments

AASB101(82)(c)
Framework(74)

2. The share of the profit or loss of associates and joint ventures accounted for using the equity method should be presented as a separate line item, presented as other income or other expenses (as applicable).

Extraordinary items not permitted

AASB101(87)

3. A council shall not present any items of income and expense as extraordinary, exceptional or individually significant or other similar terms either in the Income Statement or in the notes.

Discontinued operations

AASB5(33)(a),(b)
AASB101(82)(e)

4. Councils shall disclose of operating result from the discontinued operations as a single line item in the Income Statement. Analysis of the discontinued operation is provided in Note 26.

Non-current assets held for sale

AASB 5(38)

5. If council has any non-current assets which are classified as held for sale, then the cumulative income or expenses recognised in other comprehensive income relating to these assets should be presented separately.

Components of other comprehensive income

AASB101(7)

6. Components of other comprehensive income (OCI) are items of income and expense (including reclassification adjustments) that are specifically required or permitted by Australian Accounting Standards to be included in other comprehensive income rather than directly in the operating result. The relevant items for Council are:
   (a) changes in the revaluation surplus relating to property, plant and equipment
   (b) the investor's share of the other comprehensive income of equity-accounted investments
   (c) the fair value movement in investments classified as FVOCI.

7. The share of other comprehensive income of associates and joint ventures accounted for using equity method, and other comprehensive income from discontinued operations, should be shown separately in the Statement of Comprehensive Income if relevant.

Information to be presented either in the Income Statement or in the notes

Material items of income and expense

AASB101(97)

8. When items of income and expense are material, their nature and amount must be disclosed separately, either in the Income Statement or in the notes.

9. Councils should ensure that each class of expenses includes all items related to that class. Material restructuring costs, for example, include redundancy payments (i.e. employee benefit costs) and impairments in property, plant and equipment. It would not be acceptable to show restructuring costs as a separate line item in an analysis of expenses by nature where there is an overlap with other line items.

10. If impairment losses on any financial asset is material, then the line item 'Impairment of xxx' should be included on the face of the Income Statement – the Code illustrates this.

Reclassification adjustments

AASB101(92),(94)

11. A council shall also disclose separately any reclassification adjustments relating to components of other comprehensive income in the statement of changes in equity.

Classification of expenses

OLG

12. OLG has determined that expenses are to be classified by nature in the Income Statement as prescribed and by function in Note 2(a).

13. If Council has an impairment on any of their investments, then this should be shown on the face of the Income Statement and described in the investment note.

Commentary – Income Statement and Statement of Comprehensive Income

Goods and Services Tax (GST)

Interpretation 1031(6),(7)

14. Revenues and expenses are be recognised net of the amount of GST, except where GST relating to expense items is not recoverable from the taxation authority when it must be recognised as part of the item of expense.

OLG

15. The last line on the Income Statement, being 'Net operating result for the year before grants and contributions provided for capital purposes', is provided as a key industry indicator of financial performance. This line must stand alone.

Local Infrastructure Renewal Scheme (LIRS) income

OLG

16. LIRS subsidy payments are revenue which is recognised periodically, as and when loan repayments are made and invoices are raised. LIRS subsidy payments are required to be reported in Note 3 Section (e), Grants/Special Purpose**.**

NSW Council

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $'000	2019 $'000	Restated 1 July 2018 $'000
ASSETS				
Current assets				
Cash and cash equivalents	7a	**12,770**	11,205	
Investments	7b	**61,000**	58,005	
Receivables	8	**15,293**	17,178	
Inventories	9	**1,276**	1,576	
Contract assets	14a	**-**	-	
Contract cost asset	14c	**412**	-	
Other	9	**418**	296	
Non-current assets classified as held for sale	10	**-**	7,592	
Total current assets		**91,169**	95,852	
Non-current assets				
Investments	7b	**28,015**	16,004	
Receivables	8	**765**	632	
Inventories	9	**140**	209	
Contract assets	14a	**-**	-	
Contract cost asset	14c	**-**	-	
Infrastructure, property, plant and equipment	11	**2,009,896**	2,078,710	
Investment property	12	**-**	-	
Intangible assets	13	**319**	628	
Right of use assets	15a	**2,474**	-	
Investments accounted for using equity method	20	**42**	47	
Other		**-**	-	
Total non-current assets		**2,041,651**	2,096,230	
Total assets		**2,132,820**	2,192,082	
LIABILITIES				
Current liabilities				
Payables	16	**11,427**	9,452	
Income received in advance		**-**	1,540	
Contract liabilities	14b	**5,477**	-	
Lease liabilities	15b	**337**	-	
Borrowings	16	**6,194**	5,810	
Provisions	17	**12,088**	12,019	
Total current liabilities		**39,288**	28,821	
Non-current liabilities				
Payables	16	**-**	-	
Contract liabilities	14b	**3,765**	-	
Lease liabilities	15b	**2,285**	-	
Borrowings	16	**111,051**	123,919	
Provisions	17	**7,158**	8,321	
Total non-current liabilities		**120,494**	132,240	
Total liabilities		**159,782**	161,061	
Net assets		**1,973,038**	2,031,021	
EQUITY				
Accumulated surplus		**834,016**	846,572	
Revaluation reserves	18	**1,139,022**	1,184,449	
Other reserves (specify)	18	**-**	-	
Council interest		**1,973,734**	2,031,021	
Non-controlling equity interest		**-**	-	
Total equity		**1,973,038**	2,031,021	

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

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.

Commentary – Statement of Financial Position

Information to be presented

AASB101(61)

1. The Statement of Financial Position at the beginning of the comparative period (shown as the third column in the Code) **is only required** when Council has applied an accounting policy retrospectively, made a retrospective restatement (error) or reclassified items, and the adjustment had a material effect on the information in the Statement of Financial Position at the beginning of the comparative period.

Either in the Statement of Financial Position or in the notes

AASB101(61)

2. For each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the reporting period, and (b) more than 12 months after the reporting period, the council shall disclose the amount expected to be recovered or settled after more than 12 months.

Fair value

AASB13

3. Fair value is measured in accordance with AASB13 *Fair Value Measurement* which is defined as:

   'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'.

Comparatives

4 If the comparative column is restated due to a change in accounting policy or error then add 'restated' to the column heading.

NSW Council

Statement of Changes in Equity
For the year ended at 30 June 2020

	2020 $'000						2019 $'000					
	Accumulated surplus	**IPP&E revaluation reserve**	**Other reserves [specify]**	**Council equity interest**	**Non-controlling interest**	**Total equity**	Accumulated surplus	IPP&E revaluation reserve	Other reserves [specify]	Council equity interest	Non-controlling interest	Total equity
Opening balance	**846,572**	**1,184,449**	**-**	**2,031,021**	**-**	**2,031,021**	852,147	1,163,201	-	2,015,346	-	2,015,346
Correction of errors	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Changes due to AASB 9 adoption	**-**	**-**	**-**	**-**		**-**	(164)	-	-	(164)	-	(164)
Changes due to AASB 1058 and AASB 15 adoption (note 18)	**(5,001)**	**-**	**-**	**(5,001)**		**(5,001)**	-	-	-	-	-	-
Changes due to AASB 16 adoption (note 18)	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Changes in accounting policies	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Restated opening balance	**841,571**	**1,184,449**	**-**	**2,031,021**	**-**	**2,030,857**	851,983	1,163,201	-	2,015,184	-	2,015,184
Net operating result for the year	**(7,555)**	**-**	**-**	**(7,555)**	**-**	**(7,555)**	(5,411)	-	-	(5,411)	-	(5,411)
Other comprehensive income												
Gain (loss) on revaluation of infrastructure, property, plant and equipment	**-**	**(45,427)**	**-**	**(45,427)**	**-**	**(45,427)**	-	21,248	-	21,248	-	21,248
Gain (/loss) on revaluation of equity instruments through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Total comprehensive income	**834,016**	**1,139,022**	**-**	**1,973,898**	**-**	**1,973,734**	846,572	1,184,449	-	2,031,021	-	2,031,021
Transfers between equity items	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Closing balance	**834,016**	**1,139,022**	**-**	**1,973,898**	**-**	**1,973,734**	846,572	1,184,449	-	2,031,021	-	2,031,021

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

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.

Commentary – Statements of Changes in Equity

AASB101(106)

1. The Statement of Changes in Equity shall include:
   (a) total comprehensive income for the period, showing separately the total amounts attributable to the council and to non-controlling interests
   (b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB108

AASB101(106)(d)

   (c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
      (i) profit or loss
      (ii) other comprehensive income; and
      (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners, and changes in ownership interests in subsidiaries that do not result in loss of control.

2. Where councils have more than one 'other reserve' then additional columns should be added to the Statement of Changes in Equity as required.

Changes due to new standards

3. Changes to retained earnings on adoption of the new accounting standards relating to revenue and leases should be shown as an adjustment at 1 July 2019.

4. Retained earnings adjustments for AASB 15 / 1058 include:

   - Reversal of revenue recognised on receipt under AASB 1004 *Contributions* which can be deferred under AASB 15 or AASB 1058 (controlled assets exception).

   - Recognition of revenue which was deferred in the prior year which does not meet the deferral criteria under AASB 15 or AASB 1058.

5. Retained earnings adjustments for AASB 16 include adjustments relating to changes in make good provisions and removal of straight lining balances relating to previous operating leases at 30 June 2019

NSW Council

Statement of Cash Flows
for the year ended 30 June 2020

Original unaudited budget 2020 $'000		Notes	Actual 2020 $'000	Actual 2019 $'000
	Cash flows from operating activities			
	Receipts:			
53,861	Rates and annual charges		**54,027**	52,873
31,262	User charges and fees		**34,831**	30,610
2,504	Investment revenue and interest		**3,127**	3,101
35,377	Grants and contributions		**40,359**	46,471
-	Bonds, deposits and retentions received		**-**	107
2,116	Other		**-**	784
	Payments:			
(38,935)	Employee benefits and on-costs		**(39,521)**	(39,411)
(29,895)	Materials and contracts		**(30,468)**	(32,515)
(8,534)	Borrowing costs		**(8,632)**	(8,645)
-	Bonds, deposits and retentions refunded		**-**	-
(12,912)	Other		**-**	(8,571)
34,844	**Net cash provided from (or used) in operating activities**	19(b)	**53,723**	44,804
	Cash flows from investing activities			
	Receipts:			
732	Sale of investments		**-**	56,000
6,610	Sale of infrastructure, property, plant and equipment		**4,506**	1,212
-	Sale of interests in joint ventures/associates		**-**	-
-	Proceeds from boundary adjustment		**-**	-
-	Sale of intangible assets		**-**	-
-	Sale of investment property		**-**	-
31	Other [specify if material]		**-**	30
	Payments:			
-	Purchase of investments		**-**	(71,014)
(40,973)	Purchase of infrastructure, property, plant and equipment		**(28,721)**	(39,406)
-	Purchase of/contributions to interests in joint ventures/associates		**-**	(59)
-	Purchase of intangible assets		**(232)**	-
-	Purchase of investment property		**-**	-
-	Other [specify if material]		**-**	-
(33,600)	**Net cash provided from (or used in) investing activities**		**(24,447)**	(53,237)
	Cash flows from financing activities			
	Receipts:			
-	Proceeds from borrowings and advances		**-**	-
-	Other		**-**	-
	Payments:			
(6,625)	Repayment of borrowings and advances		**(27,490)**	(6,181)
-	Lease liabilities (principal repayments)		**(219)**	-
-	Other		**-**	-
(6,625)	**Net cash provided from (or used in) financing activities**		**(27,709)**	(6,181)
(5,381)	**Net increase(/decrease) in cash and cash equivalents**		**1,565**	(14,614)
18.,378	**Cash and cash equivalents at beginning of reporting period**		**11,205**	25,819
12,997	**Cash and cash equivalents at end of reporting period**	19(a)	**12,770**	11,205

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

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

Commentary – Statement of Cash Flows

OLG

Presentation of operating cashflows

OLG requires all councils to use the direct method in reporting cash flows from operating activities whereby major classes of gross cash receipts and gross cash payments are disclosed.

AASB107(16)

Expenditure on unrecognised assets to be classified as operating cash flows

Cash flows can only be classified as arising from investing activities if they result in the recognition of an asset in the Statement of Financial Position. If accounting standards do not allow the recognition of an asset then the cashflows are classified as operating, for example: expenditures on promotional activities, staff training, feasibility studies and research.

Goods and Services Tax (GST)

Interpretation 1031(10)

Cash flows shall be included in the Statement of Cash Flows on a gross basis.

Interpretation1031(11)

The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority shall be classified as operating cash flows and will be included in receipts from customers or payments to suppliers, as appropriate.

OLG

Interest and dividends

OLG requires the payment and/or receipt of interest (including those relating to lease payments) and dividends to be classified as operating cash flows.

Leases

AASB107(17) / AASB 16.50a

The principal components of the lease repayments are classified as financing activities.

AASB 16.50c

Short-term lease payments, payments for low-value assets and variable lease payments (not included in the measurement of the lease liability) should be disclosed in operating activities

NSW Council

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

Contents of the Notes to the Financial Statements

Note 1 Basis of preparation

These financial statements were authorised for issue by NSW Council on dd/mm/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.

AASB101(119) AASB101(112) (a),(b)

The principal accounting policies adopted in the preparation of these [consolidated] (delete if not applicable) financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

AASB1054(7)-(9)

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. NSW 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

AASB101(117)(a)

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

AASB101(122)(125)

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

NSW 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) fair values of investment properties – refer Note 12
(ii) fair values of infrastructure, property, plant and equipment – refer Note 11
(iii) tip remediation provisions – refer Note 17
(iv) employee benefit provisions – refer Note 17.

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

AASB101(110)

Monies and other assets received by NSW Council

(a) The Consolidated Fund

LGA s.409(1)

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

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

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

- general purpose operations
- water service
- sewerage service
- Memorial Hall Committee
- Oval Management Committee
- Park Management Committee.

LGA s.411

(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 NSW 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)

Interpretation 1031(6),(7) 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.

Interpretation 1031(8),(9) 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.

Interpretation 1031(10),(11) 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.

AASB 1058(27a)

Volunteer services

[Councils should provide details about their dependence on volunteer services received, where significant, regardless of whether they have been recognised in the income statement. If volunteer services are not recognised then Councils should consider providing the rationale for why not, e.g. not material, would not be purchased if not donated or cannot be reliably measured].

AASB108(30)

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods. NSW Council's assessment of the impact of the new standards, and interpretations relevant to them, is set out below:

[We note that this information is provided for councils in Appendix J rather than including the assessments here for the purpose of the Code].

NSW Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2019.

[Note: this information is up to date at the date of writing – xxx 2020. However, councils are required to review the AASB website for standards issued between xxx 2020 and the date of approval of their financial statements for other relevant standards which have been issued. The standards and impacts described below should also be reviewed to ensure they are appropriate for the council.]

AASB 108 (28)

New accounting standards adopted during the year

During the year, NSW Council adopted all standards which were mandatorily effective for the first time at 30 June 2020. The standards which had an impact on reported position, performance or disclosures have been discussed in Note 18.

Commentary – Basis of preparation

Significant accounting policies

1. **Significant** accounting policies of Council must be included in the financial statements, these have been included with the relevant note and should provide the following information:

AASB101(117)

   (a) the measurement basis (or bases) used in preparing the financial statements; and

   (b) the other accounting policies used that are relevant to an understanding of the financial statements.

Whether to disclose an accounting policy

2. In deciding whether a particular accounting policy should or should not be disclosed, management considers whether disclosure would assist users in understanding how material transactions, other events and conditions are reflected in the reported financial performance and financial position.

Going concern

AASB101(25) 3. When preparing financial statements, management shall make an assessment of a council's ability to continue as a going concern. When management, in making its assessment, is aware of material uncertainties related to events or conditions that may cast significant doubt upon the council's ability to continue as a going concern, those uncertainties shall be disclosed.

Accrual basis of accounting

AASB101(27) 4. A council shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting based on the definitions of assets, liabilities, income and expenses in the Conceptual Framework.

Consistency

AASB101 (45) 5. Where Council prepares consolidated financial statements, the accounting policies used by all entities in the financial statements must be consistent.

Significant judgements

AASB101(122) 6. A council shall disclose the judgements, apart from those involving estimations, that management has made in the process of applying the council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

AASB101(123) 7. Examples of some of these judgements are:

(a) whether the council controls or has significant influence over a particular investment (refer AASB 12(7))
(b) whether an asset should be classified as held-for-sale or an operation meets the definition of a discontinued operation
(c) whether an agreement contains a lease (for example waste management agreements)
(d) the relevant accounting standard for certain revenue contracts (e.g. grants) and other judgements in applying the revenue standards (refer AASB 15(123) and AASB 1058(34).

Sources of estimation uncertainty

AASB101(125) 8. A council shall disclose in the notes information about the assumptions concerning the future, and other sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and
(b) their carrying amount as at the end of the reporting period.

AASB101(128) 9. The disclosures are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next annual reporting period if, at the end of the reporting period, they are measured at fair value based on recently observed market prices. Such fair values might change materially within the next annual reporting period but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.

AASB101(129) 10. The disclosures are presented in a manner that helps users of financial statements to understand the judgements management makes about the future, and about other sources of estimation uncertainty. The nature and extent of the information provided varies according to the nature of the assumption and other circumstances. Examples of the types of disclosures made are:

(a) the nature of the assumption or other estimation uncertainty
(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity
(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next annual reporting period in respect of the carrying amounts of the assets and liabilities affected
(d) an explanation of changes made to past assumptions concerning those assets and liabilities if the uncertainty remains unresolved.

AASB101(131) 11. When it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period, the council discloses that it is reasonably possible, based on existing knowledge, that outcomes within the next annual reporting period that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the council discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities) affected by the assumption.

Non-consolidation of Trust Funds

OLG

12. It should be rare that councils have trust funds which they do not believe that they control and therefore are not consolidating. Councils should carefully consider the control guidance in AASB 10 and Appendix H.

13, If Council believes they have any of these funds, then the following disclosure should be included:

The following trust monies and properties are held by NSW Council but not considered to be under the control of NSW Council and therefore are excluded from these financial statements:

- Provide details of any such monies/properties

AASB 1058

Volunteer services

14. Income (and associated expenses) relating to volunteer services should be recognised where:

– the amount is material

– the services would be purchased if they were not donated

– the amounts of the volunteer services can be measured reliably.

A volunteer services line is shown in Other Income with a corresponding amount showing in Other Expenses.

In assessing whether volunteer services should be recognised, councils should consider the various forms of volunteer services received, e.g. support at art galleries, museums, committee members etc.

Once these have been identified, council should assess materiality in respect of usefulness to the users and revenue and expenses. Regardless of materiality if councils cannot measure the value of the volunteer services reliably, or the services would not be purchase if not donated, then volunteer services are not required to be recognised.

Australian Accounting Standard issued but not yet effective

AASB108(30)

15. When a council has *not* applied a new Australian Accounting Standard that has been issued but is not yet effective, the council shall disclose:
    (a) this fact; and
    (b) known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the council's financial statements in the period of initial application.

    Refer to Appendix M for list of current standards issued not yet effective.

OLG

16. Unless otherwise specified, OLG has determined that new standards and interpretations are not to be adopted early by councils.

New accounting standards adopted during the year

17. Where the adoption of a new accounting standard during the year has had a material effect on the reporting position, performance of the council or disclosures, the council should disclose the impact on transition of adoption of the new standard using either the specific transition disclosures or the general disclosures in AASB 108(28).

    The Code includes illustrative transition disclosures for significant accounting standards adopted during the year.

    Note: these are only required for the year of adoption of the new standard and are not required to be repeated in future years.

Note 2(a) Functions or activities

Functions or activities			**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 results from continuing operations**		**Grants included in income from continuing operations**	**Grants included in income from continuing operations**	**Carrying amount of assets**	**Carrying amount of assets**
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Our leadership										
Our infrastructure										
Our society										
Our environment										
Our economy										
Total functions and activities										

Note 2(b) Components of functions or activities

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

Our leadership
- Continuous improvement
- Accountability and compliance
- Participation and communication
- Resourcing and support

Our infrastructure
- Quality built environment and places
- Efficient transport and access
- Effective essential services

Our society
- Community health and wellbeing
- Creative culture and recreation
- Good community relations
- Community resilience

Our environment
- Protecting the land
- Maintaining healthy waterways
- Protecting biodiversity

Our economy
- Efficient and careful resource use
- Healthy economic activity
- Meaningful work and employment

[Councils will need to provide information about the objectives of each function or activity.]

Commentary – Functions or activities

AASB1052(11)

1. For each broad function or activity, disclose the nature, objectives and carrying amount of assets attributable to each function or activity, and the income (with separate disclosure of grants) and expenses for the reporting period that are attributable to each function or activity. The information is to be aggregated and reconciled back to the Income Statement, Statement of Financial Position, and Grant Note (3e).

OLG

2. OLG requires that functions or activities be presented in the Council's own Integrated Planning and Reporting (IP&R) or Delivery Program format as the prescribed format. The example in this note may differ to a council's IP&R functions or activities. Each council should ensure Note 2 reflects that council's IP&R functions or activities. For this reason, this note has not been populated.
3. For the purposes of financial reporting under this Code, costs are to be allocated to functions and activities when they can be attributed on a reliable basis.
4. Reliably attributable overheads allocated to capital projects form part of the cost of the asset.

Note 3 Revenue from continuing operations

(a) Rates and annual charges

	2020 $'000	2019 $'000
Ordinary rates		
Residential	**22,292**	20,744
Farmland	**2,983**	2,787
Business	**3,627**	3,405
Mining	**-**	-
Less: Pensioner rebates	**(1,159)**	(1,148)
Rates levied to ratepayers	**27,743**	25,788
Pensioner rate subsidies received	**637**	632
Total ordinary rates	**28,380**	26,420
Special rates		
Water supply	**-**	-
Sewerage services	**-**	-
Environmental	**-**	-
Infrastructure	**-**	-
Drainage	**-**	-
Town improvement	**-**	-
Parking	**-**	-
Main street	**-**	-
Tourism	**-**	-
Other (specify if material)	**-**	-
Less: Pensioner rebates	**-**	-
Total special rates	**-**	-
Annual charges *(pursuant to s496, 496A, 496B, 501 & 611)*		
Domestic waste management services	**6,321**	6,206
Water supply	**2,697**	4,028
Sewerage services	**16,780**	16,461
Drainage	**-**	-
Stormwater management services charge	**-**	-
Waste management services (not domestic)	**1,890**	1,818
Coastal protection	**-**	-
s 611 charges	**-**	-
Waste levy	**-**	-
Pensioner subsidies:		
Water	**257**	260
Sewer	**187**	189
Domestic waste management (DWM)	**201**	208
Other (specify if material)	**-**	-
Less: Pensioner rebates	**(1,172)**	(1,193)
Total annual charges	**27,161**	27,977
Total rates and annual charges	**54,259**	54,397

Council has used 20XX valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges
Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

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

2019 accounting policy
Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Note 3 Revenue from continuing operations

(b) User charges and fees

	2020 $'000	2019 $'000
User charges		
Domestic waste management services	**-**	-
Water supply services	**11,709**	9,026
Sewerage services	**1,722**	1,550
Drainage services	**274**	254
Waste management services (not domestic)	**-**	-
Other (specify if material)	**-**	-
Total user charges	**13,705**	10,830
Fees		
Private works- s 67	**338**	230
RMS works (state roads not controlled by council)	**2,897**	3,022
Building services – other	**557**	410
Planning and building – regulatory	**1,814**	1,741
Inspection fees	**497**	347
s 10.7 certificates (EP&A Act)	**146**	129
s603 certificates	**133**	120
Registration fees	**402**	416
Parking fees	**260**	238
Caravan parks	**5,493**	5,368
Cemeteries	**564**	501
Leisure centre	**830**	566
Community centres	**924**	826
Child care	**62**	51
Aerodrome	**129**	154
Aged care	**356**	258
Quarry	**329**	416
Saleyards	**335**	328
Regional landfill	**3,780**	3,195
Other (specify if material)	**1,375**	359
Total fees	**21,221**	18,675
Total user charges and fees	**34,926**	29,505

Accounting policy for user charges and fees

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

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

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.

Note 3 Revenue from continuing operations

(c) Other revenues

	2020 $'000	2019 $'000
Parking fines	**81**	39
Other fines	**225**	203
Recycling income (non-domestic)	**117**	307
Insurance claims recoveries	**-**	-
Commissions and agency fees	**45**	67
Sales of inventories	**933**	936
Diesel rebate	**357**	328
Legal fees recovery	**245**	198
State waste rebate	**142**	144
Other (specify if material)	**-**	-
Total other revenue	**2,145**	2,222

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:
NSW 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. NSW 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.

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

Note 3 Revenue from continuing operations

	Operating 2020 $'000	Operating 2019 $'000	Capital 2020 $'000	Capital 2019 $'000
(d) Grants				
General purpose (untied)				
Financial assistance[1]			-	-
Relating to current year	3,342	2,001		
Prepayment received in advance for subsequent year	12,125	8,145	-	-
Amount recognised as income during current year	15,467	10,146	-	-
Special purpose (tied)				
Water supplies	-	-	-	-
Sewerage services	-	-	-	1,113
Community care	5,759	7,311	-	-
Environmental programs	188	98	-	-
Floodplain management	137	423	497	72
Street lighting	100	98	-	-
Library	205	201	-	132
Recreation and culture	-	-	-	1,050
Storm/flood damage	275	1,304	-	-
Transport				
– Roads to recovery	3,252	4,121	-	-
– Other roads and bridges	-	-	514	1,448
– Other	-	-	27	780
NSW Rural Fire Services	703	550	207	736
Other (specify if material)	61	516	332	225
Total grants	**26,147**	24,768	**1,577**	5,556
Comprising:				
– Commonwealth funding	21,021	18,355	645	1,734
– State funding	5,126	6,413	932	3,822
– Other funding	-	-	-	-
	26,147	24,768	1,577	5,556

	Operating 2020 $'000	Operating 2019 $'000	Capital 2020 $'000	Capital 2019 $'000
(e) Contributions				
Developer contributions (s7.4 and s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
s7.4 – contributions using planning agreements	-	-	-	-
s7.11 – contributions towards amenities/services	-	-	517	807
s7.12 – fixed development consent levies	-	-	183	40
s64 – water supply contributions	-	-	703	838
s64 – sewerage service contributions	-	-	724	831
s64 – stormwater contributions	-	-	-	-
Other developer contributions (specify if material)	-	-	-	-
Non-cash contributions				
Other developer contributions (specify if material)	-	-	-	-
Total developer contributions	-	-	**2,127**	2,516

[1] $5.263m of the 2020 – 2021 Financial Assistance Grant from State Government was received by NSW Council in June 2020 and hence is reported as 2019 – 2020 income although it relates to 2020 – 2021 financial year.

Other contributions:				
Cash contributions				
Dedications	**-**	-	**-**	-
Kerb and gutter	**-**	-	**-**	-
Paving	**-**	-	**-**	-
Community services	**414**	444	**3**	-
Water supplies and sewerage (excluding s64 contributions)	**448**	484	**214**	510
Health and safety	**208**	100	**-**	-
RMS contributions (regional roads, block grant)	**3,701**	2,526	**576**	1,742
Other (specify if material)	**369**	407	**30**	18
Non-cash contributions				
Subdivision dedications (other than by s7.11)	**-**	-	**555**	1,034
Other (specify if material)	**-**	-	**-**	-
Total other contributions	**5,140**	3,961	**1,378**	3,304
Total contributions	**5,140**	3,961	**3,505**	5,820
Total grants and contributions	**31,287**	28,729	**5,082**	11,376

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

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

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

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

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

Grant income

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

NSW Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While NSW 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.

	2020 $'000	2019 $'000

AASB 1058.37

(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by NSW Council on the condition they be spent in a specified manner due to externally imposed restrictions.

Operating grants
Operating grants recognised as income in the current period that:
- have not been spent
- were received for the provision of goods and services in a future period (specify period)

Operating grants recognised in previous reporting periods that have been spent in the current reporting period.

[Provide details of nature of the unspent operating grants]

Capital grants
Capital grants recognised as income in the current period that:
- have not been spent.
- were received for the provision of goods and services in a future period (specify period)

Capital grants recognised in previous reporting periods that have been spent in the current reporting period.

[Provide details of nature of the unspent capital grants].

Contributions
Contributions recognised as income in the current period that:
- have not been spent.
- were received for the provision of goods and services in a future period (specify period)
- were obtained in respect of a future rating identified by Council for the purpose of establishing a rate (specify period)

Contributions recognised in previous reporting periods that have been spent in the current reporting period.

[Provide details of nature of the unspent contributions.]

(g) Disaggregation of revenue

The following shows the revenue recognition pattern for the streams of Council.

	AASB 15 $'000	AASB 1058 $'000
Revenue recognition at a point in time		
Rates and annual charges	-	54,259
Financial assistance grants	-	15,467
User charges and fees	18,438	-
Grant revenue and non-developer contributions	1,456	10,380
Developer contributions	-	2,127
Fines	-	306
Sale of goods	933	-
Other [specify if material]	132	744
	20,959	83,283
Revenue recognised over time		
Grant revenue	4,791	-
Grants to acquire or construct Council controlled assets	-	2,148
User charges and fees	16,488	-
Other [specify if material]	30	-
	21,309	2,148

Commentary - Revenue

Appendix J provides guidance on AASB 15 and AASB 1058

AASB118(35)(b)

1. Disclosure is required of the amount of each significant category of revenue recognised during the period.
2. Councils should ensure that each material other revenue stream has an accounting policy, for example:

   Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of control.
3. If there are any individually material items that are losses, then they should be shown as expenses rather than being netted off income.
4. All significant revenue streams of Council should be reviewed to determine whether they are in the scope of AASB 1058 *Income of NFP Entities* or AASB 15 *Revenue from Contracts with Customers.* The applicable accounting standard will allow Councils to determine the appropriate accounting treatment.
5. The allocation of revenue streams to AASB 15 and AASB 1058 in the Code is illustrative only.
6. LIRS subsidy payments are revenue. Revenue is recognised periodically as and when loan payments are made and invoices are raised. LIRS subsidy payments are required to be reported in Note 3 (e) 'Grants – Special Purpose'.

   OLG
7. AASB 15 requires the Council to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. AASB 1058 requires disaggregation based on how the nature and amount of income (and the resultant cash flows)are affected by economic factors. This disaggregation will depend on the Council's specific revenue streams and contracts.

   Disaggregation categories that may be appropriate include:
   - the type of good or service
   - market or type of customer (e.g. residential / business etc)
   - type of contract (e.g. fixed price or time and materials contracts)
   - contract duration (e.g. short-term contracts and long term contracts)
   - timing of transfer of goods or services (e.g. those transferred at a point of time or over time).]

   The Code has disaggregated into type of services and pattern of revenue recognition – Council should add additional categories if appropriate.

   Councils should apply the disaggregation based on their material revenue streams.

   The disaggregation may be presented in each sub-note in Note 3 rather than as a separate sub-note.
8. If Council has material fees and charges or other revenue in the scope of AASB 15, then the following disclosures are required:
   (a) information about its performance obligations with contracts with customers as required by paragraph 119. For example:
   - a description of the performance obligations
   - the significant payment terms
   - the nature of the goods or services the council has promised to transfer
   - obligations for returns refunds or similar obligations
   - types of warranties and related obligations.

   (b) for performance obligations satisfied over time the methods used to recognise revenue and why these provide a faithful depiction of the transfer of goods or services (paragraph 124 of AASB 15)

   (c) for performance obligations satisfied at a point in time, the significant judgements in evaluating when a customer obtains control of a good or service (paragraph 125 of AASB 15)

   (d) information about determining the transaction price and the amounts allocated to performance obligations (paragraph 126 of AASB 15).

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Ordinary rates – Note 3(a)

9. S 493 of the *Local Government Act,* 1993 states that there are four categories of the ordinary rate. They are:

   – farmland
   – residential
   – mining
   – business.

10. These categories may, at the council's discretion, be divided into sub-categories in accordance with s529 of the Act. Examples of ordinary rates would include farmland ordinary, residential ordinary, business (NSW Council city centre) and mining (gold).
11. The process of categorisation of land and the application of ordinary rating is described in s6 of the *Council Rating and Revenue Raising Manual* (Rates Manual). For the purpose of financial reporting, revenue raised from the four categories of ordinary rates must be disclosed as per Note 3(a) of this Code.
12. Councils should include the relevant date of the valuation specific to them for determination of rates.
13. Pensioner rate rebates shall be netted off against revenue raised and disclosed in Note 3 as part of rates and annual charges.
14. If a council decides to separate pensioner rebates into those which are mandatory and any the council choose to voluntarily provide then an additional line item should be added to the rates and charges sub-note.

User charges and fees – Note 3(b)

Domestic waste management (DWM)

15. An annual charge for DWM services must be made for each parcel of rateable land for which the service is available.
16. All revenues applicable to the DWM service must be restricted to the DWM activity.
17. All revenues and expenditures applicable to the DWM service must be accounted for as an activity distinct from any trade waste or other garbage activity.
18. Any surplus or deficit derived as a result of providing the DWM service for a period must be maintained in the DWM activity and, in the case of a surplus, the cash component held as a restricted asset.

Grants and contributions – operating or capital?

19. Grants and contributions are to be classified as operating or capital depending on the purpose for which they were received and not on the purpose for which they were spent. General purpose grants and contributions are all classified as operating regardless of how they are spent.

Financial assistance grant

20. Financial assistance grant (FAG) to be recognised as a Commonwealth grant.

Note 4 Interest and investment income

	2020 $'000	2019 $'000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges	**335**	258
– Overdue user charges and fees	**-**	-
– Cash and investments	**2,786**	2,672
– Other (specify if material)	**-**	-
Fair value adjustments		
– Investments at fair value through profit and loss (FVTPL)	**-**	(10)
Premiums recognised on financial instrument transactions		
– Interest-free loan from state government	**-**	-
Amortisation of discounts and premiums on financial instrument transactions		
– Interest-free loan provided	**6**	5
Dividend income relating to investments held at fair value through other comprehensive income (FVOCI)	**-**	-
Finance income on the net investment in the lease	**-**	-
Other (specify if material)	**-**	-
Total interest and investment revenue (losses)	**3,127**	2,925

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

Note 5 Expenses from continuing operations

(a) Employee benefits and on-costs

	2020 $'000	2019 $'000
Salaries and wages	**29,846**	29,401
Employee leave entitlements	**6,211**	6,145
Superannuation	**3,862**	3,863
Workers' compensation insurance	**1,337**	1,233
FBT	**36**	45
Payroll tax	**317**	345
Other (specify if material)	**595**	700
Less: capitalised costs	**(2,767)**	(2,597)
Total employee costs expensed	**39,437**	39,135

Accounting policy for employee benefits and on-costs

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

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

AASB119(44)

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.

AASB119(54),(64)

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 22 for more information.

(b) Borrowing costs

	2020 $'000	2019 $'000
Interest on overdrafts	**8,278**	8,769
Interest on loans	**-**	-
Interest on advances	**-**	-
Interest on leases	**183**	-
Other debts (specify if material)	**(57)**	5
Discounts recognised on financial instrument transactions:		
– Interest-free loan made by Council	**23**	-
Amortisation of discounts and premiums:		
– Remediation (tip) – Note 14	**185**	181
– Interest-free loan received	**20**	25
– Other (specify)	**-**	-
Less: capitalised costs	**-**	-
Total borrowing costs expensed	**8,632**	8,980

AASB123(8)

Accounting policy for borrowing costs

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

Note 5 Expenses from continuing operations (continued)

(c) Materials and contracts

	2020 $'000	2019 $'000
Raw materials and consumables	**9,430**	8,837
Contractor and consultancy costs (specify material contracts/ consultancies)	**11,304**	18,170
Remuneration of auditors	**88**	80
Legal fees:		
– Planning and development	**4**	18
– Debt recovery	**310**	236
– Other	**89**	127
Expenses from short-term leases (2020 only)	**-**	-
Expenses from leases of low value assets (2020 only)	**101**	-
Variable lease expense relating to usage (2020 only)	**-**	-
Operating leases expense (2019 only):		
– Buildings	**-**	300
– IT and office equipment	**-**	55
– Motor vehicles	**-**	98
– Other	**-**	-
Other (specify if material)	**-**	-
Total materials and contracts	**21,326**	27,921

AASB117(33)
Interpretation 115(5)

Accounting policy

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.

Auditors' remuneration

	2020 $'000	2019 $'000
(i) Audit and other assurance services: Auditors of NSW Council – NSW Auditor-General:		
Audit and review of financial statements	**87**	79
Other assurance services	**1**	1
Total fees paid or payable to the Auditor-General	**88**	80
(ii) Other non-assurance services: Other firms		
(specify type of non-assurance services)	**-**	-
Total fees paid or payable for non-assurance services	**88**	80

Note 5 Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment of non-financial assets

	Note	2020 $'000	2019 $'000
Depreciation and amortisation			
Infrastructure, property, plant and equipment	11	**42,370**	36,132
Intangibles – software	13	**542**	516
Right of use assets	15	**368**	-
Less: Capitalised depreciation		**(1,331)**	**(843)**
Total depreciation and amortisation costs		**41,949**	35,805
Impairment/revaluation decrement of IPPE			
Infrastructure assets		**2,144**	5
(Specify other asset classes, if applicable)		**-**	-
Amounts taken through revaluation reserve		**(1,804)**	(5)
Total impairment costs charged to Income Statement (IPPE)		**340**	-
Total depreciation, amortisation and impairment for non-financial assets		**42,289**	35,805

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

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets, Note 13 for intangible assets and Note 15 for right of use assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

AASB136(Aus 5.1

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.

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

Other 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.

(e) Other expenses [examples only]

	2020 $'000	2019 $'000
Cost of sales	**-**	-
Advertising	**561**	454
Bank charges	**230**	238
IT expenses	**829**	723
Mayoral fee	**38**	39
Councillors' fees	**154**	157
Councillors' (incl. Mayor) expenses	**21**	5
Insurance	**2,111**	2,056
Street lighting	**537**	477
Electricity	**1,823**	1,727
Subscriptions and publications	**358**	301
Telephone	**365**	427
Repairs and maintenance	**537**	458
Postage, printing and stationery	**590**	536
Election expenses	**272**	-
Donations, contributions and assistance to other organisations (s356)	**105**	74
Contributions/levies to other levels of government		
Planning levy	**67**	52
Waste levy	**2,885**	2,591
Emergency services levy (includes FRNSW, SES and RFS levies)	**978**	836
Other levies	**5**	5
Write-down of inventories held for sale or distribution	**-**	-
Other (specify if material)	**273**	266
Total other expenses from continuing operations	**12,739**	11,424

Accounting policy for other expenses

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

Commentary – Expenses

Borrowing costs

AASB123(5),(6)(a)-(e)

1. Interest expense is recognised on an accrual basis. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the debt instrument to the carrying amount of the debt instrument.

   Borrowing costs are expensed, unless they relate to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use).

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   OLG has determined that borrowing costs are to be capitalised in respect to the acquisition, production or construction of a qualifying asset.

   Capitalisation commences when expenditures and borrowings are being incurred for the asset, and when activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation should be suspended when development of the asset is interrupted for extended periods. It should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Commentary – Expenses

Expenses

2. The definition of expenses encompasses losses as well as those expenses that arise in the course of the council's ordinary activities.

   Expenses that arise in the course of the council's ordinary activities include employee benefit expenses, amortisation and depreciation. They usually take the form of an outflow or depletion of assets such as cash and cash equivalents; inventory; and infrastructure, property, plant and equipment.

   Losses represent other items that meet the definition of expenses.

3. Expenses should be disclosed on the face of the Income Statement by nature.

Audit remuneration disclosure requirements

AASB1054(10)

4. Councils must disclose audit fees separately for:

   (a) the audit of the financial statements, and
   (b) all other services performed during the period.

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Materials and contracts

5. Councils are encouraged to present materials and contracts in a format that best represents their own activities. Even though insurance, street lighting, electricity, heating and telephones may be considered contracts, they are to be shown as 'Other' expenses. Contracts would typically include garbage and recycling contracts, road maintenance, parks maintenance, computer support, and venue management.

Councillors expenses

6. Councillors' expenses are to be reported in accordance with clause 217(1)(a1) of the Local Government (General) Regulation 2005. The total amount disclosed in this note should equal the total amount disclosed within council's annual report.

Other expenses

7. Where councils have other expense items that are not material then the expenses should be included in the relevant section of Note 5 of the financial statements and aggregated with other immaterial expenses.

8. Disclosure of cost of sales and contributions/levies to other levels of government are the only mandatory line items if relevant to council. Other expense items are just shown as illustrations. Councils should provide a relevant breakdown of other expenses that reflect their transactions.

AASB119

Employee benefits

9. Employee benefits are all forms of consideration given by a council in exchange for services rendered by its employees. These benefits include salary-related benefits (such as wages, salaries, and long-service leave), termination benefits (such as severance or redundancy pay), and post-employment benefits (such as retirement benefit plans).

Defined contribution plans

10. The cost of defined contribution plans is the contribution payable by Council for that accounting period.

Defined benefit plans

AASB119.34

11. Due to the nature of local government defined-benefit plans, it is not possible to account for these schemes as multi-employer defined-benefit plans. In accordance with AASB119 they are, therefore, accounted for as defined contribution plans.

Note 6 Gain or loss from the disposal, replacement and de-recognition of assets

	Note	2020 $'000	2019 $'000
Gain (or loss) on disposal of infrastructure, property, plant and equipment	11		
Proceeds from disposal		**671**	964
Less: carrying amount of assets sold		**(10,729)**	(12,335)
Gain (or loss) on disposal		**(10,058)**	(11,371)
Gain (or loss) on disposal of investment property	12		
Proceeds from disposal		**-**	-
Less: carrying value of investment property		**-**	-
Gain (or loss) on disposal		**-**	-
Gain (or loss) on disposal of non-current assets held for sale	10		
Proceeds from disposal		**4,005**	248
Less: carrying value of non-current assets held for sale		**(7,762)**	(94)
Gain (or loss) on disposal		**(3,757)**	154
AASB 7.20 **Gain (or loss) on disposal of investments**	7b		
Proceeds from disposal		**69,006**	56,000
Less: carrying value of investments		**(69,000)**	(56,000)
Gain (or loss) on disposal		**6**	-
Net gain (or loss) from disposal of assets		**(13,809)**	(11,217)

AASB116(68),(71)
AASB116(41)

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.

Commentary – Gain or loss from disposals of assets

1. When council has disposed of an asset regardless of whether it is to be replaced, the disposal gain or loss should be recorded in this note rather than being accounted for as part of the revaluation exercise.

Note 7(a) Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and on hand	**446**	1,859
Deposits at call	**12,324**	9,346
	12,770	11,205

AASB107(6),(8),(46)

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.

Commentary – Current assets, cash and cash equivalents

AASB107(6)

Definition of cash and cash equivalents

1. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.
2. This includes cash on hand, cash at bank, and at-call and term deposits maturing within three months from the date of acquisition.

   Note: A term deposit with a term of greater than three months from the date of acquisition is classified as a financial asset – refer investments note, not as a 'cash and cash equivalent asset' in the Statement of Financial Position.
3. At each reporting date, councils should consider whether a term deposit meets the definition of 'cash and cash equivalents' for the purpose of the Statement of Cash Flows, and classify it as such (although the Statement of Financial Position classification would not change).

Note 7(b) Investments

The following financial assets are held as investments:

	2020		2019	
	Current $'000	**Non-current $'000**	Current $'000	Non-current $'000
Financial assets at fair value through:				
profit and loss	-	-	-	-
Debt securities at amortised cost/	**61,000**	**28,015**	58,005	16,004
Equity securities at FVOCI	-	-	-	-
Total	**61,000**	**28,015**	58,005	16,004
Financial assets at fair value through profit and loss:				
– Non-convertible debentures or floating rate notes	-	-	-	-
– Other long-term financial assets	-	**2,015**	-	3,004
– Listed equity securities	-	-	-	-
Total	-	**2,015**	-	3,004
Debt securities at amortised cost				
– Term deposits	**61,000**	**26,000**	58,005	13,000
Total	**61,000**	**26,000**	58,005	13,000
Equity securities at FVOCI:				
– Equity instruments				
– Equity-linked notes	-	-	-	-
	-	-	-	-
	-	-	-	-

(i) **Equity securities designated as at FVOCI**

The investments shown below are designated as equity securities as at FVOCI because they represent investments that the NSW Council intends to hold for long-term strategic purposes.

	Fair value at [current reporting date]	Dividend income recognised during [the current period]
[Name of investment]		

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

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

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

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

Classification
On initial recognition, NSW 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.

NSW Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the statement of financial position.

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

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

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

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

Other net gains and losses excluding dividends are recognised in OCI.

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 FVTPL.

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

NSW Council's financial assets measured at FVTPL comprise investments in FRNs and NCDs in the statement of financial position.

Commentary – Financial assets - Investments

AASB 9

Financial assets

1. A financial asset is: cash; a contractual right to receive cash or another financial asset; a contractual right to exchange financial instruments with another entity; or an equity instrument of another entity.

2. There are four categories of financial asset under AASB 9:
   (i) at fair value through profit or loss: all financial assets acquired for the purpose of generating a profit from short-term fluctuations in price, or part of a portfolio with a pattern of short-term profit taking
   (ii) at fair value through other comprehensive income – debt instruments: a debt instrument which meets both of the following:
   – The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
   – The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   It is not expected that councils will have financial assets in this category.
   (iii) at fair value through other comprehensive income – equity instruments: where councils hold equity instruments for reasons other than trading, they can make an irrevocable election on an instrument-by-instrument basis to classify the assets as held at fair value through other comprehensive income.
   (iv) amortised cost – financial assets where:

   – The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

   – The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Commentary – Financial assets - Investments

AASB 9

Recognition and initial measurement

3. All financial assets should be measured initially at fair value, being the fair value of the consideration given, including transaction costs (such as advisers' and agents' fees and commissions, duties and levies by regulatory agencies). Transaction costs are recognised in the Income Statement when the financial asset is carried at fair value through profit or loss.

AASB 9

Impairment of financial assets

4. Financial assets held at amortised cost and debt instrument held at fair value through other comprehensive income are required to be tested for impairment.

   The impairment test under AASB 9 is an expected credit loss where at Day 1, councils must consider the expected loss on a particular financial asset over 12 months and recognise this loss in the income statement.
5. Where there has been a significant increase in credit risk (rebuttable presumption of 30 days overdue) then the expected lifetime credit losses on the financial asset are recognised except where the simplified approach is being used.
6. The simplified approach requires lifetime expected credit losses to be recognised on day 1 for trade receivables and contract assets.
7. The Code assumes that councils will not have certain financial instruments and risk exposures – for example FV through OCI – debt instruments, derivatives, hedge accounting and foreign exchange risk. If councils have these items then the information relating to them will need to be added in accordance with AASB 9/AASB 7.
8. If a Council de-recognises investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:
   a. the reasons for disposing of the investments
   b. the fair value of the investments at the date of de-recognition
   c. the cumulative gain or loss of disposal.

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

	2020		2019	
	Current $'000	**Non-current $'000**	Current $'000	Non-current $'000
Total cash, cash equivalents and investments	**73,770**	**28,015**	69,210	16,004
External restrictions	**23,770**	**25,727**	28,587	14,698
Internal restrictions	**44,940**	**2,288**	37,709	1,309
Unrestricted	**5,060**	**-**	2,914	-
	73,770	**28,015**	69,210	16,004

	Notes	2020 restricted cash $'000	2019 restricted cash $'000
External restrictions			
Included in liabilities		**2,021**	2,032
Other external restrictions			
Developer contributions:			
General fund		**4,956**	4,134
Water fund		**2,928**	2,682
Sewer fund		**4,004**	3,220
RMS contributions		**-**	-
Specific purpose unexpended grants:			
General		**-**	-
Water fund		**-**	-
Sewer fund		**-**	-
Domestic waste management		**1,427**	1,186
Stormwater management		**2,773**	2,418
Other (specify if material)		**31,388**	27,613
Total external restrictions		**49,497**	43,285
Internal restrictions			
Plant replacement		**13,537**	17,431
Infrastructure replacement		**18,254**	10,782
Employee leave entitlements		**2,887**	2,516
Other		**12,550**	8,286
Total internal restrictions		**47,228**	39,015
Total restrictions		**96,725**	82,300

Commentary – Restrictions of cash, cash equivalents and investments

AASB107 1. Council shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that is not available for use by the Council.

OLG 2. Internal restrictions shall include those assets, the uses of which are only restricted by a resolution of the elected council. These assets are disclosed with details of the nature of the internal restrictions.

3. Disclose details of nature of external restrictions

Note 8 Receivables

Purpose	2020 Current $'000	2020 Non-current $'000	2019 Current $'000	2019 Non-current $'000
Rates and annual charges	**2,622**	**610**	2,432	565
Interest and extra charges	**431**	**-**	396	-
User charges and fees	**5,781**	**-**	5,201	-
Government grants and subsidies	**3,663**	**-**	6,908	-
Net GST receivable	**663**	**-**	615	-
Other (specify if material)	**2,606**	**155**	1,812	67
Total	**15,766**	**765**	17,364	632
Less: provision for impairment:				
– Rates and annual charges	**(20)**	**-**	-	-
– Interest and extra charges	**-**	**-**	-	-
– User charges and fees	**-**	**-**	-	-
– Other (specify if material)	**(191)**	**-**	(186)	-
	(211)	**-**	(186)	-
Net receivables	**15,555**	**765**	17,178	632

Accounting policy for receivables

AASB9(3.1.1)
AASB7(21)

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.

AASB 9(5.5)

Impairment

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

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

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

For non-rates debtors, council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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 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 over xx years past due, whichever occurs first.

[Receivables with a contractual amount of $xx written off during the reporting period are still subject to enforcement activity/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.

Commentary – Receivables

OLG

Unknown owners and postponed rates

1. As councils have little control over amounts due from unknown owners or rates postponed under the Act, and it would not appear possible to reliably measure the proportion of rates due from unknown owners that will subsequently be collected, they are not to be included as revenue or assets in the financial statements.

2. The amount due from unknown owners and postponed rates should be deducted from the total rates levied and only the net amount recognised as revenue in the Income Statement. At the same time, contra asset accounts, 'Unknown owners suspense' and 'Postponed rates suspense', should be created in the general ledger. Only the net receivables for rates will be recognised in the Statement of Financial Position. If the rates are collected, the entries should be reversed, and if the rates are subsequently written off the debits should be made against the contra asset accounts.

Impairment provisions

AASB 7

3. If impairment provision for receivables is **material**, then Council should include a reconciliation of bad debt provisions

Opening impairment allowance	
Impairment loss recognised	
Amounts written off as uncollectible	
– Directly to P&L	
– Movement through provision	
Unused amounts reversed	
Balance at end of the year	

4. If Councils have material impairment provisions relating to revenue arising from contracts with customers, then these provisions should be separately disclosed.

Note 9 Inventories and other assets

	2020		2019	
	Current $'000	**Non-current $'000**	Current $'000	Non-current $'000
(a) Inventories				
At cost:				
Real estate (refer to [i] below)	**212**	**304**	329	209
Stores, materials and/or trading stock	**1,064**	**-**	1,247	-
Other (specify if material)	**-**	**-**	-	-
At Net Realisable Value (NRV):				
Real estate (refer to [i] below)	**-**	**-**	-	-
Stores, materials and/or trading stock	**-**	**-**	-	-
Other (specify if material)	**-**	**-**	-	-
Total inventories	**1,276**	**304**	1,576	209
(i) Real estate development				
Residential	**212**	**140**	329	156
Industrial/commercial	**-**	**-**	-	53
Other properties	**-**	**-**	-	-
Total real estate held for sale	**212**	**140**	329	209
Represented by:				
Acquisition costs	**212**	**140**	329	209
Development costs	**-**	**-**	-	-
Borrowing costs	**-**	**-**	-	-
Other holding costs	**-**	**-**	-	-
Other properties – book value	**-**	**-**	-	-
Less: provision for under-recovery	**-**	**-**	-	-
Total real estate held for sale	**212**	**140**	329	209
(ii) Inventories not expected to be realised within the next 12 months	**158**	**20**	281	262
(b) Total other assets				
Prepayments	**418**	**-**	296	-
Other (specify if material)	**-**	**-**	-	-
Total other assets	**418**	**-**	296	-

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

AASB102(9),(10),(25),(36)(a)

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

Land held for resale/capitalisation of borrowing costs

AASB102(9),(10),(23),(36)(a)
AASB123(11),(25)

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

AASB123(11),(13),(23)

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

Commentary – Inventories

AASB102

Recognition and initial measurement

1. Assets held in a council's premises may not qualify as inventories if they are held on consignment (i.e. on behalf of another entity, not under the control of council and no liability to pay for the goods exists unless they are sold).
2. Inventories should initially be recognised at cost. Cost of inventories includes import duties, transport and handling costs, and any other directly attributable costs less trade discounts, rebates and subsidies.

AASB102

Subsequent measurement

3. Inventories should be valued at the lower of cost and net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.
4. The cost of inventories (except for land held for resale) should be assigned by using either the first-in, first-out (FIFO) or weighted average cost formula. Last-in, first-out (LIFO) is not permitted. A council should use the same cost formula for all inventories that have a similar nature and use to the council. Where inventories have a different nature or use, different cost formulas may be justified. The cost formula used should be applied on a consistent basis from period to period.
5. Specific identification should be used to allocate costs to land held for resale.

Inventories held for distribution

6. Inventory held for distribution is held at cost adjusted where applicable for any loss of service potential.

   OLG does not expect these inventories to be material and therefore the disclosures have been shown as guidance in the Code.

7. Where councils have material inventories held for distribution, the following information should be disclosed:

AASB102(Aus36.1)(a) (a) the accounting policies adopted in measuring inventories held for distribution, including the cost formula used

AASB102(Aus36.1)(b) (b) the total carrying amount of inventories held for distribution and the carrying amount in classifications appropriate to the council

AASB102(Aus36.1)(c) (c) the amount of inventories held for distribution recognised as an expense during the period in accordance with Paragraph Aus34.1 of AASB102

AASB102(Aus36.1)(d) (d) the amount of any write-down of inventories held for distribution recognised as an expense in the period in accordance with Paragraph Aus34.1 of AASB102

AASB102(Aus36.1)(e) (e) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories held for distribution recognised as expense in the period in accordance with Paragraph Aus34.1 of AASB102

AASB102(Aus36.1)(f) (f) the circumstances or events that led to the reversal of a write-down of inventories held for distribution in accordance with Paragraph Aus34.1 of AASB102

AASB102(Aus36.1)(g) (g) the carrying amount of inventories held for distribution pledged as security for liabilities

AASB102(Aus36.1)(h) (h) the basis on which any loss of service potential of inventories held for distribution is assessed, or the bases when more than one basis is used.

Note 10 Non-current assets classified as held for sale

	2020 $'000	2019 $'000
Land	-	1,560
Buildings	-	6,032
Plant and equipment	-	-
	-	7,592

[Provide a description of the asset classified as held for sale and the facts and circumstances leading to the expected disposal and the expected manner and timing of that disposal.]

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

AASB5(6),(15) 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.

AASB5(20)-(22) 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.

AASB5(25) 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.

Commentary – Non-current assets classified as held for sale

AASB5(6),(7)

1. A council shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for sale in its present condition subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable. The sale should be expected within 12 months of the date of classification as held for sale.

2. Non-current assets held for sale are those assets that initially were held for use within the council and then a decision was made to sell them. In contrast, the intention of inventory or land held for sale in the inventory section was always to recover its carrying amount through sale rather than use.

Note 11 Infrastructure, property, plant and equipment

By asset class	At 30 June 2019			Movements during year						At 30 June 2020		
	Gross carrying amount $'000	**Accum. depreciation and impairment $'000**	**Net carrying amount $'000**	**Renewals $'000**	**New assets $'000**	**Carrying value of disposals $'000**	**Depreciation $'000**	**Transfers $'000**	**Revaluation increments /(decrements) $'000**	**Gross carrying amount $'000**	**Accum. depreciation and impairment $'000**	**Net carrying amount $'000**
Capital WIP	7,349	-	7,349	**1,728**	**13,218**	**-**	**-**	**(4,024)**	**-**	**18,271**	**-**	**18,271**
Plant and equipment	38,777	18,763	20,014	**1,879**	**38**	**(598)**	**(3,720)**	**-**	**-**	**38,451**	**20,838**	**17,613**
Office equipment	3,168	2,207	961	**276**	**28**	**(1)**	**(402)**	**-**	**-**	**3,433**	**2,571**	**862**
Furniture and fittings	3,473	2,351	1,122	**-**	**111**	**(26)**	**(144)**	**-**	**-**	**3,491**	**2,428**	**1,063**
Land												
- operational	39,063	-	39,063	**-**	**226**	**(273)**	**-**	**-**	**1,531**	**40,547**	**-**	**40,547**
- community	36,498	-	36,498	**-**	**-**	**(82)**	**-**	**-**	**10,168**	**26,248**	**-**	**26,248**
- crown	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- under roads (pre 01/07/08)	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- under roads (post 01/07/08)	20	-	20	**-**	**-**	**-**	**-**	**-**	**-**	**20**	**-**	**20**
- non-deprec. land improvements	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- depreciable land improvements	-	-	-		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure:												
– Buildings	156,458	24,903	131,555	**126**	**549**	**(361)**	**(1,558)**	**1,771**	**3,552**	**162,970**	**27,336**	**135,634**
– Other structures	17,531	5,947	11,584	**85**	**366**	**-**	**(458)**	**51**	**587**	**18,450**	**6,235**	**12,215**
– Roads	587,451	125,111	462,340	**3,513**	**502**	**(4,150)**	**(13,934)**	**318**	**12,273**	**588,511**	**127,649**	**460,862**
– Bridges	143,753	41,223	102,530	**1,322**	**202**	**(639)**	**(1,452)**	**1,073**	**2,206**	**146,675**	**41,433**	**105,242**
– Footpaths	28,626	8,822	19,804	**43**	**190**	**(660)**	**(607)**	**198**	**2,264**	**30,247**	**9,015**	**21,232**
– Other road assets	28,367	4,606	23,761	**360**	**346**	**(67)**	**(579)**	**-**	**925**	**29,565**	**4,819**	**24,746**
– Bulk earthworks (non-deprec.)	181,008	-	181,008	**144**	**1,166**	**-**	**-**	**-**	**3,592**	**185,910**	**-**	**185.,910**
– Stormwater drainage	203,962	56,833	147,129	**512**	**298**	**(171)**	**(2,677)**	**-**	**5,903**	**209,990**	**58,996**	**150,994**
– Water supply network	464,408	56,605	407,803	**973**	**752**	**(1,144)**	**(5,771)**	**-**	**(44,474)**	**480,699**	**122,560**	**358,139**
– Sewerage network	340,054	42,114	297,940	**9**	**202**	**(2,395)**	**(7,829)**	**-**	**(29,960)**	**349,876**	**91,909**	**257,967**
– Swimming pools	9,185	4,297	4,888	**15**	**-**	**-**	**(170)**	**-**	**292**	**9,429**	**4,404**	**5,025**
– Other open space/recreational assets	44,817	13,458	31,359	**650**	**380**	**(158)**	**(1,426)**	**47**	**1,795**	**46,597**	**13,950**	**32,647**
– Other infrastructure	172,402	26,723	145,679	**695**	**165**	**-**	**(1,459)**	**566**	**3,897**	**177,170**	**27,627**	**149,543**
Other assets:												
– Heritage collections	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
– Library books	5,295	4,981	314	**272**	**-**	**(4)**	**(65)**	**-**	**-**	**5,563**	**5,046**	**517**
– Other (specify if material)	2,114	-	2,114	**-**	**58**	**-**	**-**	**-**	**-**	**2,172**	**-**	**2,172**
Tip asset	5,527	2,488	3,039	**-**	**(1,136)**	**-**	**(104)**	**-**	**-**	**4,391**	**2,592**	**1,799**
Quarry asset	908	72	836	**-**	**(193)**	**-**	**(15)**	**-**	**-**	**715**	**87**	**628**
Other remediation assets (specify if material)	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Totals	2,520,214	441,504	2,078,710	**12,602**	**17,468**	**(10,729)**	**(42,370)**	**-**	**(45,445)**	**2,579,391**	**569,495**	**2,009,896**

By asset class	At 30 June 2018			Movements during year						At 30 June 2019		
	Gross carrying amount $'000	Accum. depn. and impairment $'000	Net carrying amount $'000	Renewals $'000	New assets $'000	Carrying value of disposals $'000	Depreciation $'000	Transfers $'000	Revaluation increments /(decrements) $'000	Gross carrying amount $'000	Accum. depn. and impairment $'000	Net carrying amount $'000
Capital WIP	41,058	-	41,058	**2,679**	**2,464**	**-**	**-**	**(38,852)**	**-**	**7,349**	**-**	**7,349**
Plant and equipment	40,021	16,996	23,025	**615**	**285**	**(817)**	**(3,094)**	**-**	**-**	**38,777**	**18,763**	**20,014**
Office equipment	2,825	1,834	991	**299**	**70**	**(2)**	**(397)**	**-**	**-**	**3,168**	**2,207**	**961**
Furniture and fittings	3,306	2,256	1,050	**37**	**190**	**(19)**	**(136)**	**-**	**-**	**3,473**	**2,351**	**1,122**
Leased plant and equipment	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land												
- operational	40,844	-	40,844	**-**	**1**	**-**	**-**	**(1,467)**	**(315)**	**39,063**	**-**	**39,063**
- community	36,673	-	36,673	**-**	**-**	**(175)**	**-**	**-**	**-**	**36,498**	**-**	**36,498**
- crown												
- under roads (pre 01/07/08)	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- under roads (post 01/07/08)	20											
- non-deprec. land improvements	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- depreciable land improvements	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure:												
– Buildings	160,842	19,530	141,312	**108**	**1,326**	**(1,033)**	**(1,517)**	**(6,032)**	**(3,636)**	**156,458**	**24,903**	**131,555**
– Other structures	16,694	4,883	11,811	**1,133**	**962**	**(580)**	**(461)**	**300**	**(1,581)**	**17,531**	**5,947**	**11,584**
– Roads	597,518	129,458	468,060	**4,760**	**1,290**	**(8,386)**	**(12,390)**	**6,358**	**2,648**	**587,451**	**125,111**	**462,340**
– Bridges	143,949	41,465	102,484	**44**	**-**	**(269)**	**(1,446)**	**756**	**1,537**	**143,753**	**41,223**	**102,530**
– Footpaths	28,652	9,281	19,371	**7**	**508**	**-**	**(602)**	**645**	**(125)**	**28,626**	**8,622**	**19,804**
– Other road assets	28,352	4,826	23,526	**-**	**-**	**-**	**(575)**	**-**	**810**	**28,367**	**4,606**	**23,761**
– Bulk earthworks (non-deprec.)	176,067	-	176,067	**-**	**-**	**-**	**-**	**-**	**4,941**	**181,008**	**-**	**181,008**
– Stormwater drainage	201,184	56,444	144,740	**122**	**422**	**(2)**	**(2,665)**	**602**	**3,910**	**203,962**	**56,833**	**147,129**
– Water supply network	455,846	55,921	399,925	**2,588**	**475**	**(993)**	**(5,051)**	**-**	**10,859**	**464,408**	**56,605**	**407,803**
– Sewerage network	294,069	41,765	252,304	**702**	**14,049**	**(30)**	**(4,135)**	**28,945**	**6,105**	**340,054**	**42,115**	**297,940**
– Swimming pools	9,011	2,978	6,033	**3**	**17**	**-**	**(223)**	**-**	**(942)**	**9,185**	**4,297**	**4,888**
– Other open space/recreational assets	43,289	11,728	31,561	**196**	**1,134**	**(26)**	**(1,277)**	**59**	**(288)**	**44,817**	**13,458**	**31,359**
– Other infrastructure	171,201	22,091	149,110	**39**	**-**	**-**	**(1,451)**	**67**	**(2,086)**	**172,402**	**26,723**	**145,679**
Other assets:												
– Heritage collections	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
– Library books	5,033	4,903	130	**265**	**-**	**(3)**	**(78)**	**-**	**-**	**5,295**	**4,981**	**314**
– Other (specify if material)	2,081	-	2,081	**-**	**33**	**-**	**-**	**-**	**-**	**2,114**	**-**	**2,114**
Tip asset	3,543	-	1,669	**-**	**1,985**	**-**	**(615)**	**-**	**-**	**5,527**	**2,488**	**3,039**
Quarry asset	612	-	560	**-**	**295**	**-**	**(19)**	**-**	**-**	**908**	**72**	**836**
Other remediation assets (specify if material)	-	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Totals	2,502,690	428,285	2,074,405	**13,597**	**25,506**	**(12,335)**	**(36,132)**	**(7,592)**	**21,261**	**2,520,214**	**441,504**	**2,078,710**

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. Comprehensive valuations are performed at least every xx 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 Industry (DoI) – Water.

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

AASB116(12)

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.

AASB 1058

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

AASB116(50),(73)(b)

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:

AASB116(73)(c)

[Councils should include the useful lives used for each class of infrastructure, property, plant and equipment disclosed in the movement table based on their internal policies.]

AASB116(51)

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

AASB1051

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

NSW 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 NSW Council's care and control are recognised as assets of the council. While ownership of the reserves remains with the Crown, NSW 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 to Note 15.

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

Councils need to assess whether they control any Rural Fire Services assets and recognise in their financial statements any material assets under their control and state the relevant accounting policy in relation to the treatment.

Commentary – Infrastructure, property, plant and equipment

AASB116

Appendix F contains further guidance on accounting for infrastructure, property, plant and equipment

Recognition and initial measurement

1. IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).
2. Directly attributable costs are the cost of site preparation and delivery, installation costs, relevant professional fees, and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such a cost is recognised as a provision).

Subsequent measurement

3. Classes of IPPE should be carried at a revalued amount less any accumulated depreciation and subsequent accumulated impairment losses (where relevant). The depreciable amount of IPPE (being the gross carrying value less the estimated residual value) should be depreciated on a systematic basis over its useful life. The gross carrying amount is the cost or fair value before any depreciation and impairment charges, the net carrying amount is the gross carrying amount after depreciation and impairment charges.
4. Where Councils replace one part of an asset, the new parts should be capitalised to the extent that they meet the recognition criteria of an asset, and the carrying amount of the parts replaced should be de-recognised appropriately.
5. The cost of a major inspection or overhaul of an item occurring at regular intervals over the useful life of the item is capitalised only where the council has clearly identified as a separate component of the asset an amount representing major inspection or overhaul and has already depreciated that component to reflect the consumption of benefits that are to be subsequently replaced. The carrying amount of the parts replaced should be appropriately de-recognised. In all other circumstances, such costs are expensed as incurred.

Depreciation

6. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Each part of an item of IPPE with a cost that is significant in relation to the total cost of the asset should be depreciated separately (componentisation).
7. The purpose of depreciation is to record the value (or cost) of the asset that has been consumed during the accounting period so that users can obtain an understanding of the council's asset and their performance. Depreciation expense in the financial statements should not be used as a proxy for the amount of future funding required to replace the existing asset nor a mechanism to set users' charges or rates based on fully funding depreciation.
8. Straight-line method of depreciation reduces the cost of the asset uniformly over the useful life of the asset which is considered the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets of councils. The straight-line method of depreciation is applied consistently from period to period.

AASB 116.58

9. Generally, land has an unlimited life, however Councils need to depreciate land if it is considered to have a finite life, for example being used for quarries or landfill.

OLG

10. OLG preference is for all councils to use straight-line method for depreciation of IPPE. If councils are using a depreciation method other than straight-line then councils need to have detailed systems and controls to support that alternative model.
11. Where a council changes from a depreciation method other than straight-line to straight-line then it is accounted for as a change in accounting estimate per AASB 108 (change in expected pattern of consumption of the future economic benefits embodied in depreciable assets) and therefore should be accounted for on a prospective basis.

Commentary – Infrastructure, property, plant and equipment

Revaluation

AASB116/ AASB13

11. The fair value of IPPE is defined as '*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.*'

    Fair value is determined in accordance with its highest and best use as defined in AASB13.

    OLG

    Where there is no market-based evidence of fair value, councils will need to estimate fair value using the cost-approach method (AASB 13). The cost approach reflects the amount that would be required currently to replace the service capacity of an asset.

    The cost approach is generally not appropriate for land since land is not a specialised asset and there is market-based evidence available in relation to its fair value.

12. All new assets are measured initially at their cost of acquisition. However, the initial valuation of developer-provided assets should be on the basis of their gross replacement cost.

OLG

13. For water supply and sewerage assets, it can be reasonably assumed that the assets will be in place indefinitely in order to maintain these essential services. Therefore, there is normally no need to consider any dismantling or removal and restoration cost in the assessment of fair value.

OLG

14. At each reporting period, councils must assess whether there is any indication that the current carrying amount of assets is materially different from their fair value. Where this is the case then the asset class should be revalued for that reporting period regardless of the date of the previous comprehensive revaluation.
15. Councils should document their annual assessment of fair value including reasons why council concluded that carrying value was not materially different from fair value, where applicable.
16. If councils use an index to determine whether the carrying amount of an asset is materially different from the fair value, the index should:
    - be appropriate to the class to which it is applied, in terms of location, condition and technological change, where possible, e.g. a general price index such as CPI is not an appropriate index
    - have a record of regular publication/availability
    - be periodically assessed for appropriateness, including as part of the comprehensive revaluation.
17. A comprehensive revaluation of each asset should generally be performed on a regular basis as determined appropriate by Council, this is in addition to the annual assessment by Council of carrying amount compared to fair value.

    Councils should develop their comprehensive revaluation schedule based on their current practice. OLG does not mandate when each class of asset is subject to a comprehensive revaluation.

AASB 136.Aus 5.1

18. Council assets not held primarily for their ability to generate net cash inflows are typically specialised assets held for continuing use of their service capacity. Where these assets are held at fair value and assessed each year to determine whether the carrying amount is materially different from the fair value, then they are no longer subject to the requirements of AASB 136 Impairment of Assets.
19. If a particular asset is considered to have suffered a decline in fair value, due to for example storm damage, then this will not mean that all other assets in the class are subject to a comprehensive revaluation since they are already being reviewed on an annual basis to compare carrying amount to fair value with adjustments made as necessary.
20. Assets other than water and sewerage network assets do not need to be indexed where the carrying amount materially represents fair value. Water and sewerage network assets are to be annually indexed in accordance with the Rates Reference Manual issued by DoI – Water.
21. Where a council revalues depreciable assets, OLG has determined any accumulated depreciation at the date of the revaluation is treated by restating their value proportionately with the change in the gross carrying amount of the asset, so that the net carrying amount of the asset after revaluation equals its revalued amount.

Commentary – Infrastructure, property, plant and equipment

AASB116(40.1, and 40.2)

22. If the carrying amount of a class of assets decreases as a result of a revaluation, the net revaluation decrease shall be debited directly to equity under the heading of 'Revaluation reserve' to the extent of any credit balance existing in any revaluation reserve in respect of the same class of asset – any decrease greater than the Revaluation reserve balance for that class is recognised in the Income Statement. Revaluation increases and revaluation decreases relating to individual assets within a class of infrastructure, property, plant and equipment shall be offset against one another within that class but shall not be offset in respect of assets in different classes.

Classes of property, plant and equipment

23. A class of property, plant and equipment is a grouping of assets with a similar nature and use in the council's operation.
24. Each council will have different classes, depending on their individual operations. The number of classes that are separately disclosed also depends on materiality. However, a council's 'plant and equipment' will normally include assets of quite different natures and uses. It will therefore not be sufficient to provide the information required in AASB116 only for two classes, being 'land and buildings' and 'plant and equipment'.
25. The classes of property, plant and equipment used in the IPPE note should reflect those used in Special Schedule Report on Infrastructure Assets.
    - 'Other structures' is designed for the following types of infrastructure assets: statues, fences, monuments, clock towers and so on.
    - 'Open space/recreational assets' include assets such as swimming pools (but not including buildings, plant and equipment, car parks etc. that are associated with the swimming pool complex), playground equipment, BBQs and outdoor fitness facilities.
    - 'Other infrastructure' includes jetties, boat ramps, sea/rock/retaining walls etc.

OLG

26. Renewals are defined as replacements of existing assets as opposed to the acquisition of new assets.
27. The 'water supply' network and 'sewerage network' asset classes do not include those fixed assets belonging to the water and sewer funds which form part of other asset classes, e.g. land, buildings etc.

Note 12 Investment properties

Owned investment property	2020 $'000	2019 $'000
At fair value		
Opening balance at 1 July	-	-
Acquisitions	-	-
Capitalised subsequent expenditure	-	-
Classified as held for sale or disposals	-	-
Net gain (loss) from fair-value adjustment	-	-
Transfer to (from) inventories and owner-occupied property	-	-
Closing balance at 30 June	-	-

Accounting policy for investment property

AASB140(75) Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by NSW Council. Changes in fair values are recorded in the Income Statement as part of other income.

AASB140(8)(e) Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Commentary - Investment properties

Definition

AASB140(5)
1. An investment property is property (land or a building, or part of a building, or both) held (by the owner or by the lessee as a right of use asset) to earn rentals, or for capital appreciation, or both, rather than for:
   (a) use in the production or supply of goods or services, or for administrative purposes; or
   (b) sale in the ordinary course of business.
2. If Council has investment property that are both owned and also right of use assets then the reconciliation in this note should be shown for each class of investment property (i.e owned property and right of use assets).

Note 13 Intangible assets

Software	2020 $'000	2019 $'000
Opening values at 1 July		
Gross book value	2,677	2,628
Accumulated amortisation	(2,049)	(1,558)
Accumulated impairment	-	-
Net book value – opening balance	628	1,070
Movements for the year		
– Purchases	233	74
– Development costs	-	-
– Other capitalised costs (specify if material)	-	-
– Amortisation charges	(542)	(516)
– Impairment charges	-	-
– Other movements (specify	-	-
Closing values at 30 June		
– Gross book value	**2,910**	**2,677**
– Accumulated amortisation	**(2,591)**	**(2,049)**
– Accumulated impairment	**-**	**-**
Total intangible assets – net book value	**319**	**628**

Accounting policy for intangible assets

Software

Costs incurred in developing products or systems, and costs incurred in acquiring software and licences that will contribute to future-period financial benefits through revenue generation and/or cost reduction, are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

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

Commentary – Intangible assets (AASB138)

Intangible assets

AASB138

1. An intangible asset is an identifiable, non-monetary asset without physical substance. The identifiable criterion is met when the intangible asset is separable (i.e. it can be sold, transferred or licensed), or where it arises from contractual or other legal rights.

Acquired intangible assets

2. Intangible assets are measured initially at cost. Cost includes (a) the fair value of the consideration given to acquiring the asset; and (b) any costs directly attributable to the transaction, such as relevant professional fees or taxes.

Internally generated intangible assets

3. The cost of an internally generated intangible asset comprises only the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Expenditure previously recognised as an expense should not be included in the cost of the asset.

4. Intangible assets arising from the research phase of an internal project should not be recognised. Intangible assets arising from the development phase of an internal project should be recognised when the council can demonstrate: its technical feasibility; its intention to complete the developments; how the intangible asset will generate probable future economic benefits (for example, the existence of a market for the output of the intangible asset or for the intangible asset itself); the availability of resources to complete the development; and its ability to measure the attributable expenditure reliably.

5. The recognition criteria are fairly strict. This means that most costs relating to internally generated intangible items will not be allowable for capitalisation and should therefore be expensed as incurred. Examples of such costs include research costs, start-up costs, advertising and training costs.

Subsequent measurement

6. Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets should not be revalued unless there is an active market which is expected to be uncommon. An active market cannot exist where the assets are unique.

7. Amortisation should be carried out on a systematic basis over the useful lives of the intangibles. The residual value of such assets at the end of their useful lives must be assumed to be zero, unless there is either a commitment by a third party to purchase the asset or there is an active market for the asset. Management should reassess at every year-end the expected useful lives of the council's intangible assets.

   Intangible assets with definite useful lives are considered for impairment where there is an indication that the asset has been impaired.

8. The disclosure in the Code assumes that the only intangibles are software – if Council has more than one class of intangible assets then the reconciliation is required for each class.

Note 14 Contract assets and liabilities

AASB 15(116)

a. Contract assets

	30 June 2020
Contract assets	
[provide details]	-
[provide details]	-
	-

Impairment

[Insert information regarding impairment losses on contract assets arising from Council's contracts with customers].

AASB 15(117)

b. Contract liabilities

AASB 15(116)

Funds to construct Council controlled assets	(i)	5,628
Funds received prior to performance obligation being satisfied (upfront payments) – AASB 15	(ii)	3,006
Deposits received in advance of services provided (e.g caravan park fees, hire fees)		294
Upfront fees – leisure centre	(iii)	314
[Other – provide details]		-
		9,242

(i) Council has received funding to construct assets including sporting facilities, bridges, library and other infrastructure. 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) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Upfront membership fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

	Note	30 June 2020
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Funds to construct Council controlled assets		2,148
Funds received prior to performance obligation being satisfied (upfront payments) – AASB 15		955
Deposits received in advance of services provided (e.g caravan park fees, hire fees)		192
Upfront fees – leisure centre		100
[Other – provide description of contract liability]		-
		3,395

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.

c. **Contract cost assets**	[Note]	30 June 2020
Incremental costs to obtain a contract		-
Costs to fulfil a contract	(i)	412
[Other – provide further breakdown of material capitalised costs under AASB 15]		-
		412

(i) The contract cost asset relates to the costs to recruit employees for specific grant programs and material developed to promote the program.

Accounting policy for contract cost assets

Council recognises assets relating to the costs incurred to fulfil a contract that are directly related to the contract provided they will be recovered through performance of the contract.

Costs to fulfil a contract

Where costs are incurred to fulfil a contract, they are accounted for under the relevant accounting standard (if appropriate), otherwise if the costs relate directly to a contract, the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and the costs are expected to be recovered then they are capitalised as contract costs assets and released to the income statement on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates

Commentary – Contract assets & liabilities

1. If Councils have revenue recognised in the current year which relates to performance obligations satisfied in prior years, for example due to a change in transaction price then Council should disclose the Revenue recognised from performance obligations satisfied in previous periods

   Costs to obtain a contract

   It is considered rare for Council to have significant costs to obtain a contract and therefore the Code does not include them – these costs could include legal fees, mobilisation fees for RMS works or other construction work. The following is an accounting policy which can be used if Council do have these assets.

   Costs to obtain a contract are only capitalised when they are directly related to a contract and it is probable that they will be recovered in the future. Costs incurred that would have been incurred regardless of whether the contract was won are expensed, unless those costs are explicitly chargeable to the customer in any case (whether or not the contract is won).

   The capitalised costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

   Set-up costs

   Costs required to set up the contract, including mobilisation costs, are capitalised provided that it is probable that they will be recovered in the future and that they do not include expenses that would normally have been incurred by the [entity type] if the contract had not been obtained. They are recognised as an expense on the basis of the proportion of actual output to estimated output under each contract. If the above conditions are not met, these costs are taken directly to profit or loss as incurred.

Note 15 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.

AASB16.59(a)

Council as a lessee

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

Terms and conditions of leases
[Enter details of existing leases in place on a class basis, *for example* –

Buildings
Council leases land and buildings for their corporate offices and other buildings; the leases are generally between 5 and 7 years and some of them include a renewal option to allow Council to renew for up to twice the non-cancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Vehicles
Council leases vehicles and equipment with lease terms varying from 2 to 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment
Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 2 and 6 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

AASB 16.59(b)

Extension options

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

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

There are $540,000 in potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain

AASB 15.53(a),(h),(j)

(a) Right-of-use assets

	Land and buildings $'000	Vehicles $'000	Office and IT equipment $'000	[other classes – provide details] $'000	Total $'000
Adoption of AASB 16 at 1 July 2019	2,202	409	-	-	2,611
Additions to right-of-use assets	-	-	231	-	231
Adjustments to right-of-use assets due to re-measurement of lease liability	-	-	-	-	-
Depreciation charge	(263)	(82)	(23)	-	(368)
Impairment of right-of-use assets	-	-	-	-	-
Balance at 30 June 2020	1,939	327	208	-	2,474

AASB 16.58

(b) Lease liabilities

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

< 1 year $'000	1–5 years $'000	> 5 years $'000	Total $'000	Total per statement of financial position $'000
507	1,924	899	3,330	2,622

AASB 16.53(b)-(f)

(c) Income statement

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

	$'000
Interest on lease liabilities	183
Variable lease payments based on usage not included in the measurement of lease liabilities	60
Income from sub-leasing right-of-use assets	-
Depreciation of right to use assets	368
Expenses relating to short-term leases	-
Expenses relating to low-value assets	101

AASB16.53(g)

(d) Statement of cash flows

	$'000
Total cash outflow for leases	505

Leases at significantly below market value - Concessionary / peppercorn leases
Council has a number of leases at significantly below market for land and buildings which are used for:

- [provide general indication of the use of the assets under a concessionary arrangement e.g.
  - storage for the excess art from the art gallery
  - visitor centre
  - child care centres
  - community halls
  - boat ramp.]

The leases are generally between 2 and 20 years and require payments of a maximum amount of $1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019
At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases
Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

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

Refer to Note 5c and Note 16.

AASB 16.92(a)

Council as a lessor

(e) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property in the statement of financial position (refer note 12).
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

AASB 16.90(b)/ AASB 140.75(f)

	$'000
Operating leases	
Lease income (excluding variable lease payments not dependent on an index or rate)	
Lease income relating to variable lease payments not dependent on an index or a rate	-
Direct operating expenses from property that generated rental income	-
Direct operating expenses from property that did not generate rental income	-
Total income relating to operating leases	-

AASB 140.75(h)

	$'000
Repairs and maintenance: investment property	
Contractual obligations for future repairs and maintenance	

AASB 16.97

Maturity analysis of lease receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

	$'000
< 1 year	
1–2 years	
2–3 years	
3–4 years	
4–5 years	
> 5 years	
Total undiscounted lease receivable	

AASB 16.90(a)

(f) Finance leases

Council has sub-leased some properties which are on Crown land to community organisations and has classified these as finance leases since the sub-lease is for the remaining life of the Council's lease to the Crown.

	$'000
Finance leases	
Selling profit or loss	
Finance income on the net investment in the lease	
Income relating to variable lease payments not included in the measurement of the net investment in the lease	
Total income relating to finance leases	

AASB 16.94 Maturity analysis of lease receivable showing the undiscounted lease payments to be received after reporting date for finance leases:

	$'000
< 1 year	
1–2 years	
2–3 years	
3–4 years	
4–5 years	
> 5 years	
Total lease payments receivable	
Unearned finance income	
Discounted unguaranteed residual value	
Net investment in the lease	

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term

Commentary - Leases

Appendix K contains detailed guidance on AASB 16

Identification of a lease

AASB 16.9 / B24

1. To assess whether a contract conveys the right to control the use of an identified asset, council assesses whether they have:

   - the right to obtain substantially all of the economic benefits from use of the identified asset (e.g. by having exclusive use of the asset through the lease period); and
   - the right to direct the use of the identified asset.

   In considering whether the relevant asset is an identified asset, council should consider whether the asset is explicitly identified (e.g. by serial number, building floor and address) or implicitly identified (e.g. through the asset being specialised and/or customised). If the lessor has a substantive substitution right (i.e. can swap the asset) then there is no identified asset.

   A lessee has the right to direct the use of the asset only if either:
   the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
   the relevant decisions about how and for what purpose the asset is used are predetermined and:
   the customer has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
   the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Council as a lessee

OLG

2. Where Council elects to separate lease and non-lease components for any class of right of use assets (for example waste management vehicles) then this fact should be stated in the financial statements. Where there has been significant estimation around the value of the lease / non-lease components then this should be disclosed in the significant estimates and judgements section.

OLG

3. The right of use assets arising from the Council's leases are accounted for at cost rather than fair value.

Commentary – Leases

4. For leases that have significantly below market value terms (i.e. peppercorn / concessionary) leases, Council may elect to measure the right of use asset at cost or fair value on initial recognition. Subsequent measurement will be at cost.

Disclosures

AASB16.51

5. AASB 16 disclosure objective is to ensure that users of the financial statements can assess the effect that leases have on the financial statements. AASB 16 contains both quantitative and qualitative disclosures.

6. The disclosure objective should be used by councils to assess whether the overall quality and extent of the lease disclosures are sufficient.

AASB 16.52
OLG

7. All disclosures under AASB 16 relating to lessees are included in a single note – they are not able to be spread throughout the financials.

AASB 16.B49

8. Where council has variable lease payments, additional information should be considered to satisfy the disclosure objective, for example:
   a. the council's reasons for using variable lease payments and the prevalence of those payments;
   b. the relative magnitude of variable lease payments to fixed payments;
   c. key variables upon which variable lease payments depend and how payments are expected to vary in response to changes in those key variables; and
   d. other operational and financial effects of variable lease payments.

AASB 16.B50

9. Where council has leases with extension or termination options that would provide useful information to the users then council should consider the following disclosures to meet the disclosure objective:
   a. The lessee's reason for using extension options or termination options and the prevalence of these options
   b. The relative magnitude of optional lease payments to lease payments
   c. The prevalence of the exercise of options that were not included in the measurement of lease liabilities
   d. Other operational and financial effects of those options.

AASB 16.B51

10. Where council has leases with residual value guarantees then consider additional information to satisfy the disclosure objective, for example:
   a. the council's reasons for providing residual value guarantees and the prevalence of those guarantees;
   b. the magnitude of a lessee's exposure to residual value risk;
   c. the nature of underlying assets for which those guarantees are provided; and
   d. other operational and financial effects of those guaranteed.

Council as a lessor

11. For lessors, information relating to investment properties under leases is included in the investment property note.

Note 16 Payables and borrowings

	2020 Current $'000	2020 Non-current $'000	2019 Current $'000	2019 Non-current $'000
Payables				
Goods and services	**5,778**	**-**	4,140	-
Accrued wages and salaries	**550**	**-**	403	-
Accrued expenses	**612**	**-**	639	-
Deposits and retentions	**1,622**	**-**	1,628	-
Government departments and agencies	**2,631**	**-**	2,565	-
Prepaid rates	**234**	**-**	-	
Other payables (specify if material)	**-**	**-**	-	-
Total payables	**11,427**	**-**	9,452	-
Borrowings				
Bank overdraft	**-**	**-**	-	-
Loans:				
– secured	**6,194**	**117,745**	5,810	123,919
– unsecured	**-**	**-**	-	-
Finance lease liability (2019 only)	**-**	**-**	-	-
Deferred payment liabilities	**-**	**-**	-	-
Other (specify if material)	**-**	**-**	-	-
Total borrowings	**6,194**	**117,745**	5,810	123,919
(a) Current payables not expected to be settled within the next 12 months	**-**	**n/a**	-	n/a

AASB 107(44A)

(b) Changes in liabilities arising from financing activities

	2019 $'000	**Cash flows $'000**	**Non-cash changes $'000**			**2020 $'000**
			Acquisition due to change in accounting policy	**Fair value changes**	**Other non-cash movement**	
Loans:						
– secured	129,729	(5,810)	-	-	20	123,939
– unsecured	-	-	-	-	-	-
Lease liability	-	(220)	2,611	-	231	2,622
Other [specify if material]	-	-	-	-	-	-
Total liabilities from financing activities	**129,729**	**(5,810)**	**-**	**-**	**20**	**126,561**

	2018 $'000	**Cash flows $'000**	**Non-cash changes $'000**			**2019 $'000**
			Acquisition	**Fair value changes**	**Other non-cash movement**	
Loans:						
– secured	135,885	(6,181)	-	-	25	129,729
– unsecured	-	-	-	-	-	-
Finance lease liability	-	-	-	-	-	-
Other [specify if material]	-	-	-	-	-	-
Total liabilities from financing activities	**135,885**	**(6,181)**	**-**	**-**	**25**	**129,729**

(c) Financing arrangements

	2020 $'000	2019 $'000
Total facilities		
The amount of total financing facilities available to council at the reporting date is:		
- Bank overdraft facility	**500**	500
- Corporate credit cards	**150**	150
	650	650
Drawn facilities		
The amount of financing facilities drawn down at the reporting date is:		
- Bank overdraft facility	**-**	-
- Corporate credit cards	**95**	86
	95	86

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

	2020 $'000	2019 $'000
Undrawn facilities		
The amount of undrawn financing facilities available to council at the reporting date is:		
- Bank overdraft facility	**500**	500
- Corporate credit cards	**55**	64
	555	564

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans [/enter details of defaults or breaches on loans during the year].

Security over loans

[Provide details of the security – e.g. land and buildings held by NSW Council or loans secured over future cash flows]

Lease liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of NSW Council is secured by a registered first mortgage over [insert details of security].

Accounting policy for payables and borrowings

NSW 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 NSW Council comprise trade payables, bank and other loans and lease liabilities.

Payables

AASB132(60)(a),(60)(b)

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.

AASB7(21)
AASB9(2.1)

Borrowings

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.

AASB9(3.3)

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

AASB101(60)

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

AASB117(20),(25)

Finance leases (2019 only)
Leases of property, plant and equipment where NSW Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Commentary – Liabilities

AASB Framework

Definition

1. A liability is a present obligation of the council arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.
2. Present obligation may be legally enforceable as a consequence of a binding contract or statutory requirement or a constructive obligation that results in a council having no realistic alternative to settling that obligation.
3. A constructive obligation is an obligation that derives from a council's actions where:
    a. by an established pattern of past practice, published policies or a sufficiently specific current statement, the council has indicated to other parties that it will accept certain responsibilities; and
    b. as a result, the council has created a valid expectation on the part of those other parties that it will discharge those responsibilities (e.g. agreeing to provide a certain service to local residents through media announcements).

AASB132

Financial liabilities

4. A financial liability is a contractual obligation to deliver cash or another financial asset, or to exchange financial instruments with another council.

Recognition and measurement

5. There are two categories of financial liabilities:

    (i) At fair value through profit or loss – measured at fair value with gains and losses reported in the income statement. These are liabilities acquired for the purpose of generating a profit from short-term fluctuations in price or part of a portfolio with a pattern of short-term profit taking.
    (ii) Other liabilities – carried at amortised costs. These are the liabilities not at fair value through profit or loss and would be relevant for most Council liabilities.

Long-term borrowings

AASB101(72)

6. A council classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting date, even if:

    (a) the original term was for a period longer than 12 months, and
    (b) an agreement to refinance, or to reschedule payments on a long-term basis, is completed after the reporting date and before the financial statement is authorised for issue.

AASB101(73)

7. If a council expects and has the discretion to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. However, when refinancing or rolling over the obligation is not at the discretion of the council (for example, if there is no agreement to refinance), the potential to refinance is not considered and the obligation is classified as current.

Commentary – Liabilities

Breached undertakings

AASB101(74)

8. When a council breaches an undertaking under a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial statement for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the council does not have an unconditional right to defer its settlement for at least 12 months after that date.

9 For loans payable recognised at the end of the reporting period, an entity shall disclose:

   a. details of any defaults during the period of principal, interest, sinking fund or redemption terms of those loans payable
   b. the carrying amount of the loans payable in default at the end of the reporting period, and
   c. whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorized for issue.

AASB107(44A)

Changes in liabilities arising from financing activities

10. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Statement of Cash Flows as cash flows from financing activities. If a liability is not included in the financing section of the Statement of Cash Flows then it is **not** included in the changes in liabilities from financing activities table
11. In addition, this disclosure applies to changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities

Note 17 Provisions

	2020		2019	
	Current $'000	**Non-current $'000**	Current $'000	Non-current $'000
Employee benefit provisions				
Annual leave	**3,093**	**-**	3,016	-
Sick leave	**-**	**-**	-	-
Long-service leave	**8,995**	**404**	9,003	423
Other provisions				
Self-insurance – workers compensation	**-**	**-**	-	-
– public liability	**-**	**-**	-	-
– other	**-**	**-**	-	-
Asset remediation	**-**	**6,754**	-	7,898
Other (specify if material)	**-**	**-**	-	-
Total provisions	**12,088**	**7,158**	12,019	8,321
Current provisions not expected to be settled within the next 12 months	**9,612**	**n/a**	9,468	n/a

(a) Description of and movements in non-employee benefit provisions

	Self-insurance $'000	**Asset remediation $'000**	**Other provision (1) $'000**	**Other provision (2) $'000**	**Total $'000**
At beginning of year	-	7,898	-	-	7,898
Changes to provision:					
– New disturbances to tip	-	-	-	-	-
– Revised costs	-	21	-	-	21
– Revised life	-	-	-	-	-
– Revised discount rate	-	-	-	-	
Amounts used	-	(1,165)	-	-	(1,165)
Unwinding of discount	-	-	-	-	-
Unused amounts reversed	-	-	-	-	-
Other (specify)	-	-	-	-	-
Total	**-**	**6,754**	**-**	**-**	**6,754**

Nature and purpose of non-employee benefit provisions

[insert a description of each class of provision shown in the table above as to its nature and purpose and related uncertainties.]

Asset remediation

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

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from NSW Council's decision to undertake self-insurance for certain risks faced.

Accounting policy for provisions

AASB137(14) Provisions are recognised when NSW 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.

AASB137(24) 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.

AASB137(36),(45),(47),(60)

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

Employee benefits

Short-term obligations

AASB119(8),(11)

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

AASB119(155)

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

On-costs

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

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

AASB101(69)(d)

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.

Interpretation 1

Asset remediation – 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.

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

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

Self-insurance
NSW Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. NSW Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Commentary – Provisions

AASB101(60)

Classification of employee benefits provisions as non-current

1. Irrespective of how the amount is measured (i.e. short or long term benefit under AASB 119), an employee benefits provision can only be classified on the Statement of Financial Position as a non-current liability if there is no possibility the council could have to pay out the provision within the next 12 months. This means, for example, that where employees are entitled to take their long-service leave or accrued annual leave during the next 12 months, the provision relating to them must be recorded as a current liability, even though the employees may not be expected to take the leave for an extended period.

   The amount expected to be paid after 12 months is disclosed in the provisions note.

AASB137

Provisions and contingencies

2. A provision should be recognised only when: (a) the council has a present obligation to transfer economic benefits as a result of past events; it is probable (more likely than not) that such a transfer will be required to settle the obligation; and (b) a reliable estimate of the amount of the obligation can be made.
3. The amount recognised as a provision should be the best estimate of the unavoidable expenditure required to settle in full the present obligation, and should be discounted at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability that have not been reflected in the best estimate of the expenditure.
4. A present obligation arises from an obligating event and may take the form of either a legal obligation or a constructive obligation. An obligating event leaves the council no realistic alternative to settling the obligation. If the council can avoid the future expenditure by its future actions, it has no present obligation, and no provision is required. For example, a council cannot recognise a provision based solely on the intent to incur expenditure at some future date.

Onerous contracts

5. If a council has an onerous contract (the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it), the present obligation under the contract should be recognised as a provision.

Restructuring provisions

6. There are specific requirements as to when a provision for restructuring is recorded and what costs are included in the provision. A restructuring provision can only be recognised when Council can demonstrate: (a) a detailed formal plan identifying the main features of the restructuring; and (b) a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.
7. A restructuring plan does not create a present obligation at the reporting date if it is announced after that date, even if it is announced before the financial statements are approved.

   The provision should only include incremental costs necessarily entailed by the restructuring and not those associated with the council's on-going activities. Any expected gains on the sale of assets should not be taken into account in measuring a restructuring provision.

Recovery

Where the council expects to recover from a third party some or all of the amounts required to settle a provision and has no obligation for that part of the expenditure to be met by the third party, it should offset the anticipated recovery against the provision and disclose the net amount.

In all other cases, the provision and any anticipated recovery should be presented separately as a liability and an asset, respectively. However, an asset can only be recognised if it is virtually certain that settlement of the provision will result in a reimbursement, and the amount recognised for the reimbursement should not exceed the amount of the provision. Net presentation is permitted in the Income Statement.

Subsequent measurement

Management should perform an exercise at each reporting date to identify the best estimate of the unavoidable expenditure required to settle in full the present obligation, discounted at an appropriate rate. The increase in provision due to the passage of time is recognised as a borrowing cost.

Interpretation 1(4)

Restoration, rehabilitation provision

8. Changes in the measurement of an existing decommissioning, restoration or similar liability that results from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are accounted for as follows.

9. Where the related asset is measured using the revaluation model:
   (a) Changes in the liability alter the revaluation increase or decrease previously recognised on that asset, so that:
      (i) a decrease in the liability shall (subject to Paragraph 6(b) of Interpretation 1) be credited directly to the revaluation reserve in equity, except that it shall be recognised in profit or loss to the extent that it reverses a revaluation decrease on the asset that was previously recognised in profit or loss; or
      (ii) an increase in the liability shall be recognised in profit or loss, except that it shall be debited directly to the revaluation reserve in equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset.
   (b) In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in profit or loss;
   (c) A change in the liability is an indication that the asset may have to be re-valued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation shall be taken into account in determining the amounts to be taken to profit or loss and equity under Paragraph 6(a) of Interpretation 1. If a revaluation is necessary, all assets of that class shall be re-valued; and

10. In respect of a council, the requirements of Paragraph 6 shall be applied in relation to a class of assets, consistent with the revaluation model requirements of AASB116 for not-for-profit entities.

11. The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability shall be recognised in profit or loss as they occur.

12. The periodic unwinding of the discount is recognised in profit or loss as a finance cost as it occurs.

13. The discount rate for unwinding the provision can be obtained from the Reserve Bank bond rates. The rate used should be the rate that most closely matches the expected utilisation of the provision.

Self-insurance

OLG

14. In regard to workers' compensation self-insurance, self-insurers are required by Insurance & Care NSW (icare), as a condition of a self-insurance licence, to meet certain requirements. icare does not require the mandatory setting aside of funds to meet the outstanding claims liability. However, it does require that provision be recognised for an actuarially assessed figure for the outstanding claims liability. Additionally, self-insurers are required to lodge security in accordance with the actuarial assessment plus a contingency margin, which is calculated by icare. The security is either placed with Treasury in cash or met by the lodgement of a Banker's Deed of Understanding with icare.

OLG

15. Other types of self-insurance policies should have specific investments equal to the amount of outstanding claims and supporting records will need to be maintained to identify the component risks and liabilities comprising the provision.

Note 18 Accumulated surplus, revaluation reserves, changes in accounting policies, accounting estimates and errors

(a) Nature and purpose of reserves

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

(ii) Other reserves (specify)
[Describe nature and purpose of the reserve]

(b) Correction of errors in previous years

AASB108.41-49

[If a material error relating to a prior period has been retrospectively adjusted in the financial statements, then a description of the nature and impact of the error should be provided.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus/revaluation reserve [delete as appropriate depending on error] at that date. Comparatives have been changed to reflect the correction of errors. The impact on each line item at 1 July 2018 is shown in the table below.

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

[Insert details of each line item which was impacted by the correction of the errors/change in accounting policy/ reclassification at 1 July 2018.]

	Original balance at 1 July 2018 ($'000)	Increase/ (decrease) ($'000)	Restated balance at 1 July 2018 ($'000)
Statement of Financial Position			

[If the adjustment of the error had no impact or only an immaterial impact on the Statement of Financial Position at 1 July 2018 then councils should state that fact rather than including the table above]

Adjustment to the comparative figures for the year ended 30 June 2019
[insert details of each line item which was impacted by the correction of the errors/change in accounting policy/ reclassification.]

	Original balance ($'000)	Increase/(decrease) ($'000)	Restated balance at ($'000)
Statement of Financial Position			
Income Statement			

Note 18 Accumulated surplus, revaluation reserves, changes in accounting policies, accounting estimates and errors (continued)

(c) Changes in accounting policy due to adoption of new Accounting Standards

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

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

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

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.

[Council is required to outline the nature of any changes in accounting policies resulting from the adoption of AASB 15 and AASB 1058].

The information provided below is for illustrative purposes only and council needs to consider their revenue streams carefully and tailor these disclosures to suit – these disclosures are not exhaustive.

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

Upfront fees – Council leisure centre
Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not 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 membership life).

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

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

Principal v agent
Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.
Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

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

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

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

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

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

[Council is required to outline the nature of any changes to presentation resulting from the adoption of AASB 15.]

For example:
- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.
- [Description of other changes in presentation – tailored to Council]

AASB 15.116 / AASB 1058.31

Opening contract balances at 1 July 2019

	Balance at 1 July 2019 $'000
Contract assets	
- Under AASB 15	-
- Under AASB 1058	-
Total contract assets	-
Contract liabilities	
- Under AASB 15	3,412
- Under AASB 1058	3,590
Total contract liabilities	7,002

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.
[Note Councils may show only the affected line items if only a small number are affected, however the entire Statement of Financial Position and Income Statement have been shown in the Code for completeness].

Statement of financial position as at 30 June 2020

	Carrying amount per Statement of financial position under AASB 15 and AASB 1058 $'000	**Reclassification $'000**	**Remeasurement $'000**	**Carrying amount under previous revenue standards $'000**	**Note**

Current assets					
Cash and cash equivalents	12,770	-	-	12,770	
Investments	61,000	-	-	61,000	
Receivables	15,293	-	-	15,293	
Inventories	1,293	-	-	1,293	
Contract assets	-	-	-	-	
Contract cost asset	412	-	(412)	-	(i)
Other	418	-	-	418	
Non-current assets classified as held for sale	-	-	-	-	
Current liabilities					
Payables	11,427	-	-	11,427	
Income received in advance	-	1,604	-	1,604	(ii)
Contract liabilities	9,242	(1,604)	(7,638)	-	(ii)
Lease liabilities	337	-	-	337	
Borrowings	6,194	-	-	6,194	
Provisions	12,088	-	-	12,088	
Non-current assets					
Investments	28,015	-	-	28,015	
Receivables	765	-	-	765	
Inventories	140	-	-	140	
Infrastructure, property, plant and equipment	2,009,896	-	-	2,009,896	
Investment property	-	-	-	-	
Intangible assets	319	-	-	319	
Contract assets	-	-	-	-	
Contract cost asset	-	-	-	-	
Right of use assets	2,474	-	-	2,474	
Investments accounted for using equity method	42	-	-	42	
Other	-	-	-	-	
Non-current liabilities					
Payables	-	-	-	-	
Lease liabilities	2,285	-	-	2,285	
Borrowings	111,051	-	-	111,051	
Provisions	7,158	-	-	7,158	
Net assets	1,973,038	-	7,226	1,980,264	
Equity					
Accumulated surplus	834,016	-	7,226	842,066	
Revaluation reserves	1,139,022	-	-	1,139,022	
Other reserves (specify)	-	-	-	-	
Total equity	1,973,038	-	7,226	1,973,038	

(i) Elimination of contract cost asset which arises under AASB 15

(ii) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

Income statement for the year ended 30 June 2020

	Income statement and comprehensive income under AASB 15 and AASB 1058 $'000	Reclassification $'000	Remeasurement $'000	Income statement and comprehensive income under previous revenue standards $'000	Note
Revenue	127,699	-	2,240	129,939	(i)
Other income	3,127	-	-	3,127	
Expenses	138,381	-	(15)	138,366	(ii)
Profit / (Loss) for the year	(7,555)	-	2,225	(5,330)	
Total comprehensive income	(52,982)	-	2,225	(50,757)	

(i) Difference in revenue between recognition on receipt under the old standards and as / when performance obligations are met under new standards.

(ii) Difference in costs incurred to fulfil a contract and the amortisation during the year.

Statement of cash flows for the year ended 30 June 2020

[The statement of cash flows is not expected to change materially due to the adoption of AASB 1058 and AASB 15 and therefore Councils have the option to delete the table and make the following statements.

"The adoption of AASB 15 and AASB 1058 has not materially changed the statement of cash flows for the year ended 30 June 2020."]

	AASB 15 cash flows per Statement of cash flows $'000	Reclassification $'000	Remeasurement $'000	Cash flows under the previous revenue standards $'000	Note
Operating activities					
[Insert line items]					a
[Insert line items]					b
Net cash flows from operating activities					
Investing activities					
[Insert line items]					c
Net cash flows from investing activities					
Financing activities					
[Insert line items]					
Net cash flows from financing activities					
Movement in cash and cash equivalents during the year					

a. [Insert explanation for significant differences between previous standards and AASB 15/AASB 1058]
b. [Insert explanation for significant differences between previous standards and AASB 15/AASB 1058]
c. [Insert explanation for significant differences between previous standards and AASB 15/AASB 1058]

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.
- 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 has recognised right-of-use assets and lease liabilities of $2.611m at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was xx%.

	$'000
Operating lease commitment at 30 June 2019 per Council financial statements	2,516
Discounted using the incremental borrowing rate at 1 July 2019	2,204
Add:	
Finance lease liabilities	-
Extension options reasonably certain to be exercised not included in the commitments note	556
Variable lease payments linked to an index	245
[Other reconciling items – provide details]	-
Less:	
Short-term leases included in commitments note	-
Leases for low-value assets included in commitments note	(394)
[Other reconciling items – provide details]	-
Lease liabilities recognised at 1 July 2019	2,611

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.

(d) Changes in accounting policy – voluntary change

[Provide details of any changes in accounting policies during the year, including the reason for the change and the impact on the financial statements, as well as a third Statement of Financial Position, if the impact at 1 July 2018 is material – the disclosure shown above for errors can be used for accounting policy changes.

[If the retrospective change had nil or an immaterial impact on the Statement of Financial Position at 1 July 2018 then councils should state that fact rather than including the detailed disclosures.]

AASB108.32-40

(e) Changes in accounting estimates

[If any significant estimates have been amended during the year, e.g. useful life of IPPE, then include information about the impact of these changes in the current year, as well as any potential impact on future years.]

Commentary – Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

AASB101(79)(b)

1. A description of the nature and purpose of each reserve within equity must be provided including any restrictions on their distribution or any other important characteristics.

AASB101(10)(f)

Third Statement of Financial Position

2. A third Statement of Financial Position is required where a change in accounting policy or correction of error has resulted in a material change to the Statement of Financial Position previously presented at the opening comparative date.
3. The relevant line items which have changed should be presented in this note.

Changes in accounting policies

Initial application of an Australian Accounting Standard

AASB108(28)

4. When the initial application of an Australian Accounting Standard has an effect on the current period, or any prior period; would have such an effect except that it is impracticable to determine the amount of the adjustment; or might have an effect on future periods, a council shall disclose:

   (a) the title of the Australian Accounting Standard
   (b) that the change in accounting policy is made in accordance with its transitional provisions, where applicable
   (c) the nature of the change in accounting policy
   (d) a description of the transitional provisions, where applicable
   (e) the transitional provisions that might have an effect on future periods, where applicable
   (f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected.
   (g) the amount of the adjustment relating to periods before those presented, to the extent practicable
   (h) if retrospective application required by Paragraph 19(a) or (b) of AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors* is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition, and a description of how and from when the change in accounting policy has been applied.

   Financial statements of subsequent periods need not repeat these disclosures.

5. If the impact of the adoption of a new standard is material for any note and the comparatives have not been restated (as is the case for AASB 15, AASB 1058 and AASB 16 for the comparative year) then include a footnote to remind users that the council has not restated comparatives when initially applying these standards. The Code includes this for each primary statement.

Voluntary change in accounting policy

AASB108(29)

6. When a voluntary change in accounting policy has an effect on the current period, or any prior period; would have an effect on that period, except that it is impracticable to determine the amount of the adjustment; or might have an effect on future periods, a council shall disclose:

   (a) the nature of the change in accounting policy
   (b) the reasons why applying the new accounting policy provides reliable and more relevant information
   (c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected
   (d) the amount of the adjustment relating to periods before those presented, to the extent practicable

Commentary – Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(e) before those presented, the circumstances that led to the existence of that condition, and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

Prior-period errors

AASB108(5)

7. Prior-period errors are omissions from, and misstatements in, a council's financial statements for one or more prior periods arising from a failure to use, or a misuse of, reliable information that:
(a) was available when financial statements for those periods were authorised for issue; and
(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Correction

AASB108(42)

8. A council shall correct material prior-period errors retrospectively in the first financial statements authorised for issue after their discovery by:
9. (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
10. (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

AASB108(43)

11. A prior period error shall be corrected by retrospective restatement, except to the extent that it is impracticable to determine either the period-specific effects, or the cumulative effect of the error. Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

AASB108(44)

12. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the council shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

AASB108(45)

13. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the council shall restate the comparative information to correct the error prospectively from the earliest date practicable.

Disclosure

AASB108(49)

14. In relation to errors, a council shall disclose the following:

(a) the nature of the prior-period error
(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected
(c) the amount of the correction at the beginning of the earliest prior period presented
(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition, and a description of how and from when the error has been corrected.

Financial statements of subsequent periods need not repeat these disclosures

Changes in accounting estimates

Recognition

AASB108(36)

15. The effect of a change in an accounting estimate, other than a change to which Paragraph 37 of AASB108 applies (refer below), shall be recognised prospectively by including it in profit or loss in:

(a) the period of the change, if the change affects that period only; or
(b) the period of the change and future periods, if the change affects both.

AASB108(37)

16. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

17. A change in accounting estimate is adjusted in the current and future periods. There is no impact on accumulated surplus.

Commentary – Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Disclosure

AASB108(39) 18. Disclosure is required of the nature and amount of a change in an accounting estimate that has an effect in the current period, or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

AASB108(40) 19. If the amount of the effect in future periods is not disclosed because estimating it is impracticable, that fact shall be disclosed.

Note 19 Statement of Cash Flows information

	Notes	2020 $'000	2019 $'000
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7a	**12,770**	11,205
Less: bank overdraft	16	**-**	-
Balances as per Statement of Cash Flows		**12,770**	11,205
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**(7,555)**	(5,411)
Depreciation, amortisation and impairment		**41,949**	35,805
Share of (profit)/loss from joint ventures and associates using the equity method		**(37)**	60
Decrements/(reversal of previous revaluation decrements) from revaluations		**340**	-
Loss/(gain) on sale of assets		**13,815**	11,217
Loss on boundary adjustment		**-**	-
Impairment of receivables		**112**	-
Amortisation of discounts and premiums recognised		**-**	20
Non-cash contributions and dedications		**-**	(1,544)
Fair value (gains)/losses on investment property			
Fair value (gains)/losses on financial assets at fair value through profit and loss		**-**	10
Movement in operating assets and liabilities			
(Increase)/decrease in receivables		**1,640**	2,601
(Increase)/decrease in inventories		**369**	(226)
(Increase)/decrease in other current assets		**(122)**	193
(Increase)/decrease in contract cost assets		**(412)**	-
(Increase)/decrease in contract assets		**-**	-
Increase/(decrease) in payables		**1,714**	(1,576)
Increase/(decrease) in accrued interest payable		**(41)**	(134)
Increase/(decrease) in other liabilities and accruals		**302**	1,276
Increase/(decrease) in contract liabilities		**2,743**	-
Increase/(decrease) in provision for employee benefits		**50**	65
Increase/(decrease) in other provisions		**(1,144)**	2,461
Other		**-**	(13)
Net cash provided from (or used in) operating activities from Statement of Cash Flows		**53,723**	44,804
(c) Non-cash financing and investing activities			
Bushfire grants		**-**	-
Developer contributions in kind		**-**	-
Dedications		**-**	-
Other (specify if material)		**1,511**	1,544
		1,511	1,544

Refer to Note 15 for information on acquisition of assets under leases.

Commentary – Statement of Cash Flows information

Non-cash financing and investing activities

AASB107(43)

1. Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the Statement of Cash Flows. Although these transactions do not have a direct impact on current cash flows they do affect the capital and asset structure of a council.
2. An example of a non-cash transaction is the acquisition of assets by assuming directly related liabilities or through a donation.

Note 20 Interests in other entities

Interests in subsidiaries

(a) Composition of the group

	Principal place of business	Percentage owned (%) 2020	Percentage owned (%) 2019
Subsidiaries			
Sub 1			
Sub 2			

The percentage ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Controlled entities with ownership interest of 50% or less

[Provide details of why Council has control over an entity if the ownership interest is 50% or less]

[For example: The council holds 42% of the ordinary shares of Goreng Ltd under a management agreement between council, Goreng and the other shareholder. Council has the power to make all the financial and operating policy decisions of Goreng, and to ensure that those policies are consistent with the policies of the group, and therefore has control.]

(b) Significant restrictions relating to subsidiaries

[Provide details of significant restrictions, for example statutory, contractual and regulatory restrictions, on the subsidiary's ability to access or use the assets and settle the liabilities of the group, i.e. those that restrict the ability of a parent or its subsidiaries to transfer cash or other assets to (or from) other entities within the group.

Guarantees or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to (or from), other entities within the group.]

(c) Subsidiaries with material non-controlling interests

	(Name of subsidiary 1)		(Name of subsidiary 2)	
	2020	2019	**2020**	2019
% ownership held by non-controlling interest (NCI)				
	$'000	$'000	**$'000**	$'000
Profit (/loss) allocated to NCI				
Accumulated NCI of subsidiary				
Dividends paid to NCI				
Summarised Statement of Financial Position				
Current assets				
Non-current assets				
Current liabilities				
Non-current liabilities				
Net assets				
Summarised Statement of Income and Other Comprehensive Income				
Revenue				
Profit (/loss)				
Total comprehensive income				
Summarised Statement of Cash Flows				
Cash flows from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Net increase (/decrease) in cash and cash equivalents				

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the council has control. Control is established when the council is exposed to, or has rights to variable returns from, its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the Council. All controlled entities have a June financial year end.

(d) Consolidated structured entities

[Where Council has consolidated structured entities, provide details of circumstances where Council or an entity within the group may be required to provide financial support to that consolidated structured entity, as well as details as to where support has been provided during the financial reporting period.]

Interests in joint arrangements

	Type of joint arrangement	Principal place of business	Percentage owned (%) 2020	Percentage owned (%) 2019
Joint arrangements:				
Joint arrangement 1	Joint venture	Australia	**25**	25
Joint arrangement 2				

The percentage ownership interest held is equivalent to the percentage voting rights for all joint arrangements.

Joint arrangements 1

Provide details of the nature of the council's relationship with the joint arrangement; for example, describe the nature of the activities of the joint arrangement, and whether they are strategic to the Council's activities e.g Joint Arrangement 1 is an entity which has the relevant equipment to monitor and weigh heavy vehicles.

Joint arrangements 2

Provide details of the nature of the council's relationship with the joint arrangement; for example, describe the nature of the activities of the joint arrangement and whether they are strategic to the Council's activities.

All joint arrangements have the same year end date as the council.

There are no significant restrictions on the ability of joint ventures to transfer funds to the Council in the form of cash dividends, or to repay loans or advances made by the council**.**

Material joint ventures

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

	(Name of joint venture 1)		**(Name of joint venture 2)**	
Measurement basis (equity method/fair value)				
	$’000	$’000	**$’000**	$’000
Dividends received from the joint venture				
Summarised Statement of Financial Position				
Cash and cash equivalents				
Current assets				
Non-current assets				
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)				
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)				
Net assets				
Summarised Statement of Income and Other Comprehensive Income				
Revenue				
Interest income				
Depreciation and amortisation				
Interest expense				
Income tax expense (income)				
Profit (/loss) from continuing operations				
Post-tax profit or loss from discontinued operations				
Other comprehensive income				
Total comprehensive income				
Summarised Statement of Cash Flows				
Cash flows from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Net increase (/decrease) in cash and cash equivalents				

Reconciliation of carrying amount of interest in joint venture to summarised financial information for individually material joint ventures accounted for using the equity method.

	Current year end $’000	Prior year end $’000
Share of xx% of net assets		
[insert reconciling items]		
Carrying amount		
Fair value of investment (if there is a quoted price)		

Aggregate information for joint ventures that are not individually material
NSW Council has interests in a number of joint ventures, none of which is considered individually material. The table below summarises, in aggregate, the financial information of all individually immaterial joint ventures.

	Current year end $'000	Prior year end $'000
Carrying amount of investments in joint ventures that are not individually material	42	47
NSW Council's share of those joint ventures		
Profit or loss from continuing operations	(37)	(58)
Post-tax profit or loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	(37)	(58)

Unrecognised share of losses
The unrecognised share of losses of joint ventures due to council's interest being reduced to zero under the equity methods are $xx for the reporting period, and $xx on a cumulative basis.

Risk associated with the interests in joint ventures

Commitments relating to joint ventures held	$
Contingent liabilities incurred jointly with other investments over joint ventures held	$

Accounting policy for joint arrangements.

The council has determined that it has [both joint ventures and joint operations/only joint ventures/only joint operations] (councils to delete as appropriate).

Joint operations

In relation to its joint operations, where the Council has the rights to the individual assets and obligations arising from the arrangement, the council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures.* Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the council discontinues recognising its share of further losses.

The council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the council for the purposes of the consolidated financial statements.

Interests in associates

	Principal place of business	Percentage owned (%) 2020	Percentage owned (%) 2019
Associates: **[insert associate name]**			

The percentage ownership interest held is equivalent to the percentage voting rights for all associates.

Associate 1

Provide details of the nature of the council's relationship with the associate; for example, describe the nature of the activities of the associate, and whether they are strategic to the entity's activities – e.g. Associate 1 is an entity set up by a number of councils for waste disposal to try to save costs.

Associates

All associates have the same year end date as the council. There are no significant restrictions on the ability of associates to transfer funds to the group in the form of cash dividends, or to repay loans or advances made by the council.

Material associates
The following information is provided for associates that are individually material to the group. 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 group's share.

	(Name of Associate 1)		**Add additional column if more associates**	
	2020	**2019**	**2020**	**2019**
Measurement basis (equity method/fair value)				
	$'000	$'000	**$'000**	$'000
Dividends received from the associate				
Summarised Statement of Financial Position				
Cash and cash equivalents				
Current assets				
Non-current assets				
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)				
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)				
Net assets				
Summarised Statement of Income and Other Comprehensive Income				
Revenue				
Interest income				
Depreciation and amortisation				
Interest expense				
Income tax expense (income)				
Profit (/loss) from continuing operations				
Post-tax profit or loss from discontinued operations				

Other comprehensive income				
Total comprehensive income				
Summarised Statement of Cash Flows				
Cash flows from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Net increase (/decrease) in cash and cash equivalents				

Reconciliation of carrying amount of interest in associate to summarised financial information for associates accounted for using the equity method.

Associate 1	**Current year end $'000**	Prior year end $'000
NSW Council's share of xx% of net assets		
[insert reconciling items]		
Carrying amount		
Fair value of investment (if there is a quoted price)	-	-

Associate 2 - Add additional tables if more associates	**Current year end $'000**	Prior year end $'000
NSW Council's share of xx% of net assets		
[insert reconciling items]		
Carrying amount		
Fair value of investment (if there is a quoted price)	-	-

Aggregate information for associates that are not individually material

NSW Council has interests in associates, none of which is considered individually material. The table below summarises, in aggregate, the financial information of all individually immaterial associates.

	Current year end $'000	Prior year end $'000
Carrying amount of investments in associates that are not individually material		
Council's share of those associates:		
Profit or loss from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		

Unrecognised share of losses

The unrecognised share of losses of associates due to the council's interest being reduced to zero under the equity methods are $xx for the reporting period, and $xx on a cumulative basis.

Risks associated with the interest in associates

Contingent liabilities incurred jointly with other investments over associates held	$

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures.* Under this method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

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

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

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

Commentary – Interests in other entities

Appendix H contains detailed guidance on AASB 10-12.

Interests in subsidiaries

1. If the percentage ownership interest is not equivalent to the percentage voting rights, then provide details.
2. Where significant restrictions exist in relation to subsidiaries, the financial statements should disclose:
   (a) details of the restrictions
   (b) the nature and extent to which protective rights of non-controlling interests can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the group (such as when a parent is obliged to settle liabilities of a subsidiary before settling its own liabilities; or approval of non-controlling interests is required, either to access the assets or to settle the liabilities of a subsidiary).
   AASB12.13 (c) the carrying amount in the consolidated financial statements of the assets and liabilities to which those restrictions apply.

Disposal of a subsidiary that results in loss of control

3. If a council has disposed of a subsidiary which has resulted in a loss of control, the information below should be included.

   On [insert date], the council disposed of xx% of its interest in [enter name of entity].

   A [profit/loss] of $xx after income tax was attributable to council from the disposal, and is recorded in the other [income/expenses] line in the Income Statement.

   The carrying amount of the net assets of [enter name of entity] at the date of disposal were:

	$
Cash and cash equivalents	
Receivables	
Inventory	
Enter description	
Total current assets	
Property, plant and equipment	
Intangible assets	
Enter description	
Total non-current assets	
Trade payables	
Provisions	
Enter description	
Total current liabilities	
Net assets	
Total consideration	
- Received in cash	
- Cash and cash equivalents disposed of	
Net cash received	
Net profit(/loss) on disposal	

Commentary – Interests in other entities

(e)

Consequences of changes in a council's ownership interest in a subsidiary that do not result in a loss of control

4. If a council has acquired / disposed of a subsidiary which has not changed control, the information below should be included.

Disposal of ownership interest

During the year council disposed of xx% of its investment in [name of subsidiary]. Control was, however, maintained and therefore the group structure did not change, although the non-controlling interest increased.

The effect of this transaction on the equity attributable to council is shown below:

	[year end date] $
Consideration received	
Less: increase in net assets attributable to non-controlling interest	
Increase (/decrease) in council interest	

Note: the increase/decrease to council interest is recorded in the transactions with non-controlling interest reserve.

Acquisition of ownership interest

During the year council acquired xx% additional interest in [name of subsidiary]. Control was maintained, and therefore the group structure did not change, although the non-controlling interest decreased. The effect of this transaction on council interest is shown below:

	[year end date] $
Non-controlling interest acquired	
Less: consideration paid	
Increase (/decrease) in council interest	

Note: the increase/decrease to council interest is recorded in the transactions with non-controlling interest revenue.

Interests in joint ventures and associates

5. If the percentage ownership interest is not equivalent to the percentage voting rights, then provide details.

Interest in unconsolidated structured entities

6. If the council has any unconsolidated structured entities, such as involvement with a community organisation, then the note below needs to be included.

Nature of interests
Provide details, including but not limited to the nature, purpose, size and activities of the structured entity, as well as to how it is financed.

Sponsored unconsolidated structured entities
Provide details regarding how Council has determined which structured entities it has sponsored.

Structured entity type	Total income				Assets transferred to structured entities	
	[income categories]				Carrying amount	Fair value

Commentary – Interests in other entities

For example:

Council considers itself the sponsor of a structured entity where it is primarily involved in the design and establishment of the structured entity. Council also transfers assets to the sponsored structured entity, it markets products associated with the structured entity in its own name, and provides guarantees regarding the structured entity's performance.

For some sponsored entities, Council has no interest at the reporting date. However, it has sold assets to those entities with no continuing involvement during the reporting period, and has earned fees for selling those assets, and for other transactions carried out for the entity.

Nature of risk
Carrying amount of assets and liabilities.

The following table shows the carrying amounts of the assets and liabilities recognised in the council financial statements relating to its interests in unconsolidated structured entities.

Financial statement line item	Loans	Investments	Commitments /guarantees	Derivative instruments	Total Assets	Total liabilities
Total						

Maximum exposure to loss

The maximum exposure to loss shown in the table below is contingent in nature, and may arise as a result of the provision of liquidity facilities and other funding commitments provided by the [entity type] to unconsolidated structured entities in which it has an interest at [year-end date].

Provide details of how the maximum exposure to loss was determined.

Structured entity type	Maximum exposure to loss				Carrying amount of assets/liabilities that relates to unconsolidated structured entities	
	Loans	Investments	Commitments /guarantees	Total	Assets	Liabilities

Financial support provided without a contractual obligation
Provide details of financial support which was provided by the council without having a contractual obligation to do so, including the type and amount of support provided (including situations in which the council assisted the structured entity in obtaining financial support), and the reasons for the support.

Current intentions to provide financial or other support
Provide details of any current intentions to provide financial or other support to an unconsolidated structured entity or entities, including intentions to assist the structured entity in obtaining financial support.

Note 21 Commitments

	2020 $'000	2019 $'000
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	**5,731**	204
Plant and equipment	**2,457**	-
Sewerage and water infrastructure	**4,299**	746
Road infrastructure	**2,944**	59
Other (specify if material)	**-**	-
Total	**15,431**	1,009

[Provide a description of the commitment in place] – E.g. The council has committed to a renovation of the library and recreation facilities which will take place over the next two years.

(b) Finance lease commitments (2019 only)

	2020	2019
Commitments under finance leases at the reporting date are payable as follows:		
– Not later than one year	**n/a**	-
– Later than one year and not later than five years	**n/a**	-
– Later than five years	**n/a**	-
Total	**-**	-
Minimum lease payments	**n/a**	-
Less: future finance charges	**n/a**	-
Lease liability		

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

(c) Non-cancellable operating lease commitments (2019 only)

	2020	2019
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
– Not later than one year	**n/a**	449
– Later than one year and not later than five years	**n/a**	1,543
– Later than five years	**n/a**	524
Total	**-**	2,516

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

Commentary – Commitments

1. Councils provide information about commitments as required under specific standards. This includes contractual commitments:
   - AASB116(74)(c) (a) for the acquisition of property, plant and equipment
   - AASB138(122)(e) (b) for the acquisition of intangible assets
   - AASB140(75)(h) (c) to purchase, construct or develop investment property or for repairs, maintenance or enhancements
2. The amount to be disclosed in the minimum amount Council is committed to over the life of the contract. For example if a waste collection contract (which is not a lease) is based on a fixed level of service plus a variable element, it would only be the fixed element that would be disclosed.
3. Council may have entered into contracts at the reporting date that don't require disclosure as commitments, for example council has signed a master agreement for consulting services but a specific engagement has not been agreed at reporting date.

Note 22 Contingencies

Contingent liabilities

- NSW Council has been named as a defendant in a number of actions for undisclosed damages arising from the flooding of residential properties adjacent to a public road. It is not possible to estimate the potential financial impact of these claims and NSW Council is defending these actions.
- NSW Council provides bank guarantees to the value of $4.5 million to secure its self-insurance license for workers' compensation. The guarantee is provided to icare NSW.

Defined benefit plan

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

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

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

Description of the funding arrangements

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

The 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 lifetime of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	[Council to enter information]
Division C	
Division D	

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of $xx per annum from 1 July xxxx to 30 June xxxx, apportioned according to each employer's share of the accrued liabilities as at 30 June xxxx. These lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June xxxx.

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 employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2020 was $xx. The last valuation of the Scheme was performed by [insert name and qualifications] on [insert date], and covers the year ended 30 June xxxx.

The amount of additional contributions included in the total employer contribution advised above is $xx. NSW Council's expected contribution to the plan for the next annual reporting period is $xx.

The estimated employer reserves financial position for the pooled employees at 30 June xxxx is:

Employer reserves only*	**$millions**	**Asset coverage**
Assets	[Council to complete]	
Past service liabilities		
Vested Benefits		

* excluding member accounts and reserves on both assets and liabilities

The share of this deficit that is broadly attributed to NSW Council is estimated to be in the order of $xx as at 30 June 2020.

NSW 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 NSW Council's accounts. NSW 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 calculated the present value of accrued benefits are:

Investment return	
Salary inflation*	
Increases in CPI	

*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.

Commentary – Contingencies

1. Contingent assets and liabilities are to be disclosed with sufficient detail to allow the user to understand the nature of the item.

Contingent liabilities

AASB137(86)

2. Unless the possibility of any outflow in settlement is remote, a council shall disclose for each class of contingent liability at the end of the reporting period, a brief description of the nature of the contingent liability and, where practicable:
   (a) an estimate of its financial effect, measured under paragraphs 36-52 of AASB137
   (b) an indication of the uncertainties relating to the amount or timing of any outflow
   (c) the possibility of any reimbursement.

Defined benefit plans

AASB119(148)

3. Councils receive a standard letter from LG Super each year providing information to include in their financial statements in respect of the defined benefit funds that councils and employees contribute to. Councils should therefore ensure that the words included in the note are consistent with the specific letter received.

Contingent assets

AASB137(89)

4. Where an inflow of economic benefits is probable, a council shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, where practicable, an estimate of their financial effect.

Not practicable to make required disclosures

AASB137(91)

5. Where any of the information required to be disclosed by paragraphs 86 and 89 of AASB137 is not disclosed because it is not practicable to do so, that fact shall be stated.

Disclosure that might seriously prejudice the position of the council

AASB137(92)

6. In extremely rare cases, disclosure of some or all of the information required to be disclosed by paragraphs 84-89 of AASB137 can be expected to prejudice seriously the position of the council in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, a council need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed. An example of such disclosure is contained in Appendix D of AASB137.

Note 23 Financial risk management

Risk management

NSW 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.

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

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

The fair value of [Receivables, loans, investments and financial liabilities – amend as relevant] approximates the carrying amount.

ALTERNATIVE DISCLOSURE
Remove the sentence about fair value above and add the following disclosure where carrying amount is different from fair value (e.g. for borrowings):
A comparison of carrying amount and fair value for NSW Council financial instruments at reporting date is shown in the table below:

	Carrying value		Fair value	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents				
Receivables				
Term deposits				
Fair value through other comprehensive income				
Equity instruments held at FVOCI				
Financial assets at fair value through profit or loss – held for trading				
Financial liabilities				
Measured at amortised cost				
Payables				
Lease liabilities				
Borrowings				

NSW Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investments portfolio with the assistance of independent advisers. NSW Council has an investment policy which complies with the s 625 of the *Local Government Act* and the Ministerial Investment Order. The policy is regularly reviewed by NSW Council and a monthly investment report is provided to NSW Council setting out the make-up and performance of the portfolio 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 factors affecting similar instruments traded in a market
- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to NSW Council.

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

Note 23 Financial risk management (continued)

(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.

	2020 $'000	2019 $'000
Impact of a xx% movement in price of investments:		
– Equity	**242**	340
– Income Statement	**242**	340
Impact of a xx% movement in interest rates:		
– Equity	**1,014**	848
– Income Statement	**1,014**	848

Credit risk

NSW Council's major receivables comprise rates, annual charges, user charges and fees.

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

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

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

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

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

NSW 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 subject to a re-negotiation of repayment terms.

Credit risk profile

Receivables - Rates and Annual Charges

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

	Not yet due	**Overdue debts**				**Total**
		< 1 year	**1–2 years**	**2–5 years**	**> 5 years**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2020	**217**	**1,989**	**354**	**605**	**67**	**3,232**
2019	238	2,060	253	418	28	2,997

Receivables – non- rates and annual charges

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

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

		Not yet due	Overdue debts				
			< 30 days	30–60 days	60–90 days	>90 days	Total $'000
2020	**Gross carrying amount ($'000)**	**12,472**	**541**	**194**	**62**	**30**	**13,299**
	Expected loss rate (%)						
	ECL provision						
2019	Gross carrying amount ($'000)	**13,107**	**904**	**168**	**13**	**175**	**14,367**
	Expected loss rate (%)						
	ECL provision						

Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Due within 1 year $'000	Due between 1 & 5 years $'000	Due after 5 years $'000	Total contractual cash flows $'000	Carrying values $'000
2020						
Payables	-	11,386	**-**	**-**	**11,386**	**11,386**
Borrowings	6.64	14,296	**57,110**	**121,090**	**192,496**	**123,939**
		25,682	**57,110**	**121,090**	**203,882**	**135,325**
2019						
Payables	-	9,415	-	-	9,415	9,415
Borrowings	6.65	14,298	57,684	134,812	206,794	129,729
		23,713	57,684	134,812	216,209	139,144

Commentary – Financial risk management

Financial instruments

AASB7(21),(B5)

1. Disclosure of the measurement bases of financial instruments may include:
   - (a) how net gains or net losses on each category of financial instruments are determined (e.g. whether the net gains or losses on items at fair value through profit or loss include interest or dividend income)
   - (b) the criteria the council uses in relation to the expected credit losses on financial assets
   - (c) when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are subject to renegotiated terms.

Nature and extent of risks arising from financial instruments

AASB7(31),(32)

2. The financial statements shall include qualitative and quantitative disclosures that enable users to evaluate the nature and extent of risks arising from financial instruments to which the council is exposed at the end of the reporting period. These risks typically include, but are not limited to, credit risk, liquidity risk and market risk.

Qualitative disclosures

AASB7(33)

3. The qualitative disclosures shall discuss, for each type of risk:
   - (a) the exposures to the risk and how they arise
   - (b) the council's objectives, policies and processes for managing the risk, and the methods used to measure the risk
   - (c) any changes in (a) or (b) from the previous period.

Quantitative disclosures

AASB7(34)(a),(c)

4. A council shall provide, for each type of risk, summary quantitative data on risk exposure at the end of the reporting period based on information provided internally to key management personnel and any concentrations of risk. This information should be presented in narrative form.

AASB7(34)(c),
(B8)
AASB7(IG18)

5. Entities should also explain any concentrations of credit risk if they are not apparent from the other information provided. Concentrations of credit risk could arise from exposure to particular industry sectors or geographical regions, from specific credit ratings or other measure of credit quality, and from a limited number of individual counterparties or groups of closely related counterparties.

6. The credit risk profile table has not been completed for the purposes of the Code since councils need to determine their appropriate expected loss rate for the relevant receivables balance. The assumption has been made that the impairment provision for rates and annual charges is not material and therefore the table has not been included; however, it should be inserted if this is not the case.

Collateral accepted

AASB7(15)

7. Where a council holds collateral (of financial or non-financial assets) that it is permitted to sell or re-pledge in the absence of default by the owner of the collateral, it shall disclose:
   - (a) the fair value of the collateral held
   - (b) the fair value of any such collateral sold or re-pledged, and whether the council has an obligation to return it; and
   - (c) any terms and conditions associated with its use of this collateral.

AASB7(38)

8. When a council has obtained financial or non-financial assets during the period by taking possession of collateral held (i.e. property), it shall disclose the nature and carrying amount of the assets obtained and, if the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Commentary – Financial risk management

Liquidity risk

AASB7(34),(a),(39)

9. Information about liquidity risk shall be provided by way of:
   (a) a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities – this analysis excludes lease liabilities which are covered in note 15 and
   (b) a maturity analysis for derivative financial liabilities, and
   (c) a description of how the council manages the liquidity risk inherent in (a) and (b).

Maturity analysis

AASB7(3),(B11D)

10. The amounts disclosed should be the amounts expected to be paid in future periods, determined by reference to the conditions existing at the end of the reporting period.

AASB7(B11C)(c)

11. The specific time brackets presented are not mandated by the standard but should be based on what is reported internally to the key management personnel of Council.

12. As the amounts included in the maturity tables are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed in the Statement of Financial Position. Councils can choose to add a column with the carrying amounts which ties into the Statement of Financial Position and a reconciling column if they wish, but this is not mandatory.

AASB7(B10A)

13. If an outflow of cash could occur either significantly earlier than indicated, or be for significantly different amounts from those indicated in the council's disclosures about its exposure to liquidity risk, the council shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk. This disclosure is not necessary if that information is included in the contractual maturity analysis.

Financing arrangements

AASB107(50)(a)
AASB7(39)(b)

14. Committed borrowing facilities are a major element of liquidity management. Councils disclose undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities.

Market risk

AASB7(40)(a),(b)

15. Entities shall disclose a sensitivity analysis for each type of market risk (interest rate and other price risk) to which a council is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by 'reasonably possible' changes in the relevant risk variable, as well as the methods and assumptions used in preparing such an analysis.

16. Councils should determine a reasonably possible movement in the relevant index e.g. interest rates for the next 12 months. If the reasonable possible movement would not cause a material impact on Council's financial statements, then this fact may be stated rather than the sensitivity analysis being performed.

OLG

17. Councils should ensure that the reasonably possible movements used are realistic for the current economic climate.

    Note: reasonably possible increases do not have to be the same as reasonably possible decreases. For example, a reasonably possible movement in interest rates could be a 1% decrease and 0.25% increase.

Interest rate risk

18. Sensitivity to changes in interest rates is normally only relevant to financial assets or financial liabilities bearing floating interest rates. However, such sensitivity will also be relevant to fixed-rate financial assets and financial liabilities that are re-measured to fair value.

Carrying amounts are a reasonable approximation of fair value

19. If all of the financial assets and liabilities of a council are held at fair value or have fair value which approximates carrying value (e.g. receivables and payables), then the fair value table does not need to be included. Instead, include a statement that the fair value of receivables, loans and financial liabilities (as relevant) approximate their carrying amounts.

Additional information where quantitative data about risk exposure is unrepresentative

AASB7(35),(42)

20. If the quantitative data disclosed is unrepresentative of the council's exposure to risk during the period, the council shall provide further information that is representative. If the sensitivity analyses are unrepresentative of a risk inherent in a financial instrument (e.g. where the year-end exposure does not reflect the exposure during the year), the council shall disclose that fact and the reason why the sensitivity analyses are unrepresentative.

Note 24 Material budget variations

NSW Council's original budget was adopted by NSW Council on 23 June 2019 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and by decisions made by the council.

While these general purpose financial statements include the original budget adopted by NSW Council, the *Local Government Act* requires Council to review its financial budget on a quarterly basis so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results are explained below.

Revenues

[Provide explanations of material variances of more than 10%]

Expenses

[Provide explanations of material variances of more than 10%]

Statement of cash flows

[Provide explanations of material variances of more than 10%]

Commentary – Material budget variations

OLG

1. Where the variance from budget is greater than 10% for the Income Statement, Note 2(a), or the Statement of Cash Flows, councils should provide sufficient explanations to explain such variances.

Note 25 Discontinued operation

(a) Description

(Provide a description of the discontinued operation)

Financial information relating to the discontinued operation for the period to the date of transfer is set out below.

(b) Income Statement and cash flow information

The Income Statement and cash flow information presented are for the X months ended XX/XX/2020 (2020 column) and the year ended 30 June 2019.

	2020 $'000	2019 $'000
Revenue	**-**	-
Expenses	**-**	-
Operating result from discontinued operations	**-**	-
Net cash inflow (/outflow) from ordinary activities	**-**	-
Net cash inflow (/outflow) from investing activities	**-**	-
Net cash inflow (/outflow) from financing activities	**-**	-
Net increase (/decrease) in cash generated by the discontinued operations	**-**	-

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities transferred as at XX/XX/2020 (2020 column) and 30 June 2019 are:

Infrastructure, property, plant and equipment	**-**	-
Receivables	**-**	-
Inventories	**-**	-
Total assets	**-**	-
Payables	**-**	-
Provision for employee benefits	**-**	-
Total liabilities	**-**	-
Net assets	**-**	-
Carrying amount of net assets transferred	**-**	-

Commentary – Discontinued operation

Definitions

Discontinued operation

AASB5(32),(Appendix A) 1. A discontinued operation is a component of a council that either has been disposed of or is classified as held for sale, and:
   - (a) represents a separate major line of business or geographical area of operations;
   - (b) is part of a single, co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
   - (c) is a subsidiary acquired exclusively with a view to resale.

Prior periods

AASB5(34) 2. A council must re-present the disclosures for prior periods presented in the financial statement such that the disclosures relate to all operations that have been discontinued by the reporting date for the latest period presented.

Note 26 Fair value measurement

NSW Council measures the following assets and liabilities at fair value on a recurring basis:

- infrastructure, property, plant and equipment
- investment property
- financial assets
- [add details of other recurring assets].

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

- non-current assets classified as held for sale.

[Provide reasons for the non-recurring measurement. For example, the carrying amount of the non-current assets held for sale was higher than its fair value and therefore the assets were written down to fair value.]

Fair value hierarchy

AASB13 *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 council 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	Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by NSW Council:

[Note: the levels shown in this table are illustrative purposes only and should not be used as definitive levels for different asset classes].

	Note	Level 2 ($'000) significant observable inputs		Level 3 ($'000) significant unobservable inputs		Total ($'000)	
		2020	2019	2020	2019	2020	2019
Recurring fair value measurements							
Financial assets							
Investments	7b						
– At fair value through profit or loss		**2,015**	3,004	**-**	-	**2,015**	3,004
– FV through OCI		**-**	-	**-**	-	**-**	-
– Other		**-**	-	**-**	-	**-**	-
Total financial assets		**2,015**	**3,004**	**-**	**-**	**2,015**	**3,004**
Investment properties	12	**-**	-	**-**	-	**-**	-
Infrastructure, property, plant and equipment	11						
– Plant and equipment		**-**	-	**17,613**	20,014	**17,613**	20,014
– Office equipment		**-**	-	**862**	961	**862**	961
– Furniture and fittings		**-**	-	**1,063**	1,122	**1,063**	1,122
– Leased plant and equipment (2019 only)		**-**	-	**-**	-	**-**	-
– Land – operational land		**40,547**	39,063	**-**	-	**40,547**	39,063
– Land – community				**26,248**	36,498	**26,248**	36,498
– Land under roads		**-**	-	**20**	20	**20**	20

– Land improvements		**-**	-	**-**	-	**-**	-
– Buildings		**511**	471	**135,123**	131,084	**135,634**	131,555
– Other structures		**-**	-	**12,215**	11,584	**12,215**	11,584
– Roads, bridges and footpaths		**-**	-	**587,336**	584,674	**587,336**	584,674
– Other road assets		**-**	-	**24,746**	23,761	**24,746**	23,761
– Bulk earthworks		**-**	-	**185,910**	181,008	**185,910**	181,008
– Stormwater drainage		**-**	-	**150,994**	147,129	**150,994**	147,129
– Water and sewerage – networks		**-**	-	**616,106**	705,743	**616,106**	705,743
– Swimming pools and recreational assets		**-**	-	**37,672**	36,247	**37,672**	36,247
– Other infrastructure		**-**	-	**149,543**	145,679	**149,543**	145,679
– Other assets		**-**	-	**2,689**	2,428	**2,689**	2,428
– Tip asset		**-**	-	**1,799**	3,039	**1,799**	3,039
– Quarry assets		**-**	-	**628**	836	**628**	836
– Other remediation assets		**-**	-	**-**	-	**-**	-
Total infrastructure, property, plant and equipment		**41,058**	39,534	**1,950,567**	2,031,827	**1,991,625**	2,071,361
Non-recurring fair value measurements							
Non-current assets held for sale	10						
– land		**-**	1,560	**-**	-	**-**	1,560
– buildings		**-**	354	**-**	5,678	**-**	6,032
[describe any other assets held at non-recurring fair value]		**-**	-	**-**	-	**-**	-
Total non-recurring fair value measurements		**-**	1,914	**-**	5,678	**-**	7,592

Valuation techniques

[Not completed since specific to councils and not considered to be of assistance to councils for volume of disclosure it would add to Code]

Level 2 measurements

[Describe the valuation techniques and the inputs used in the fair value measurement. If there has been a change in the technique, then this change and the reason for making it should be disclosed.]

Level 3 measurements

Valuation techniques
The following information should be provided for all Level 3 recurring and non-recurring fair value measurements:

- the valuation techniques and the inputs used in the fair value measurement
- any change in the technique, and the reason for the change
- how the council decides its valuation policies and procedures and analyses changes in fair value measurements from period to period.

Unobservable inputs [note that ranges have not been used for the purpose of the code as they would be examples only and the ranges should be specific to councils].

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

Class	**Valuation technique(s)**	**Unobservable inputs (including ranges used)**
Financial assets		
Fair value through profit or loss	Adviser report	Unit price
IPPE		
Plant, equipment, furniture, fittings and office equipment	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Operational land	Market approach	Price per square metre
Community land	Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Land under roads	Market-based direct comparison.	Extent and impact of use, market cost of land per square metre, restrictions. The market value of land varies significantly depending on the location of the land and current market conditions.
Buildings (including swimming pools and other recreational buildings)	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value Rates per m^2 used were between xx and yy
Other structures	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Roads (including bridges, footpaths, bulk earthworks) and other similar assets	Cost approach	Asset condition, remaining lives using componentisation Unit rates per m^2 or length varied from xx to yy
Stormwater drainage	Unit rates per m^2 or length	Asset condition, remaining lives
Water supply and sewerage network infrastructure	Cost approach	Asset condition, remaining lives using componentisation Unit rates per m^2 or length varied from xx to yy
Other infrastructure	Cost approach	Asset condition and remaining lives using componentisation
Tips and quarry assets	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition
Library books	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Other – art works	Market / Cost approach	Market approach if information readily available. The level of appreciation of the asset, current replacement/ replication cost of equivalent asset, asset condition

Reconciliation of movements

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

[Not completed since very specific to councils and not considered to be of assistance to councils for volume of disclosure it would add to Code]

	2020($'000)	2019 ($'000)
Balance at 1 July		
Total gains or losses for the period		
Recognised in profit or loss – realised (refer to Note 6)		
Recognised in other comprehensive income – revaluation surplus		
Other movements		
Purchases		
Sales		
Transfers into Level 3		
Transfers out of Level 3		
Other movements		
Balance at 30 June		

Transfers between levels of the hierarchy

The following assets/liabilities that are measured at fair value on a recurring basis have been subject to a transfer between levels of the hierarchy.

NSW Council's policy for determining when transfers into different levels of the hierarchy have occurred at [the date of the event or change in circumstances that caused the transfer/the beginning of the reporting period/the end of the reporting period] (delete as applicable).

Transfers from Level 2 to Level 3

Asset/liability	$'000
[insert relevant information]	

[Provide details of the reasons for the transfers]

Transfers from Level 3 to Level 2

Asset/liability	$'000
[insert relevant information]	

[Provide details of the reasons for the transfers]

Highest and best use

[If applicable, provide details of the assets that have a different highest and best use from the current use, and why the non-financial asset is being used in a manner that differs from its highest and best use. Otherwise, include a sentence stating that all assets valued at fair value in this note are being used for their highest and best use.]

Commentary – Fair value measurement

1. In order for an asset/liability to be disclosed as Level 1 of the fair value hierarchy, there needs to be a quoted market for an identical asset; i.e. shares in listed entities. Councils are not expected to have any Level 1 assets or liabilities and therefore there is no reference to Level 1 in the Code.

2. This note should include only assets and liabilities carried or disclosed at fair value. Cash, term deposits, right of use assets, capital WIP, payables, borrowings etc. are not included in the fair value measurement note since they are not carried at fair value.

3. For Level 2 and 3, councils need to provide a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (for example, changing from a cost approach to an income approach), this change should be disclosed along with the reason for it.

4. A council shall determine appropriate classes of assets and liabilities for these fair value disclosures on the basis of the following:

   (a) the nature, characteristics and risks of the asset or liability; and
   (b) the level of the fair value hierarchy within which the fair value measurement is categorised.

   The number of classes may need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgement.

   A council needs to provide sufficient information to permit reconciliation to the line items presented in the Statement of Financial Position.

5. Example disclosures for basis of valuation for investment property:

   "T*he council obtains independent valuations of its investment property portfolio on an annual basis, and at the end of each reporting period the financial statements reflect the most up-to-date valuation.*

   The best evidence of fair value is the current price in an active market for similar assets. The following information is used where necessary:
   (a) current prices in an active market for different types of properties, or similar properties in a less active market
   (b) discounted cash flow projections based on management's best estimates of future cash inflows and outflows.

   All investment property valuations are included in Level 3 of the hierarchy. The key unobservable input to the valuation is the price per square metre.

   The fair value of investment properties is determined on an annual basis by independent, qualified valuers who have experience in the location of the property. The council reviews the valuation reports and discusses significant movements with the valuers.

   As at [year end date] the valuation of the investment property portfolio was performed by FGH Valuers. There has been no change to the valuation process during the reporting period."

6. Example unobservable inputs for investment property

Asset/liability category	Carrying amount (at fair value)	Key unobservable inputs	Expected range of inputs
Investment property	*$ xx*	• *estimated rental value (/m^2)Rental growth (per annum)* • *long-term vacancy rates* • *discount rate*	• *\$yy - \$zz /m^2* • *xx% - yy%* • *yy% - zz%* • *xx% - yy%*

Note 27 Related party disclosures

Key management personnel (KMP)

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

Compensation	2020 ($'000)	2019 ($'000)
Short-term benefits	**1,387**	1,357
Post-employment benefits	**89**	57
Other long-term benefits	**64**	61
Termination benefits	**-**	
	1,540	1,475

Other transactions with KMP and their related parties

NSW Council has determined that transactions at arm's length between KMP and NSW Council as part of KMP using council services (e.g. access to library or council swimming pool) will not be disclosed.

Nature of the transaction	Amount of the transactions during the year ($'000)	Outstanding balances, including commitments at year end ($'000)	Terms and conditions	Provisions for impairment of receivables related to the amount of outstanding balances ($'000)	The expense recognised during the period relating to bad or doubtful debts due from related parties ($'000)
2020					
Cleaning services[1]	220	43	14 days	-	-
Heavy machinery[2]	357	2	14 days	-	-
2019					
Supply of building materials[3]	1,102	254	14 days	-	-
Holiday park management fees[4]	447	-	14 days	-	-

[1] NSW Council entered into a 3-year contract in 2016 with CleanMyOffice Limited, a company which is controlled by a member of the KMP of the council. The total contract value is $660,000 and the contract was awarded through a preferred supplier arrangement based on market rates for these services. Amounts are payable on a quarterly basis for the duration of the contract.

[2] NSW Council purchased earthmoving services and plant hire during the year from a company that has a close family member of NSW Council's KMP as a major shareholder. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following NSW Council's procurement processes.

[3] NSW Council purchased aggregate concrete during the year from ABJ Pty Ltd, a company that has a member of NSW Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement processes.

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

Other related parties

[Provide details, if applicable].

Type of related party: subsidiary /associate/ joint ventures /other (please describe)	**Nature of the transactions**	**Amount of the transactions during the year**	**Outstanding balances, including commitments at year end**	**Terms and conditions**	**Provisions for impairment of receivables related to the amount of outstanding balances**	**The expense recognised during the period relating to bad or doubtful debts due from related parties**
2020						
					-	-
2019						
					-	-

Commentary – Related party transactions

1. Refer to Appendix I for specific implementation guidance on AASB 124 *Related Party Disclosures*.
2. The fact that a transaction occurred at arm's length does not provide exemption from disclosure.
3. Transactions of a similar nature may be aggregated for the purpose of the disclosures.
4. Transactions with related parties include those transactions which were undertaken for nil consideration.
5. Ensure that materiality is considered as part of the disclosure and whether the disclosures will affect the decisions of the users – refer Appendix I.

Note 28 Events occurring after reporting date

(a) On 10 July 2020 NSW Council's administration building was destroyed by fire. NSW Council is insured for the building but it is presently not known whether the insurance is adequate to cover the full cost of reconstruction and business interruption.

(b) On 1 September 2020 NSW Council entered into a waste disposal contract with ABC Waste Limited. Under this contract ABC Waste Ltd will take responsibility for management of NSW Council's waste disposal facility and collection and disposal of all domestic and trade waste in the NSW Council area for a period of ten years. The fee payable to ABC Waste Limited depends on the amount of waste generated and is estimated to be in the region of $80 million over the 10-year period. Forty-seven employees ceased to be employed by NSW Council and became employees of ABC Waste Limited as a result of the arrangement.

The financial effects of the above events have not been brought to account at 30 June 2020

Commentary – Events occurring after reporting date

AASB110(3)

1. Events after reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statement is authorised for issue. Two types of events can be identified:
   (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
   (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

AASB110(8)

2. A council shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date. For example:
   (a) the settlement of a court case confirming the council had a liability at the reporting date
   (b) the discovery of fraud or errors that show the financial statements are incorrect.

AASB110(21)

3. If non-adjusting events are material and could influence economic decisions taken on the basis of the financial statements, then the council should disclose:
   (a) the nature of the event; and
   (b) an estimate of its financial effect, or a statement that the estimate cannot be made.

   For example:
   (a) the destruction of the council's administration building by fire
   (b) commencement of major litigation arising from events occurring after balance date
   (c) announcement of proposed amalgamations or boundary changes.

AASB101(76)

4. In respect of loans classified as current liabilities, if the following events occur between the end of the reporting period and the date that the financial statements are authorised for issue, those events qualify for disclosure as non-adjusting events in accordance with AASB110 *Events after the Reporting Period*:
   (a) refinancing on a long-term basis
   (b) rectification of a breach of a long-term loan agreement
   (c) the receipt from the lender of a period of grace to rectify a breach of a long-term loan agreement ending at least 12 months after the reporting period.

Updating disclosure about conditions at the end of the reporting period

AASB110(19),(20)

5. If a council receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to these conditions in light of the new information. An example is where evidence becomes available, after the reporting period, about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under AASB137 *Provisions, Contingent Liabilities and Contingent Assets*, a council updates its disclosures about the contingent liability in the light of that evidence.

Note 29 Statement of developer contributions as at 30 June 2020

(a) Summary of developer contributions

Purpose	Opening balance $'000	Contributions received during year		Interest & investment income earned during year $'000	Expended during year $'000	Internal borrowings during the year $'000	Held as restricted asset $'000	Cumulative balance of internal borrowings (to)/from $'000
		Cash $'000	Non-cash $'000					
Drainage	471	5	-	13	-	-	489	-
Roads	2,431	83	-	69	-	-	2,583	-
Traffic facilities	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-
Open space	(290)	216	-	(5)	-	-	(79)	-
Community facilities	860	205	-	27	-	-	1,092	-
Other (specify if material)	235	1	-	6	-	-	242	-
S7.11 under plans	3,707	510	-	110	-	-	4,327	-
S7.11 not under plans	207	7	-	5	-	-	219	-
S7.12 levies	123	183	-	6	-	-	312	-
S7.4 Planning agreements	97	-	-	2	-	-	99	-
Section 64	5,902	1,427	-	175	(573)	-	6,931	-
Total contributions	10,036	2,127	-	298	(573)	-	11,888	-

Under the *Environmental Planning and Assessment Act 1979*, NSW 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 NSW Council to borrow or use general revenue to fund the difference

(b) Contributions not under plans

Purpose	Opening balance $'000	Contributions received during year		Interest and investment income earned during year $'000	Expended during year $'000	Internal borrowings during the year $'000	Held as restricted asset $'000	Cumulative balance of internal borrowings (to)/from $'000
		Cash $'000	Non-cash $'000					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Traffic facilities						-	-	-
Parking	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other (specify if material)	-	-	-	-	-	-	-	-
Total								-

Commentary – Statement of developer contributions

OLG

1. A council must disclose the following information for each contributions plan in the notes to its annual financial report:
   (a) the opening and closing balances of money held by the council for the accounting period covered by the report

EPA Act 1979 No.203

   (b) the total amounts received by way of monetary Section 7.11 contributions or Section 7.12 levies during that period, by reference to the various kinds of public amenities or services for which they have been received
   (c) the total amounts spent in accordance with the contributions plan during that period, by reference to the various kinds of public amenities or services for which they have been spent

EPA Act 1979 No.203

   (d) the outstanding obligations of the council to provide public amenities or services by reference to the various kinds of public amenities or services for which monetary Section 7.11 contributions or Section 7.12 levies have been received during that or any previous accounting period (to be disclosed in this note).
2. Some councils previously disclosed general fund expenditure incurred in lieu of future developer contributions as ‘expended in advance’. As this note is a reconciliation of developer contributions received to date, the money ‘expended in advance’ by general fund is not included in the statement.

Note 30 Results by fund

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

Income Statement by fund	2020 $'000 General	2020 $'000 Water	2020 $'000 Sewer
Income from continuing operations			
Revenue:			
Rates and annual charges	35,793	2,305	16,561
User charges and fees	18,477	13,418	2,667
Other revenues	13,179	266	27
Grants and contributions provided for operating purposes	33,305	705	187
Grants and contributions provided for capital purposes	5,659	818	821
Other income:			
Interest and investment revenue	2,085	721	321
Net gain from the disposal of assets	-	-	-
Fair value increment on investment properties	-	-	-
Reversal of revaluation decrements on IPPE previously expensed	-	-	-
Reversal of impairment losses on receivables			
Rental Income			
Net share of interests in joint ventures and associates using the equity method	-	-	-
Total income from continuing operations	**108,498**	**18,233**	**20,584**
Expenses from continuing operations			
Employee benefits and on-costs	35,884	1,750	1,803
Borrowing costs	1,868	1,839	4,925
Materials and contracts	25,282	1,986	2,281
Depreciation and amortisation	27,910	6,035	8,004
Impairment of investments	-	-	-
Impairment of receivables			
Other expenses	13,109	3,484	9,005
Interest and investment losses	-	-	-
Net loss from the disposal of assets	10,268	1,145	2,396
Revaluation decrement/impairment of IPPE	-	-	-
Fair value decrement on investment properties	-	-	-
Net share of interests in joint ventures and associates using the equity method	37	-	-
Total expenses from continuing operations	**114,358**	**16,239**	**28,414**
Operating result from continuing operations	**(5,860)**	**1,994**	**(7,830)**
Operating result from discontinued operations	**-**	**-**	**-**
Net operating result for the year	**(5,860)**	**1,994**	**(7,830)**
Attributable to:			
– Council	(5,860)	1,994	(7,830)
– non-controlling interests	-	-	
Net operating result for the year before grants and contributions provided for capital purposes	**(11,519)**	**1,176**	**(8,651)**

Note 30 Results by fund (continued)

Statement of Financial Position by fund	2020 $'000 General	2020 $'000 Water	2020 $'000 Sewer
ASSETS			
Current assets			
Cash and cash equivalents	12,161	213	396
Investments	39,374	15,921	5,705
Receivables	9,921	3,956	1,678
Inventories	1,276	-	-
Contract assets	-	-	-
Contract cost assets	412	-	-
Other	316	2	2
Non-current assets classified as held for sale	-	-	-
Total current assets	**63,460**	**20,092**	**7,781**
Non-current assets			
Investments	19,504	7,112	1,399
Receivables	587	26	152
Inventories	156	-	-
Infrastructure, property, plant and equipment	1,371,650	369,694	268,552
Investment property	-	-	-
Intangible assets	316	3	-
Contract assets	-	-	-
Contract cost assets	-	-	-
Right of use assets	2,474	-	-
Investments accounted for using equity method	42	-	-
Other	-	-	-
Total non-current assets	**1,394,729**	**376,835**	**270,103**
Total assets	**1,458,189**	**396,927**	**277,884**
LIABILITIES			
Current liabilities			
Payables	10,572	348	507
Contract liabilities	5,477	-	-
Lease liabilities	337		
Borrowings	2,272	872	3,050
Provisions	12,077	11	-
Total current liabilities	**30,735**	**1,231**	**3,557**
Non-current liabilities			
Payables	-	-	-
Contract liabilities	3,765		
Lease liabilities	2,285		
Borrowings	22,836	23,385	71,524
Provisions	7,158	-	-
Total non-current liabilities	36,044	23,385	71,524
Total liabilities	**66,779**	**24,616**	**75,081**
Net assets	**1,391,410**	**372,311**	**202,803**
EQUITY			
Accumulated surplus	488,350	221,209	117,943
Revaluation reserves	903,060	151,102	84,860
Other reserves (specify)	-	-	-
Council interest	1,391,410	372,311	202,803
Non-controlling interest	-	-	-
Total equity	**1,391,410**	**372,311**	**202,803**

Details of internal loans for the year ended 30 June 2020
(in accordance with s410 of the *Local Government Act 1993*)

Details of individual internal loans	Internal loan 1	Internal loan 2	Internal loan 3
Borrower (by purpose)			
Lender (by purpose)			
Date of Minister's approval			
Date raised			
Term years			
Dates of maturity			
Rate of interest (%)			
Amount originally raised $'000			
Total repaid during the year (principal and interest) $'000			
Principal outstanding at end of year $'000			

Commentary – Results by fund

OLG

1. The Statement of Financial Position and Income Statement are to be disclosed by fund in order to ascertain the financial position of each fund.
2. No comparatives are required for this note.
3. Results are to be shown as gross numbers, i.e. before any consolidation adjustments. This means that adding the numbers across the funds may not necessarily equal the consolidated totals.
4. General fund refers to all council activities except water and sewer.

Note 31(a) Statement of performance measures – consolidated results

	Amounts 2020 $'000	2020 indicators	2019 indicators	Benchmark
1. Operating performance				**>0**
Total continuing operating revenue[1] excluding capital grants and contributions less operating expenses[2]				
Total continuing operating revenue[1] excluding capital grants and contributions				
2. Own source operating revenue				**>60%**
Total continuing operating revenue[1] excluding all grants and contributions				
Total continuing operating revenue[1] inclusive of all grants and contributions				
3. Unrestricted current ratio				**>1.5x**
Current assets less all external restrictions				
Current liabilities less specific purpose liabilities				
4. Debt service cover ratio				**>2x**
Operating results[1] before capital excluding interest and depreciation/impairment/amortisation				
Principal repayments (from the Statement of Cash Flows) + borrowing costs (from the Income Statement)				
5. Rates and annual charges outstanding percentage				**<5% metro <10% regional & rural**
Rates and annual charges outstanding				
Rates and annual charges collectable				
6. Cash expense cover ratio				**>3 months**
Current year's cash and cash equivalents + term deposits	*12			
Payments from cash flow of operating and financing activities				

[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

Note 31(b) Statement of performance measures by fund

	General indicators		Water indicators		Sewer indicators		Benchmarks
	2020	2019	**2020**	2019	**2020**	2019	
1. Operating performance							**>0**
Total continuing operating revenue[1] excluding capital grants and contributions less operating expenses[2] / Total continuing operating revenue[1] excluding capital grants and contributions							
2. Own source operating revenue							**>60%**
Total continuing operating revenue[1] excluding all grants and contributions / Total continuing operating revenue[1] inclusive of all grants and contributions							
3. Unrestricted current ratio							**>1.5x**
Current assets less all external restrictions / Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							**>2x**
Operating results[1] before capital excluding interest and depreciation/impairment/amortisation / Principal repayments (from the Statement of Cash Flows) + borrowing costs (from the Income Statement)							
5. Rates and annual charges outstanding percentage							**<5% metro <10% regional & rural**
Rates and annual charges outstanding / Rates and annual charges collectable							
6. Cash expense cover ratio							**>3 months**
(Current year's cash and cash equivalents + term deposits / Payments from cash flow of operating and financing activities) *12							

[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 s.

Commentary – Performance indicators

1. The consolidated performance indicators should include all results from the council including controlled entities.

2. Councils are required to include at least one year of comparatives, Councils may choose to include more comparative periods however the same number of comparative periods should be shown for each ratio presented.

3. Where the Code includes metro and regional/rural benchmarks, Council should only include the benchmark which is relevant to them**.**

4. Operating performance

Purpose

This ratio measures the extent to which a council has succeeded in containing operating expenditure within operating revenue. It is important to emphasise that this ratio is focusing on operating *performance*, and hence capital grants and contributions, fair value adjustments, and reversal of revaluation decrements are excluded. Pensioner rate subsidies are included. The benchmark is greater than 0%.

$$\frac{\text{Total continuing operations revenue}^{1}\text{ excluding capital grants and contributions less operating expenses}^{2}}{\text{Total continuing operations revenue}^{1}\text{ excluding capital grants and contributions}}$$

5. Own source operating revenue

Purpose

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. A council's financial flexibility improves as its own source revenue increases. The benchmark is greater than 60%.

$$\frac{\text{Total continuing operations revenue}^{1}\text{ less all grants and contributions}}{\text{Total continuing operations revenue}^{1}\text{ inclusive of capital grants and contributions}}$$

6. Unrestricted current ratio

Purpose

The 'unrestricted current ratio' is specific to local government and is designed to represent a council's ability to meet short-term obligations as they fall due. Restrictions placed on various funding sources (e.g. Section 7.11 developer contributions, RMS contributions) complicate the traditional current ratio used to assess liquidity of businesses, as cash allocated to specific projects is restricted and cannot be used to meet a council's other operating and borrowing costs. The benchmark is greater than 1.5 times.

$$\frac{\text{Current assets less all external restrictions}}{\text{Current liabilities less specific purpose liabilities}}$$

Calculation of unrestricted current ratio

Current assets less externally restricted assets

Current assets less all external restrictions*

Less inventories shown in current but not expected to be realised in next 12 months.

Current liabilities less specific purpose liabilities

Total current liabilities as shown in the Statement of Financial Position less specific purpose liabilities Less ELE and deposits/retentions shown in current but not expected to be paid in next 12 months.

* External restrictions shown in current cash and cash equivalents, investments, receivables and other assets.

Current assets less all external restrictions

- specific purpose unexpended loans
- RMS advances
- self-insurance claims
- other (incl. in liabilities)
- developer contributions
- RMS contributions
- specific purpose unexpended grants
- water
- sewerage
- DWM
- other (incl. in revenue)

Commentary – Performance indicators

Restricted receivables (current)

- specific purpose unexpended loans
- RMS advances
- self-insurance claims
- other (included in liabilities)
- developer contributions
- RMS contributions
- specific purpose unexpended grants
- water
- sewerage
- DWM
- other (included in revenue)

Restricted other assets (current)

- stores and materials (water, sewerage, DWM, other)
- trading stock (water, sewerage, DWM, other)
- prepayments (water, sewerage, DWM, other).

Current liabilities less all specific purpose liabilities (Note 10(a))

- payables (water, sewerage, DWM, other)
- interest bearing liabilities (water, sewerage, DWM, other)
- provisions (water, sewerage, DWM, other)

7. Debt service cover ratio

Purpose
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than two times.

<u>Operating results before capital excluding interest and depreciation</u>
Principal repayments (from the Statement of Cash Flows) +
borrowing costs (from the Income Statement).

8. Rates and annual charges outstanding

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

The benchmark is <5% metro; <10% regional and rural.

<u>Rates and annual charges outstanding</u>
Rates and annual charges collectable

Outstanding rates and annual charges (current and non-current) [receivables note] and interest and extra charges (current and non-current) [receivables note].
less
Provision for doubtful debts rates and annual charges (current and non-current) [receivables note] and provision for doubtful debts interest and extra charges (current and non-current) [receivables note].

Rates and annual charges collectable

Rates and annual charges levied for the year [Income Statement]; and interest and extra charges levied during the year [income note]; and rates and annual charges outstanding for the previous year(s) (current and non-current) [receivables note7]; and interest and extra charges (current and non-current) [receivables note].
less
Provision for doubtful rates and annual charges (current and non-current); and provision for doubtful debts interest and extra charges (current and non-current); provision for doubtful debts rates and annual charges (current and non-current); and provision for impairment of receivables, interest and extra charges (current and non-current) [information from receivables note].

Commentary – Performance indicators

9. Cash expense cover ratio

Purpose

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

$$\left\{ \frac{\text{Current year's cash equivalents + term deposits}}{\text{Payments from cash flow of operating and financing activities}} \right\} *12$$

OLG **10.** Where there has been a change in council policy which affects the calculation of an indicator, then the change in policy must be disclosed in the note and the current and previous periods recalculated in accordance with the revised policy.

[1] [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