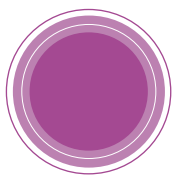
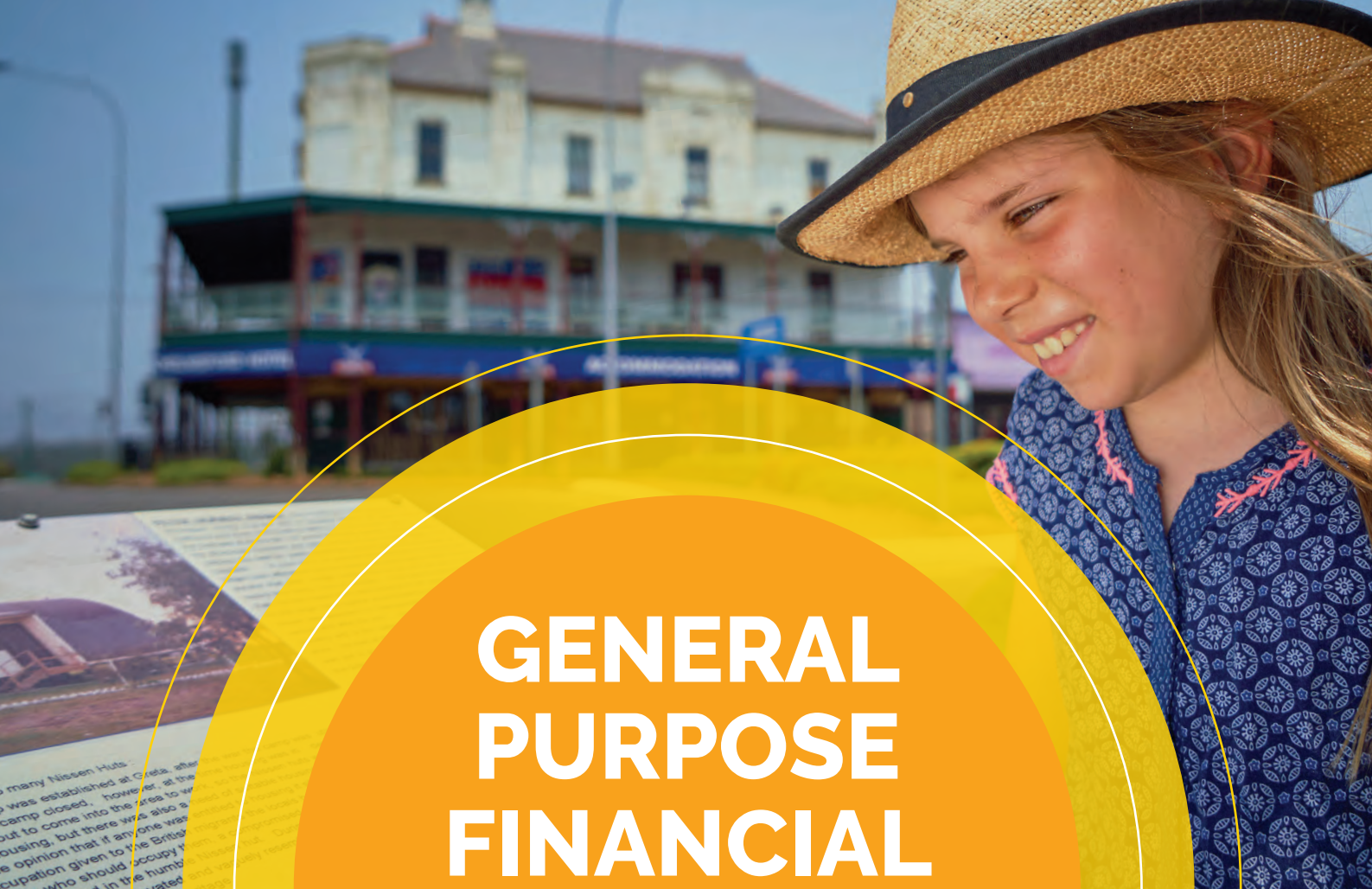




ANNUAL FINANCIAL STATEMENTS

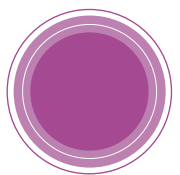
FOR THE YEAR ENDED
30 JUNE 2022





GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2022



Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

62 - 78 Vincent Street
Cessnock NSW 2325

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.cessnock.nsw.gov.au.

Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

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 2022.

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.

Cessnock City Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to Section 413 (2c) 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:

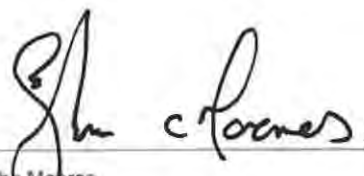
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

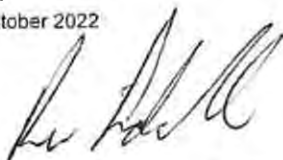
Signed in accordance with a resolution of Council made on 07 September 2022.



Jay Suvaal
Mayor
28 October 2022



John Moores
Councillor
28 October 2022



Ken Liddell
General Manager
28 October 2022



Matthew Plumridge
Responsible Accounting Officer
28 October 2022

Cessnock City Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		50,378	36,644
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of infrastructure, property, plant and equipment	C1-8	<u>71,684</u>	<u>63,856</u>
Total items which will not be reclassified subsequently to the operating result		71,684	63,856
Total other comprehensive income for the year		71,684	63,856
Total comprehensive income for the year attributable to Council		122,062	100,500

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

Cessnock City Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	8,777	7,766
Investments	C1-2	65,167	47,000
Receivables	C1-4	15,510	13,403
Inventories	C1-5	559	1,691
Non-current assets classified as 'held for sale'	C1-7	-	1,409
Other	C1-9	2,779	1,006
Total current assets		92,792	72,275
Non-current assets			
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,149,322	1,041,814
Right of use assets	C2-1	6	29
Investments accounted for using the equity method	D1-1	-	383
Total non-current assets		1,149,328	1,042,226
Total assets		1,242,120	1,114,501
LIABILITIES			
Current liabilities			
Payables	C3-1	7,814	7,828
Contract liabilities	C3-2	10,869	7,138
Lease liabilities	C2-1	4	18
Borrowings	C3-3	1,192	1,558
Employee benefit provisions	C3-4	9,387	10,282
Provisions	C3-5	42	-
Total current liabilities		29,308	26,824
Non-current liabilities			
Payables	C3-1	3,611	3,039
Lease liabilities	C2-1	2	6
Borrowings	C3-3	3,938	5,131
Employee benefit provisions	C3-4	292	265
Provisions	C3-5	18,015	14,344
Total non-current liabilities		25,858	22,785
Total liabilities		55,166	49,609
Net assets		1,186,954	1,064,892
EQUITY			
Accumulated surplus		594,472	544,094
IPPE revaluation reserve	C4-1	592,482	520,798
Total equity		1,186,954	1,064,892

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

Cessnock City Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		544,094	520,798	1,064,892	507,450	456,942	964,392
Opening balance		544,094	520,798	1,064,892	507,450	456,942	964,392
Net operating result for the year		50,378	–	50,378	36,644	–	36,644
Net operating result for the period		50,378	–	50,378	36,644	–	36,644
Other comprehensive income							
Gain on revaluation of infrastructure, property, plant and equipment	C1-8	–	71,684	71,684	–	63,856	63,856
Other comprehensive income		–	71,684	71,684	–	63,856	63,856
Total comprehensive income		50,378	71,684	122,062	36,644	63,856	100,500
Closing balance at 30 June		594,472	592,482	1,186,954	544,094	520,798	1,064,892

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

Cessnock City Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
58,187	Rates and annual charges		58,419	55,404
9,378	User charges and fees		18,635	14,111
316	Interest received		494	858
38,948	Grants and contributions		44,343	30,047
93	Bonds, deposits and retentions received		926	859
2,344	Other		1,909	949
<i>Payments:</i>				
(32,575)	Payments to employees		(34,679)	(34,354)
(20,116)	Payments for materials and services		(39,065)	(32,792)
(224)	Borrowing costs		(188)	(263)
–	Bonds, deposits and retentions refunded		(395)	(3,334)
(11,155)	Other		(6,547)	(7,965)
45,196	Net cash flows from operating activities	G1-1	43,852	23,520
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investments		–	800
–	Redemption of term deposits		58,500	38,800
–	Sale of real estate assets		4,168	–
693	Proceeds from sale of IPPE		749	3,367
<i>Payments:</i>				
(700)	Purchase of investments		(4,090)	–
–	Acquisition of term deposits		(73,000)	(44,000)
(46,599)	Payments for IPPE		(27,591)	(20,909)
(46,606)	Net cash flows from investing activities		(41,264)	(21,942)
Cash flows from financing activities				
<i>Receipts:</i>				
3,063	Proceeds from borrowings		–	2,948
<i>Payments:</i>				
(1,558)	Repayment of borrowings		(1,559)	(1,608)
–	Principal component of lease payments		(18)	(59)
1,505	Net cash flows from financing activities		(1,577)	1,281
95	Net change in cash and cash equivalents		1,011	2,859
5,067	Cash and cash equivalents at beginning of year		7,766	4,907
5,162	Cash and cash equivalents at end of year	C1-1	8,777	7,766
44,800	plus: Investments on hand at end of year	C1-2	65,167	47,000
49,962	Total cash, cash equivalents and investments		73,944	54,766

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

Cessnock City Council

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Cessnock City Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 07 September 2022.

Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government (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 financial assets have been measured at fair value through the profit or loss.

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 C1-8
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General purpose operations

A1-1 Basis of preparation (continued)

- Section 355 Committees

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services are used throughout a variety of Council functions. These include Section 355 Committees for community halls and tidy towns projects, library services and performing arts centre services. The value to Council of these services has not been recognised in the income statement as they cannot be readily measured.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2022 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022.

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Governance	–	–	–	950	–	(950)	–	–	–	–
Administration	10,731	8,236	34,336	44,511	(23,605)	(36,275)	9,931	6,928	163,494	116,191
Public order and safety	1,069	952	2,281	2,226	(1,212)	(1,274)	294	353	4,153	4,855
Health	843	782	746	812	97	(30)	92	67	255	266
Environment	28,336	21,794	16,815	16,612	11,521	5,182	8,647	4,017	115,575	106,793
Community services and education	83	81	495	274	(412)	(193)	83	81	7,640	13,182
Housing and community amenities	2,066	1,929	5,916	6,177	(3,850)	(4,248)	13	–	6,774	7,517
Recreation and culture	2,947	3,320	5,910	5,435	(2,963)	(2,115)	2,193	2,825	96,310	88,479
Mining, manufacturing and construction	1,578	1,225	1,390	1,275	188	(50)	–	–	232	291
Transport and communication	48,268	42,806	30,540	15,987	17,728	26,819	34,752	34,998	847,346	769,963
Economic affairs	630	3,047	1,307	1,651	(677)	1,396	557	3,012	341	6,964
General Purpose Income	53,563	48,382	–	–	53,563	48,382	10,093	7,259	–	–
Total functions and activities	150,114	132,554	99,736	95,910	50,378	36,644	66,655	59,540	1,242,120	1,114,501

B1-2 Components of functions or activities

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public Order and Safety

Includes Council's fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control, other environmental protection, solid waste management, including domestic waste, other waste management, other sanitation, and garbage, street cleaning, drainage and stormwater management.

Community Services and Education

Includes administration and education, social protection (welfare), Aboriginal and other community services and administration, youth services, aged and disabled persons services, and other family and children services.

Housing and Community Amenities

Includes public cemeteries, public conveniences, street lighting, town planning, other community amenities.

Recreation and Culture

Includes public libraries, museums, art galleries, community centres and halls, including public halls and performing arts venues, sporting grounds and venues, swimming pools, parks, gardens, and other sporting, recreational and cultural services.

Mining, Manufacturing and Construction

Includes building control, quarries.

Transport and Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic Affairs

Includes tourism and area promotion, industrial development promotion, real estate development, and other business undertakings.

General Purpose Income

Includes rates and fees and charges income which can be used for business undertaken by Council.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	33,091	31,395
Farmland	2,595	2,760
Mining	1,437	1,411
Business	6,041	5,438
Less: pensioner rebates (mandatory)	(786)	(797)
Less: pensioner rebates (Council policy)	(94)	(93)
Rates levied to ratepayers	42,284	40,114
Pensioner rate subsidies received	420	433
Total ordinary rates	42,704	40,547
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	15,219	14,132
Stormwater management services	554	537
Waste management services (non-domestic)	934	893
Section 611 charges	28	28
Less: pensioner rebates (mandatory)	(399)	(393)
Less: pensioner rebates (Council policy)	(46)	(44)
Annual charges levied	16,290	15,153
Pensioner subsidies received:		
– Domestic waste management	216	199
Total annual charges	16,506	15,352
Total rates and annual charges	59,210	55,899

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	2022	2021
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	264	272
Private works – section 67	2	19
Regulatory/ statutory fees	235	135
Section 10.7 certificates (EP&A Act)	281	282
Section 603 certificates	198	216
Town planning	2,505	1,944
Building permits and fees	846	715
Total fees and charges – statutory/regulatory	4,331	3,583
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	143	122
Cemeteries	128	155
Transport for NSW works (state roads not controlled by Council)	12,827	7,195
Waste disposal tipping fees	2,782	2,079
Cessnock performing arts centre	273	191
Onsite sewerage management fees	547	484
Swimming pool fees	177	118
Other	476	201
Total fees and charges – other	17,353	10,545
Total other user charges and fees	21,684	14,128
Total user charges and fees	21,684	14,128
Timing of revenue recognition for user charges and fees		
User charges and fees recognised at a point in time	19,179	11,811
User charges and fees recognised over time	2,505	2,317
Total user charges and fees	21,684	14,128

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 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 revenues

\$ '000	2022	2021
Fines	532	444
Legal fees recovery – rates and charges (extra charges)	6	3
Legal fees recovery – other	–	17
Commissions and agency fees	33	9
Diesel rebate	39	47
Insurance claims recoveries	–	29
Sales – general	321	100
Section 355 committees	239	126
Other	29	42
Metal Sales	326	324
Total other revenue	1,525	1,141
Timing of revenue recognition for other revenue		
Other revenue recognised at a point in time	1,525	1,141
Total other revenue	1,525	1,141

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	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
Current year allocation				
Financial assistance – general component	2,961	2,659	–	–
Financial assistance – local roads component	1,017	846	–	–
Payment in advance - future year allocation				
Financial assistance – general component	4,546	2,845	–	–
Financial assistance – local roads component	1,568	908	–	–
Amount recognised as income during current year	10,092	7,258	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Bushfire and emergency services	405	353	–	–
Community centres	–	–	174	141
Economic development	325	775	12	71
Environmental programs	520	23	–	–
Heritage and cultural	–	–	143	100
Library – per capita	162	153	–	–
Library – special projects	86	64	–	83
LIRS subsidy	27	25	–	–
Noxious weeds	73	69	–	–
Recreation and culture	140	6	2,937	3,749
Drainage	65	63	14	–
Transport	74	76	71	7,573
Waste levy programs	94	93	–	4
Welfare services	70	68	–	–
Street lighting	111	111	–	–
Transport (roads to recovery)	1,065	1,598	–	–
Transport (flood works, other roads and bridges funding)	1,333	–	6,154	2,212
Airport Upgrades	–	–	3,038	–
Other	197	219	44	395
Transport for NSW contributions (regional roads, block grant)	1,418	1,418	316	270
General admin services	638	574	–	–
Total special purpose grants and non-developer contributions – cash	6,803	5,688	12,903	14,598
Non-cash contributions				
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	27,821	25,702
Total other contributions – non-cash	–	–	27,821	25,702
Total special purpose grants and non-developer contributions (tied)	6,803	5,688	40,724	40,300
Total grants and non-developer contributions	16,895	12,946	40,724	40,300
Comprising:				
– Commonwealth funding	12,590	9,150	5,649	3,562
– State funding	2,857	2,600	7,053	10,806
– Other funding	1,448	1,196	28,022	25,932
	16,895	12,946	40,724	40,300

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements	G4	–	–	1,526	2,614
S 7.11 – contributions towards amenities/services		–	–	7,341	3,093
S 7.12 – fixed development consent levies		–	–	169	587
Total developer contributions – cash		–	–	9,036	6,294
Total developer contributions		–	–	9,036	6,294
Total contributions		–	–	9,036	6,294
Total grants and contributions		16,895	12,946	49,760	46,594
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		10,092	7,258	12,378	13,223
Grants and contributions recognised at a point in time		6,803	5,688	37,382	33,371
Total grants and contributions		16,895	12,946	49,760	46,594

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 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	1,429	2,007	6,733	4,112
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,886	621	–	–
Add: Funds received and not recognised as revenue in the current year	–	–	7,018	6,518
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(879)	(1,150)	–	(727)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(49)	(3,882)	(3,170)
Unspent funds at 30 June	2,436	1,429	9,869	6,733
Contributions				
Unspent funds at 1 July	20,996	17,529	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	9,145	6,409	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(3,084)	(2,942)	–	–
Unspent contributions at 30 June	27,057	20,996	–	–

B2-4 Grants and contributions (continued)

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. 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.

Non-cash contributions

Dedications in the form of tangible assets found or received by Council, mostly from developers, are recognised as capital income measured by the fair value at the time of dedication, less any accumulated depreciation. The level of dedications correlates strongly with development activities and includes such assets as bridges, roads, stormwater pits and pipes, and kerb and gutter.

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	213	90
– Cash and investments	353	355
Dividend income from investments at fair value through profit or loss		
- Distributions from managed funds	90	–
Total interest and investment income	656	445

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Reversal of revaluation decrements on IPPE previously expensed			
Infrastructure assets		–	481
Total gross reversal of revaluation decrements on IPPE previously expensed		–	481
Total reversal of revaluation decrements on IPPE previously expensed charged to Income Statement	C1-8	–	481
Rental income			
Other lease income			
Community Facilities	C2-2	384	436
Total other lease income		384	436
Total rental income	C2-2	384	436
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	484
Total net share of interests in joint ventures and associates using the equity method		–	484
Total other income		384	1,401

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	28,176	27,814
Travel expenses	481	441
Employee leave entitlements (ELE)	5,253	5,939
Superannuation	3,677	3,753
Workers' compensation insurance	1,268	990
Fringe benefit tax (FBT)	228	244
Training costs (other than salaries and wages)	282	236
Other	35	18
Total employee costs	39,400	39,435
Less: capitalised costs	(5,366)	(3,986)
Total employee costs expensed	34,034	35,449

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.

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		28,626	23,221
Contractor and consultancy costs		3,956	4,098
Audit Fees	F2-1	58	52
Infringement notice contract costs (SEINS)		82	35
Councillor and Mayoral fees and associated expenses	F1-2	424	348
Advertising		121	85
Bank charges		29	59
Election expenses		400	–
Electricity and heating		408	467
Insurance		1,461	1,384
Street lighting LED upgrade		28	605
Street lighting		861	779
Telephone and communications		213	312
Valuation fees		214	207
Other expenses		197	120
Rate collection agency expenses		61	67
RSPCA contribution		279	297
Section 355 committees		116	117
Subsidies		36	40
Legal expenses:			
– Legal expenses: planning and development		578	619
– Legal expenses: other		215	156
Expenses from leases of low value assets		39	53
Total materials and services		38,402	33,121
Total materials and services		38,402	33,121

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on leases		–	1
Interest on loans		<u>176</u>	<u>249</u>
Total interest bearing liability costs		<u>176</u>	<u>250</u>
Total interest bearing liability costs expensed		<u>176</u>	<u>250</u>
(ii) Other borrowing costs			
Remediation liabilities	C3-5	<u>12</u>	<u>13</u>
Total borrowing costs expensed		<u>188</u>	<u>263</u>

Accounting policy

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

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

\$ '000	Notes	2022	2021 Restated
Depreciation and amortisation			
Plant and equipment		2,080	2,163
Office equipment		316	231
Furniture and fittings		22	22
Library books		181	211
Infrastructure:	C1-8		
– Buildings		2,334	2,182
– Roads		7,215	6,544
– Bridges		619	579
– Footpaths		271	231
– Stormwater drainage		1,121	943
– Swimming pools		60	56
– Other open space/recreational assets		1,269	806
– Other infrastructure		29	27
Right of use assets	C2-1	23	56
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-8	(241)	625
Total gross depreciation and amortisation costs		15,299	14,676
Total depreciation and amortisation costs		15,299	14,676
Total depreciation, amortisation and impairment for non-financial assets		15,299	14,676

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 Note C1-8 for IPPE assets and Note C2-1a for right of use 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.

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		314	88
Total impairment of receivables	C1-4	314	88
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		–	101
Total net share of interests in joint ventures and associates using the equity method		–	101
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		423	–
Total Fair value decrement on investments	C1-2	423	–
Impairment of investments			
Investments other than at fair value through other comprehensive income	D1-1	383	–
Impairment of investments		383	–
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		88	114
– NSW fire brigade levy		372	401
– NSW rural fire service levy		603	824
– Waste levy		5,268	4,477
Donations, contributions and assistance to other organisations (Section 356)		78	81
Adjustment for remediation provision estimates		2,210	–
Total other		8,619	5,897
Total other expenses		9,739	6,086

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	2,464
Less: carrying amount of property assets sold/written off		–	(2,077)
Gain (or loss) on disposal		–	387
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		749	903
Less: carrying amount of plant and equipment assets sold/written off		(689)	(828)
Gain (or loss) on disposal		60	75
Gain (or loss) on disposal of infrastructure			
	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(5,032)	(6,777)
Gain (or loss) on disposal		(5,032)	(6,777)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		4,168	–
Less: carrying amount of real estate assets sold/written off		(1,270)	–
Gain (or loss) on disposal		2,898	–
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		–	800
Less: carrying amount of investments sold/redeemed/matured		–	(800)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		58,500	38,800
Less: carrying amount of term deposits sold/redeemed/matured		(58,500)	(38,800)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(2,074)	(6,315)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 16th June 2021 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	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	58,257	59,210	953	2%	F
User charges and fees	9,379	21,684	12,305	131%	F
Additional income from Transport for NSW (formerly Service NSW) was received due to contracted work on State roads not controlled by Council being higher than expected. Related costs are recognised in the Materials and Services expenditure category.					
Waste disposal tipping fees were higher than budgeted due to both an increase in tonnages disposed of and an increase in waste management disposal costs per tonne. This increase is also reflected in Waste Levies payable by Council shown as Other expenses below.					
Other revenues	2,079	1,525	(554)	(27)%	U
Other revenues, in particular fines and legal fees, were below budget due to a lack of enforcement activity, in a response to supporting the community through hardship associated with the COVID-19 pandemic.					
Operating grants and contributions	11,856	16,895	5,039	43%	F
Favourable variance relates to Council's success in achieving additional grants under the Regional Roads and Roads to Recovery programs and Natural Disaster (floods) grants in addition to an increase in the amount of Financial Assistance Grant repayment.					
Capital grants and contributions	27,350	49,760	22,410	82%	F
Favourable variances in capital grants is attributed to developer contributions being received as a result of the ongoing increase in housing demand which is higher than expected.					
The original budget only includes confirmed grants known at the time the budget was set and during the year further specific grants were received including Cessnock Aerodrome upgrade, Local Roads & Community Infrastructure program, Recreation & Culture and Bridge Renewal Program.					
Interest and investment revenue	324	656	332	102%	F
Interest and Investment income was above budget due to higher than expected interest on overdue rates which correlates with lower legal fee recoveries noted above.					
Interest from investments was also above budget due to higher investments in term deposits and managed funds as well as a corresponding increase interest rates received on deposit.					
Other income	-	384	384	∞	F
Other income for lease rental on Community Facilities were included in the budget under Other revenues. The income statement and Notes B2-3 Other Revenues and B2-6 Other Income correctly records the current and prior year actuals under Other Income.					

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Expenses

Employee benefits and on-costs	32,738	34,034	(1,296)	(4)%	U
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Materials and services	20,165	38,402	(18,237)	(90)%	U
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Unfavourable variance predominantly relates to additional Transport for NSW (formerly Service NSW) expenditure which is offset by additional income.

The variance also includes the review and recognition of operational costs that were originally budgeted in the capital works program.

The 2022 budget was published using the previous years allocation between Materials and services and Other expenses. If the 2022 budget was restated to reflect this change in disclosure, Materials and services would be \$25.2m and Other expenses \$6.4m.

Borrowing costs	224	188	36	16%	F
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Borrowing costs are below budget due to deferral of new loans into 2022-23.

Depreciation, amortisation and impairment of non-financial assets	14,382	15,299	(917)	(6)%	U
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Depreciation has increased as a result of revaluation of assets from previous years reflecting depreciation cost over their effective life.

Other expenses	11,395	9,739	1,656	15%	F
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The 2022 budget was published using the previous years allocation between Materials and services and Other expenses. If the 2022 budget was restated to reflect this change in disclosure, Materials and services would be \$25.2m and Other expenses \$6.4m.

The primary unfavourable variances in Other expenses are increases to the provision for remediation related to closed landfill sites for \$2.2m and the write off of the 2021 equity interest in Arrow Collaborative Services Ltd, both items were unbudgeted and emerged during the audit of the financial statements.

Net losses from disposal of assets	2,500	2,074	426	17%	F
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A favourable variance exists due to proceeds from disposal of property, offset by losses on disposal of infrastructure renewed prior to end of the effective life.

Statement of cash flows

Cash flows from operating activities	45,196	43,852	(1,344)	(3)%	U
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Cash flows from investing activities	(46,606)	(41,264)	5,342	(11)%	F
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Cashflows from Investment activities reflect the net increase in investments in term deposits compared to the budget. Additional cash inflows, and subsequent investments in term deposits, were driven by the increase in operating and capital grants received.

Cash flows from financing activities	1,505	(1,577)	(3,082)	(205)%	U
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Cashflows from Financing activities were unfavourable compared to budget due to a delay in the drawdown of loans until 2022-23, due to Council's strong cash position during 2021-22.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	5,228	7,225
Deposits at call	3,549	541
Total cash and cash equivalents	8,777	7,766

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	8,777	7,766
Balance as per the Statement of Cash Flows	8,777	7,766

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	3,667	-	-	-
Total	3,667	-	-	-
Debt securities at amortised cost				
Term deposits	61,500	-	47,000	-
Total	61,500	-	47,000	-
Total financial investments	65,167	-	47,000	-
Total cash assets, cash equivalents and investments	73,944	-	54,766	-

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 and loss (FVTPL)

C1-2 Financial investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in Treasury Corporation's TCorpIM Medium Term Growth Fund in the Statement of Financial Position.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	73,944	54,766
Less: Externally restricted cash, cash equivalents and investments	<u>(35,642)</u>	<u>(23,150)</u>
Cash, cash equivalents and investments not subject to external restrictions	38,302	31,616
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>7,332</u>	1,489
External restrictions – included in liabilities	7,332	1,489
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	<u>26,431</u>	19,541
Transport for NSW contributions	<u>624</u>	1,454
Stormwater management	<u>825</u>	236
Domestic waste management	<u>430</u>	430
External restrictions – other	28,310	21,661
Total external restrictions	35,642	23,150

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	38,302	31,616
Less: Internally restricted cash, cash equivalents and investments	<u>(36,581)</u>	<u>(29,903)</u>
Unrestricted and unallocated cash, cash equivalents and investments	1,721	1,713
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	3,714	2,525
Employees leave entitlement	2,446	2,974
Carry over works	2,267	1,662
Deposits, retentions and bonds	3,551	3,560
Bridge replacement	455	672
Financial assistance grant in advance	6,115	3,753
Insurance provisions	1,282	1,242
Miscellaneous and property	920	386
Operations and programs	318	452
Property investment fund	3,199	389
Civil Works	1,515	2,671
Waste depot and rehabilitation	9,454	6,833
Unexpended Loan Funds	–	1,235
Committed Projects (SRV)	1,345	1,549

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

\$ '000	2022	2021
Total internal allocations	36,581	29,903

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	4,666	–	3,649	–
User charges and fees	24	–	19	–
Accrued revenues				
Interest on investments	245	–	83	–
Competitive building fees	139	–	355	–
Community facilities	–	–	17	–
Garbage tipping fees	36	–	18	–
Government grants and subsidies	4,823	–	6,697	–
Kerb and gutter	6	–	7	–
Net GST receivable	1,177	–	541	–
Premises inspections	97	–	73	–
Rental charges	31	–	58	–
Restoration charges	6	–	10	–
Transport for NSW	4,184	–	1,958	–
Other debtors	892	–	426	–
Total	16,326	–	13,911	–
Less: provision for impairment				
Rates and annual charges	(361)	–	(332)	–
Other debtors	(455)	–	(176)	–
Total provision for impairment – receivables	(816)	–	(508)	–
Total net receivables	15,510	–	13,403	–

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, 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.

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

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.

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.

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

C1-4 Receivables (continued)

Council may write 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 120 days past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity. Furthermore, Council has not been undertaking debt collection in effort to support the community through significant hardship associated with the COVID-19 pandemic.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	–	–	1,270	–
Stores and materials	548	–	421	–
Hunter Valley Visitor Information Centre stock on hand	11	–	–	–
Total inventories at cost	559	–	1,691	–
Total inventories	559	–	1,691	–

(ii) Other disclosures

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Residential	–	–	1,270	–
Total real estate for resale	–	–	1,270	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Hunter Valley Visitor Information Centre consignment stock has been excluded from stock on hand.

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

Accounting policy

Contract assets

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

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

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

Council does not have any contract assets or contract cost assets at 30 June 2022.

C1-7 Non-current assets classified as held for sale

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Land and Buildings	-	-	1,409	-
Total non-current assets held for sale	-	-	1,409	-
Total non-current assets classified as held for sale	-	-	1,409	-

Accounting policy

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use and are measured at the lower of their carrying amount and fair value less costs to sell.

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers renewals	WIP transfers new assets	Tfrs from/(to) 'held for sale' category	Revaluation increments/(decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	12,543	–	12,543	7,273	5,122	(1,383)	–	(4,464)	(2,551)	–	–	16,540	–	16,540
Plant and equipment	25,741	(17,757)	7,984	–	1,584	(688)	(2,080)	–	–	–	–	26,074	(19,274)	6,800
Office equipment	4,802	(3,999)	803	–	734	–	(316)	–	30	–	–	5,566	(4,315)	1,251
Furniture and fittings	1,490	(1,354)	136	–	5	–	(22)	–	–	–	–	1,496	(1,377)	119
Land:														
– Operational land	31,151	–	31,151	–	–	–	–	–	–	1,409	10,319	42,879	–	42,879
– Community land	31,677	–	31,677	–	–	–	–	–	–	–	9,469	41,146	–	41,146
– Land under roads (post 30/6/08)	742	–	742	–	137	–	–	–	–	–	222	1,101	–	1,101
Infrastructure:														
– Buildings	135,932	(71,741)	64,191	320	116	(250)	(2,334)	296	49	–	4,846	144,913	(77,679)	67,234
– Roads	807,313	(135,870)	671,443	5,333	20,395	(3,865)	(7,215)	3,440	591	–	43,437	882,596	(149,037)	733,559
– Bridges	65,627	(6,293)	59,334	296	1,448	(491)	(619)	337	475	–	1,780	69,497	(6,937)	62,560
– Footpaths	22,026	(3,392)	18,634	169	2,606	(138)	(271)	115	316	–	521	25,657	(3,705)	21,952
– Stormwater drainage	123,346	(19,605)	103,741	–	7,968	(88)	(1,121)	113	261	–	2,201	134,177	(21,102)	113,075
– Swimming pools	5,679	(2,665)	3,014	32	–	(21)	(60)	–	–	–	115	5,901	(2,821)	3,080
– Other open space/recreational assets	40,660	(13,194)	27,466	56	1,525	(179)	(1,269)	163	829	–	1,493	44,999	(14,915)	30,084
– Other infrastructure	6,485	(993)	5,492	–	–	–	(29)	–	–	–	406	6,960	(1,091)	5,869
Other assets:														
– Library books	6,301	(5,338)	963	–	139	–	(181)	–	–	–	–	6,440	(5,519)	921
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	11,525	(9,025)	2,500	–	1,536	–	241	–	–	–	(3,125)	9,936	(8,784)	1,152
Total infrastructure, property, plant and equipment	1,333,040	(291,226)	1,041,814	13,479	43,315	(7,103)	(15,276)	–	–	1,409	71,684	1,465,878	(316,556)	1,149,322

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

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments/ (decrements)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	16,802	–	16,802	6,326	3,800	(1,375)	–	(13,008)	–	–	–	12,543	–	12,543
Plant and equipment	24,946	(16,128)	8,818	–	2,156	(828)	(2,163)	–	–	–	–	25,741	(17,757)	7,984
Office equipment	4,342	(3,768)	574	–	459	–	(231)	–	–	–	–	4,802	(3,999)	803
Furniture and fittings	1,466	(1,333)	133	–	17	–	(22)	8	–	–	–	1,490	(1,354)	136
Land:														
– Operational land	33,553	–	33,553	–	–	–	–	–	675	(3,077)	–	31,151	–	31,151
– Community land	23,895	–	23,895	–	–	–	–	–	(675)	–	8,457	31,677	–	31,677
– Land under roads (post 30/6/08)	684	–	684	–	58	–	–	–	–	–	–	742	–	742
Infrastructure:														
– Buildings	128,424	(68,600)	59,824	376	824	(374)	(2,182)	1,194	481	(186)	4,235	135,932	(71,741)	64,191
– Roads	770,758	(134,985)	635,773	134	9,427	(3,784)	(6,544)	7,814	–	–	28,620	807,313	(135,870)	671,443
– Bridges	50,497	(11,090)	39,407	489	15,129	(1,968)	(579)	437	–	–	6,418	65,627	(6,293)	59,334
– Footpaths	19,629	(3,992)	15,637	206	1,095	(169)	(231)	709	–	–	1,387	22,026	(3,392)	18,634
– Stormwater drainage	114,144	(21,801)	92,343	227	5,120	(52)	(943)	–	–	–	7,046	123,346	(19,605)	103,741
– Swimming pools	5,019	(2,132)	2,887	–	–	(11)	(56)	20	–	–	175	5,679	(2,665)	3,014
– Other open space/recreational assets	24,391	(9,110)	15,281	30	3,271	(420)	(806)	2,826	–	(13)	7,297	40,660	(13,194)	27,466
– Other infrastructure	6,221	(921)	5,300	–	–	–	(27)	–	–	–	221	6,485	(993)	5,492
Other assets:														
– Library books	6,165	(5,128)	1,037	–	136	–	(211)	–	–	–	–	6,301	(5,338)	963
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	12,208	(8,400)	3,808	–	–	–	(625)	–	(683)	–	–	11,525	(9,025)	2,500
Total infrastructure, property, plant and equipment	1,243,144	(287,388)	955,756	7,788	41,492	(8,981)	(14,620)	–	(202)	(3,276)	63,856	1,333,040	(291,226)	1,041,814

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Capitalisation Threshold

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

Plant & Equipment

Office Equipment	>\$300
Furniture and Fittings	>\$300
Other Plant & Equipment	>\$3,000
Library books	100% Capitalised

Land

Operational land	100% Capitalised
Community land	100% Capitalised
Land under roads (purchases after 30/06/08)	100% Capitalised

Buildings

New construction or upgrade	100% Capitalised
Renewal	Capitalised where restoration costs \$2,000 or greater or a complete component replaced

Transportation Assets

Roads	Capitalise if pavement renewal to same standard, resurfacing with same standard, reconstruction is \$10,000 or greater and / or more than 20% of a segment area
Kerb & Gutter	\$3,000 or greater
Traffic Facilities	\$3,000 or greater
Bridges	Capitalise if reconstruction is \$10,000 or greater and / or more than 20% of a component
Footpaths	\$3,000 or greater

Stormwater Drainage

Culverts, Pipes & Pits	Capitalise if reconstruction is \$5,000 or greater and / or more than 20% of asset
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Other Infrastructure Assets

Swimming Pools	Capitalise if complete component is replaced or \$2,000 or greater
Other Open Space / Recreational Assets	Capitalise if complete component is replaced or \$2,000 or greater
Runways and Taxiways	Capitalise if pavement renewal to same standard, resurfacing with same standard, reconstruction is \$10,000 or greater and / or more than 20% of segment area

C1-8 Infrastructure, property, plant and equipment (continued)

Useful Life

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

Plant and equipment	Years	Other equipment	Years
Office equipment	4 to 10	Playground equipment	23
Office furniture	4 to 10	Benches, seats etc.	10 to 20
Computer equipment	2 to 5		
Vehicles	6.5 to 8	Buildings	
Heavy plant/road making equipment	4 to 8	Sub-structure	30 to 110
Other plant and equipment	4 to 15	Superstructure	35 to 110
		Roof Frame	150
Stormwater Drainage assets		Roof	20 to 110
Culverts	120	Electrical	45
Stormwater Pipes	120	Hydraulic	20 to 40
Stormwater Pits	120	Mechanical	22
		Fit-Out Fittings	35
Transportation assets		Fit-outs Floor Coverings	25
Sealed roads: surface	24 to 34		
Sealed roads: structure	80 to 1000	Other infrastructure assets	
Unsealed roads: surface and base	25 to 80	Swimming pools	94
Bridge: concrete: structure	120	Other open space/recreational assets	11 to 120
Bridge: concrete: other	50 to 60	Playgrounds	23
Bridge: timber - structure	120	Runways and Taxiways: surface	20
Bridge: timber - other	50 to 60	Runways and Taxiways: structure	80 to 1000
Kerb, gutter and footpaths	120		

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

Revaluation Model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 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 IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Land under roads

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

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 the Crown reserves are under a lease arrangement, they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

Based on a review of relevant accounting standards, legislation, service agreements, current finance management agreements and the manner the RFS plant and equipment is purchased, managed and utilised, Council does not have control over RFS plant and equipment and consequently does not recognise these assets as Council assets.

C1-9 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	2,779	-	1,006	-
Total other assets	2,779	-	1,006	-

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Office, Gym and IT equipment

Leases for office, gym and IT equipment are generally for low value assets.

(a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
2022			
Opening balance at 1 July	29	–	29
Depreciation charge	(23)	–	(23)
Balance at 30 June	6	–	6
2021			
Opening balance at 1 July	85	–	85
Depreciation charge	(56)	–	(56)
Balance at 30 June	29	–	29

(b) Lease liabilities

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	4	2	–	6	6
2021					
Cash flows	18	5	–	23	24

(c) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	–	1
Depreciation of right of use assets	23	56
Expenses relating to low-value leases	39	53
	62	110

Accounting policy

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

C2-1 Council as a lessee (continued)

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

\$ '000	2022	2021
(i) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of supporting the commercial community, the table below relates to operating leases on assets disclosed in C1-8.		
Lease income (excluding variable lease payments not dependent on an index or rate)	384	436
Total income relating to operating leases for Council assets	384	436
Other leased assets expenses		
Other	76	68
Total expenses relating to other leases assets	76	68

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

< 1 year	163	223
1–2 years	146	265
2–3 years	68	87
3–4 years	48	56
4–5 years	45	56
> 5 years	169	194
Total undiscounted lease payments to be received	639	881

Accounting policy

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

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

If the lease contains lease and non-lease components, 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	2022		2021	
	Current	Non-current	Current	Non-current
Goods and services – operating expenditure	3,417	–	3,942	–
Prepaid rates	2,179	–	1,982	–
Accrued expenses:				
- Salaries and wages	1,409	–	1,186	–
- Other expenditure accruals	13	–	16	–
Security bonds, deposits and retentions	480	3,611	521	3,039
Trust fund	316	–	181	–
Total payables	7,814	3,611	7,828	3,039

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

\$ '000	2022	2021
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	480	521
Payables - trust Fund Deposits	48	48
Total payables	528	569

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.

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	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	10,335	-	6,700	-
Total grants received in advance		10,335	-	6,700	-
User fees and charges received in advance:					
Upfront fees facilities		38	-	66	-
Development Application fees	(iii)	496	-	372	-
Total user fees and charges received in advance		534	-	438	-
Total contract liabilities		10,869	-	7,138	-

Notes

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

(iii) Development application fees are recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided. The undetermined DA fees do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability at end of the year.

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,876	3,170
Operating grants (received prior to performance obligation being satisfied)	-	49
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,876	3,219

Significant changes in contract liabilities

The increase in contract liabilities is due to the receipt of significant grant funds in 2021 and 2022 that relate to projects continuing into 2023.

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	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	1,192	3,938	1,558	5,131
Total borrowings	1,192	3,938	1,558	5,131

(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 and E2.

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,689	(1,559)	–	–	–	–	5,130
Lease liability (Note C2-1b)	24	(18)	–	–	–	–	6
Total liabilities from financing activities	6,713	(1,577)	–	–	–	–	5,136

\$ '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	5,349	1,340	–	–	–	–	6,689
Lease liability (Note C2-1b)	83	(59)	–	–	–	–	24
Total liabilities from financing activities	5,432	1,281	–	–	–	–	6,713

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	100	100
Total financing arrangements	1,100	1,100
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	100	100
Total undrawn financing arrangements	1,100	1,100

(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

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	3,131	–	3,429	–
Sick leave	380	–	455	–
Long service leave	5,876	292	6,398	265
Total employee benefit provisions	9,387	292	10,282	265

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,662	6,276
	5,662	6,276

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 and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	42	18,015	–	14,344
Sub-total – asset remediation/restoration	42	18,015	–	14,344
Total provisions	42	18,015	–	14,344

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	14,344	14,344
Other	3,713	3,713
Total other provisions at end of year	18,057	18,057
2021		
At beginning of year	15,049	15,049
Other	(705)	(705)
Total other provisions at end of year	14,344	14,344

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

Where movements in provisions relate to change in estimates or discount rates for former landfill sites, adjustments will be made directly to the operating statement. Estimates will continue to be updated as Council continues to investigate its obligations for remediation of contaminated sites, particularly former orphan sites.

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Interests in other entities

D1-1 Interests in joint arrangements

Joint operations

Principal activity	Place of business	Interest in ownership		Interest in voting	
		2022	2021	2022	2021

(a) Council is involved in the following joint operations (JO's)

Name of joint operation:

Arrow Collaborative Services Ltd	Local Government Services	Thornton	0%	10%	0%	8%
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Council has an interest in Arrow Collaborative Services Ltd, along with other member Councils. The activities of this organisation are not controlled by any one Council. Arrow Collaborative Services Ltd has been established to improve the quality and efficiency of local government service throughout the Hunter Region.

Council assets employed in the joint operations

\$ '000	2022	2021
Council's share of assets jointly owned with other partners		
Current assets	–	633
Current liabilities	–	(323)
Property, plant and equipment	–	48
Intangible assets	–	27
Non-current liabilities	–	(2)
Total net assets employed – Council and jointly owned	–	383

Accounting policy

Council previously determined that it has joint operation with Arrow Collaborative Services Ltd. During the 2022 financial year, all member Councils received advice that as ownership and voting rights are below 20% the arrangement does not apply as an associate or joint venture, however should be recognised at fair value through profit or loss as a financial investment.

Joint operations:

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns.
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
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	735	473
Impact of a 10% movement in price of investments		
– Equity / Income Statement	7,353	4,728

(b) Credit risk

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

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

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

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

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

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

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

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

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 rates and annual charges			Total
	overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	4,666	–	4,666
2021				
Gross carrying amount	–	3,649	–	3,649

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	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	8,932	1,330	340	265	793	11,660
Expected loss rate (%)	3.90%	8.90%	18.90%	33.90%	48.90%	8.65%
ECL provision ¹	15	35	75	135	195	455
2021						
Gross carrying amount	6,934	1,493	37	43	1,755	10,262
Expected loss rate (%)	3.41%	7.77%	16.51%	29.61%	42.71%	53.63%
ECL provision ¹	6	14	29	52	75	176

(1) The provision excludes government grants and government agency payments

(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.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	4,091	7,334	–	–	11,425	11,425
Borrowings	2.67%	–	1,192	2,695	1,244	5,131	5,130
Total financial liabilities		4,091	8,526	2,695	1,244	16,556	16,555
2021							
Payables	0.00%	3,560	5,324	–	–	8,884	8,884
Borrowings	3.20%	–	1,558	3,255	1,876	6,689	6,689
Total financial liabilities		3,560	6,882	3,255	1,876	15,573	15,573

E2-1 Fair value measurement

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

- Financial assets and liabilities
- Infrastructure, property plant and equipment (excluding work in progress)

Fair value hierarchy

All assets and liabilities measured at fair value are 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).

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

Recurring fair value measurements

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021		
Recurring fair value measurements							
Financial assets							
Managed Funds	C1-2	3,667	–	–	–	3,667	–
Total financial assets		3,667	–	–	–	3,667	–
Infrastructure, property, plant and equipment							
	C1-8						
Plant and Equipment		–	–	6,800	7,984	6,800	7,984
Office Equipment		–	–	1,251	803	1,251	803
Furniture and Fittings		–	–	119	136	119	136
Operational Land		–	–	42,879	31,151	42,879	31,151
Community Land		–	–	41,146	31,677	41,146	31,677
Land Under Roads (post 30/6/08)		–	–	1,101	742	1,101	742
Buildings		–	–	67,234	64,191	67,234	64,191
Roads		–	–	733,559	671,443	733,559	671,443
Bridges		–	–	62,560	59,334	62,560	59,334
Footpaths		–	–	21,952	18,634	21,952	18,634
Stormwater Drainage		–	–	113,075	103,742	113,075	103,742
Swimming Pools		–	–	3,080	3,014	3,080	3,014
Other Open Space / Recreational Assets		–	–	30,084	27,465	30,084	27,465
Other Infrastructure		–	–	5,869	5,492	5,869	5,492
Library Books		–	–	921	963	921	963
Landfill Rehabilitation		–	–	1,152	2,500	1,152	2,500
Total infrastructure, property, plant and equipment		–	–	1,132,782	1,029,271	1,132,782	1,029,271

Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Financial assets

Council holds units in the TCorpIM Medium Term Growth Fund. Prices are observable, however, no active market exists for these funds as they are only accessible to government agencies. The unit price of each fund is equal to the total fair value of the net assets held by the fund divided by the total number of units on issue for that fund. Unit prices are calculated and published daily.

Infrastructure, property, plant and equipment (IPPE)

Refer below sections.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Plant, equipment, office equipment, furniture, fittings and library books

These assets are reported at depreciated historical cost. In light of the nature and value of council plant and equipment, the fair value of these assets is not materially different from depreciated historical cost. None of these assets have suffered impairment losses. There has been no change to the valuation process during the reporting period.

Operational Land

Operational land was last valued in 2018 by independent qualified valuer Opteon Solutions. Opteon Solutions used market evidence to value operational land and applied adjustments for zoning, location, land size, comparability, utility, etc. Council reviewed the valuation report and discussed significant movements with Opteon Solutions. In the years when a comprehensive valuation is not due indexation has been applied per the average increase in Valuer General's valuation. There has been no change to the valuation process during the reporting period.

Community Land

Community land was valued during the financial year 2020-21. Council staff carried out the valuation. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuation. Community land is subject to restrictions which the Valuer General has taken into account when applying discounts to the market price based on sales of similar assets. In the years when a comprehensive valuation is not due indexation has been applied per the average increase in Valuer General's valuation. There has been no change to the valuation process during the reporting period.

Land Under Roads

Land under roads that came into Council's control post 01/07/2008 was last valued in 2019. Council staff determined the average unit value of land within the Cessnock local government area using the Valuer General's valuation at 30 June 2019. A 90% discount was applied to the average unit value to reflect restrictions placed on land under roads. In the years when a comprehensive valuation is not due indexation has been applied per the average increase in Valuer General's valuation. There has been no change to the valuation process during the reporting period.

Buildings - Non Specialised

The last comprehensive valuation on Non Specialised Buildings was undertaken externally in 2018 by independent qualified valuers APV Valuers. The Market Approach has been used to value this asset class. APV Valuers have valued non-specialised buildings by obtaining market evidence through the direct comparison approach. Council reviewed the valuation report and discussed significant movements with APV Valuers. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook. There has been no change to the valuation techniques during the reporting period.

Buildings - Specialised

The last comprehensive valuation on Specialised Buildings was undertaken in 2018 by Council's asset management staff. Under the Cost Approach, current replacement cost was calculated using Rawlinsons Construction Handbook to determine unit rates applicable to the various components of each asset. Unit rates were tested against recently completed projects to ensure accuracy. Council's asset management staff reviewed and adjusted condition, useful life and the valuation matrix where appropriate. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook. There has been no change to the valuation techniques during the reporting period.

E2-1 Fair value measurement (continued)

Infrastructure Assets

Fair value has been determined by calculating the current replacement cost under the Cost Approach and the net carrying amount based on the unobservable inputs noted in the table below.

Comprehensive revaluations are carried out every five years or sooner if there is any indication that the current carrying amount of assets is materially different from their fair value. In the years when a comprehensive valuation is not due indexation has been applied per Rawlinson Construction Handbook.

Landfill Rehabilitation

Council recognises a provision that reflects the estimated future costs to rehabilitate its landfill site at the time the work is needed. A discount rate is applied to reflect the present value of the provision. Council reviews the carrying amount of the provision at each reporting date to determine whether it continues to reflect management's best estimate of the costs to be incurred.

There has been no change to the valuation techniques during the reporting period and estimates will continue to be updated as Council continues to investigate its obligations for remediation of contaminated sites, particularly former sites.

E2-1 Fair value measurement (continued)

The following table shows when the last comprehensive revaluation was done and the consultant that was involved:

Asset Class	Unit Rates		Condition	
	Comprehensive Revaluation	Consultant	Comprehensive Revaluation	Consultant
Roads (includes kerb & gutter and street furniture)	2020	G7 Asset Management	2020	Pavement Management Services (PMS)
Bridges	2020	G7 Asset Management	2021	Bridge Knowledge Pty Ltd and Council's asset management staff
Footpaths	2020	G7 Asset Management	2021	Pavement Management Services (PMS)
Stormwater Drainage	2020	G7 Asset Management	2021	Total Drainage Cleaning (TDC)
Swimming Pools	2021	Council's asset management staff	2021	Council's asset management staff
Other Open Space / Recreational Assets	2021	Council's asset management staff	2021	Council's asset management staff
Other Infrastructure (Runways and Taxiways)	2016	Jeff Roorda & Associates Pty Ltd	2016	Pavement Management Services (PMS)

Roads, Bridges, Footpaths, Stormwater Drainage

The 2020 comprehensive valuation was undertaken by an external, independent, qualified valuer G7 Asset Management. G7 Asset Management worked with Council on the review and update of Councils methodologies and their application in determining appropriate unit rates, the useful lives (and remaining useful lives) of Council assets and the impact this has on Council asset values and depreciation. Unit rates have primarily been calculated on a first principles basis using Rawlinsons Construction Handbook Sydney Index at 30/06/20. A provision for preliminaries of 8% and the Singleton regional index of 8% has been applied. Council's asset management and finance staff have tested the unit rates against recently completed projects to ensure completeness, reliability and accuracy.

Asset condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual.

Condition Assessments:

Roads - The condition of the entire network of Sealed and Unsealed Roads was evaluated utilising both technology (laser with software evaluation) and video with expert evaluation. This data was utilised to provide condition assessment for both the road surface and pavement base.

Kerb & Gutter and Street Furniture - Evaluated utilising video capture and expert assessment.

Bridges - Bridges were inspected in accordance with the RMS Bridge Procedure Inspection Manual 2007. Timber bridges – condition assessment carried out by Council's asset management staff. Concrete bridges, Major Culverts and Footbridges – condition assessment carried out by external consultant.

Footpaths - Evaluated utilising video capture and expert assessment.

Stormwater drainage - Council's Stormwater Assets were evaluated based on a statistically significant sample of assets. The sample was selected as representative with a higher weighting provided for current assets that had poorer condition ratings.

Council's Asset Management and Finance staff have comprehensively reviewed and discussed both condition and valuation results arising from the 2020 and 2021 revaluation with the independent experts noted above. This has been to recognise that Council is ultimately responsible for the outcome of the revaluation process. This review has been undertaken to ensure the completeness, reliability and accuracy of the data. Council staff have also undertaken their own independent analysis to assess outcomes and conclusions reached.

E2-1 Fair value measurement (continued)

Swimming Pools and Other Open Space / Recreational Assets

The 2021 comprehensive revaluation was carried out by Council's asset management and finance staff. Unit rates have been sourced primarily from actual cost on recent projects. Where internal rates are lacking, unit rates have been calculated on a first principles basis using Rawlinsons Construction Handbook Sydney Index at 30/06/21. A provision for preliminaries of 8% and the Singleton regional index of 8% has been applied. Council's asset management and finance staff have assessed the unit rates to ensure completeness, reliability and accuracy.

Asset condition assessments were carried out by Council's asset management staff via visual assessment. Condition assessments and their application in determining fair value are consistent with the recommended approach in the Integrated Planning and Reporting Manual. Council's asset management and finance staff have analysed the condition assessments to ensure completeness, reliability and accuracy.

Other Infrastructure (Runways and Taxiways)

Comprehensive revaluation was due for the 2021 financial year but has been postponed to 2023 due to major renewal and upgrades in progress since the 2021 financial year.

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

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

	Valuation technique/s	Unobservable inputs
Plant, equipment, office equipment, furniture, fittings and library books	Depreciated historical cost	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value.
Operational land	Market approach with adjustment for limited use	Land value, adjustment applied for limited use, comparison to similar recent sales, current market conditions.
Community land	Land values obtained from the NSW Valuer-General	Land value, land area, level of restriction
Land under roads	Land values obtained from the NSW Valuer-General discounted 90%	Land value, extent and impact of use, discount percentage.
Buildings - non specialised	Market approach	Comparison to similar recent sales, current market conditions, useful life, condition.
Buildings - specialised and Infrastructure assets	Cost approach	Current replacement cost of modern equivalent asset using componentisation, asset condition, remaining lives, residual value.
Landfill rehabilitation	Discounted cash flow	Environmental legislation, timing of expected cash outflows required to settle the obligation, discount percentage, rehabilitation cost estimates.

E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Land		Buildings		Infrastructure	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	9,885	10,562	63,570	58,132	64,191	59,824	889,125	806,628
Total gains or losses for the period								
Recognised in profit or loss – realised (refer to Note B4-1)	–	–	–	–	–	481	–	–
Recognised in other comprehensive income – revaluation surplus	–	–	20,010	8,457	4,846	4,235	49,952	48,257
Other movements								
Purchases (GBV)	2,463	2,770	137	58	436	1,199	39,828	38,037
Disposals (WDV)	(688)	(828)	–	–	(250)	(374)	(4,782)	(6,403)
Depreciation and impairment	(2,599)	(2,627)	–	–	(2,334)	(2,182)	(10,584)	(9,187)
Transfer from WIP	30	8	–	–	345	1,194	6,640	11,806
Adjustments and transfers	–	–	1,409	(3,077)	–	(186)	–	(13)
Closing balance	9,091	9,885	85,126	63,570	67,234	64,191	970,179	889,125

\$ '000	Rehabilitation Assets		Total	
	2022	2021	2022	2021
Opening balance	2,500	3,808	1,029,271	938,954
Recognised in profit or loss – realised (refer to Note B4-1)	–	–	–	481
Recognised in other comprehensive income – revaluation surplus	(3,125)	–	71,683	60,949
Purchases (GBV)	1,536	–	44,400	42,064
Disposals (WDV)	–	–	(5,720)	(7,605)
Depreciation and impairment	241	(625)	(15,276)	(14,621)
Transfer from WIP	–	–	7,015	13,008
Adjustments and transfers	–	(683)	1,409	(3,959)
Closing balance	1,152	2,500	1,132,782	1,029,271

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

There were no transfers in to or out of the Level 3 valuation hierarchy.

Highest and best use

All assets valued at fair value in this note are being used for their highest and best use.

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements

Pooled employers are required to pay 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 future service employer contribution rates are:

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

*For 180 Point Members, employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each pooled employer is a share of the total past service contributions of \$40.0m per annum for 1 July 2019 to 31 December 2021 and \$20.0m per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2022 was \$601,792. The last valuation of the Scheme was performed by the Fund Actuary Mr Richard Boyfield, FIAA as at 30 June 2021.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$309,747. Council's expected contribution to the plan for the next annual reporting period is \$451,559.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Defined Benefits reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$216,838 as at 30 June 2022.

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

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

Investment return	5.5% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

(ii) Statewide Mutual Limited

Council is a member of Statewide Mutual Limited, Australia's largest member owned Local Government self-insurance pool, working with Councils to reduce their exposure to risk.

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2022 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 Mutual Limited

Council is a member of the StateCover Mutual Limited which provides workplace compensation insurance.

StateCover Mutual Limited provides support and advice to Council on developing return to work programs, incident and claims management and assistance with meeting legislative compliance.

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.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

E3-1 Contingencies (continued)

(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 at 30 June 2022 and does not expect any material liabilities to eventuate.

Council had the following pending legal matters:

- An appeal against a previous judgement in favour Council
- A potential damages claim from a suppliers breach of contract
- A dispute for costs for rectification works from a contractor; and
- Various actions in appeal against Council planning decisions.

Whilst the potential costs of the claims are unlikely to be significant, it is not practical to assess the impact of any claim at the date of this report.

(ii) Rehabilitation Works

Council owns properties that may be subject to rehabilitation works due to possible contamination. This may result in future liabilities, but until an investigation of these sites is completed, Council is unable to determine the value of this liability.

Council is also responsible for rehabilitation works on former sites of Council due to possible contamination. Access to these sites is at the discretion of current owners with two locations being in areas that may not require the rehabilitation works. Given the issues of access and location Council is unable to determine the value of this liability.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 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	2022	2021
Compensation:		
Short-term benefits	1,427	1,316
Post-employment benefits	104	86
Total	1,531	1,402

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2022					
Payments for recycling bin services ¹	1,918	–	14 day terms on invoices	–	–
Payments received for other services provided ²	23	–	Nil	–	–
Payments made for services received ³	115	3	14 day terms on invoices	–	–
2021					
Payments for recycling bin services ¹	1,552	–	14 day terms on invoices	–	–
Payments received for other services provided ²	18	–	Nil	–	–
Payments made for services received ³	186	–	14 day terms on invoices	–	–

(1) Relates to payments to Hunter Resources Recovery, a company in which Council has an interest, to provide recycling services. The contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the term of the contract. Hunter Resource Recovery details have not been consolidated into Council's financial statements as the amounts are not material to Council operations.

(2) Council receives a rebate from Arrow Collaborative Services Limited, a company in which Council has an ownership interest, for its share of Local Government Procurement Contracts and or various services provided.

continued on next page ...

F1-1 Key management personnel (KMP) (continued)

⁽³⁾ Council uses Arrow Collaborative Services Limited, a company in which Council has an association with, for a variety of services including legal services, training and environment management.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	61	45
Councillors' fees	294	265
Other Councillors' expenses (including Mayor)	69	38
Total	424	348

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
Auditors of the Council - NSW Auditor-General:		
Audit and other assurance services		
Audit and review of financial statements	58	52
Remuneration for audit and other assurance services	58	52
Total Auditor-General remuneration	58	52
Total audit fees	58	52

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Operating result	50,378	36,644
Add/(less) non-cash items:		
Depreciation and amortisation	15,299	14,676
(Gain) / loss on disposal of assets	2,074	6,315
Non-cash capital grants and contributions	(27,821)	(26,317)
Impairment losses recognition – investments	383	–
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L	–	(481)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as ‘at fair value’ or ‘held for trading’	423	–
Share of net (profits)/losses of associates/joint ventures using the equity method	–	(383)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(2,415)	(7,064)
Increase / (decrease) in provision for impairment of receivables	308	88
(Increase) / decrease of inventories	(138)	(57)
(Increase) / decrease of other current assets	(1,773)	(683)
Increase / (decrease) in payables	(525)	386
Increase / (decrease) in other accrued expenses payable	220	40
Increase / (decrease) in other liabilities	863	(2,174)
Increase / (decrease) in contract liabilities	3,731	2,903
Increase / (decrease) in employee benefit provision	(868)	332
Increase / (decrease) in other provisions	3,713	(705)
Net Cash Flows from operating activities	43,852	23,520

(b) Non-cash investing and financing activities

Other dedications	27,821	26,317
Total non-cash investing and financing activities	27,821	26,317

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Plant and Equipment	478	463
Property, plant and equipment		
Office Equipment	32	134
Furniture & Fittings	5	–
Buildings	797	140
Roads	651	706
Bridges	–	1,437
Footpaths	293	89
Stormwater Drainage	600	114
Other Open Space / Recreational Assets	109	772
Other Infrastructure (Cessnock Airport Runway and Taxiways)	3,820	347
Library Books	11	9
Tip Asset	–	81
Total commitments	6,796	4,292

Details of capital commitments

Major projects that Council has material commitments for at 30 June 2022 include:

- Cessnock airport runway
- Major plant and vehicles
- Performing Arts Cessnock Loading Dock
- Cessnock airport Rural Fire Service aviation fire base
- Branxton to Greta cycleway
- Cessnock flood mitigation construction
- Abermain & Weston flood mitigation construction
- Mount View Road Cessnock
- South Cessnock flood mitigation construction
- Cessnock pool splash pad

G3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting event' that merits disclosure:

In July 2022, Cessnock City Council local government area was declared a Natural Disaster Zone due to a significant flooding event that has substantially damaged Council infrastructure throughout the local government area. Future costs in rectification works are not yet quantified but based on previous events will exceed \$3m. Some of these costs will be offset by State and Federal Government disaster funding.

In addition to the above direct costs, as Council officers undertake condition assessments on infrastructure effected there may be future impairment of assets, the financial effect is still to be determined.

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	244	–	–	–	(203)	–	41	–
Roads	1,245	1,735	–	10	(823)	–	2,167	–
Parking	173	–	–	1	(40)	–	134	–
Open space	1,268	2,500	–	13	(63)	–	3,718	–
Community facilities	2,534	1,366	–	16	(157)	–	3,759	–
Other	653	(46)	–	4	(137)	–	474	–
Tourist facilities	555	55	–	3	–	–	613	–
Transport	1,918	1,728	–	13	(100)	–	3,559	–
S7.11 contributions – under a plan	8,590	7,338	–	60	(1,523)	–	14,465	–
S7.12 levies – under a plan	881	169	–	5	(73)	–	982	–
Total S7.11 and S7.12 revenue under plans	9,471	7,507	–	65	(1,596)	–	15,447	–
S7.4 planning agreements	10,070	1,526	–	48	(660)	–	10,984	–
Total contributions	19,541	9,033	–	113	(2,256)	–	26,431	–

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.

G4-2 S7.11 Contributions - under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 2 - TOURIST DEVELOPMENT								
Tourist facilities	188	–	–	1	–	–	189	–
Total	188	–	–	1	–	–	189	–
CONTRIBUTION PLAN NUMBER 4 - NULKABA FLOOD MITIGATION								
Drainage	41	–	–	–	–	–	41	–
Total	41	–	–	–	–	–	41	–
CONTRIBUTION PLAN NUMBER 5 - CARPARKING CESSNOCK CBD								
Parking	173	–	–	1	(40)	–	134	–

G4-2 S7.11 Contributions - under a plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	173	-	-	1	(40)	-	134	-
CONTRIBUTION PLAN NUMBER 6 - RESIDENTIAL CONTRIBUTIONS PLAN								
Drainage	203	-	-	-	(203)	-	-	-
Roads	644	74	-	2	(681)	-	39	-
Open space	133	72	-	-	(9)	-	196	-
Community facilities	1,534	59	-	7	(127)	-	1,473	-
Other	401	20	-	2	(44)	-	379	-
Total	2,915	225	-	11	(1,064)	-	2,087	-
CONTRIBUTION PLAN NUMBER 7 - TOURISM CONTRIBUTIONS PLAN								
Roads	191	59	-	1	(17)	-	234	-
Tourist facilities	367	55	-	2	-	-	424	-
Other	130	4	-	1	-	-	135	-
Total	688	118	-	4	(17)	-	793	-
CONTRIBUTION PLAN NUMBER 8 - BLACKHILL QUARRY CONTRIBUTION PLAN								
Roads	410	19	-	2	(125)	-	306	-
Total	410	19	-	2	(125)	-	306	-
Site Specific Contributions Plan - Bellbird North								
Open space	614	425	-	4	-	-	1,043	-
Community facilities	595	290	-	4	-	-	889	-
Transport	1,012	905	-	7	(100)	-	1,824	-
Other *	109	(120)	-	-	(4)	-	(15)	-
Total	2,330	1,500	-	15	(104)	-	3,741	-
Site Specific Contributions Plan - Nulkaba								
Open space	76	100	-	1	-	-	177	-
Community facilities	96	126	-	1	-	-	223	-
Transport	282	126	-	1	-	-	409	-
Other	4	6	-	1	-	-	11	-
Total	458	358	-	4	-	-	820	-
Site Specific Contributions Plan - Mount View Road Millfield								
Open space	2	-	-	-	-	-	2	-
Community facilities	2	-	-	-	-	-	2	-
Transport	2	-	-	-	-	-	2	-
Total	6	-	-	-	-	-	6	-

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G4-2 S7.11 Contributions - under a plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Site Specific Contributions Plan - Averys Village Heddon Greta								
Open space	443	455	-	3	-	-	901	-
Community facilities	307	316	-	2	-	-	625	-
Transport	622	697	-	5	-	-	1,324	-
Other	9	17	-	-	(3)	-	23	-
Total	1,381	1,485	-	10	(3)	-	2,873	-
City Wide Infrastructure Contributions Plan								
Roads	-	1,583	-	5	-	-	1,588	-
Open space	-	1,448	-	5	(54)	-	1,399	-
Community facilities	-	575	-	2	(30)	-	547	-
Other	-	27	-	-	(86)	-	(59)	-
Total	-	3,633	-	12	(170)	-	3,475	-

(*) Bellbird North Plan correction to allocation of developer contribution from Other to Transport

S7.12 Levies – under a plan

Section 7.12 Contributions

Commercial Precincts	881	169	-	5	(73)	-	982	-
Total	881	169	-	5	(73)	-	982	-

G4-3 S7.4 planning agreements

S7.4 planning agreements

Drainage	3	-	-	-	-	-	3	-
Roads	2,301	405	-	10	-	-	2,716	-
Open space	2,586	3	-	11	(326)	-	2,274	-
Community facilities	4,590	1,118	-	24	(186)	-	5,546	-
Other	590	(1)	-	3	(147)	-	445	-
Total	10,070	1,525	-	48	(659)	-	10,984	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,429	3.42%	(5.19)%	2.50%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions	100,354				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	83,459	55.60%	54.75%	63.95%	> 60.00%
Total continuing operating revenue	150,114				
3. Unrestricted current ratio					
Current assets less all external restrictions	57,150	3.74x	3.84x	2.63x	> 1.50x
Current liabilities less specific purpose liabilities	15,279				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation	19,299	10.93x	5.45x	8.02x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,765				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	4,305	6.86%	5.63%	5.15%	< 10.00%
Rates and annual charges collectable	62,746				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	70,277	10.23	8.18	9.12	> 3.00
Monthly payments from cash flow of operating and financing activities	6,871	months	months	months	months

(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

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 3.42%

This ratio correlates with the operating result excluding capital income from grants and contributions which is a surplus for 2021/22.

Key factors attributed to this result for 2022 include prepayments of operating grants, namely the Financial Assistance Grant, and property sales, offset by additional landfill remediation provision.

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 2021/22 result

2021/22 ratio 55.60%

Council continues to be successful in obtaining grant funds to support delivery of its services to the community with some of these being paid in advance prior to delivery of works, which if excluded would show that Council's own source of operating revenues from ongoing activities would be above the benchmark. This ratio has also been lowered by natural disaster funding.

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 2021/22 result

2021/22 ratio 3.74x

This ratio remains stable and demonstrates that Council has a satisfactory level of working capital to satisfy its financial obligations.

Benchmark: — > 1.50x

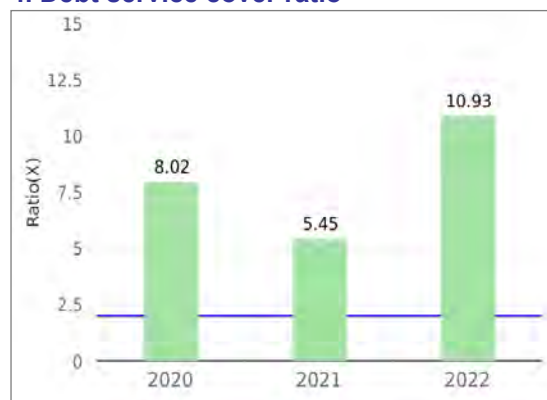
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 10.93x

This ratio has significantly improved since 2020/21 as a result of the change from a deficit to a surplus and demonstrates Council's ability to satisfy its debt repayments.

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 2021/22 result

2021/22 ratio 6.86%

Although this ratio has further declined since 2021 due to the ongoing impacts associated with the Covid-19 pandemic, this is still an excellent result below benchmark and reflects Council's collaborative approach to support ratepayers through these unprecedented times.

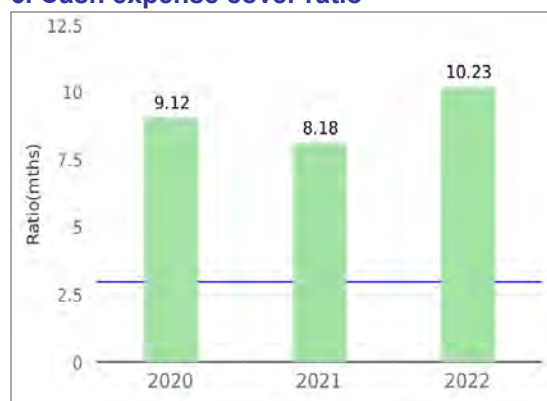
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 10.23 months

This stable ratio shows Council can pay expenses without a demand on additional cash flows, demonstrating liquidity strength despite the current economic climate.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Financial review

Key financial figures of Council over the past 5 years

\$ '000	2022	2021	2020	2019	2018
Inflows:					
Rates and annual charges revenue	59,210	55,899	53,355	47,869	47,869
User charges revenue	21,684	14,128	7,973	13,340	13,340
Interest and investment revenue (losses)	656	445	836	978	978
Grants income – operating and capital	57,619	53,246	33,259	12,695	12,695
Total income from continuing operations	150,114	132,554	101,718	121,386	121,386
Sale proceeds from IPPE	4,917	3,367	1,312	1,498	1,498
New loan borrowings and advances	–	2,948	–	2,960	2,960
Outflows:					
Employee benefits and on-cost expenses	34,034	35,449	35,330	31,586	31,586
Borrowing costs	188	263	318	453	453
Materials and contracts expenses	38,402	33,121	21,951	23,157	23,157
Total expenses from continuing operations	99,736	95,910	78,324	82,023	82,023
Total cash purchases of IPPE	27,591	20,909	24,935	16,155	16,155
Total loan repayments (incl. finance leases)	1,582	1,667	1,569	1,306	1,306
Operating surplus/(deficit) (excl. capital income)	618	(9,950)	(203)	(5,374)	(5,374)
Financial position figures					
Current assets	92,792	72,275	56,097	43,147	43,147
Current liabilities	29,308	26,824	22,870	17,701	17,701
Net current assets	63,484	45,451	33,227	25,446	25,446
Available working capital (Unrestricted net current assets)	10,163	4,464	(682)	222	222
Cash and investments – unrestricted	1,721	1,713	614	1,451	1,451
Cash and investments – internal restrictions	36,581	29,903	25,365	22,095	22,095
Cash and investments – total	73,944	54,766	47,507	39,160	39,160
Total borrowings outstanding (loans, advances and finance leases)	5,136	6,689	5,349	8,252	8,252
Total value of IPPE (excl. land and earthworks)	1,380,752	1,269,470	1,185,012	954,806	954,806
Total accumulated depreciation	316,556	291,226	287,388	242,664	242,664
Indicative remaining useful life (as a % of GBV)	77%	77%	76%	75%	75%

Source: published audited financial statements of Council (current year and prior years)

H1-3 Council information and contact details

Principal place of business:

62 - 78 Vincent Street
Cessnock NSW 2325

Contact details

Mailing Address:

PO Box 152
Cessnock NSW 2325

Telephone: 02 49934100

Facsimile: 02 49932500

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.cessnock.nsw.gov.au

Email: council@cessnock.nsw.gov.au

Officers

GENERAL MANAGER

Mr Ken Liddell

RESPONSIBLE ACCOUNTING OFFICER

Mr Matthew Plumridge

PUBLIC OFFICER

Mr Robert Maginnity

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street
Sydney NSW 2000

GPO Box 12 Sydney NSW 2001

Elected members

MAYOR

Councillor Jay Suvaal

COUNCILLORS

Councillor John Moores (Deputy Mayor)

Councillor Anthony Burke

Councillor Paul Dunn

Councillor Rosa Grine

Councillor James Hawkins

Councillor Mitchell Hill

Councillor Karen Jackson

Councillor Jessica Jurd

Councillor Ian Olsen

Councillor Paul Paynter

Councillor Anne Sander

Councillor Daniel Watton

Other information

ABN: 60 919 148 928



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Cessnock City Council

To the Councillors of Cessnock City Council

Qualified Opinion

I have audited the accompanying financial statements of Cessnock City 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 2022, the Statement of Financial Position as at 30 June 2022, 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, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

- 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 2022, 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 qualified opinion should be read in conjunction with the rest of this report.

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-8 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 2 September 2009
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results'.

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 qualified audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2022 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Furqan Yousuf
Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY



Cr Jay Suvaal
Mayor
Cessnock City Council
PO Box 152
CESSNOCK NSW 2324

Contact: Furqan Yousuf
Phone no: 02 9275 7470
Our ref: D2214392/1712

28 October 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Cessnock City Council**

I have audited the general purpose financial statements (GPFS) of the Cessnock City Council (the Council) for the year ended 30 June 2022 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed a modified 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 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue and observation during my audit of the Council's financial statements.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 2 September 2009
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 general purpose financial statements (GPFS) to be modified.

Refer to the Independent Auditor's report on the GPFS.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	59.2	55.9	↑ 5.9
Grants and contributions revenue	66.7	59.5	↑ 12.1
Operating result from continuing operations	50.4	36.6	↑ 37.7
Net operating result before capital grants and contributions	0.6	(10.0)	↑ 106

Rates and annual charges revenue (\$59.2 million) increased by \$3.3 million (5.9 per cent) in 2021–22 due to:

- annual rate peg increase applied to ordinary rates (2.0 per cent)
- increase of \$1.1 million in domestic waste management services revenue.

Grants and contributions revenue (\$66.7 million) increased by \$7.2 million (12.1 per cent) in 2021–22 mainly due to:

- increase of \$2.8 million from financial assistance grant revenue
- increase of \$2.1 million from non-cash asset dedications revenue
- increase of \$2.7 million from developer contributions revenue.

The Council's operating result from continuing operations (\$50.4 million including depreciation and amortisation expense of \$15.3 million) was \$13.8 million higher than the 2020–21 result. This was mainly due to increased revenue of \$7.6 million from user charges and fees and rates and grants revenue, as explained above. This was partially offset by the increase in material and services expenses by \$5.3 million and other expenses of \$3.7 million.

The net operating result before capital grants and contributions (\$0.6 million) was \$10.6 million higher than the 2020–21 result mainly due to increase in revenue, as noted above.

STATEMENT OF CASH FLOWS

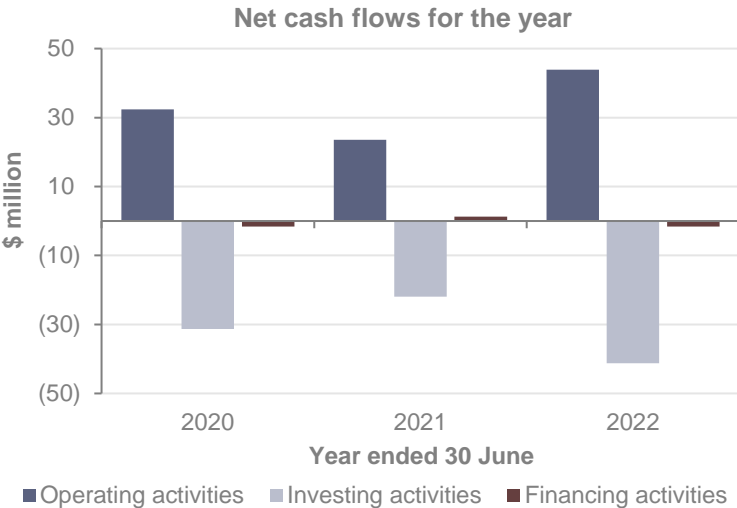
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The increase in cash provided from operating activities is mainly due to increased grants and contributions received during the year.

The increase in cash used in investing activities is mainly due to increases in acquisition of IPPE and investment securities.

The increase in cash used from financing activities is mainly due to repayment of borrowings.

The Council's cash and cash equivalents at 30 June 2022 was \$8.8 million (2021: \$7.8 million). The net cash flows for the year was an increase of \$1.0 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	73.9	54.8	<ul style="list-style-type: none"> Cash and investments increased by \$19.1 million. Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in Council's externally restricted cash and investments is mainly due to increase in developer contributions.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	35.6	23.2	<ul style="list-style-type: none"> Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capitals projects. The increase in internally restricted cash and investments is mainly due to increase in available cash for deposits, financial assistance grants in advance, and waste depot and rehabilitation reserve.
• Internal allocations	36.6	29.9	

Debt

The Council has \$5.1million of borrowings at 30 June 2022 (2021: \$6.7 million).

The Council has an accumulated drawdown facility limit of \$1.1 million at 30 June 2022 (2021: \$1.1 million) which remained unutilised at year-end.

PERFORMANCE

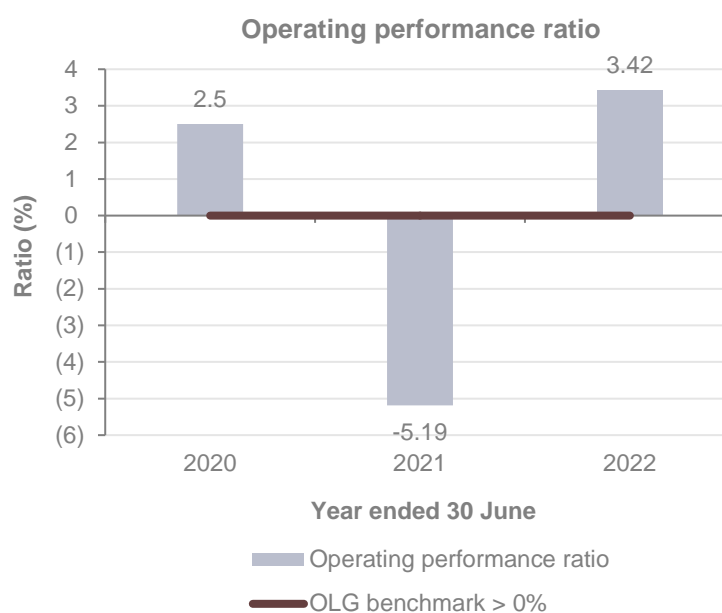
Performance measures

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 and Environment.

Operating performance ratio

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

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.



Own source operating revenue ratio

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

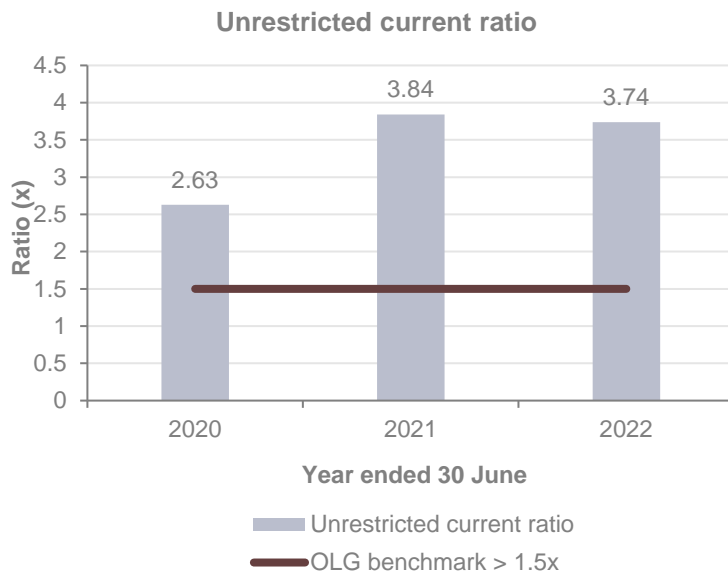
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

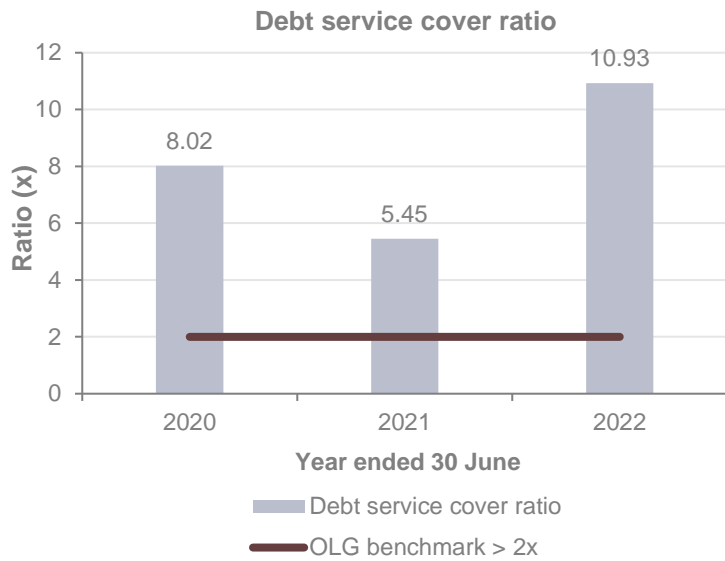
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

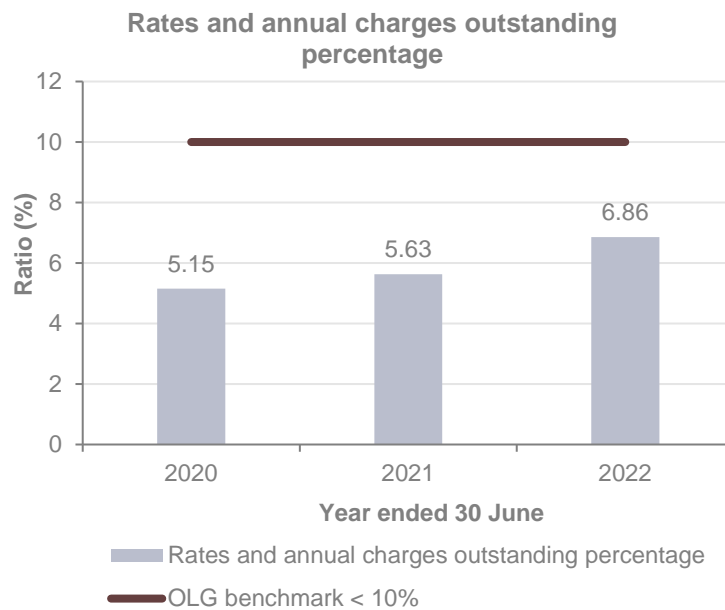
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

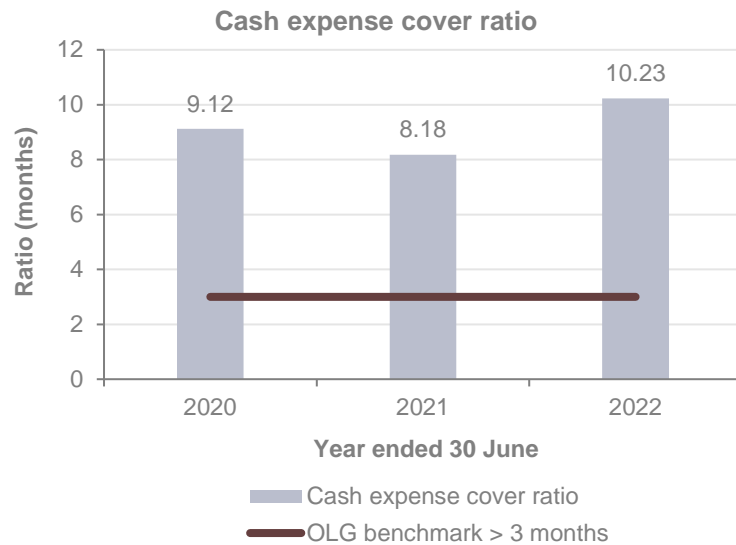
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

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

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.



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$6.2 million in 2021-22 (\$1.5 million in 2020-21). Significant renewals included road asset renewals of \$5.3 million (\$0.1 million in 2020-21).

OTHER MATTERS

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment was not recognised in the financial statements.

Except for the matter outlined above, the Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the GPFS
- staff provided all accounting records and information relevant to the audit.

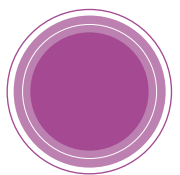
Furqan Yousuf
Delegate of the Auditor-General for New South Wales

cc: Mr Ken Liddell, General Manager
Ms Jennifer Hayes, Chair of the Audit, Risk and Improvement Committee



SPECIAL SCHEDULES

FOR THE YEAR ENDED
30 JUNE 2022



Cessnock City Council

Special Schedules

for the year ended 30 June 2022

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Cessnock City Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	41,197	43,139
Plus or minus adjustments ²	b	1,142	1,230
Notional general income	c = a + b	42,339	44,369
Permissible income calculation			
Special variation percentage ³	d	0.00%	2.50%
Or rate peg percentage	e	2.00%	0.00%
Plus special variation amount	h = d x (c + g)	–	1,109
Or plus rate peg amount	i = e x (c + g)	847	–
Sub-total	k = (c + g + h + i + j)	43,186	45,478
Plus (or minus) last year's carry forward total	l	(29)	17
Sub-total	n = (l + m)	(29)	17
Total permissible income	o = k + n	43,157	45,495
Less notional general income yield	p	43,139	45,470
Catch-up or (excess) result	q = o – p	17	25
Carry forward to next year ³	t = q + r + s	17	25

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 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (3) 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

Cessnock City Council

To the Councillors of Cessnock City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cessnock City Council (the Council) for the year ending 30 June 2023.

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 2021–22 (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 2022 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 2022'.

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. 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.



Furqan Yousuf
Delegate of the Auditor-General for New South Wales

28 October 2022
SYDNEY

Cessnock City Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	16,791	96,120	2,610	3,070	67,234	144,913	9.4%	15.3%	40.0%	26.3%	9.1%
	Sub-total	16,791	96,120	2,610	3,070	67,234	144,913	9.4%	15.3%	40.0%	26.3%	9.1%
Roads	Sealed roads	16,596	94,420	5,886	6,923	548,913	667,435	70.6%	9.7%	12.5%	5.2%	1.9%
	Unsealed roads	1,825	17,511	2,542	2,990	98,994	117,548	79.3%	5.0%	12.8%	1.7%	1.2%
	Bridges	39	389	157	185	62,560	69,497	71.8%	26.0%	2.0%	0.2%	0.0%
	Footpaths	67	1,437	144	169	21,952	25,658	56.0%	37.3%	6.4%	0.4%	0.0%
	Other road assets	409	5,493	451	530	85,652	97,612	64.4%	29.9%	4.7%	0.9%	0.2%
	Sub-total	18,936	119,250	9,180	10,797	818,071	977,750	70.7%	13.0%	10.9%	3.9%	1.5%
Stormwater drainage	Stormwater drainage	202	840	363	427	113,075	134,177	52.7%	38.4%	8.4%	0.4%	0.1%
	Sub-total	202	840	363	427	113,075	134,177	52.7%	38.4%	8.4%	0.4%	0.1%
Open space / recreational assets	Open Space	2,234	14,065	3,196	3,760	30,085	44,999	34.2%	22.5%	29.0%	10.3%	4.0%
	Swimming Pools	65	4,308	–	–	3,080	5,901	0.0%	2.7%	94.8%	2.5%	0.0%
	Sub-total	2,299	18,373	3,196	3,760	33,164	50,900	30.2%	20.2%	36.7%	9.4%	3.6%
Other infrastructure assets	Other	162	437	–	–	5,869	6,960	66.0%	20.1%	9.3%	0.0%	4.6%
	Sub-total	162	437	–	–	5,869	6,960	66.0%	20.1%	9.3%	0.0%	4.6%
Total – all assets		38,390	235,020	15,349	18,054	1,037,413	1,314,700	60.6%	16.2%	14.8%	6.2%	2.3%

(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

Cessnock City Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ^{1,2}	16,577	128.32%	111.66%	64.54%	>= 100.00%
Depreciation, amortisation and impairment	12,918				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	38,390	3.67%	3.41%	3.59%	< 2.00%
Net carrying amount of infrastructure assets ²	1,045,992				
Asset maintenance ratio					
Actual asset maintenance	18,054	117.62%	103.48%	101.34%	> 100.00%
Required asset maintenance	15,349				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	235,020	17.88%	17.67%	11.64%	
Gross replacement cost	1,314,700				

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

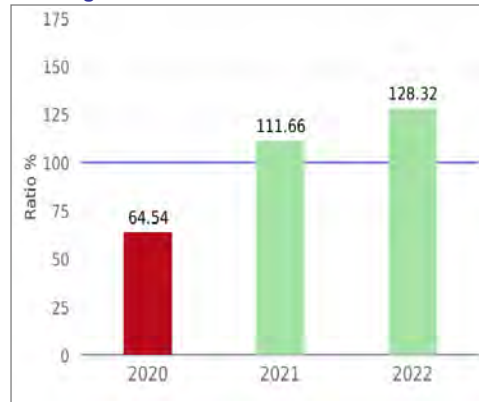
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

(2) As per the Local Government Code of Accounting Practice and Financial Reporting 2020/21, WIP is now included in the applicable ratios. Prior year's ratios have not been updated to reflect the inclusion of WIP.

Cessnock City Council

Report on infrastructure assets as at 30 June 2022

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

21/22 ratio 128.32%

This ratio improved significantly in 2022 due to the work in progress (WIP) on the Cessnock Airport runway renewal.

The Local Government Code of Accounting Practice and Financial Reporting has stipulated the inclusion of WIP in this ratio from 2021. Ratios <2021 have not been updated. Only WIP that is renewal has been included as WIP related to new assets does not improve the condition of existing assets.

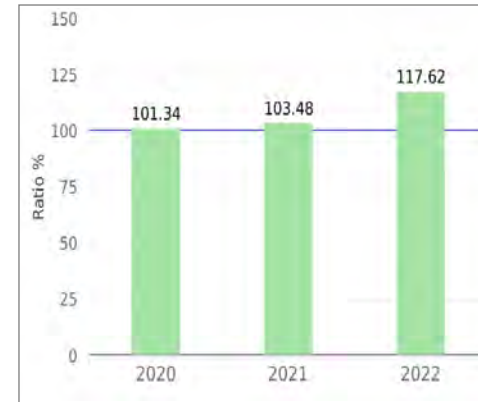
Benchmark: — $\geq 100.00\%$

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

21/22 ratio 117.62%

Council has carried out sufficient maintenance on assets as identified in the Asset Management Plans. This ratio has increased significantly since 2021 due to increased maintenance spent on infrastructure as a result of natural disasters.

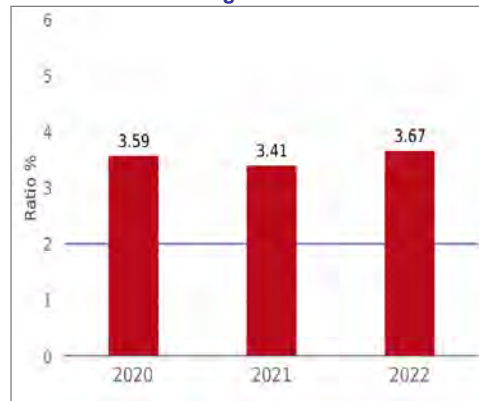
Benchmark: — $> 100.00\%$

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

21/22 ratio 3.67%

This ratio reflects the cost to bring assets up to a service potential index (SPI) of 3. In reality, when renewing or replacing assets, they are brought up to an SPI better than 3 and this costs a lot more.

This ratio declined slightly in 2022 due to the impact of increasing construction industry costs on the carrying amount of Council's assets. Council applies indexation per Rawlinson's Construction guide to show assets at their fair value.

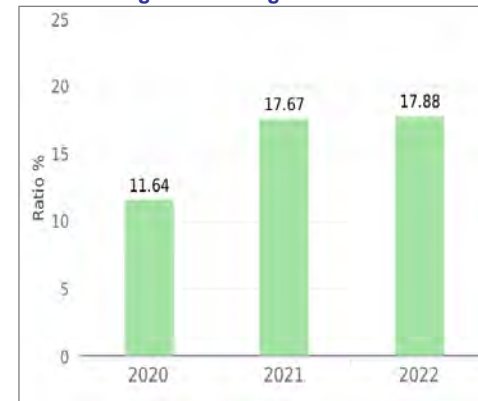
Benchmark: — $< 2.00\%$

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

21/22 ratio 17.88%

This ratio reflects the cost to fully replace assets where their service potential index (SPI) is worse than 3. In reality, Council may not need to fully replace the asset to bring it to the agreed level of service. For example, when rehabilitating a road, the formation and sub-base components may not need to be fully replaced.