

# Mosman Municipal Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Mosman Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Mosman Municipal Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

Civic Centre, Mosman Square, MOSMAN, 2088

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

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

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

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

# Mosman Municipal Council

## General Purpose Financial Statements

for the year ended 30 June 2021

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

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

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

### Who uses the Financial Statements?

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

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

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

## Mosman Municipal Council

### General Purpose Financial Statements

for the year ended 30 June 2021

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 07 September 2021.



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Carolyn Corrigan  
**Mayor**  
07 September 2021



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Libby Moline  
**Councillor**  
07 September 2021



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Dominic Johnson  
**General Manager**  
07 September 2021



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Gary Mills  
**Responsible Accounting Officer**  
07 September 2021

# Mosman Municipal Council

## Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	<b>Income from continuing operations</b>			
28,216	Rates and annual charges	B2-1	<b>28,269</b>	27,460
7,035	User charges and fees	B2-2	<b>8,059</b>	8,636
2,775	Other revenue	B2-3	<b>3,629</b>	2,554
2,838	Grants and contributions provided for operating purposes	B2-4	<b>2,938</b>	3,176
900	Grants and contributions provided for capital purposes	B2-4	<b>3,444</b>	1,802
203	Interest and investment income		<b>114</b>	287
4,519	Other income	B2-5	<b>3,748</b>	5,223
50	Net share of interests in joint ventures and associates using the equity method		<b>112</b>	108
<b>46,536</b>	<b>Total income from continuing operations</b>		<b>50,313</b>	49,246
	<b>Expenses from continuing operations</b>			
18,803	Employee benefits and on-costs	B3-1	<b>17,006</b>	18,219
14,407	Materials and services	B3-2	<b>20,032</b>	18,581
294	Borrowing costs		<b>272</b>	401
5,701	Depreciation, amortisation and impairment for non-financial assets	B3-3	<b>5,679</b>	5,736
7,099	Other expenses	B3-4	<b>3,619</b>	2,559
200	Net losses from the disposal of assets		<b>674</b>	501
<b>46,504</b>	<b>Total expenses from continuing operations</b>		<b>47,282</b>	45,997
<b>32</b>	<b>Operating result from continuing operations</b>		<b>3,031</b>	3,249
<b>32</b>	<b>Net operating result for the year attributable to Council</b>		<b>3,031</b>	3,249
<b>(868)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(413)</b>	1,447

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

## Mosman Municipal Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Net operating result for the year – from Income Statement</b>		<b>3,031</b>	<b>3,249</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	<b>(15,946)</b>	13,520
Other comprehensive income – joint ventures and associates		<b>(2)</b>	(1)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(15,948)</b>	13,519
<b>Total other comprehensive income (loss) for the year</b>		<b>(15,948)</b>	13,519
<b>Total comprehensive income (loss) for the year attributable to Council</b>		<b>(12,917)</b>	16,768

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

## Mosman Municipal Council

### Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	9,995	12,626
Investments	C1-2	5,000	1,000
Receivables	C1-4	3,090	2,627
Inventories		259	225
Contract assets and contract cost assets	C1-5	–	39
<b>Total current assets</b>		<b>18,344</b>	<b>16,517</b>
<b>Non-current assets</b>			
Receivables	C1-4	354	258
Infrastructure, property, plant and equipment	C1-6	476,871	492,631
Investment property	C1-7	50,059	50,520
Intangible Assets		204	219
Right of use assets		949	1,065
Investments accounted for using the equity method		1,164	1,206
<b>Total non-current assets</b>		<b>529,601</b>	<b>545,899</b>
<b>Total assets</b>		<b>547,945</b>	<b>562,416</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	11,325	11,531
Contract liabilities	C3-2	1,084	779
Lease liabilities		138	95
Borrowings	C3-3	1,249	1,518
Employee benefit provisions	C3-4	4,358	4,595
<b>Total current liabilities</b>		<b>18,154</b>	<b>18,518</b>
<b>Non-current liabilities</b>			
Lease liabilities		841	983
Borrowings	C3-3	3,993	5,131
Employee benefit provisions	C3-4	363	273
<b>Total non-current liabilities</b>		<b>5,197</b>	<b>6,387</b>
<b>Total liabilities</b>		<b>23,351</b>	<b>24,905</b>
<b>Net assets</b>		<b>524,594</b>	<b>537,511</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	276,496	273,467
IPPE revaluation reserve	C4-1	248,098	264,044
<b>Council equity interest</b>		<b>524,594</b>	<b>537,511</b>
<b>Total equity</b>		<b>524,594</b>	<b>537,511</b>

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



## Mosman Municipal Council

### Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
<b>\$ '000</b>							
Opening balance at 1 July		273,467	264,044	537,511	270,653	250,524	521,177
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(434)	–	(434)
Net operating result for the year		3,031	–	3,031	3,249	–	3,249
<b>Restated net operating result for year ended 30 June 2021</b>		<b>3,031</b>	<b>–</b>	<b>3,031</b>	<b>3,249</b>	<b>–</b>	<b>3,249</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	(15,946)	(15,946)	–	13,520	13,520
Joint ventures and associates		(2)	–	(2)	(1)	–	(1)
<b>Other comprehensive income</b>		<b>(2)</b>	<b>(15,946)</b>	<b>(15,948)</b>	<b>(1)</b>	<b>13,520</b>	<b>13,519</b>
<b>Total comprehensive income (loss)</b>		<b>3,029</b>	<b>(15,946)</b>	<b>(12,917)</b>	<b>3,248</b>	<b>13,520</b>	<b>16,768</b>
<b>Closing balance at 30 June</b>		<b>276,496</b>	<b>248,098</b>	<b>524,594</b>	<b>273,467</b>	<b>264,044</b>	<b>537,511</b>

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

# Mosman Municipal Council

## Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
26,493	Rates and annual charges		28,405	27,485
10,249	User charges and fees		8,817	9,658
213	Investment and interest revenue received		108	288
3,865	Grants and contributions		6,379	4,566
–	Bonds, deposits and retention amounts received		3,274	2,187
4,461	Other		8,472	8,342
<b>Payments:</b>				
(18,361)	Employee benefits and on-costs		(17,153)	(18,476)
(14,397)	Materials and services		(23,259)	(15,407)
(282)	Borrowing costs		(272)	(377)
–	Bonds, deposits and retention amounts refunded		(2,652)	(2,187)
(7,097)	Other		(2,556)	(7,897)
5,144	<b>Net cash flows from operating activities</b>	F1-1a	<b>9,563</b>	<b>8,182</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		8,000	31,000
–	Redemption of term deposits		49,000	–
–	Distributions received from joint ventures and associates		152	–
<b>Payments:</b>				
–	Purchase of investment securities		(8,000)	(29,000)
–	Acquisition of term deposits		(53,000)	–
–	Purchase of investment property		(494)	(97)
(9,758)	Purchase of infrastructure, property, plant and equipment		(6,347)	(7,542)
(9,758)	<b>Net cash flows from investing activities</b>		<b>(10,689)</b>	<b>(5,639)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
4,000	Proceeds from borrowings		–	–
<b>Payments:</b>				
(1,604)	Repayment of borrowings		(1,407)	(1,705)
–	Principal component of lease payments		(98)	(73)
2,396	<b>Net cash flows from financing activities</b>		<b>(1,505)</b>	<b>(1,778)</b>
(2,218)	<b>Net change in cash and cash equivalents</b>		<b>(2,631)</b>	<b>765</b>
7,706	Cash and cash equivalents at beginning of year		12,626	11,861
5,488	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>9,995</b>	<b>12,626</b>
3,000	plus: Investments on hand at end of year	C1-2	5,000	1,000
8,488	<b>Total cash, cash equivalents and investments</b>		<b>14,995</b>	<b>13,626</b>

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

# Mosman Municipal Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 07 September 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6 Infrastructure, property, plant and equipment
- (ii) estimated fair values of investment properties – refer Note C1-7 Investment Properties
- (iii) employee benefit provisions – refer C3-4 Employee benefits provisions

#### Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4 Receivables.

### Monies and other assets received by Council

#### The Consolidated Fund

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

The Consolidated Fund has been included in Council's financial statements.

## A1-1 Basis of preparation (continued)

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

Council enjoys the assistance of volunteers in the Community Care and Art Gallery services. Council does not recognise these services in the Financial Statement as they would not be purchased if not donated.

### New accounting standards adopted during the year

#### Impact of Novel Coronavirus (COVID-19)

##### *Background*

The virus, and measures to slow its spread, have had significant impacts on Council's operational, economic and commercial environments. Council must consider the impacts in the 20/21 Financial Year in preparing these Statements.

##### *Covid-19 effects on Council's financial performance for the 20/21 financial year*

1. Reduced income attributable to Covid-19 included the following revenue sources:

The adopted budget for 2020/21 provided for reductions in revenue streams including rentals, fines and parking fees. Fine revenue and parking fees returned close to historical levels. Other variations were within acceptable levels.

2. Covid-19 expenditure measures:

Council staff undertook savings measures to offset the impact of reduced income. Significant savings were achieved in Employee Costs. Further details of material budget variations are found at Note B5

##### *Covid-19 effects on Council's financial position as at 30 June, 2021*

1. Fair valuation impacts

Revaluations were performed for Building (specialised and non-specialised), roads, footpaths and marine assets. The impact of reduced trading within our investment properties saw a significant decrement in this class of assets fair value. It is anticipated that in the future as trading returns to historical levels a fair value increment will occur.

Council's investments are mainly interest bearing deposits with Authorised Deposit Taking Institutions. No impact is expected on their valuations.

2. Expected credit losses

The expected credit losses forecast for the year ending 30 June 2021 were less than anticipated.

3. Contingent liabilities

Council reports a contingent liability in relation to its defined benefit superannuation obligations. If the effect of Covid-19 reduces the value of the investments held within the defined benefit plan Council may be obliged to make up shortfalls with increased contributions.

4. Cash Flow effects

Cash provided for operational activities did not vary materially from budget, due to savings measures detailed above

##### *Going Concern*

The advent of the Delta Strain of Covid-19 will impact on future revenue streams and will continue to be addressed at budget reviews.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Functions or activities</b>										
A Caring and Inclusive Community	810	1,571	1,875	2,965	(1,065)	(1,394)	594	853	13,166	12,738
A Culturally Rich and Vibrant Community	846	704	4,011	4,130	(3,165)	(3,426)	356	195	19,685	24,037
An Attractive and Sustainable Environment	7,272	6,892	8,147	7,821	(875)	(929)	72	110	54,462	54,300
An Informed and Engaged Community	2	–	864	850	(862)	(850)	2	29	4	5
A Business Friendly Community with Sound, Independent Civic Leadership	22,936	22,719	11,192	11,467	11,744	11,252	772	723	18,993	17,099
Well Designed, Liveable and Accessible Places	17,998	17,207	15,106	12,894	2,892	4,313	4,289	3,068	374,966	385,594
A Healthy Village Lifestyle	449	153	6,087	5,870	(5,638)	(5,717)	297	–	66,669	68,643
<b>Total functions and activities</b>	<b>50,313</b>	<b>49,246</b>	<b>47,282</b>	<b>45,997</b>	<b>3,031</b>	<b>3,249</b>	<b>6,382</b>	<b>4,978</b>	<b>547,945</b>	<b>562,416</b>

## B1-2 Components of functions or activities

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

### A Caring and Inclusive Community

- Assist residents to feel connected to their community and each other
- Ensure support is available for people in need
- Promote opportunities to acknowledge and embrace diversity

### A Culturally Rich and Vibrant Community

- Celebrate Mosman's unique identity and heritage
- Nurture cultural and creative endeavours
- Provide further opportunities to laugh, learn and play

### An Attractive and Sustainable Environment

- Protect and enhance Mosman's natural areas and local biodiversity
- Use and encourage sustainable practices
- Effectively manage parklands for community use

### An Informed and Engaged Community

- Actively involve the community in planning and delivering Mosman's future
- Deliver community information that is accurate and readily available
- Ensure the community knows how and why decisions are made

### A Business-Friendly Community with Sound, Independent Civic Leadership

- Council delivers high quality, convenient service to customers
- Utilise local and regional partnerships to benefit Mosman
- Provide support for business precincts and the local economy

### Well Designed, Livable and Accessible Places

- Enhance daily life by providing high quality public infrastructure and public spaces
- Value and strengthen the special aesthetic qualities of Mosman
- Improve access for everyone to, from and within Mosman

### A Healthy and Active Village Lifestyle

- Protect and enhance Mosman's village atmosphere
- Support active, healthy lifestyle
- Facilitate safe environments for everyday living



## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	19,107	18,641
Business	1,936	1,896
Less: pensioner rebates (mandatory)	(115)	(111)
<b>Rates levied to ratepayers</b>	<b>20,928</b>	<b>20,426</b>
Pensioner rate subsidies received	58	51
<b>Total ordinary rates</b>	<b>20,986</b>	<b>20,477</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,037	6,734
Stormwater management services	239	239
Section 611 charges	25	28
Less: pensioner rebates (mandatory)	(41)	(40)
Less: pensioner rebates (Council policy)	(7)	(7)
<b>Annual charges levied</b>	<b>7,253</b>	<b>6,954</b>
Pensioner subsidies received:		
– Domestic waste management	30	29
<b>Total annual charges</b>	<b>7,283</b>	<b>6,983</b>
<b>Total rates and annual charges</b>	<b>28,269</b>	<b>27,460</b>

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

#### Accounting policy

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

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

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

## B2-2 User charges and fees

\$ '000	Timing	2021	2020
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	123	116
<b>Total specific user charges</b>		<b>123</b>	<b>116</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	2	835	784
Regulatory fees	2	194	170
Section 10.7 certificates (EP&A Act)	2	114	95
Section 603 certificates	2	90	57
<b>Total fees and charges – statutory/regulatory</b>		<b>1,233</b>	<b>1,106</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Parking fees – on street	2	2,442	2,175
Parking fees – foreshore	2	1,579	1,361
Parking permits – foreshore and resident schemes	1	501	438
Restoration charges	1	668	1,354
Community Services, Cultural Services and Library	2	433	404
Children's Services fees	2	–	475
Regulation Fees use of roads, footpaths and verges	1	445	513
Fees for use of parks, sports and other facilities	1	459	504
Other	2	176	190
<b>Total fees and charges – other</b>		<b>6,703</b>	<b>7,414</b>
<b>Total user charges and fees</b>		<b>8,059</b>	<b>8,636</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		2,073	2,809
User charges and fees recognised at a point in time (2)		5,986	3,018
<b>Total user charges and fees</b>		<b>8,059</b>	<b>5,827</b>

### Accounting policy

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

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

Where an upfront fee is charged such as joining 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 over the term of the licence.

## B2-3 Other revenue

\$ '000	Timing	2021	2020
Fines	2	3,365	2,283
Other	2	264	271
<b>Total other revenue</b>		<b>3,629</b>	<b>2,554</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised over time (1)		1,145	–
Other revenue recognised at a point in time (2)		2,484	2,554
<b>Total other revenue</b>		<b>3,629</b>	<b>2,554</b>

## B2-3 Other revenue (continued)

### Accounting policy for other revenue

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

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received 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.

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	327	337	–	–
Financial assistance – local roads component	2	115	118	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	350	357	–	–
Financial assistance – local roads component	2	123	125	–	–
<b>Amount recognised as income during current year</b>		<b>915</b>	<b>937</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
Aged care	2	591	576	–	–
Child care	2	3	277	–	–
Economic development	1	2	–	–	–
Employment and training programs	1	33	–	–	–
Environmental programs	1	72	82	8	28
Library	2	79	76	–	7
Library – special projects	1	69	19	61	–
LIRS subsidy	2	42	29	–	–
Recreation and culture	1	174	110	236	236
Transport (roads to recovery)	1	–	200	–	–
Transport (other roads and bridges funding)	2	299	170	1,304	100
<b>Previously contributions:</b>					
Community services	1	1	58	–	–
Recreation and culture	1	–	–	65	61
Transport for NSW contributions (regional roads, block grant)	2	157	147	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>1,522</b>	<b>1,744</b>	<b>1,674</b>	<b>432</b>
<b>Non-cash contributions</b>					
Recreation and culture	2	–	–	169	85
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>169</b>	<b>85</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>1,522</b>	<b>1,744</b>	<b>1,843</b>	<b>517</b>
<b>Total grants and non-developer contributions</b>		<b>2,437</b>	<b>2,681</b>	<b>1,843</b>	<b>517</b>

**B2-4 Grants and contributions (continued)**

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Comprising:</b>					
– Commonwealth funding		1,886	826	412	–
– State funding		393	1,633	1,262	135
– Other funding		158	222	169	382
		<b>2,437</b>	<b>2,681</b>	<b>1,843</b>	<b>517</b>

**Developer contributions**

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	F4					
Cash contributions						
S 7.4 – contributions using planning agreements		2	501	495	–	–
S 7.12 – fixed development consent levies		2	–	–	1,601	1,285
Total contributions			501	495	1,601	1,285
Total grants and contributions			2,938	3,176	3,444	1,802

**Timing of revenue recognition for grants and contributions**

Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			2,938	3,176	3,444	1,802
<b>Total grants and contributions</b>			<b>2,938</b>	<b>3,176</b>	<b>3,444</b>	<b>1,802</b>

**Unspent grants and contributions**

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	173	37	116	398
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	63	173	1,346	–
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(173)	(37)	(116)	(282)
<b>Unspent funds at 30 June</b>	<b>63</b>	<b>173</b>	<b>1,346</b>	<b>116</b>

Unspent capital grants.

**Contributions**

Unspent funds at 1 July	1,657	2,549	–	–
	1,601	1,325	–	–

## B2-4 Grants and contributions (continued)

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,601	1,325	–	–
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(690)	(2,217)	–	–
<b>Unspent contributions at 30 June</b>	<b>2,568</b>	<b>1,657</b>	<b>–</b>	<b>–</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include provision of a service or reaching milestone events when building new infrastructure assets. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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

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

#### Developer contributions

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

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

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

#### Other grants and contributions

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

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

## B2-5 Other income

\$ '000	Notes	2021	2020
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**B2-5 Other income (continued)**

<b>\$ '000</b>	Notes	<b>2021</b>	<b>2020</b>
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		–	1,578
<b>Total fair value increment on investment properties</b>	C1-7	<b>–</b>	<b>1,578</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income (excluding variable lease payments not dependent on an index or rate)		<b>1,666</b>	1,498
<b>Total Investment properties</b>		<b>1,666</b>	<b>1,498</b>
<b>Other lease income</b>			
Other Property Leases		<b>2,082</b>	2,147
<b>Total Other lease income</b>		<b>2,082</b>	<b>2,147</b>
<b>Total rental income</b>	C2-1	<b>3,748</b>	<b>3,645</b>
<b>Total other income</b>		<b>3,748</b>	<b>5,223</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	13,322	13,824
Employee termination costs (where material – other than vested leave paid)	63	299
Employee leave entitlements (ELE)	1,679	2,107
Superannuation – defined contribution plans	1,399	1,367
Superannuation – defined benefit plans	225	291
Workers' compensation insurance	283	268
Fringe benefit tax (FBT)	35	63
<b>Total employee costs expensed</b>	<b>17,006</b>	<b>18,219</b>
Number of 'full-time equivalent' employees (FTE) at year end	157	160
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	167	167

#### Accounting policy

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

### B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		42	84
– Aged services		165	135
– Art Gallery and Community Centre		232	220
– Bushcare		442	381
– Childrens Services		9	104
– Cleansing		144	119
– Companion Animal Control		23	25
– Communications and Events		97	186
– Consultancies		7	10
– Development assessment and urban planning		543	126
– Finance Contractors		34	31
– Infrastructure		2,880	2,088
– Internal audit		97	89
– Library		222	172
– Parks, gardens and civic spaces		1,650	1,900
– Plant running		73	68
– Recreational facilities		590	802
– Recruitment expenses		4	7
– Structures		1,871	1,831
– Swim Centre Management		178	177
– Tree pruning/removal		16	–
– Temp Staff and Agency Casuals		106	292
– Waste management		3,626	3,538
– Youth Services		31	10
– Other contractor and consultancy costs		234	198

## B3-2 Materials and services (continued)

\$ '000	Notes	2021	2020
Audit Fees	E2-1	54	60
Infringement notice contract costs (SEINS)		396	264
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	E1-2	197	198
Advertising		144	156
Bank charges		154	135
Computer software charges		1,204	1,181
Electricity and heating		325	336
Insurance		673	611
Postage		64	70
Street lighting		135	148
Subscriptions and publications		130	121
Telephone and communications		75	82
Travel expenses		376	375
Training costs (other than salaries and wages)		50	98
Other expenses		258	160
Bad and doubtful debts parking fines		–	213
Catering		47	78
Equipment maintenance		19	37
Leases – property		49	58
Waste disposal and recycling centre		794	625
Water		165	162
<b>Legal expenses:</b>			
– Legal expenses: planning and development		716	309
– Legal expenses: other		386	190
Expenses from leases of low value assets		209	200
Variable lease expense relating to usage		–	58
Printing		90	56
Other		6	7
<b>Total materials and services</b>		<b>20,032</b>	<b>18,581</b>

### Accounting policy

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

## B3-3 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Plant and equipment		175	188
Office equipment		109	77
Furniture and fittings		18	11
Land improvements (depreciable)		11	10
<b>Infrastructure:</b>	C1-6		
– Buildings – non-specialised		626	762
– Buildings – specialised		378	412
– Roads		2,407	2,366
– Footpaths		269	248
– Stormwater drainage		492	492
– Other open space/recreational assets		840	833
Right of use assets		115	86
<b>Other assets:</b>			
– Library books		224	231
– Other		–	4
Intangible assets		15	16



### B3-3 Depreciation, amortisation and impairment of non-financial assets (continued)

Total depreciation, amortisation and impairment for non-financial assets	<b>5,679</b>	<b>5,736</b>
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#### Accounting policy

##### 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 C1-7 for IPPE assets

##### Impairment of non-financial assets

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

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

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

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

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

### B3-4 Other expenses

\$ '000	Notes	2021	2020
<b>Impairment of receivables</b>			
Other		<b>313</b>	109
<b>Total impairment of receivables</b>	C1-4	<b>313</b>	<b>109</b>
<b>Fair value decrement on investment properties</b>			
Fair value decrement on investment properties		<b>955</b>	—
<b>Total fair value decrement on investment properties</b>	C1-7	<b>955</b>	—
<b>Other</b>			
Contributions/levies to other levels of government			
– Department of planning levy		<b>219</b>	215
– Local Government NSW		—	38
– NSW fire brigade levy		<b>887</b>	891
– Waste levy		<b>1,010</b>	1,072
Donations, contributions and assistance to other organisations (Section 356)		<b>235</b>	234
<b>Total other expenses</b>		<b>3,619</b>	<b>2,559</b>

#### Accounting policy

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

Impairment expenses are recognised when identified.

## B4 Performance against budget

### B4-1 Material budget variations

Council's original budget was adopted by the Council on 02/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>28,216</b>	<b>28,269</b>	<b>53</b>	<b>0% F</b>
<b>User charges and fees</b>	<b>7,035</b>	<b>8,059</b>	<b>1,024</b>	<b>15% F</b>
Variation in User Charges, Other Revenues and Other Income are mainly due to revisions to the Accounting Code and reclassification of items in it. Actual variations include +\$200k for DA fees, -\$200k for Property Rentals, +\$70k for development related regulation fees, -\$100k additional waste fees, +\$1,300k parking fees (the original budget was made in height of the first Covid lockdown).				
<b>Other revenues</b>	<b>2,775</b>	<b>3,629</b>	<b>854</b>	<b>31% F</b>
Fines income exceeded budget by \$736k; parking activity was much greater than anticipated when budget was developed during first Covid lockdown. Other variation is due to reclassification of items in OLG Accounting Code				
<b>Operating grants and contributions</b>	<b>2,838</b>	<b>2,938</b>	<b>100</b>	<b>4% F</b>
<b>Capital grants and contributions</b>	<b>900</b>	<b>3,444</b>	<b>2,544</b>	<b>283% F</b>
Developer contributions exceeded budget by \$700k due to increase development activity. Council received several unbudgeted capital grants and contributions including Balmoral Jetty \$185k, Parking meter upgrades \$100k, Open Space Legacy Grant \$712k and LRCI (Covid Stimulus) grant \$412k				
<b>Interest and investment revenue</b>	<b>203</b>	<b>114</b>	<b>(89)</b>	<b>(44)% U</b>
Interest income was less than budgeted because cash balances were lower due to covid emergency, interest rates remaining low and interest relief on overdue rates				
<b>Other income</b>	<b>4,519</b>	<b>3,748</b>	<b>(771)</b>	<b>(17)% U</b>
Variation in User Charges, Other Revenues and Other Income are mainly due to revisions to the Accounting Code and reclassification of items in it.				
<b>Joint ventures and associates – net profits</b>	<b>–</b>	<b>112</b>	<b>112</b>	<b>∞ F</b>
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>18,803</b>	<b>17,006</b>	<b>1,797</b>	<b>10% F</b>
Substantial savings were made from Covid austerity measures including reduction of excess leave balances, hiring freeze and other measures				
<b>Materials and services</b>	<b>14,407</b>	<b>20,032</b>	<b>(5,625)</b>	<b>(39)% U</b>
This variance is mainly due to the reclassification of items between Materials and Other Expenditure in the Accounting Code of Practice. Actual variances include +\$955k for a non-cash revaluation decrement to Investment Properties, +\$955k for development services including legal fees and contractors to deal with increase activity and +\$439k for increased cost of waste management contractors				
<b>Borrowing costs</b>	<b>294</b>	<b>272</b>	<b>22</b>	<b>7% F</b>

**B4-1 Material budget variations (continued)**

<b>\$ '000</b>	<b>2021 Budget</b>	<b>2021 Actual</b>	<b>2021 ----- Variance -----</b>	
Loans associated with Allan Border Oval Pavillion were deferred to match timing of works				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>5,701</b>	<b>5,679</b>	<b>22</b>	<b>0% F</b>
<b>Other expenses</b>	<b>7,099</b>	<b>3,619</b>	<b>3,480</b>	<b>49% F</b>
This variance is due items reclassified to Materials and Services in the OLG Accounting Code of Conduct after the budget was finalized				
<b>Net losses from disposal of assets</b>	<b>200</b>	<b>674</b>	<b>(474)</b>	<b>(237)% U</b>
Actual disposals calculated were higher than budgeted. It is difficult to assess the disposal cost of a renewed asset before the project managers collect data during the project				

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	<b>5,144</b>	<b>9,563</b>	<b>4,419</b>	<b>86% F</b>
Rates receipts were \$2,000k greater than budgeted. The budget was made during the first lockdown and rates outstanding at 30 June are much lower than expected. Austerity measures reduced cash flows for employee expenses by \$1,200k and Bonds and Deposits resulted in an inflow of \$622k				
<b>Cash flows from investing activities</b>	<b>(9,758)</b>	<b>(10,689)</b>	<b>(931)</b>	<b>10% U</b>
This variance is due to sale and redemption of Investments offsetting capital works underspend of \$3,401k (due to deferral of Allan Border Oval Pavilion).				
<b>Cash flows from financing activities</b>	<b>2,396</b>	<b>(1,505)</b>	<b>(3,901)</b>	<b>(163)% U</b>
Loans associated with Allan Border Oval Pavillion were deferred to match timing of works				

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,995	1,626
Cash-equivalent assets		
– Deposits at call	–	2,000
– Short-term deposits	8,000	9,000
<b>Total cash and cash equivalents</b>	<b>9,995</b>	<b>12,626</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	5,000	–	1,000	–
<b>Total</b>	<b>5,000</b>	<b>–</b>	<b>1,000</b>	<b>–</b>
<b>Total financial investments</b>	<b>5,000</b>	<b>–</b>	<b>1,000</b>	<b>–</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>14,995</b>	<b>–</b>	<b>13,626</b>	<b>–</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

- amortised cost
- fair value through profit or 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 to specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## C1-2 Financial investments (continued)

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. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

## C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	<b>14,995</b>	<b>–</b>	<b>13,626</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions	<b>6,686</b>	<b>–</b>	4,296	<b>–</b>
Internal restrictions	<b>4,942</b>	<b>–</b>	6,290	<b>–</b>
Unrestricted	<b>3,367</b>	<b>–</b>	3,040	<b>–</b>
	<b>14,995</b>	<b>–</b>	<b>13,626</b>	<b>–</b>

\$ '000	2021	2020
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### Details of restrictions

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	<b>240</b>	<b>–</b>
<b>External restrictions – included in liabilities</b>	<b>240</b>	<b>–</b>

#### External restrictions – other

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

Developer contributions – general	<b>3,204</b>	2,106
Specific purpose unexpended grants (recognised as revenue) – general fund	<b>1,169</b>	289
Domestic waste management	<b>2,073</b>	1,901
<b>External restrictions – other</b>	<b>6,446</b>	<b>4,296</b>
<b>Total external restrictions</b>	<b>6,686</b>	<b>4,296</b>

#### Internal restrictions

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

Deposits, retentions and bonds	<b>3,672</b>	3,430
Employees leave entitlement	<b>944</b>	974
Swim centre	<b>–</b>	746
Capital works reserve	<b>145</b>	980
Plant and vehicle replacement	<b>181</b>	160
<b>Total internal restrictions</b>	<b>4,942</b>	<b>6,290</b>

<b>Total restrictions</b>	<b>11,628</b>	<b>10,586</b>
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	545	331	787	245
Interest and extra charges	79	–	76	–
User charges and fees	881	–	853	–
Accrued revenues				
– Interest on investments	6	–	3	–
– Other income accruals	921	–	441	–
Government grants and subsidies	837	–	560	–
Loans to non-profit organisations	–	23	–	13
Net GST receivable	303	–	373	–
<b>Total</b>	<b>3,572</b>	<b>354</b>	<b>3,093</b>	<b>258</b>
<b>Less: provision of impairment</b>				
User charges and fees	(202)	–	(202)	–
Other debtors	(280)	–	(264)	–
<b>Total provision for impairment – receivables</b>	<b>(482)</b>	<b>–</b>	<b>(466)</b>	<b>–</b>
<b>Total net receivables</b>	<b>3,090</b>	<b>354</b>	<b>2,627</b>	<b>258</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	466	274
<b>Balance at the end of the year</b>	<b>466</b>	<b>274</b>

### Accounting policy

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

### Impairment

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

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

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

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

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

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

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

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

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

## C1-4 Receivables (continued)

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

## C1-5 Contract assets and Contract cost assets

\$ '000	2021	2020
Contract assets	–	39
<b>Total contract assets and contract cost assets</b>	<b>–</b>	<b>39</b>

### Accounting policy

#### Contract assets

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

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

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

#### Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- 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.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

## C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	1,308	–	1,308	2,218	154	–	–	(1,972)	–	–	1,708	–	1,708
Plant and equipment	1,480	(794)	686	155	–	–	(175)	–	–	–	1,358	(692)	666
Office equipment	715	(282)	433	75	119	–	(109)	–	–	–	849	(331)	518
Furniture and fittings	312	(179)	133	6	–	–	(18)	–	–	–	192	(71)	121
Art collection	5,959	–	5,959	–	219	–	–	–	(292)	–	5,886	–	5,886
<b>Land:</b>													
– Operational land	152,040	–	152,040	–	–	–	–	–	–	–	152,040	–	152,040
– Community land	31,282	–	31,282	–	–	–	–	–	–	–	31,282	–	31,282
– Crown land	39,656	–	39,656	–	–	–	–	–	–	–	39,656	–	39,656
Land improvements – depreciable	1,053	(143)	910	–	–	–	(11)	–	–	–	1,053	(154)	899
<b>Infrastructure:</b>													
– Buildings – non-specialised	52,123	(13,806)	38,317	160	–	(15)	(626)	5	(565)	–	50,494	(13,218)	37,276
– Buildings – specialised	23,908	(6,671)	17,237	105	–	(314)	(378)	1,755	(1,352)	–	23,349	(6,296)	17,053
– Roads	194,378	(86,823)	107,555	1,028	–	(186)	(2,407)	135	(14,028)	–	179,722	(87,622)	92,100
– Footpaths	20,577	(5,382)	15,195	294	–	(18)	(269)	40	–	315	22,362	(6,805)	15,557
– Stormwater drainage	69,021	(19,879)	49,142	533	–	(3)	(492)	–	–	–	69,021	(19,841)	49,180
– Other open space/recreational assets	46,390	(14,394)	31,996	671	421	(136)	(840)	37	(24)	–	46,848	(14,703)	32,145
<b>Other assets:</b>													
– Heritage collections	13	–	13	–	–	–	–	–	–	–	13	–	13
– Library books	1,591	(853)	738	232	–	–	(224)	–	–	–	1,563	(817)	746
– Other	62	(31)	31	–	–	–	–	–	–	–	60	(35)	25
<b>Total infrastructure, property, plant and equipment</b>	<b>641,868</b>	<b>(149,237)</b>	<b>492,631</b>	<b>5,477</b>	<b>913</b>	<b>(672)</b>	<b>(5,549)</b>	<b>–</b>	<b>(16,261)</b>	<b>315</b>	<b>627,456</b>	<b>(150,585)</b>	<b>476,871</b>

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



## C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period						At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	1,003	—	1,003	610	5	—	—	(310)	—	1,308	—	1,308
Plant and equipment	1,483	(715)	768	107	—	(1)	(188)	—	—	1,480	(794)	686
Office equipment	632	(357)	275	50	185	—	(77)	—	—	715	(282)	433
Furniture and fittings	228	(179)	49	95	—	—	(11)	—	—	312	(179)	133
Art collection	5,812	—	5,812	—	147	—	—	—	—	5,959	—	5,959
<b>Land:</b>												
– Operational land	152,040	—	152,040	—	—	—	—	—	—	152,040	—	152,040
– Community land	28,393	—	28,393	—	—	—	—	—	2,889	31,282	—	31,282
Land improvements – depreciable	926	(134)	792	128	—	—	(10)	—	—	1,053	(143)	910
– Crown land	34,097	—	34,097	—	—	—	—	—	5,559	39,656	—	39,656
<b>Infrastructure:</b>												
– Buildings – non-specialised	53,894	(18,648)	35,246	226	—	(40)	(762)	—	3,647	52,123	(13,806)	38,317
– Buildings – specialised	24,781	(9,291)	15,490	410	432	(168)	(412)	60	1,425	23,908	(6,671)	17,237
– Roads	194,359	(86,389)	107,970	2,006	21	(163)	(2,366)	87	—	194,378	(86,823)	107,555
– Footpaths	20,577	(5,678)	14,899	592	—	(48)	(248)	—	—	20,577	(5,382)	15,195
– Stormwater drainage	69,021	(19,659)	49,362	279	—	(7)	(492)	—	—	69,021	(19,879)	49,142
– Other open space/recreational assets	46,145	(15,437)	30,708	1,788	244	(74)	(833)	163	—	46,390	(14,394)	31,996
<b>Other assets:</b>												
– Heritage collections	13	—	13	—	—	—	—	—	—	13	—	13
– Library books	1,652	(870)	782	187	—	—	(231)	—	—	1,591	(853)	738
– Other	62	(27)	35	—	—	—	(4)	—	—	62	(31)	31
<b>Total infrastructure, property, plant and equipment</b>	<b>635,118</b>	<b>(157,384)</b>	<b>477,734</b>	<b>6,478</b>	<b>1,034</b>	<b>(501)</b>	<b>(5,634)</b>	<b>—</b>	<b>13,520</b>	<b>641,868</b>	<b>(149,237)</b>	<b>492,631</b>

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

## C1-6 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	30
Office furniture	10 to 20	Benches, seats etc.	20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface (asphalt)	35	Drains	80 to 100
Road pavement (road base)	90	Culverts	50 to 80
Road pavement (concrete)	100	Flood control structures	80 to 100
Kerb & gutter (concrete and sandstone)	90		
Footpaths (concrete)	90	<b>Other infrastructure assets</b>	
Footpaths (asphalt)	40	Swimming pools	50
		Other open space/recreational assets	20
		Other infrastructure	20

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

### Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

### Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where Crown Reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1 Council as Lessor

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

## C1-7 Investment properties

\$ '000	2021	2020
<b>Owned investment property</b>		
Investment property on hand at fair value	50,059	50,520
<b>Total owned investment property</b>	<b>50,059</b>	<b>50,520</b>

### Owned investment property

#### At fair value

Opening balance at 1 July	50,520	48,845
Capitalised subsequent expenditure	494	97
Net gain/(loss) from fair value adjustments	(955)	1,578
<b>Closing balance at 30 June</b>	<b>50,059</b>	<b>50,520</b>

#### Accounting policy

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

## C2 Leasing activities

### C2-1 Council as a lessor

#### Operating leases

Council leases out a number of properties commercial tenant for retail and food premises, other businesses and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-7) and/or IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

\$ '000	2021	2020
<b>(i) Assets held as investment property</b>		
The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below		
Lease income (excluding variable lease payments not dependent on an index or rate)	1,666	1,498
<b>Total income relating to operating leases for investment property assets</b>	<b>1,666</b>	<b>1,498</b>
<b>Operating lease expenses</b>		
Direct operating expenses that generated rental income	—	82
<b>Total expenses relating to operating leases</b>	<b>—</b>	<b>82</b>

#### (ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	2,082	2,147
<b>Total income relating to operating leases for Council assets</b>	<b>2,082</b>	<b>2,147</b>

#### Accounting policy

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

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

## C2-1 Council as a lessor (continued)

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

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

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Prepaid rates	176	–	196	–
Goods and services – operating expenditure	1,101	–	1,794	–
Goods and services – capital expenditure	566	–	673	–
Accrued expenses:				
– Other expenditure accruals	281	–	289	–
Security bonds, deposits and retentions	9,201	–	8,579	–
<b>Total payables</b>	<b>11,325</b>	<b>–</b>	<b>11,531</b>	<b>–</b>
<b>Total payables</b>	<b>11,325</b>	<b>–</b>	<b>11,531</b>	<b>–</b>

#### Current payables not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	7,214	6,324
<b>Total payables</b>	<b>7,214</b>	<b>6,324</b>

#### Accounting policy

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

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

#### Payables

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

### C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	361	–	173	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(i)	–	–	134	–
<b>Total grants received in advance</b>		<b>361</b>	<b>–</b>	<b>307</b>	<b>–</b>
<b>User fees and charges received in advance:</b>					
Lease Income Received in Advance		428	–	219	–
Facilities and Reserve Booking Received in Advance		36	–	51	–
Other		259	–	202	–
<b>Total user fees and charges received in advance</b>		<b>723</b>	<b>–</b>	<b>472</b>	<b>–</b>

## C3-2 Contract Liabilities (continued)

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total contract liabilities		<b>1,084</b>	<b>—</b>	<b>779</b>	<b>—</b>

### Notes

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

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

\$ '000	2021	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	<b>46</b>	282
Operating grants (received prior to performance obligation being satisfied)	<b>160</b>	37
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>206</b>	<b>319</b>

### Accounting policy

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

## C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured <sup>1</sup>	<b>1,249</b>	<b>3,993</b>	1,518	5,131
<b>Total borrowings</b>	<b>1,249</b>	<b>3,993</b>	<b>1,518</b>	<b>5,131</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1 Risks relating to financial instruments held.

### Current borrowings not anticipated to be settled within the next twelve months

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

#### (a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,649	(1,407)	—	—	—	—	<b>5,242</b>
Lease liability (Note C2-1b)	1,078	(99)	—	—	—	—	<b>979</b>
<b>Total liabilities from financing activities</b>	<b>7,727</b>	<b>(1,506)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,221</b>

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	8,354	(1,705)	—	—	—	—	6,649
Lease liability (Note C2-1b)	—	—	—	—	1,151	(73)	1,078

continued on next page ...

### C3-3 Borrowings (continued)

<b>Total liabilities from financing activities</b>	8,354	(1,705)	–	–	1,151	(73)	7,727
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#### (b) Financing arrangements

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	90	90
Credit cards/purchase cards	55	55
<b>Total financing arrangements</b>	<b>145</b>	<b>145</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	90	90
– Credit cards/purchase cards	15	51
<b>Total undrawn financing arrangements</b>	<b>105</b>	<b>141</b>

#### Additional financing arrangements information

##### Breaches and defaults

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

##### Security over loans

Loans are secured against rates income

##### Bank overdrafts

The bank overdraft is secured by a mortgage over rates revenue

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

#### Accounting policy

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.

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.

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.

### C3-4 Employee benefit provisions

<b>\$ '000</b>	<b>2021 Current</b>	<b>2021 Non-current</b>	<b>2020 Current</b>	<b>2020 Non-current</b>
Annual leave	2,031	–	1,951	–
Long service leave	2,327	363	2,644	273
<b>Total employee benefit provisions</b>	<b>4,358</b>	<b>363</b>	<b>4,595</b>	<b>273</b>

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

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
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The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

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## C3-4 Employee benefit provisions (continued)

\$ '000	2021	2020
Provisions – employees benefits	2,000	2,531
	<b>2,000</b>	<b>2,531</b>

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

#### Infrastructure, property, plant and equipment revaluation reserve

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



## D Risks and accounting uncertainties

### D1-1 Risks relating to financial instruments held

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

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

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

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

A comparison of carrying amounts and fair value for Council financial instruments at reporting date is shown in the table below

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	9,995	12,626	9,995	12,626
Receivables	3,444	2,885	3,090	2,627
Investments				
– Debt securities at amortised cost	5,000	1,000	5,000	1,000
<b>Total financial assets</b>	<b>18,439</b>	<b>16,511</b>	<b>18,085</b>	<b>16,253</b>
<b>Financial liabilities</b>				
Payables	11,325	11,531	11,325	11,562
Loans/advances	5,242	6,649	5,242	6,649
<b>Total financial liabilities</b>	<b>16,567</b>	<b>18,180</b>	<b>16,567</b>	<b>18,211</b>

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the instruments held are:

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

## D1-1 Risks relating to financial instruments held (continued)

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	150	120

### (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	–	876	–	–	–	876
<b>2020</b>						
Gross carrying amount	–	1,032	–	–	–	1,032

#### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
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**D1-1 Risks relating to financial instruments held (continued)**

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2021</b>						
Gross carrying amount	859	859	5	69	1,258	3,050
Expected loss rate (%)	15.00%	10.00%	23.92%	19.91%	20.00%	15.78%
<b>ECL provision</b>	<b>129</b>	<b>86</b>	<b>1</b>	<b>14</b>	<b>252</b>	<b>482</b>
<b>2020</b>						
Gross carrying amount	1,214	1,094	2	2	7	2,319
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

**(c) Liquidity risk**

Payables, lease liabilities and borrowings are both 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.

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. 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 (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2021</b>							
Trade/other payables	0.00%	9,201	—	—	—	9,201	11,149
Loans and advances	5.07%	—	1,447	3,184	802	5,433	5,242
<b>Total financial liabilities</b>		<b>9,201</b>	<b>1,447</b>	<b>3,184</b>	<b>802</b>	<b>14,634</b>	<b>16,391</b>
<b>2020</b>							
Trade/other payables	0.00%	8,579	2,981	—	—	11,560	11,335
Loans and advances	4.28%	—	1,624	3,963	1,754	7,341	6,649
<b>Total financial liabilities</b>		<b>8,579</b>	<b>4,605</b>	<b>3,963</b>	<b>1,754</b>	<b>18,901</b>	<b>17,984</b>

## D2 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Investment property</b>	C1-7								
Retail, commercial office and residential		30/06/21	30/06/20	50,059	50,520	–	–	50,059	50,520
<b>Total investment property</b>				50,059	50,520	–	–	50,059	50,520
<b>Infrastructure, property, plant and equipment</b>	C1-6								
Plant and equipment		30/06/21	30/06/20	–	–	666	686	666	686
Office equipment		30/06/21	30/06/20	–	–	518	433	518	433
Furniture and fittings		30/06/21	30/06/20	–	–	121	133	121	133
Art collection		30/06/21	30/06/20	–	–	5,886	5,959	5,886	5,959
Operational land		30/06/18	30/06/18	–	–	152,040	152,040	152,040	152,040
Community land		30/06/20	30/06/20	–	–	70,938	70,938	70,938	70,938
Land improvements – depreciable		30/06/21	30/06/20	–	–	899	910	899	910
Buildings non-specialised		30/06/21	30/06/20	–	–	37,276	38,317	37,276	38,317
Buildings specialised		30/06/21	30/06/20	–	–	17,053	17,237	17,053	17,237
Roads		30/06/21	30/06/20	–	–	92,100	107,555	92,100	107,555
Footpaths		30/06/21	30/06/20	–	–	15,557	15,195	15,557	15,195
Stormwater drainage		30/06/19	30/06/19	–	–	49,180	49,142	49,180	49,142
Other open space/recreational assets		30/06/19	30/06/19	–	–	32,145	31,996	32,145	31,996
Heritage collections		30/06/21	30/06/20	–	–	13	13	13	13
Library books		30/06/21	30/06/20	–	–	746	738	746	738
Other assets		30/06/21	30/06/20	–	–	25	31	25	31
<b>Total infrastructure, property, plant and equipment</b>				–	–	475,163	491,323	475,163	491,323

### Valuation techniques

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

For all infrastructure assets Council uses a straight line pattern of consumption and brownfield approach.

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

## D2 Fair value measurement (continued)

### Investment property

Council obtains independent valuations of its investment property on an annual basis and at the end of each reporting period to ensure 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 key observable inputs to the valuation are:

- Current rental incomes,
- Rent reviews,
- Capitalisation rates,
- Price per square meter,
- Direct comparison to sales evidence,
- Zoning,
- Location,
- Land area and configuration, and
- Planning controls.

The fair value of the investment property is determined by an independent, qualified valuer on an annual basis. Council reviews the valuation report and discusses significant movements with the valuer. As at 30 June 2021 the valuation of the investment property was performed by APV Valuations and Asset Management Pty Ltd, Valuer Michelle Cross.

### Infrastructure, property, plant and equipment (IPPE)

#### *Plant and Equipment, Office Equipment and Furniture and Fittings.*

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment: Motor vehicles, depot tools and machinery, parking meters and domestic waste service bins.
- Office Equipment: Computer Hardware.
- Furniture and Fittings: Chairs, desks and display systems.

The key unobservable input to the valuation is the remaining useful life. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

#### *Art Collection*

This class comprises Council's collection of art works. The collection was valued in May 2021 by Stella Downer Fine Art. Stella Downer is a member of the Australian Commercial Galleries association and is approved by the Department of Prime Minister and Cabinet's Cultural Gifts Program to value art works.

While it is possible to observe the broad market for works (such as auction house results or retrospective exhibitions) the valuations depend significantly on unobservable inputs such as the aesthetic value and quality of the individual works and its significance in the individual artist's oeuvre.

#### *Operational Land*

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No. 2144.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

There has been no change to the valuation process during the reporting period.

#### *Community Land*

Valuations of all Council's Community Land and Council managed land are based on either the land value provided by the Valuer-General or an average unit rate based on the land value for similar properties where the Valuer-General did not provide

## D2 Fair value measurement (continued)

a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

The Valuer-General issued values with a base-date of 1 July 2019 to all Councils in New South Wales. Community land was therefore revalued in year ending 30 June 2020.

### *Land Improvements – Depreciable*

This asset class largely comprises trees, plantings and landscaping not captured in the Open Space and Recreational Assets class. These assets may be located on parks, reserves and also within road reserves.

These assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of estimated remaining useful life.

There has been no change to the valuation process during the reporting period.

### *Buildings: Non-Specialised and Specialised*

Buildings were valued by professionally qualified Registered Valuers from APV Valuations and Asset Management Pty Ltd, Valuer Michelle Cross. Specialised buildings have been valued using Level 3 inputs (such as estimates of useful life and asset condition) requiring extensive professional judgement. These judgements impact significantly on the final determination of fair value. The approach for specialised buildings estimated the replacement cost of each building and then componentised into significant parts. Building components are then split into two useful lives with proportioned replacement costs defined as the:

- Short Life – Where the end of life is when the asset requires renewal without full replacement of asset. The replacement cost of the short life is the amount required to conduct the renewal.
- Long Life – Where the end of life is when the asset is obsolete and requires complete replacement. This replacement cost is valued as the additional funds required for complete replacement after being added to the short life replacement cost amount.

The unit rates for non-specialised buildings were supported by market evidence (Level 2 inputs) and were not componentised or proportioned into a short and long life.

Non-specialised buildings used the market approach and specialised building used the cost approach.

Inputs include:

- Gross replacement cost
- A breakdown of building component costs (such as sub-structure, fit-out, electrical services)
- Short and long life splits with proportioned replacement cost
- Useful lives for short and long life
- Condition ratings

Typical useful lives and unit rates (includes overheads):

Buildings Asset Component	Average Short Life Useful Life (Years)	Average Long Life Useful Life (Years)	Average Unit Rate/2021
Council Works Depot – Sub-Structure	94	150	\$425,590/each
Library – Structure	75	125	\$1,316,950/each
Childcare Centres – Fit-Out	43	100	\$153,000/each
Council Offices/Administration Centre – Floor Coverings	23	N/A	\$382,941/each
Specialised Buildings – Services (Hydraulic)	59	150	\$168,136/each
Multistorey Car Park – Services (Electrical)	60	150	\$521,050/each
Cultural Facilities – Fit-Out	51	107	\$402,025/each
Other – Roof	52	100	\$85,216/each

### *Public Roads, Footpaths and Carparks*

Includes: Road pavements and surfaces, steps, footpaths, pram ramps, retaining walls and kerb and gutter, physical traffic devices, lines and signs and street furniture and road related carparks.

## D2 Fair value measurement (continued)

Gross replacement cost for road assets were valued by professionally qualified Registered Valuers from Cardno Pty Ltd as at 30 June 2021. Due to the specialised nature of roads assets, valuations were undertaken predominately using the cost approach. Unit rates include all materials, labour and overheads and were estimated from inputs including similar projects costs, direct quotations, unit rate databases and published cost guides. The unit rates have been tailored to suit Mosman. The cost approach is deemed a level 3 input.

The condition and useful lives of the assets were assessed and calculated based on site inspections, observed asset performance and professional engineering judgment.

In this reporting period, condition inspections were carried out on the following road asset types:

- Road Pavements
- Footpaths, Pram Ramps and Steps
- Kerb and Gutter
- Retaining Walls
- Fences/Handrails
- Physical Traffic Devices
- Lines and Signs
- Car Parks
- Street Furniture

Typical useful lives and unit rates (includes overheads):

Public Road and Footpath Asset Component	Useful Life (Years)	Unit Rate
Concrete Road Pavement (Reinforced 200mm thick)	100	\$272.1/m2
Asphalt Road Pavement (50AC)	35	\$35.54/m2
Sandstone Kerb & Gutter	90	\$525.13/m
Concrete Roundabout	40	\$430.27/m2
Gabion Retaining Wall	150	\$288.15/m2
Double Barrier Line	5	\$3.36/m
'Warning' Traffic Sign	20	\$354.75/each
Concrete Footpath (75 mm thick)	90	\$100.61m2
Asphalt Footpath (25 mm thick)	40	\$76.1/m2

Carpark Asset Component	Useful Life (Years)	Unit Rate
Lane and Parking Space Line Marking	5	\$3.36/m
Pay and Display Machine	20	\$12,287.68/each
Kerb Wheelstops (Timber)	15	\$184.35/m

### Stormwater Drainage

Includes: Converters, headwalls, endwalls, pits and access-holes (collectively categorised as 'nodes'), pipes, culverts, drains, Stormwater Quality Improvement Devices (SQIDs) and rainwater re-use tanks.

Gross replacement cost for stormwater drainage assets were valued by Morrison Low as at 30 April 2019. Fair value has been generated this financial year based on the cost (fair value) approach. Unit rates include the costs of materials, labour and overheads. Inputs used to calculate the unit rate included costs from similar projects, direct quotations, panel contractor rates, published cost guides and reference rates. SQID unit rates were developed based on first principles estimating and takes into account excavation, site establishment as well as the supply and installation costs. It also includes an additional 20% to the base unit rate to allow for 'normal' construction and installation overheads. The 2019 construction index was applied to the existing unit rates to update their replacement value.

Drains unit rates are based on similar projects, published cost guides and the 2019 construction index. Drains of the same dimensions have been given the same unit rate. The condition and useful lives of the assets were also assessed and calculated by Morrison Low based on site observations, including CCTV surveys, and Morrison Low's experience in valuation projects for other Council's stormwater assets.



## D2 Fair value measurement (continued)

Stormwater Drainage Asset Component	Useful Life (Years)	Unit Rate
Stormwater Quality Improvement Devices (Model Type: Rocla Cleansall 1200)	80	\$234,192/each
Concrete Pipe (375mm diameter, 0-1m depth) based on trenching method	150	\$409.83/m
Box Culvert (1800 width x 1200 height)	150	\$4762.05/m
Converter (600mm length)	150	\$824/each
Surface Inlet Pit (450mmx450mm, 1 m depth)	150	\$1,735/each
Rainwater Re-use Tank	80	Average \$701,247.00/each

### Other Open Space/Recreational Assets

Includes:

- Jetties and seawalls (collectively categorised as 'marine assets'),
- Parks, bushlands, reserves, playgrounds, unmade roads and sporting fields (collectively categorised as 'parks and open space assets')

Gross replacement cost for marine assets were valued by Morrison Low Pty Ltd as at 30 June 2021 in accordance with accepted Australian Accounting Standards. Unit rates for marine assets were estimated using construction costs from recent projects, indexation of previous unit rates, Rawlinson's Construction Guide, bench marking and costs from first principals. They were then adjusted for condition and comparability.

The condition, useful lives and remaining useful lives of the assets were assessed and calculated by Morrison Low based on site observations.

Gross replacement cost for Mosman parks and open space assets were valued by APV Valuer and Asset Management Pty Ltd as at 1 July 2018.

Unit rates for parks and open space assets were estimated based on APV Valuers and Asset Management industry experience. Inputs include recent costings from parks and open space works, quoted prices, cost guides and unit rate databases.

The gross replacement costs were increased by indexing unit rates when there was limited information. Regular inventory and condition audits have been undertaken by experienced Council Officers.

The condition and useful lives of the assets were assessed and calculated by a suitably qualified employee of APV Valuers and Asset Management based on site observations, professional knowledge and comparison to similar assets from other Council areas. Useful lives were updated to reflect current asset performance.

Fair values for Open Space assets have been generated on the cost approach.

Typical useful lives and unit rates (includes overheads):

Open Space/Recreational and Other Structures Asset Component	Useful Life (Years)	Unit Rate
Timber Deck	46	\$450/m2
Concrete Deck	65	\$800/m2
Concrete Seawall	59	\$2,230/m
Steel Turning Board	19	\$60,000/each
Oval Lights	25	\$45,716/each
Park ID Signs	30	\$6,640/each
Shade Sail	10	\$178/m2
Dinghy Racks Steel	25	\$17,143/each



## D2 Fair value measurement (continued)

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### *Heritage Collections and Library Books*

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life.

There has been no change to the valuation process during the reporting period.

### *Other Assets*

Other assets are banner poles erected on Military Road and side streets. They are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The key unobservable input to the valuation is the remaining useful life. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption and estimated remaining useful life. There has been no change to the valuation process during the reporting period.

## Highest and best use

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

## D3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Local Government Superannuation Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119 Employee Benefits and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2019 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities

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

As stated 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.

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 entity.

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

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

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2021 was \$224,617. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA relating to the period ended 30 June 2021.

The expected contributions to the Fund for the next annual reporting period are \$276,349.96

## D3-1 Contingencies (continued)

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

Employer reserves only*	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,648.7	106.2%

excluding other accumulated accounts and reserves in both assets and liabilities.

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

Investment return	5.75% per annum
Salary inflation	3.50% per annum
Increase in CPI	2.50% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around December 2021.

Council's additional lump sum contribution is around 0.33% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

### (ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

### (iii) StateCover Limited

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

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

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

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

## 2. Other liabilities

### (i) Third party claims

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

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

## E People and relationships

### E1 Related party disclosures

#### E1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
<b>Compensation:</b>		
Short-term benefits	1,212	1,440
Other long-term benefits	49	27
<b>Total</b>	<b>1,261</b>	<b>1,467</b>

#### E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	44	45
Councillors' fees	142	142
Other Councillors' expenses (including Mayor)	11	11
<b>Total</b>	<b>197</b>	<b>198</b>

## E2 Other relationships

### E2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	54	60
<b>Remuneration for audit and other assurance services</b>	<b>54</b>	<b>60</b>
<b>Total Auditor-General remuneration</b>	<b>54</b>	<b>60</b>
<b>Non NSW Auditor-General audit firms</b>		
<b>Total audit fees</b>	<b>54</b>	<b>60</b>

## F Other matters

### F1-1 Statement of Cash Flows information

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

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>3,031</b>	3,249
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	5,679	5,736
Net losses/(gains) on disposal of assets	674	501
Non-cash capital grants and contributions	(169)	(85)
Adoption of AASB 15/1058	–	(434)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	955	(1,578)
Share of net (profits)/losses of associates/joint ventures using the equity method	(112)	(108)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(575)	225
Increase/(decrease) in provision for impairment of receivables	16	192
Decrease/(increase) in inventories	(34)	(152)
Decrease/(increase) in other current assets	–	38
Decrease/(increase) in contract assets	39	(39)
Increase/(decrease) in payables	(693)	483
Increase/(decrease) in accrued interest payable	–	24
Increase/(decrease) in other accrued expenses payable	(8)	124
Increase/(decrease) in other liabilities	602	(457)
Increase/(decrease) in contract liabilities	305	779
Increase/(decrease) in provision for employee benefits	(147)	(346)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>9,563</b>	8,152

#### (b) Non-cash investing and financing activities

Other dedications artworks	169	85
<b>Total non-cash investing and financing activities</b>	<b>169</b>	85

## F2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2021	2020
---------	------	------

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

#### Property, plant and equipment

Unspent Specific Purpose Capital Grants	1,286	134
Allan Border Oval Pavilion	4,130	–
Vista Ventilation Design	22	–
<b>Total commitments</b>	<b>5,438</b>	<b>134</b>

#### These expenditures are payable as follows:

Within the next year	5,438	134
<b>Total payable</b>	<b>5,438</b>	<b>134</b>

#### Sources for funding of capital commitments:

Sect 64 and 94 funds/reserves	1,130	–
New loans (to be raised)	3,000	–

#### Details of capital commitments

Council is obliged to perform certain capital works because it is holding unspent grants. Works to be completed in FY22 include LRCI program (including Boronia House works) and Open Space Legacy works (including Mosman Square).

Work is underway on the Allan Border Oval Pavilion. \$1061k has been spent to date; \$4,130k will be spent in FY 22

## F3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

## F4 Statement of developer contributions as at 30 June 2021

### F4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>S7.12 levies – under a plan</b>	1,657	1,602	–	6	(857)	–	2,408	–
<b>Total S7.11 and S7.12 revenue under plans</b>	1,657	1,602	–	6	(857)	–	2,408	–
S7.4 planning agreements	449	501	–	–	(154)	–	796	–
<b>Total contributions</b>	<b>2,106</b>	<b>2,103</b>	<b>–</b>	<b>6</b>	<b>(1,011)</b>	<b>–</b>	<b>3,204</b>	<b>–</b>

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

### S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – OPEN SPACE & CAR PARKING								
Open space	1,657	1,602	–	6	(857)	–	2,408	–
Total	1,657	1,602	–	6	(857)	–	2,408	–

## F5 Statement of performance measures

### F5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	1,417	3.03%	0.81%	3.82%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	46,757				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	43,819	87.29%	89.53%	88.98%	> 60.00%
Total continuing operating revenue <sup>1</sup>	50,201				
3. Unrestricted current ratio					
Current assets less all external restrictions	11,658	1.34x	1.37x	1.68x	> 1.50x
Current liabilities less specific purpose liabilities	8,700				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	7,368	4.15x	2.99x	4.54x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,777				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	955	3.25%	3.90%	3.33%	< 5.00%
Rates and annual charges collectable	29,419				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	14,995	3.80	3.55	3.82	> 3.00
Monthly payments from cash flow of operating and financing activities	3,950	mths	mths	mths	mths

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

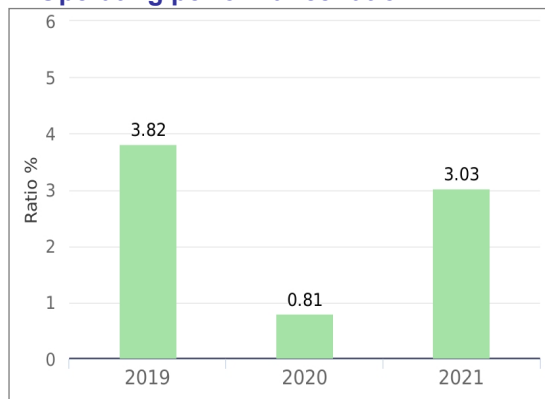
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method



## G Additional Council disclosures (unaudited)

### G1-1 Statement of performance measures – consolidated results (graphs)

#### 1. Operating performance ratio



##### Purpose of operating performance ratio

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

##### Commentary on 2020/21 result

2020/21 ratio 3.03%

While revenue is still down due to Covid income was better than budgeted. With strong cost control this led to an improved result

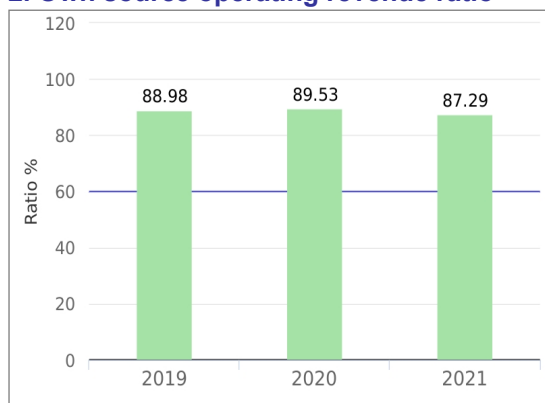
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



##### Purpose of own source operating revenue ratio

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

##### Commentary on 2020/21 result

2020/21 ratio 87.29%

Comfortably exceeds the benchmark and is consistent with trend of previous years

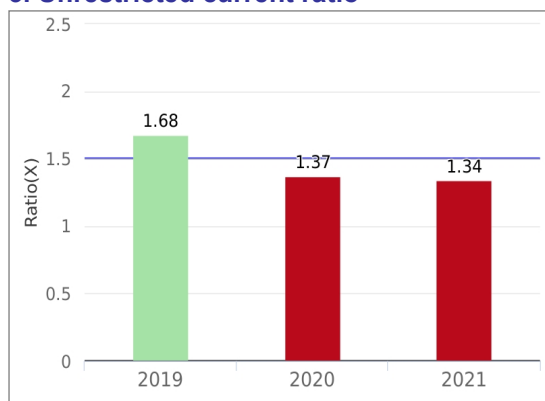
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



##### Purpose of unrestricted current ratio

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

##### Commentary on 2020/21 result

2020/21 ratio 1.34x

Council did not achieve ratio due to Covid 19 due to ongoing decreased income and cash balances

Benchmark: — > 1.50x

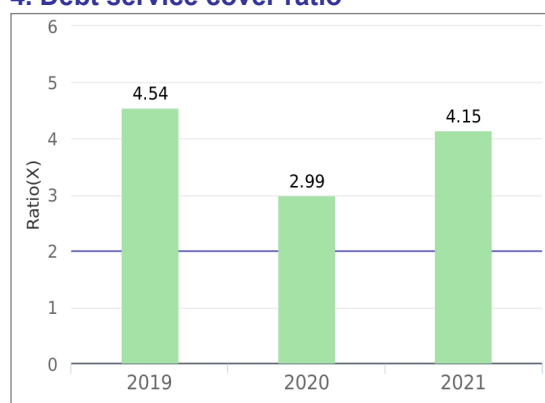
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## G1-1 Statement of performance measures – consolidated results (graphs) (continued)

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 4.15x

Council holds significant restricted cash (grants and developer contributions) at balance date. These will be expended on major projects such as Allan Border Oval Pavilion and Mosman Square

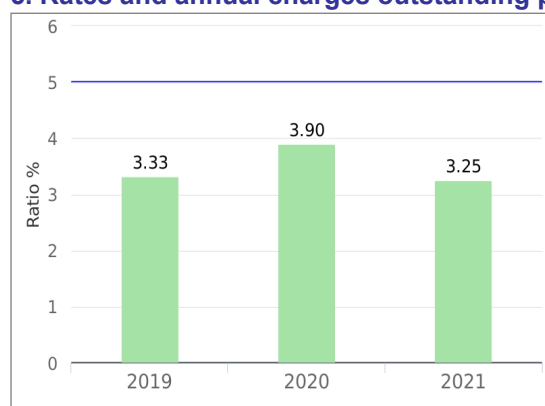
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



#### Purpose of rates and annual charges outstanding percentage

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

#### Commentary on 2020/21 result

2020/21 ratio 3.25%

Remains comfortably within benchmark

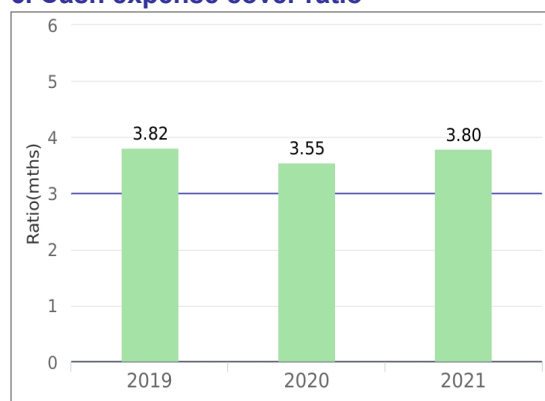
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2020/21 result

2020/21 ratio 3.80 mths

Council holds significant restricted cash (grants and developer contributions) at balance date. These will be expended on major projects such as Allan Border Oval Pavilion and Mosman Square

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Mosman Municipal Council

To the Councillors of the Mosman Municipal Council

### Opinion

I have audited the accompanying financial statements of Mosman Municipal Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B4-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY



Cr Carolyn Corrigan  
Mayor  
Mosman Municipal Council  
PO Box 211  
SPIT JUNCTION NSW 2088

Contact: Unaib Jefffrey  
Phone no: 02 9275 7450  
Our ref: D2122782/1762

29 October 2021

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2021  
Mosman Municipal Council**

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

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

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

**INCOME STATEMENT**

Operating result	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	28.3	27.5	2.9
Grants and contributions revenue	6.3	5.0	26
Operating result from continuing operations	3.0	3.2	6.2
Net operating result before capital grants and contributions	(0.4)	1.4	127.9

The Council's operating result from continuing operations (\$3.0 million including depreciation and amortisation expense of \$5.7 million) was \$0.2 million lower than the 2019–20 result.

The decrease was primarily attributable to an increase of \$1.2 million in expenses from continuing operations driven by an increase in materials and contracts expenditure.

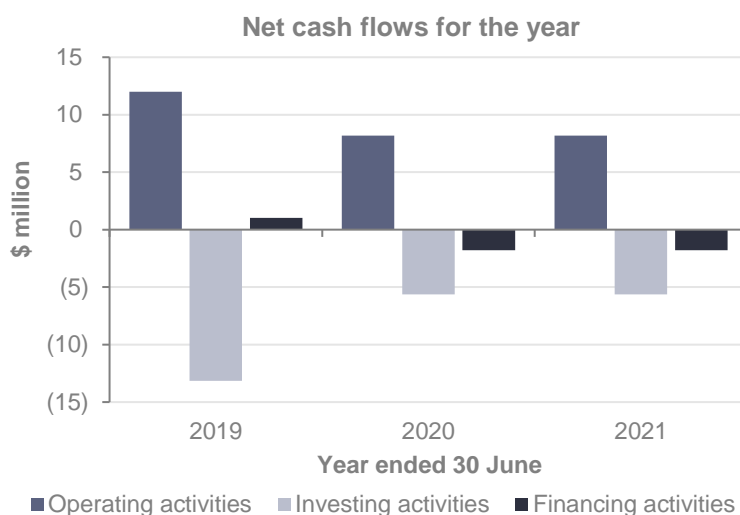
The net operating result before capital grants and contributions (\$0.4 million) was \$1.9 million lower than the 2019–20 result. This movement was due to the increase in expenditure as noted above.

Rates and annual charges revenue (\$28.3 million) increased by \$0.8 million (2.9 per cent) in 2020–21 largely due to the rate peg increase of 2.6 per cent.

Grants and contributions revenue (\$6.3 million) increased by \$1.3 million (26 per cent) in 2020–21 primarily due to an increase in state government funding related to transport projects.

## STATEMENT OF CASH FLOWS

- The Council's cash balance remained stable at \$10.0 million at 30 June 2021 (\$12.6 million at 30 June 2020).
- Cash inflows from operating activities increased from last year as a result of higher receipts from grants and contributions.
- Cash outflows from investing activities increased primarily due to an increase investment in term deposits.
- Cash outflows from financing activities decreased with a reduction in the repayment of borrowings.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash and investments</b>	<b>15.0</b>	<b>13.6</b>	<ul style="list-style-type: none"> <li>• External restrictions include unspent specific purpose grants, developer contributions, and domestic waste management funds. The increase is primarily attributable to an increase in specific purpose unexpended grants and developer contributions.</li> <li>• Balances are internally restricted due to Council policy or decisions for forward plans including the capital works program. The decrease is primarily attributable to a reduction in the swim centre and capital works reserve.</li> </ul>
Restricted cash and investments:			
• External restrictions	6.7	4.3	
• Internal restrictions	4.9	6.3	
• Unrestricted	3.4	3.0	

# PERFORMANCE

## Performance measures

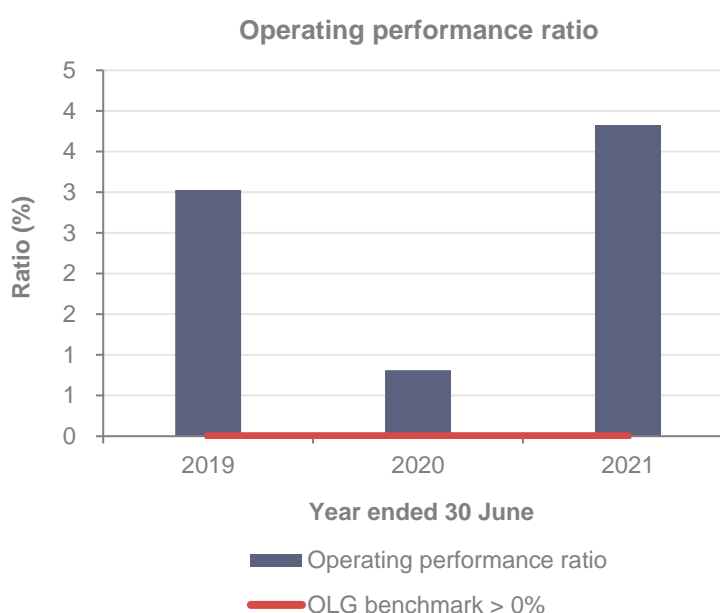
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### Operating performance ratio

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

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

This ratio increased in the current reporting period as a result of an increase in rental income from investment properties during 2021.

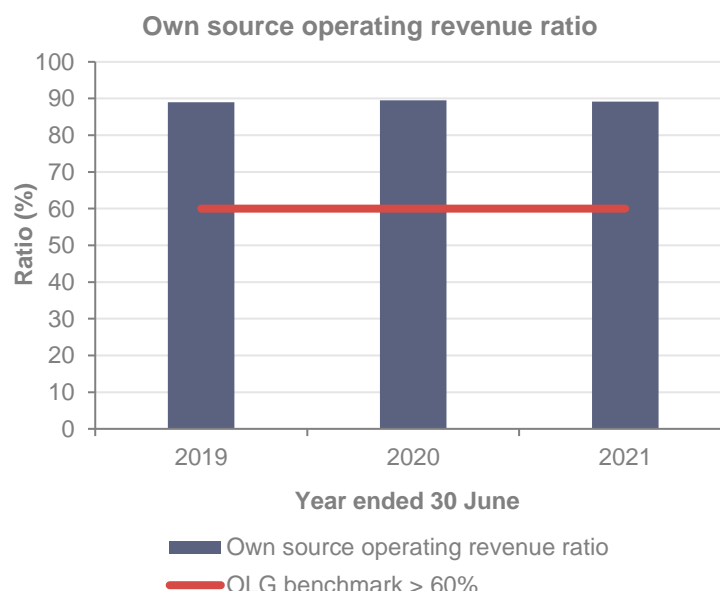


### Own source operating revenue ratio

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

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

The ratio has remained stable for the past three years.



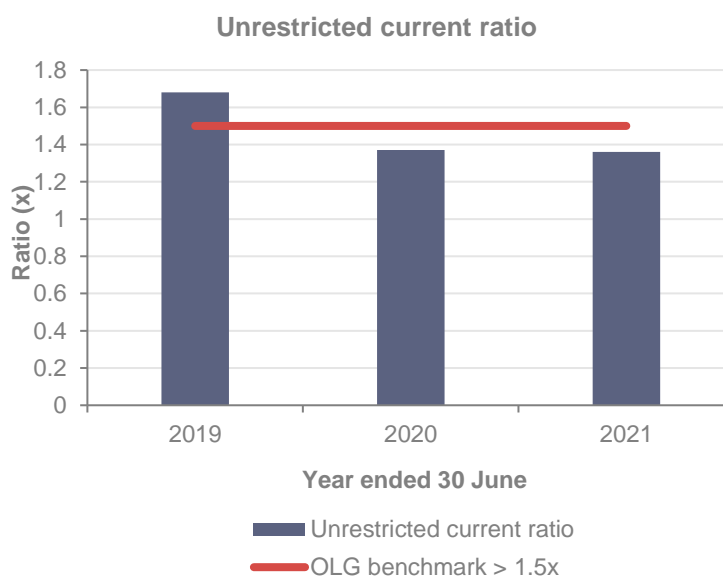


## Unrestricted current ratio

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

The Council did not meet the OLG benchmark for the current reporting period, largely due to an increase in externally restricted current assets.

This ratio indicates that Council currently has \$1.37 of unrestricted current assets available to service every \$1.00 of its unrestricted current liabilities.

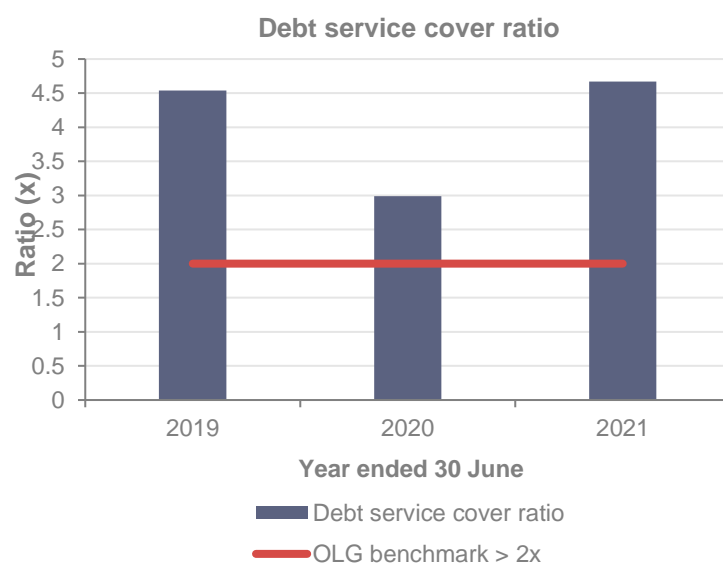


## Debt service cover ratio

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

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

Council appears to be effectively monitoring its liquidity levels to ensure it can meet its current liabilities when they fall due.

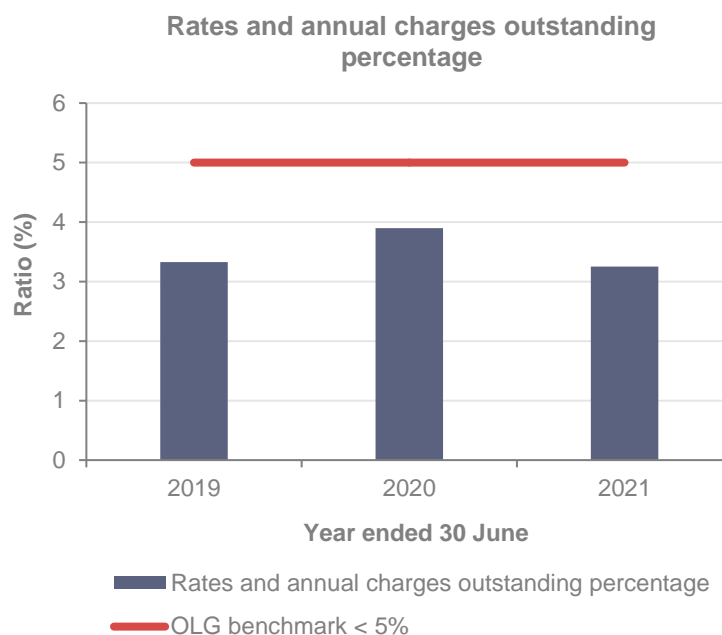


## Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.

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

The ratio has decreased compared to last year.

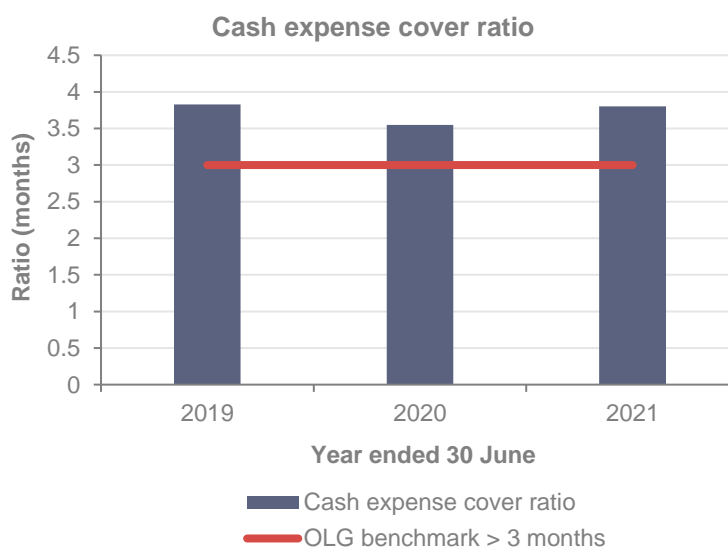


## Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

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

This indicates that Council had the capacity to cover 3.80 months of cash expenditure without additional cash inflows at 30 June 2021.



## Infrastructure, property, plant and equipment renewals

Council spent \$5.5 million on asset renewals in 2020-21 compared to \$6.5 million in 2019-20. Asset renewals are defined as the replacement of existing assets as opposed to the acquisition of new assets.

A short-term benchmark of Council's strategic asset management is to assess the rate at which Council's assets are being renewed against the rate at which they are depreciating. In 2020-21, asset renewals of \$5.5 million represented 98 per cent of Council's \$5.6 million depreciation expense. This result was 19 per cent lower than the 2019-20 result of 114 per cent.

Asset renewals in 2020-21 were carried out in accordance with Council's capital works program and were primarily related to road assets.

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council has not identified any arrangements with private sector operators that should be classified as either service concession arrangements within AASB 1059, leases or outsourcing arrangements.

### Legislative compliance

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

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



Unaib Jeffrey  
Delegate of the Auditor-General for New South Wales

cc: Dominic Johnson, General Manager  
Louise Scambler, Chair of Audit, Risk and Improvement Committee  
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

# Mosman Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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Mosman Municipal Council

Special Schedules

for the year ended 30 June 2021

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Contents	Page
<b>Special Schedules:</b>	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2021	7

## Mosman Municipal Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	20,587	21,096
Plus or minus adjustments <sup>2</sup>	b	6	16
<b>Notional general income</b>	c = a + b	<b>20,593</b>	<b>21,112</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	535	422
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>21,128</b>	<b>21,534</b>
Plus (or minus) last year's carry forward total	l	13	31
<b>Sub-total</b>	n = (l + m)	<b>13</b>	<b>31</b>
<b>Total permissible income</b>	o = k + n	<b>21,141</b>	<b>21,565</b>
Less notional general income yield	p	21,096	21,531
<b>Catch-up or (excess) result</b>	q = o - p	<b>46</b>	<b>35</b>
Less unused catch-up <sup>3</sup>	s	(14)	—
<b>Carry forward to next year <sup>4</sup></b>	t = q + r + s	<b>32</b>	<b>35</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (4) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Mosman Municipal Council

To the Councillors of Mosman Municipal Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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



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

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

A handwritten signature in black ink, appearing to read 'Unaib Jeffrey', with a long, sweeping horizontal stroke extending to the right.

Unaib Jeffrey

Delegate of the Auditor-General for New South Wales

29 October 2021  
SYDNEY

## Mosman Municipal Council

## Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
<b>Buildings</b>	Buildings – specialised	–	–	374	790	17,053	23,349	54.3%	22.9%	22.8%	0.0%	0.0%
	Council offices	–	–	172	534	12,578	15,695	99.4%	0.1%	0.5%	0.0%	0.0%
	Council works depot	–	–	38	78	1,889	2,434	64.5%	35.5%	0.0%	0.0%	0.0%
	Library	–	–	105	173	5,087	8,307	9.6%	52.7%	37.7%	0.0%	0.0%
	Cultural facilities	–	–	250	272	7,376	10,160	66.8%	29.6%	3.6%	0.0%	0.0%
	Other buildings	–	–	250	68	5,675	7,358	29.8%	50.0%	20.2%	0.0%	0.0%
	Childcare centres	–	–	16	–	534	1,020	2.0%	65.5%	32.5%	0.0%	0.0%
	Multistorey car park	–	–	190	118	4,137	5,520	12.3%	87.7%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,395</b>	<b>2,033</b>	<b>54,329</b>	<b>73,843</b>	<b>54.6%</b>	<b>30.9%</b>	<b>14.5%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	239	239	1,115	1,099	47,416	87,711	26.0%	52.0%	21.0%	1.0%	0.0%
	Footpaths	99	99	96	295	14,586	20,731	32.0%	55.0%	11.0%	2.0%	0.0%
	Other road assets	234	234	41	31	9,694	14,714	35.0%	37.0%	26.0%	2.0%	0.0%
	Kerb and Gutter	–	–	30	58	13,046	30,182	11.0%	54.0%	35.0%	0.0%	0.0%
	Retaining Walls	165	165	36	8	18,959	38,525	17.0%	45.0%	37.0%	1.0%	0.0%
	Physical Traffic Devices	58	58	77	5	2,212	4,218	52.0%	32.0%	13.0%	3.0%	0.0%
	Lines and Signs	–	–	24	9	320	2,159	34.0%	41.0%	25.0%	0.0%	0.0%
	Street Furniture	168	168	12	137	1,424	3,843	20.0%	25.0%	49.0%	6.0%	0.0%
	<b>Sub-total</b>	<b>963</b>	<b>963</b>	<b>1,431</b>	<b>1,642</b>	<b>107,657</b>	<b>202,083</b>	<b>23.8%</b>	<b>49.1%</b>	<b>25.9%</b>	<b>1.2%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater quality improvement devices	–	–	62	69	2,995	3,833	14.0%	18.9%	67.1%	0.0%	0.0%
	Rainwater re-use tank	–	–	19	–	1,195	1,402	40.6%	59.4%	0.0%	0.0%	0.0%
	Open conduits (drains)	–	–	33	5	2,046	3,370	18.5%	45.1%	36.3%	0.0%	0.1%
	Closed conduits (pipes)	130	130	61	3	35,553	50,921	4.7%	52.7%	41.7%	0.6%	0.3%
	Nodes (pits)	2	2	62	165	7,391	9,495	3.8%	88.5%	7.3%	0.4%	0.0%
	<b>Sub-total</b>	<b>132</b>	<b>132</b>	<b>237</b>	<b>242</b>	<b>49,180</b>	<b>69,021</b>	<b>6.5%</b>	<b>55.5%</b>	<b>37.2%</b>	<b>0.5%</b>	<b>0.2%</b>

## Mosman Municipal Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2020/21 Required maintenance <sup>a</sup>	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
Open space / recreational assets	Marine structures	147	147	43	47	6,899	13,551	22.7%	12.9%	62.4%	1.6%	0.5%
	Sporting fields	5	5	549	432	5,394	6,529	63.0%	23.2%	13.6%	0.1%	0.0%
	Parks & reserves	41	41	766	1,939	7,864	11,573	5.6%	14.1%	76.3%	3.9%	0.1%
	Other	41	41	809	624	11,988	15,195	1.3%	36.7%	61.8%	0.2%	0.0%
	<b>Sub-total</b>	<b>234</b>	<b>234</b>	<b>2,167</b>	<b>3,042</b>	<b>32,145</b>	<b>46,848</b>	<b>17.2%</b>	<b>22.3%</b>	<b>58.8%</b>	<b>1.5%</b>	<b>0.2%</b>
<b>Total – all assets</b>		<b>1,329</b>	<b>1,329</b>	<b>5,230</b>	<b>6,959</b>	<b>243,311</b>	<b>391,795</b>	<b>25.8%</b>	<b>43.6%</b>	<b>29.7%</b>	<b>0.9%</b>	<b>0.1%</b>

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

#### Infrastructure asset condition assessment 'key'

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

## Mosman Municipal Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals <sup>1</sup>	5,034	100.44%	126.70%	184.87%	>= 100.00%
Depreciation, amortisation and impairment	5,012				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	1,329	0.54%	0.52%	1.03%	< 2.00%
Net carrying amount of infrastructure assets	245,019				
Asset maintenance ratio					
Actual asset maintenance	6,959	133.06%	119.78%	106.89%	> 100.00%
Required asset maintenance	5,230				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,329	0.34%	0.34%	0.64%	
Gross replacement cost	391,795				

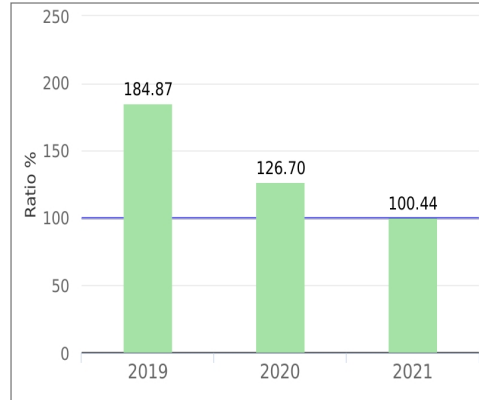
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

## Mosman Municipal Council

### Report on infrastructure assets as at 30 June 2021

#### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

Commentary on result	
20/21 ratio	100.44%
Council continues its commitment to the community to renew its infrastructure asset	

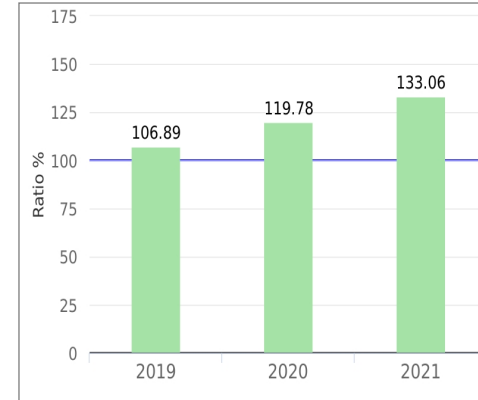
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

#### Asset maintenance ratio



**Asset maintenance ratio**

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

Commentary on result	
20/21 ratio	133.06%
Council continues its commitment to the community to maintain its infrastructure assets	

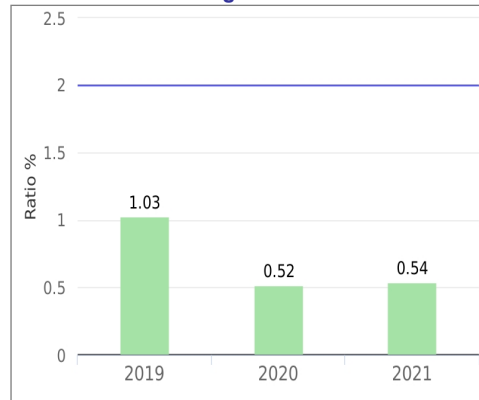
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

#### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

Commentary on result	
20/21 ratio	0.54%
Councils active capital works program ensures this ratio is well within the benchmark	

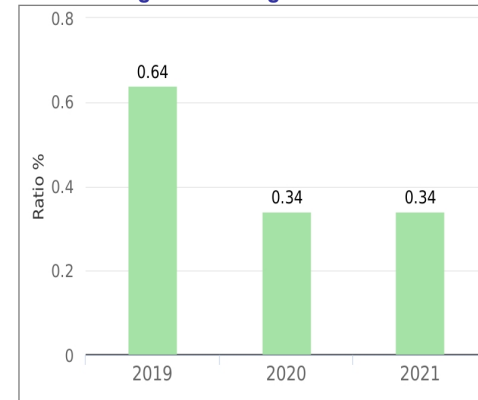
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

#### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

Commentary on result	
20/21 ratio	0.34%
Councils active capital works program ensures this ratio is well within the benchmark	