



**ATTACHMENTS TO LATE REPORTS OF THE BLAYNEY SHIRE COUNCIL  
MEETING  
HELD ON MONDAY 16 NOVEMBER 2020**

**LATE REPORTS**

**16 Draft Statement of Financial Reports by Council 2019/20**

**Attachment 1: Draft 2019/20 Financial Reports ..... 1**

# Blayney Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020

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# Blayney Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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## Blayney Shire Council

Financial Statements 2020

### General Purpose Financial Statements

for the year ended 30 June 2020

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#### Overview

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

91 Adelaide Street  
Blayney NSW 2799

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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

## Blayney Shire Council

### General Purpose Financial Statements for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 August 2020.



Cr. S.J. Ferguson  
Mayor  
17 August 2020



Cr. A. Ewin  
Deputy Mayor  
17 August 2020



R. Ryan  
Chief Executive Officer  
17 August 2020



T. Irlam  
Responsible Accounting Officer  
17 August 2020

## Blayney Shire Council

Financial Statements 2020

### Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
<b>Income from continuing operations</b>				
11,205		3a	11,244	10,991
1,753		3b	1,353	2,258
305		3c	296	284
3,855		3d,3e	4,154	4,141
3,833		3d,3e	6,197	9,160
442		4	283	445
263		6	–	–
221		13e	222	–
23		18	4,000	382
21,900			27,749	27,661
<b>Expenses from continuing operations</b>				
6,840		5a	7,032	7,138
337		5b	485	90
2,781		5c	2,759	2,642
5,387		5d	5,681	5,421
2,621		5e	2,473	2,993
–		6	1,129	655
17,966			19,559	18,939
3,934			8,190	8,722
3,934			8,190	8,722
3,934			8,190	8,722
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
101			1,993	(438)

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

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

**Blayney Shire Council**

Financial Statements 2020

**Statement of Comprehensive Income**  
for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>8,190</b>	<b>8,722</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	27,917	311
Other comprehensive income – joint ventures and associates		350	191
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>28,267</b>	<b>502</b>
<b>Total other comprehensive income for the year</b>		<b>28,267</b>	<b>502</b>
<b>Total comprehensive income for the year</b>		<b>36,457</b>	<b>9,224</b>
Total comprehensive income attributable to Council		36,457	9,224

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

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

## Blayney Shire Council

Financial Statements 2020

### Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7(a)	3,554	3,548	2,715
Investments	7(b)	12,500	13,000	14,500
Receivables	8	580	1,392	2,113
Inventories	9a	2,173	1,758	1,417
Contract assets	12a	578	-	-
Other	9b	53	58	67
Current assets classified as 'held for sale'		-	-	-
<b>Total current assets</b>		<u>19,438</u>	<u>19,756</u>	<u>20,812</u>
<b>Non-current assets</b>				
Receivables	8	70	102	76
Infrastructure, property, plant and equipment	10	289,525	254,073	243,137
Intangible Assets	11	117	137	126
Right of use assets	13a	72	-	-
Investments accounted for using the equity method	18	29,367	25,017	24,444
<b>Total non-current assets</b>		<u>319,151</u>	<u>279,329</u>	<u>267,783</u>
<b>Total assets</b>		<u>338,589</u>	<u>299,085</u>	<u>288,595</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	14	1,044	1,294	1,148
Income received in advance	14	-	222	260
Contract liabilities	12b	986	-	-
Lease liabilities	13b	31	-	-
Borrowings	14	576	455	317
Provisions	15	2,296	2,147	1,850
<b>Total current liabilities</b>		<u>4,933</u>	<u>4,118</u>	<u>3,575</u>
<b>Non-current liabilities</b>				
Payables	14	2	3	2
Lease liabilities	13b	41	-	-
Borrowings	14	7,203	5,304	4,439
Provisions	15	930	717	860
<b>Total non-current liabilities</b>		<u>8,176</u>	<u>6,024</u>	<u>5,301</u>
<b>Total liabilities</b>		<u>13,109</u>	<u>10,142</u>	<u>8,876</u>
<b>Net assets</b>		<u>325,480</u>	<u>288,943</u>	<u>279,719</u>
<b>EQUITY</b>				
Accumulated surplus	16	153,561	144,941	136,028
Revaluation reserves	16	171,919	144,002	143,691
<b>Council equity interest</b>		<u>325,480</u>	<u>288,943</u>	<u>279,719</u>
<b>Total equity</b>		<u>325,480</u>	<u>288,943</u>	<u>279,719</u>

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

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



**Blayney Shire Council**  
**Statement of Changes in Equity**  
 for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		113,532	144,002	257,534	104,562	143,691	248,253
Correction of prior period errors	16b	31,409	-	31,409	31,466	-	31,466
Changes due to AASB 1058 and AASB 15 adoption	16	80	-	80	-	-	-
<b>Restated opening balance</b>		<b>145,021</b>	<b>144,002</b>	<b>289,023</b>	<b>136,028</b>	<b>143,691</b>	<b>279,719</b>
Net operating result for the year		8,190	-	8,190	8,779	-	8,779
Correction of prior period errors	16b	-	-	-	(57)	-	(57)
<b>Restated net operating result for the period</b>		<b>8,190</b>	<b>-</b>	<b>8,190</b>	<b>8,722</b>	<b>-</b>	<b>8,722</b>
<b>Other comprehensive income</b>							
- Gain (loss) on revaluation of IPP&E	10	-	27,917	27,917	-	311	311
- Joint ventures and associates		350	-	350	191	-	191
<b>Other comprehensive income</b>		<b>350</b>	<b>27,917</b>	<b>28,267</b>	<b>191</b>	<b>311</b>	<b>502</b>
<b>Total comprehensive income</b>		<b>8,540</b>	<b>27,917</b>	<b>36,457</b>	<b>8,913</b>	<b>311</b>	<b>9,224</b>
<b>Equity – balance at end of the reporting period</b>		<b>153,561</b>	<b>171,919</b>	<b>325,480</b>	<b>144,941</b>	<b>144,002</b>	<b>288,943</b>

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

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

Blayney Shire Council

Financial Statements 2020

Statement of Cash Flows  
for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
11,200	Rates and annual charges		11,424	10,960
1,984	User charges and fees		1,506	3,635
429	Investment and interest revenue received		392	425
7,690	Grants and contributions		11,222	13,070
406	Other		2,275	1,800
<i>Payments:</i>				
(6,839)	Employee benefits and on-costs		(7,008)	(6,852)
(2,892)	Materials and contracts		(4,523)	(3,234)
(317)	Borrowing costs		(480)	(231)
-	Bonds, deposits and retention amounts refunded		(9)	(6)
(2,619)	Other		(2,616)	(4,520)
	<b>Net cash provided (or used in) operating activities</b>	17b	<b>12,183</b>	<b>15,047</b>
9,042				
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
-	Sale of investment securities		(3)	-
650	Sale of real estate assets		1,024	9
860	Sale of infrastructure, property, plant and equipment		651	237
-	Deferred debtors receipts		43	49
<i>Payments:</i>				
-	Purchase of investment securities		500	1,500
(12,193)	Purchase of infrastructure, property, plant and equipment		(15,138)	(16,898)
-	Purchase of real estate assets		(1,208)	(54)
-	Purchase of intangible assets		(33)	(60)
(10,683)	<b>Net cash provided (or used in) investing activities</b>		<b>(14,164)</b>	<b>(15,217)</b>
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
2,500	Proceeds from borrowings and advances		2,500	1,320
<i>Payments:</i>				
(501)	Repayment of borrowings and advances		(480)	(317)
-	Lease liabilities (principal repayments)		(33)	-
1,999	<b>Net cash flow provided (used in) financing activities</b>		<b>1,987</b>	<b>1,003</b>
358	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6</b>	<b>833</b>
1,576	Plus: cash and cash equivalents – beginning of year	17a	3,548	2,715
1,934	<b>Cash and cash equivalents – end of the year</b>	17a	<b>3,554</b>	<b>3,548</b>
13,653	plus: Investments on hand – end of year	7(b)	12,500	13,000
15,587	<b>Total cash, cash equivalents and investments</b>		<b>16,054</b>	<b>16,548</b>

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation

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

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

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

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

Council is a not-for-profit entity.

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

##### (a) Historical cost convention

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

##### (b) Significant accounting estimates and judgements

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

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

##### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated rehabilitation remediation provisions – refer Note 15

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

- (i) Impairment of receivables

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

Council has made provision for a number of receivables based on the effectiveness of Council's debt recovery actions to date and deemed it highly likely that these receivables will not be recoverable.

##### Monies and other assets received by Council

###### (a) The Consolidated Fund

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

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

- General purpose operations

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

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- Sewerage service

##### (b) The Trust Fund

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

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

Trust monies and property held by Council but not subject to the control of Council have been excluded.

##### Goods and Services Tax (GST)

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

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

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

##### Volunteer services

Council engages the use of volunteers through the Blayney Shire Arts & Craft Inc. in its Visitor Information Centre which is manned during business hours of the adjoining coffee shop. It is located next door to Council which provides much of the same information available as well as at various other locations throughout the Blayney Shire. Information about Council's services and upcoming events are available of both Facebook and Council's website and therefore Council would be unlikely to employ the services if they were not provided by volunteers.

Council also participates in tree planting with the community on an ad hoc basis.

##### New accounting standards and interpretations issued not yet effective

###### 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 2020 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

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

###### AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

###### AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

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

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

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

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

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

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

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

This standard has an effective date for the 30 June 2021 reporting period.

**AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**  
**AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128**  
**AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

The standard amendments address an acknowledged inconsistency between the requirements in AASB10 and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

#### **New accounting standards adopted during the year**

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
				Restated						Restated
<b>\$ '000</b>										
<b>Functions or activities</b>										
1. Public Infrastructure and Services	9,968	12,548	10,046	9,841	(78)	2,707	2,204	6,916	293,344	262,682
2. Local Governance and Finance	11,598	11,360	2,703	2,802	8,895	8,558	1,913	1,909	31,560	26,653
3. The Local and Visitor Economy	90	122	333	323	(243)	(201)	13	15	13	16
4. Community, Sport, Heritage and Culture	4,423	1,905	3,967	3,759	456	(1,854)	4,119	1,484	13,524	9,628
5. The Natural Environment	1,670	1,726	2,510	2,214	(840)	(488)	20	34	148	106
<b>Total functions and activities</b>	<b>27,749</b>	<b>27,661</b>	<b>19,559</b>	<b>18,939</b>	<b>8,190</b>	<b>8,722</b>	<b>8,269</b>	<b>10,358</b>	<b>338,589</b>	<b>299,085</b>

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

##### **1. Maintain and Improve Public Infrastructure and Services**

Public infrastructure and services are the bones that support a community. Council Functions included are Engineering Services, Plant Operations, Local, Regional and State Roads, Bridges, Footpaths, Sewerage Operations, Stormwater Drainage, Public Cemeteries and Public Conveniences.

##### **2. Build the Capacity and Capability of Local Governance and Finance**

To achieve our preferred future we will all need to work together. Council functions included are Governance, Corporate Services, Public Order & Safety, Health and Food Control, Public Halls and Community Centres, Real Estate and General Purpose Revenues.

##### **3. Promote Blayney Shire to grow the Local and Visitor Economy**

Ensuring that industry, agriculture and mining exist in harmony working together and collaborating for regional economic growth of the region. Council functions included are Tourism, Industrial and Economic Development and Private Works.

##### **4. Enhance facilities and networks that supports Community Sport, Heritage and Culture**

Preserving our history while being productive and innovative we will enhance and develop our sporting and recreational assets so that the facilities are modern and have regional standing. Council functions included are Public Libraries, Swimming Pool and Leisure Centre, Sporting Grounds, Parks and Showgrounds, Rural Fire Services and Youth, Family and Aged and Disabled Services.

##### **5. Protect our Natural Environment**

Encourage sustainable land use practices and protect the biodiversity and health of our waterways. Council Functions include Environmental Services, Noxious Plant Management, Domestic and Other Waste Management, Street Cleaning, Town Planning and Building Control.



## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	1,896	1,811
Farmland	1058 (1)	2,182	2,146
Mining	1058 (1)	2,791	2,718
Business	1058 (1)	363	337
Less: pensioner rebates (mandatory)	1058 (1)	(88)	(81)
<b>Rates levied to ratepayers</b>		<b>7,144</b>	<b>6,931</b>
Pensioner rate subsidies received	1058 (1)	49	45
<b>Total ordinary rates</b>		<b>7,193</b>	<b>6,976</b>
<b>Special rates</b>			
Mining special rate	1058 (1)	1,613	1,571
<b>Rates levied to ratepayers</b>		<b>1,613</b>	<b>1,571</b>
<b>Total special rates</b>		<b>1,613</b>	<b>1,571</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	1,020	1,084
Sewerage services	1058 (1)	1,197	1,142
Waste management services (non-domestic)	1058 (1)	254	251
Less: pensioner rebates (mandatory)	1058 (1)	(73)	(73)
<b>Annual charges levied</b>		<b>2,398</b>	<b>2,404</b>
Pensioner subsidies received:			
– Sewerage	1058 (1)	15	14
– Domestic waste management	1058 (1)	25	26
<b>Total annual charges</b>		<b>2,438</b>	<b>2,444</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>11,244</b>	<b>10,991</b>

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

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

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

#### Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

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

#### 2019 accounting policy

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Sewerage services	1058 (1)	220	224
<b>Total specific user charges</b>		<b>220</b>	<b>224</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation	1058 (1)	196	161
Private works – section 67	1058 (1)	43	73
Section 10.7 certificates (EP&A Act)	1058 (1)	17	18
Section 603 certificates	1058 (1)	15	13
Other	1058 (1)	2	12
<b>Total fees and charges – statutory/regulatory</b>		<b>273</b>	<b>277</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries	1058 (1)	39	79
Lease rentals	1058 (1)	–	136
Leaseback fees – Council vehicles	1058 (1)	–	71
CentrePoint Sport & Leisure	1058 (2)	108	309
Quarry revenues	1058 (1)	279	891
RMS (formerly RTA) charges (state roads not controlled by Council)	1058 (1)	284	64
Waste disposal tipping fees	1058 (1)	146	204
Other	1058 (1)	4	3
<b>Total fees and charges – other</b>		<b>860</b>	<b>1,757</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,353</b>	<b>2,258</b>

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

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

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

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

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

#### Accounting policy for user charges and fees

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

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.

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

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

#### 2019 accounting policy

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	17
Legal fees recovery – other	1058 (1)	45	23
Diesel rebate	1058 (1)	99	129
Insurance claims recoveries	1058 (1)	20	4
Recycling income (non-domestic)	1058 (1)	17	–
Insurance rebates	1058 (1)	40	36
Other	1058 (1)	75	75
<b>TOTAL OTHER REVENUE</b>		<b>296</b>	<b>284</b>

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

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

#### Accounting policy for other revenue

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

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

#### 2019 accounting policy:

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

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	911	917	–	–
Financial assistance – local roads component	1058 (1)	426	429	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	968	951	–	–
Financial assistance – local roads component	1058 (1)	449	445	–	–
<b>Total general purpose</b>		<b>2,754</b>	<b>2,742</b>	<b>–</b>	<b>–</b>
<b>Specific purpose (tied)</b>					
Bushfire and emergency services	1058 (1)	1	–	–	27
Employment and training programs	1058 (1)	5	2	–	–
Heritage and cultural	1058 (1)	8	7	–	–
Library	1058 (1)	77	34	–	–
LCLI subsidy	1058 (1)	7	–	–	–
LIRS subsidy	1058 (1)	20	24	–	–
Noxious weeds	15 (2)	13	–	–	–
Public halls	1058 (2)	–	–	–	17
Recreation and culture	1058 (2)	8	–	3,327	388
Street lighting	1058 (2)	22	22	–	–
Transport (Roads to Recovery)	1058 (2)	806	400	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	230	4,976
Tourism	1058 (2)	–	7	–	8
Youth services	1058 (1)	2	4	–	–
Stronger Country Communities	1058 (2)	–	–	972	659
Other	1058 (1)	17	41	–	–
Drought Communities Funding Program		–	480	–	520
<b>Total specific purpose</b>		<b>986</b>	<b>1,021</b>	<b>4,529</b>	<b>6,595</b>
<b>Total grants</b>		<b>3,740</b>	<b>3,763</b>	<b>4,529</b>	<b>6,595</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		3,573	3,622	1,900	520
– State funding		154	141	2,626	4,439
– Other funding		13	–	3	1,636
		<b>3,740</b>	<b>3,763</b>	<b>4,529</b>	<b>6,595</b>

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions:</b>						
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	114	132
S 64 – sewerage service contributions		1058 (1)	–	–	50	23
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>164</b>	<b>155</b>
<b>Non-cash contributions</b>						
Other developer contributions		1058 (1)	–	–	–	–
<b>Total developer contributions non-cash</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total developer contributions</b>	25		<b>–</b>	<b>–</b>	<b>164</b>	<b>155</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Bushfire services		1058 (1)	59	35	–	–
Recreation and culture		1058 (1)	–	–	78	–
Roads and bridges		1058 (1)	15	10	95	2,410
RMS contributions (regional roads, block grant)		1058 (1)	340	333	–	–
<b>Total other contributions – cash</b>			<b>414</b>	<b>378</b>	<b>173</b>	<b>2,410</b>
<b>Non-cash contributions</b>						
Recreation and culture		1058 (1)	–	–	6	–
Roads and bridges		1058 (1)	–	–	1,325	–
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>1,331</b>	<b>–</b>
<b>Total other contributions</b>			<b>414</b>	<b>378</b>	<b>1,504</b>	<b>2,410</b>
<b>Total contributions</b>			<b>414</b>	<b>378</b>	<b>1,668</b>	<b>2,565</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>4,154</b>	<b>4,141</b>	<b>6,197</b>	<b>9,160</b>

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

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

#### Accounting policy for grants and contributions

##### Accounting policy from 1 July 2019

##### Grant income under AASB 15

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

As at 30 June 2020 Council did not have any grant funding within the scope of AASB 15.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

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##### Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

##### Capital grants

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

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

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

##### Contributions

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

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

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

##### Accounting policy prior to 1 July 2019

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

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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##### (f) Unspent grants and contributions – external restrictions

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

##### Operating grants

Unexpended at the close of the previous reporting period	43	39
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	43
<b>Add:</b> operating grants received for the provision of goods and services in a future period	13	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(39)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(2)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>54</b>	<b>43</b>

Council carried over funding received from Crown Lands to facilitate the Plans of Management. Youth Week funding was received to fund youth week activities in 2020 but deferred due to Covid restrictions. Funding was also received for Pound improvements.

##### Capital grants

Unexpended at the close of the previous reporting period	363	421
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	–	363
<b>Add:</b> capital grants received for the provision of goods and services in a future period	845	–
<b>Less:</b> capital grants recognised in a previous reporting period now spent (2019 only)	(355)	(421)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	–	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>853</b>	<b>363</b>

Council's unexpended capital grants as at 1 July 2019 included funding received under Stronger Country Communities Round 1 for completion of the Belubula River Walk and recreation ground improvements upgrade funded under Stronger Country Communities Round 2. The restricted funding was fully expended during 2018/19.

Unexpended grants as at 30 June 2020 include funding received to construct community infrastructure under the Federal Government Drought Stimulus Package and the State Government Drought Communities Program Round 2, and Showground Stimulus Package.

##### Contributions

Unexpended at the close of the previous reporting period	1,786	1,700
<b>Add:</b> contributions recognised as income in the current period but not yet spent	164	203
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(407)	(117)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>1,543</b>	<b>1,786</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations (continued)

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Unexpended contributions as at 30 June 2020 include contributions received under Sec 7.11 Developer Contributions and Sec 64 Contributions.

Sec 7.11 contributions contributed funding towards the CentrePoint major upgrade.

Sec 64 contributions funded completion of the Sewerage Treatment Plant maturation ponds and wetlands rectification works.



**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 4. Interest and investment income**

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	24	15
– Cash and investments	247	424
– Deferred debtors	–	6
– Other	12	–
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>283</b>	<b>445</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (General Fund)	24	15
General Council cash and investments	146	257
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	18	24
– Section 64	20	24
Sewerage fund operations	75	125
<b>Total interest and investment revenue</b>	<b>283</b>	<b>445</b>

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	5,743	5,973
Travel expenses	3	8
Employee leave entitlements (ELE)	1,007	1,048
ELE on-costs	(5)	28
Superannuation	693	695
Workers' compensation insurance	138	135
Fringe benefit tax (FBT)	98	61
Training costs (other than salaries and wages)	102	138
Protective clothing	23	33
Other	26	25
<b>Total employee costs</b>	<b>7,828</b>	<b>8,144</b>
Less: capitalised costs	(796)	(1,006)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>7,032</b>	<b>7,138</b>
Number of 'full-time equivalent' employees (FTE) at year end	95	95

#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### 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 20 for more information.

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**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 5. Expenses from continuing operations (continued)**

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases		1	–
Interest on loans		260	229
<b>Total interest bearing liability costs</b>		<b>261</b>	<b>229</b>
<b>Total interest bearing liability costs expensed</b>		<b>261</b>	<b>229</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	15	224	(139)
<b>Total other borrowing costs</b>		<b>224</b>	<b>(139)</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>485</b>	<b>90</b>

**Accounting policy for borrowing costs**

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	2,400	2,233
Contractor and consultancy costs	242	188
Auditors remuneration <sup>2</sup>	58	61
<b>Legal expenses:</b>		
– Legal expenses: planning and development	1	72
– Legal expenses: debt recovery	34	30
– Legal expenses: other	14	17
Expenses from leases of low value assets (2020 only)	10	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	41
<b>Total materials and contracts</b>	<u>2,759</u>	<u>2,642</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>2,759</u>	<u>2,642</u>

#### Accounting policy for materials and contracts

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

#### Operating leases (2019 only)

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

#### 1. Operating lease payments are attributable to:

Other	–	41
	<u>–</u>	<u>41</u>

#### 2. Auditor remuneration

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

#### Auditors of the Council - NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements	38	40
<b>Remuneration for audit and other assurance services</b>	<u>38</u>	<u>40</u>

##### Total Auditor-General remuneration

<u>38</u>	<u>40</u>
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#### Non NSW Auditor-General audit firms

##### (ii) Non-assurance services

Internal Audit	20	21
<b>Remuneration for non-assurance services</b>	<u>20</u>	<u>21</u>

##### Total remuneration of non NSW Auditor-General audit firms

<u>20</u>	<u>21</u>
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#### Total Auditor remuneration

<u>58</u>	<u>61</u>
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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,014	872
Office equipment		78	80
Furniture and fittings		13	10
Land improvements (depreciable)		348	349
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		47	47
– Buildings – specialised		492	531
– Roads		2,370	2,296
– Bridges		283	265
– Footpaths		91	88
– Stormwater drainage		191	144
– Sewerage network		517	517
– Swimming pools		10	40
– Other open space/recreational assets		113	104
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	15,10	11	14
– Quarry assets	15,10	17	15
Intangible assets	11	53	49
<b>Right of use assets</b>	13	33	–
<b>Total gross depreciation and amortisation costs</b>		<b>5,681</b>	<b>5,421</b>
<b>Total depreciation and amortisation costs</b>		<b>5,681</b>	<b>5,421</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<b>5,681</b>	<b>5,421</b>

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

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets and Note 13 for right of use assets.

Depreciation is capitalised where in-house assets have contributed to new 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 no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

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.

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	53	61
Bad and doubtful debts	7	3
Bank charges	20	20
Cleaning	4	6
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	33	29
– NSW fire brigade levy	256	236
Councillor expenses – mayoral fee	25	24
Councillor expenses – councillors' fees	83	81
Councillors' expenses (incl. mayor) – other (excluding fees above)	14	17
Donations, contributions and assistance to other organisations (Section 356)	263	290
– Contributions to Central West Libraries	163	143
– Contribution to Upper Macquarie County Council	80	72
- Community Projects - Drought Communities Program	–	480
Electricity and heating	180	252
Insurance	452	431
Postage	16	14
Printing and stationery	32	29
Street lighting	127	161
Subscriptions and publications	332	320
Telephone and communications	44	46
Valuation fees	31	33
Water charges	136	133
Other	122	112
<b>Total other expenses</b>	<b>2,473</b>	<b>2,993</b>
<b>TOTAL OTHER EXPENSES</b>	<b>2,473</b>	<b>2,993</b>

#### Accounting policy for other expenses

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

**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 6. Gain or loss from disposal of assets**

\$ '000	Notes	2020	2019
<b>Infrastructure, property, plant and equipment</b>			
	10		
Proceeds from disposal		651	237
Less: carrying amount of assets sold/written off		(1,878)	(901)
<b>Net gain/(loss) on disposal</b>		<u>(1,227)</u>	<u>(664)</u>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal		1,024	9
Less: carrying amount of assets sold/written off		(923)	-
<b>Net gain/(loss) on disposal</b>		<u>101</u>	<u>9</u>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		(3)	-
<b>Net gain/(loss) on disposal</b>		<u>(3)</u>	<u>-</u>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<u>(1,129)</u>	<u>(655)</u>

**Accounting policy for disposal of assets**

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	3,554	3,548
<b>Total cash and cash equivalents</b>	<u>3,554</u>	<u>3,548</u>

#### Accounting policy for cash and cash equivalents

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

#### Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
b. 'Financial assets at amortised cost'	12,500	-	13,000	-
<b>Total Investments</b>	<u>12,500</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<u>16,054</u>	<u>-</u>	<u>16,548</u>	<u>-</u>
<b>Financial assets at amortised cost</b>				
Long term deposits	12,500	-	13,000	-
<b>Total</b>	<u>12,500</u>	<u>-</u>	<u>13,000</u>	<u>-</u>

#### Accounting policy for investments

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 7(b). Investments (continued)

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

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

##### **Fair value through other comprehensive income – equity instruments**

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

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

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

##### **Financial assets through profit or loss**

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

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	16,054	–	16,548	–
<b>attributable to:</b>				
External restrictions	9,304	–	9,713	–
Internal restrictions	6,391	–	6,777	–
Unrestricted	359	–	58	–
	16,054	–	16,548	–

\$ '000	2020	2019
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#### Details of restrictions

##### External restrictions – included in liabilities

Specific purpose unexpended grants – General fund (2020 only)	907	–
<b>External restrictions – included in liabilities</b>	<b>907</b>	<b>–</b>

##### External restrictions – other

Developer contributions – General	683	851
Developer contributions – Sewer fund	860	936
Specific purpose unexpended grants (recognised as revenue) – General fund	–	406
Sewerage services	5,343	4,991
Voluntary planning agreement – mining	195	215
Rates – special variation mining	145	362
Domestic waste management	1,171	1,071
Unexpended borrowings	–	881
<b>External restrictions – other</b>	<b>8,397</b>	<b>9,713</b>
<b>Total external restrictions</b>	<b>9,304</b>	<b>9,713</b>

##### Internal restrictions

Plant and vehicle replacement	372	238
Employees leave entitlement	957	857
Asset reserve – buildings	9	127
Asset reserve – parks and recreation	81	81
Asset reserve – stormwater	52	52
Asset reserve – transport	302	1,062
Blayney sports facility master plans	12	40
Centrepoint reserve	–	717
Election reserve	77	58
Environmental projects – Belubula river	53	53
Financial assistance grant	1,417	1,396
I.T reserve	184	114
King George Oval	258	258
Property account	801	1,466
Property account - borrowings	1,320	–
Quarry	200	174
Village enhancement program	126	84
Carryover works	170	–
<b>Total internal restrictions</b>	<b>6,391</b>	<b>6,777</b>
<b>TOTAL RESTRICTIONS</b>	<b>15,695</b>	<b>16,490</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	189	70	115	102
Interest and extra charges	68	–	38	–
User charges and fees	176	–	254	–
Private works	111	–	62	–
Accrued revenues				
– Interest on investments	46	–	185	–
Deferred debtors	–	–	43	–
Government grants and subsidies	2	–	504	–
Net GST receivable	98	–	320	–
<b>Total</b>	<b>690</b>	<b>70</b>	<b>1,521</b>	<b>102</b>
<b>Less: provision of impairment</b>				
Other debtors	(110)	–	(129)	–
<b>Total provision for impairment – receivables</b>	<b>(110)</b>	<b>–</b>	<b>(129)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>580</b>	<b>70</b>	<b>1,392</b>	<b>102</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	129	126
+ new provisions recognised during the year	12	15
– amounts already provided for and written off this year	(26)	–
– amounts provided for but recovered during the year	(5)	(12)
<b>Balance at the end of the year</b>	<b>110</b>	<b>129</b>

#### Accounting policy for receivables

##### Recognition and measurement

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

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

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

##### Impairment

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

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

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Receivables (continued)

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

## Blayney Shire Council

Financial Statements 2020

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

#### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	1,239	-	824	-
Stores and materials	100	-	112	-
Trading stock	834	-	822	-
<b>Total inventories at cost</b>	<u>2,173</u>	<u>-</u>	<u>1,758</u>	<u>-</u>
<b>TOTAL INVENTORIES</b>	<u>2,173</u>	<u>-</u>	<u>1,758</u>	<u>-</u>
<b>(b) Other assets</b>				
Prepayments	53	-	58	-
<b>TOTAL OTHER ASSETS</b>	<u>53</u>	<u>-</u>	<u>58</u>	<u>-</u>

#### (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		1,239	-	824	-
<b>Total real estate for resale</b>		<u>1,239</u>	<u>-</u>	<u>824</u>	<u>-</u>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		1,239	-	770	-
Development costs		-	-	54	-
<b>Total costs</b>		<u>1,239</u>	<u>-</u>	<u>824</u>	<u>-</u>
<b>Total real estate for resale</b>		<u>1,239</u>	<u>-</u>	<u>824</u>	<u>-</u>
<b>Movements:</b>					
Real estate assets at beginning of the year		824	-	770	-
- Purchases and other costs		1,208	-	54	-
- Transfers in from (out to) Note 10		130	-	-	-
- WDV of sales (expense)	6	(923)	-	-	-
<b>Total real estate for resale</b>		<u>1,239</u>	<u>-</u>	<u>824</u>	<u>-</u>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Inventories and other assets (continued)

##### (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2020	2019
Real estate for resale	509	824
Trading Stock - Quarry	584	457
	<u>1,093</u>	<u>1,281</u>

##### Accounting policy for inventories and other assets

###### 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.

###### Land held for resale/capitalisation of borrowing costs

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.

**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 10. Infrastructure, property, plant and equipment**

	as at 30/06/19		Asset movements during the reporting period										as at 30/06/20			
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	TfS from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Revaluation decrements to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
<b>\$ '000</b>																
Capital work in progress	3,165	-	3,165	-	-	-	-	(156)	-	-	-	-	3,009	-	3,009	
Plant and equipment	14,178	(7,630)	6,548	-	1,232	(123)	(1,014)	-	-	-	-	-	13,826	(7,183)	6,643	
Office equipment	765	(466)	299	43	48	-	(78)	28	-	-	-	-	878	(538)	340	
Furniture and fittings	457	(326)	131	-	13	-	(13)	-	-	-	-	-	470	(339)	131	
<b>Land:</b>																
- Operational land	1,165	-	1,165	-	-	(46)	-	-	(130)	-	-	-	989	-	989	
- Community land	5,002	-	5,002	-	-	-	-	-	-	-	-	-	5,002	-	5,002	
- Land under roads (post 30/6/08)	16	-	16	-	-	-	-	-	-	-	-	-	16	-	16	
Land improvements - non-depreciable	-	-	-	-	-	-	-	-	-	-	-	-	118	-	118	
Land improvements - depreciable	6,592	(2,980)	3,612	-	201	(33)	(348)	17	139	-	-	-	6,864	(3,276)	3,588	
<b>Infrastructure:</b>																
- Buildings - non-specialised	2,186	(659)	1,527	7	6	-	(47)	7	-	-	-	-	2,207	(707)	1,500	
- Buildings - specialised	26,461	(10,367)	16,094	988	1,137	(395)	(492)	655	-	-	-	-	28,506	(10,509)	17,997	
- Roads	169,101	(34,061)	135,040	2,271	1,233	(397)	(2,370)	463	1,998	-	30,386	-	199,347	(30,723)	168,624	
- Bridges	28,450	(2,620)	25,830	809	-	(25)	(283)	97	(510)	-	(4,502)	-	29,806	(8,390)	21,416	
- Footpaths	6,676	(2,198)	4,478	123	311	(134)	(91)	463	-	-	793	-	8,471	(2,528)	5,943	
- Major earthworks (non-depreciable)	11,625	-	11,625	-	-	-	-	-	(118)	-	1,103	-	12,610	-	12,610	
- Stormwater drainage	17,289	(1,978)	15,311	-	248	(151)	(191)	-	(1,562)	-	(47)	-	17,302	(3,694)	13,608	
- Sewerage network	31,708	(11,866)	19,842	145	62	-	(517)	-	-	-	184	-	32,217	(12,501)	19,716	
- Swimming pools	1,487	(712)	775	3,803	-	(556)	(10)	284	-	-	-	-	4,432	(136)	4,296	
- Other open space/recreational assets	4,766	(1,381)	3,385	37	220	(17)	(113)	258	(65)	-	-	-	5,216	(1,511)	3,705	
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>																
- Tip assets	222	(171)	51	-	59	-	(11)	-	-	-	-	-	281	(182)	99	
- Quarry assets	244	(67)	177	-	15	-	(17)	-	-	-	-	-	258	(83)	175	
<b>Total infrastructure, property, plant and equipment</b>	<b>331,555</b>	<b>(77,482)</b>	<b>254,073</b>	<b>8,236</b>	<b>4,785</b>	<b>(1,877)</b>	<b>(5,595)</b>	<b>2,116</b>	<b>-</b>	<b>(130)</b>	<b>(4,549)</b>	<b>32,466</b>	<b>371,825</b>	<b>(82,300)</b>	<b>289,525</b>	

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

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**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 10. Infrastructure, property, plant and equipment (continued)**

	Asset movements during the reporting period										as at 30/06/19			
	as at 30/06/18	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
Capital work in progress		667	-	667	2,143	912	-	-	(557)	-	-	3,165	-	3,165
Plant and equipment		12,463	(7,024)	5,439	-	2,157	(176)	(872)	-	-	-	14,178	(7,630)	6,548
Office equipment		741	(459)	282	-	97	-	(80)	-	-	-	765	(466)	299
Furniture and fittings		398	(316)	82	-	59	-	(10)	-	-	-	457	(326)	131
<b>Land:</b>														
- Operational land		1,165	-	1,165	-	-	-	-	-	-	-	1,165	-	1,165
- Community land		5,002	-	5,002	-	-	-	-	-	-	-	5,002	-	5,002
- Land under roads (post 30/6/08)		-	-	-	-	16	-	-	-	-	-	16	-	16
Land improvements - depreciable		6,313	(2,667)	3,646	1	316	(20)	(349)	18	-	-	6,592	(2,980)	3,612
<b>Infrastructure:</b>														
- Buildings - non-specialised		1,991	(612)	1,379	-	72	-	(47)	-	123	-	2,186	(659)	1,527
- Buildings - specialised		26,247	(9,942)	16,305	298	94	(193)	(531)	312	(191)	-	26,461	(10,367)	16,094
- Roads		161,016	(31,765)	129,251	8,085	-	-	(2,296)	-	-	-	169,101	(34,061)	135,040
- Bridges		27,816	(3,314)	24,502	1,918	-	(405)	(265)	80	-	-	28,450	(2,620)	25,830
- Footpaths		6,435	(2,110)	4,325	241	-	-	(88)	-	-	-	6,676	(2,198)	4,478
- Major earthworks (non-depreciable)		11,625	-	11,625	-	-	-	-	-	-	-	11,625	-	11,625
- Stormwater drainage		17,288	(1,834)	15,454	1	-	-	(144)	-	-	-	17,289	(1,978)	15,311
- Sewerage network		30,911	(11,143)	19,768	53	18	-	(517)	141	68	311	31,708	(11,866)	19,842
- Swimming pools		1,500	(672)	828	-	-	(3)	(40)	(10)	-	-	1,487	(712)	775
- Other open space/recreational assets		4,524	(1,390)	3,134	381	62	(104)	(104)	16	-	-	4,766	(1,381)	3,385
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
- Tip assets		278	(157)	121	-	-	-	(14)	-	(56)	-	222	(171)	51
- Quarry assets		214	(52)	162	-	30	-	(15)	-	-	-	244	(67)	177
<b>Total Infrastructure, property, plant and equipment</b>		<b>316,594</b>	<b>(73,457)</b>	<b>243,137</b>	<b>13,121</b>	<b>3,833</b>	<b>(901)</b>	<b>(5,372)</b>	<b>-</b>	<b>(56)</b>	<b>311</b>	<b>331,555</b>	<b>(77,482)</b>	<b>254,073</b>

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Sewerage network assets are indexed at each reporting period in accordance with the NSW Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Playground equipment	40
Office furniture	10 to 20	Benches, seats etc.	25 to 50
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	15 to 150
Other plant and equipment	5 to 15	Buildings: other	15 to 150
		<b>Stormwater assets</b>	
<b>Sewer assets</b>		Pits	100
Dams and reservoirs	20 to 80	Pipes	70 to 100
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	70	Flood control structures	80 to 100
Reticulation pipes: other	45 to 70		
Pumps and telemetry	10 to 60		
		<b>Other infrastructure assets</b>	
<b>Transportation assets</b>		Other infrastructure	14 to 100
Sealed roads: surface	15 to 25	Swimming pools	15 - 80
Sealed roads: structure	45 to 200	Other open space/recreational assets	20 to 100
Unsealed roads	15 to 200		
Bridge: concrete/steel	100		
Bridge: other	50		
Bulk earthworks	infinite		
Kerb, gutter and footpaths	25 to 200		

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in 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 in accordance with AASB 1051 Land Under Roads.

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. Infrastructure, property, plant and equipment (continued)

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##### **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.

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

##### **Rural Fire Service assets**

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant and vehicles consistent with Council's guidelines on recognition of Rural Fire Service Assets

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	562	501
Accumulated amortisation	(425)	(375)
<b>Net book value – opening balance</b>	<b>137</b>	<b>126</b>
<b>Movements for the year</b>		
– Other movements	–	(1)
– Purchases	33	61
– Amortisation charges	(53)	(49)
<b>Closing values at 30 June</b>		
Gross book value	595	562
Accumulated amortisation	(478)	(425)
<b>Total software – net book value</b>	<b>117</b>	<b>137</b>
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>117</b>	<b>137</b>

#### Accounting policy for intangible assets

##### IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Other	578	–
<b>Total Contract assets</b>	<b>578</b>	<b>–</b>

#### **Impairment**

Council did not recognise any impairment losses on contract assets arising from Council's contracts with customers.

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	853	–
Upfront fees – CentrePoint	(iii)	3	–
Other		130	–
<b>Total contract liabilities</b>		<b>986</b>	<b>–</b>

#### **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.

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

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	284
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>284</b>

#### **Significant changes in contract assets and liabilities**

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Contract assets and liabilities (continued)

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##### **Accounting policy for contract assets and liabilities**

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

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases

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

##### (i) Council as a lessee

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

##### Terms and conditions of leases

##### Buildings

Council does not lease any land and buildings.

##### Vehicles

Council leases equipment with lease terms of 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

##### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage. Usage charges have been expensed to the income statement.

Council leases a suite of gym equipment which are generally low value assets, except for a couple of significant machines with a lease terms of 5 years; the lease payments are fixed during the lease term and there is generally no renewal option.

##### Extension options

Council does not include any options in any current leases.

\$ '000	Plant & Equipment	Ready to use	Total
<b>(a) Right of use assets</b>			
<b>Opening balance at 30 June 2019</b>	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	105	-	105
Depreciation charge	(33)	-	(33)
<b><u>Balance at 30 June 2020</u></b>	<b><u>72</u></b>	<b><u>-</u></b>	<b><u>72</u></b>

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	31	41
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>31</u></b>	<b><u>41</u></b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases (continued)

##### (i) The maturity analysis

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
Cash flows	31	41	–	72	72
<b>\$ '000</b>					<b>2020</b>

##### (c) Income Statement

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

Interest on lease liabilities	1
Depreciation of right of use assets	33
Expenses relating to low-value leases	10
	<b>44</b>

##### (d) Statement of Cash Flows

Total cash outflow for leases	44
	<b>44</b>

##### Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- Carpark - Blayney Mens Shed
- Blayney Multi Services Outlet
- Tennis Courts
- Blayney Golf Club

The leases are generally between 3 and 20 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

##### Accounting policies under AASB 16 – applicable from 1 July 2019

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

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases (continued)

is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

#### **Exceptions to lease accounting**

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

#### **Leases at significantly below market value / concessionary leases**

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

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

Refer to Note 5c and Note 13.

#### (ii) Council as a lessor

##### (e) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

- Pipeline rental
- Coffee shop - Visitor Information Centre
- Telecommunications towers
- Public halls & Sporting Facilities (Casual)

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Room/Facility Hire	25
Leaseback fees - council vehicles	81
Other	116
<b>Total income relating to operating leases</b>	<b>222</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Leases (continued)

\$ '000	2020
<b>(ii) Maturity analysis of contractual lease income</b>	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	23
1–2 years	35
2–3 years	34
3–4 years	33
4–5 years	29
> 5 years	134
<b>Total undiscounted contractual lease income receivable</b>	<b>288</b>

#### Accounting policy

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

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

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	504	–	976	–
Accrued expenses:				
– Borrowings	32	–	27	–
– Other expenditure accruals	49	2	45	3
Security bonds, deposits and retentions	237	–	246	–
Prepaid rates	222	–	–	–
<b>Total payables</b>	<u>1,044</u>	<u>2</u>	<u>1,294</u>	<u>3</u>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	222	–
<b>Total income received in advance</b>	<u>–</u>	<u>–</u>	<u>222</u>	<u>–</u>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	576	7,203	455	5,304
<b>Total borrowings</b>	<u>576</u>	<u>7,203</u>	<u>455</u>	<u>5,304</u>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<u>1,620</u>	<u>7,205</u>	<u>1,971</u>	<u>5,307</u>

<sup>(1)</sup> 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 20.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
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##### (a) Current payables and borrowings not anticipated to be settled within the next twelve months

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	155	146
<b>Total payables and borrowings</b>	<b>155</b>	<b>146</b>

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	5,759	2,020	–	–	–	–	7,779
Lease liabilities	–	72	–	–	–	–	72
<b>TOTAL</b>	<b>5,759</b>	<b>2,092</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,851</b>

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance	
Loans – secured	4,756	1,003	–	–	–	5,759	
<b>TOTAL</b>	<b>4,756</b>	<b>1,003</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,759</b>	

\$ '000	2020	2019
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##### (c) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	50	50
Credit cards/purchase cards	40	40
<b>Total financing arrangements</b>	<b>90</b>	<b>90</b>

###### Drawn facilities as at balance date:

– Credit cards/purchase cards	3	10
<b>Total drawn financing arrangements</b>	<b>3</b>	<b>10</b>

###### Undrawn facilities as at balance date:

– Bank overdraft facilities	50	50
– Credit cards/purchase cards	37	30
<b>Total undrawn financing arrangements</b>	<b>87</b>	<b>80</b>

##### Additional financing arrangements information

###### Breaches and defaults

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Payables and borrowings (continued)

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##### **Accounting policy for payables and borrowings**

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

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

##### **Payables**

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

##### **Borrowings**

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

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	501	–	524	–
Long service leave	1,641	105	1,521	132
ELE on-costs	96	4	102	5
<b>Sub-total – aggregate employee benefits</b>	<b>2,238</b>	<b>109</b>	<b>2,147</b>	<b>137</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	58	821	–	580
<b>Sub-total – asset remediation/restoration</b>	<b>58</b>	<b>821</b>	<b>–</b>	<b>580</b>
<b>TOTAL PROVISIONS</b>	<b>2,296</b>	<b>930</b>	<b>2,147</b>	<b>717</b>

\$ '000	2020	2019
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#### (a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,814	1,692
	<u>1,814</u>	<u>1,692</u>

#### (b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	ELE on-costs	
<b>2020</b>				
At beginning of year	524	1,653	107	2,284
Additional provisions	514	227	–	741
Amounts used (payments)	(537)	(134)	(7)	(678)
Total ELE provisions at end of year	501	1,746	100	2,347
<b>2019</b>				
At beginning of year	492	1,381	92	1,965
Additional provisions	32	272	15	319
Total ELE provisions at end of year	524	1,653	107	2,284

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	580	580
Additional provisions	299	299
Total other provisions at end of year	879	879
<b>2019</b>		
At beginning of year	745	745
Additional provisions	(26)	(26)
Unwinding of discount	(139)	(139)
Total other provisions at end of year	580	580

#### Nature and purpose of non-employee benefit provisions

##### Asset remediation

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

##### Accounting policy for provisions

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

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

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

##### Employee benefits

###### Short-term obligations

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

###### Other long-term employee benefit obligations

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

###### On-costs

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

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.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Provisions (continued)

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

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

###### Restoration

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

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

###### Rehabilitation

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

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

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

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

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

##### (a) Nature and purpose of reserves

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

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

###### Other reserves

Council does not hold any additional reserves.

##### (b) Correction of errors relating to a previous reporting period

###### Nature of prior-period error

During the revaluation process of the transportation asset classes a thorough review was undertaken and identified corrections to the following asset sub classes:

###### Formation Layer - Roads

The overall width of the formation layer for roads was deemed through GIS analysis to be on average 1.4 times the width of the wearing course of gravel for unsealed roads, 2 times the width of the top surface for sealed roads, and 1 times the top surface (kerb-kerb) here k/g is applicable on urban roads.

The change in the measurement for the calculation of formation resulted in a material adjustment of \$24.8m bringing the total value of the formation layer prior to any revaluation adjustments to \$68.3m.

###### Stormwater

Council used the GIS system within its Asset Management System to capture stormwater assets accompanied by a full on ground physical inspection which in the past had been largely a desktop exercise. This process identified an additional 515 stormwater lines and 866 stormwater pits that had not previously been recorded in Council's asset register. The impact of this was an increase in the value of the stormwater network by \$6.7m and an increase in annual depreciation of \$57k.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

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

##### Statement of Financial Position

\$ '000	Original Balance 1 July 2018	Impact Increase/ (decrease)	Restated Balance 1 July 2018
Infrastructure property plant and equipment	211,671	31,466	243,137
<b>Total assets</b>	<b>257,129</b>	<b>31,466</b>	<b>288,595</b>
<b>Net assets</b>	<b>248,253</b>	<b>31,466</b>	<b>279,719</b>
Accumulated surplus	104,562	31,466	136,028
<b>Total equity</b>	<b>248,253</b>	<b>31,466</b>	<b>279,719</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

###### Statement of Financial Position

\$ '000	Original Balance 30 June 2019	Impact Increase/ (decrease)	Restated Balance 30 June 2019
Infrastructure property plant and equipment	222,664	31,409	254,073
<b>Total assets</b>	<b>267,676</b>	<b>31,409</b>	<b>299,085</b>
<b>Net assets</b>	<b>257,534</b>	<b>31,409</b>	<b>288,943</b>
Accumulated surplus	113,532	31,409	144,941
<b>Total equity</b>	<b>257,534</b>	<b>31,409</b>	<b>288,943</b>

###### Income Statement

\$ '000	Original Balance 30 June 2019	Impact Increase/ (decrease)	Restated Balance 30 June 2019
Depreciation	5,364	57	5,421
<b>Total expenses from continuing operations</b>	<b>18,882</b>	<b>57</b>	<b>18,939</b>
<b>Net operating result for the year</b>	<b>8,779</b>	<b>(57)</b>	<b>8,722</b>

###### Statement of Comprehensive Income

\$ '000	Original Balance 30 June 2019	Impact Increase/ (decrease)	Restated Balance 30 June 2019
<b>Net operating result for the year</b>	<b>8,779</b>	<b>(57)</b>	<b>8,722</b>
<b>Total comprehensive income for the year</b>	<b>9,281</b>	<b>(57)</b>	<b>9,224</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

##### (ii) AASB 15 and AASB 1058

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

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

##### Costs incurred in fulfilling customer contracts

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

##### Upfront fees – CentrePoint

Prior to adopting AASB 15, the Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

##### Revenue recognition from contract modifications

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

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

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

##### Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

##### Licences

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

##### Prepaid rates

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

##### Grants – operating

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

##### Grants – capital

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

##### Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

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\$ '000	Balance at 1 July 2019
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract assets</b>	
– Under AASB 1058	364
<b>Contract liabilities</b>	
– Under AASB 1058	284
<b>Total Contract liabilities</b>	<u>284</u>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

##### Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific-ation	Remeasur-ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	3,554	-	-	3,554	
Investments	12,500	-	-	12,500	
Receivables	580	-	-	580	
Inventories	2,173	-	-	2,173	
Contract assets	578	(578)	-	-	
Other	53	-	-	53	
<b>Total current assets</b>	<b>19,438</b>	<b>(578)</b>	<b>-</b>	<b>18,860</b>	
<b>Current liabilities</b>					
Payables	1,044	-	-	1,044	
Contract liabilities	986	(986)	-	-	
Lease liabilities	31	-	-	31	
Borrowings	576	-	-	576	
Provisions	2,296	-	-	2,296	
<b>Total current liabilities</b>	<b>4,933</b>	<b>(986)</b>	<b>-</b>	<b>3,947</b>	
<b>Non-current assets</b>					
Receivables	70	-	-	70	
Infrastructure, property, plant & equipment	289,525	-	-	289,525	
Intangible assets	117	-	-	117	
Right of use assets	72	-	-	72	
Investments accounted for using equity method	29,367	-	-	29,367	
<b>Total non-current assets</b>	<b>319,151</b>	<b>-</b>	<b>-</b>	<b>319,151</b>	
<b>Non-current liabilities</b>					
Payables	2	-	-	2	
Lease liabilities	41	-	-	41	
Borrowings	7,203	-	-	7,203	
Provisions	930	-	-	930	
<b>Total Non-current liabilities</b>	<b>8,176</b>	<b>-</b>	<b>-</b>	<b>8,176</b>	
<b>Net assets</b>	<b>325,480</b>	<b>408</b>	<b>-</b>	<b>325,888</b>	
<b>Equity</b>					
Accumulated surplus	153,561	408	-	153,969	
Revaluation reserves	171,919	-	-	171,919	
<b>Council equity interest</b>	<b>325,480</b>	<b>408</b>	<b>-</b>	<b>325,888</b>	

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
<b>Total equity</b>	325,480	408	-	325,888	

The adoption of AASB 1058 resulting in the reclassification of Capital Grant income received during the financial year as a liability where as under the previous standards would have been classified as income on receipt.

#### Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	11,244	-	-	11,244	
User charges and fees	1,353	3	-	1,356	
Other revenues	296	-	-	296	
Grants and contributions provided for operating purposes	4,154	-	-	4,154	
Grants and contributions provided for capital purposes	6,197	405	-	6,602	
Interest and investment income	283	-	-	283	
Rental income	222	-	-	222	
Net share of interests in joint ventures and associates using the equity method	4,000	-	-	4,000	
<b>Total Income from continuing operations</b>	<b>27,749</b>	<b>408</b>	<b>-</b>	<b>28,157</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	7,032	-	-	7,032	
Borrowing costs	485	-	-	485	
Materials and contracts	2,759	-	-	2,759	
Depreciation and amortisation	5,681	-	-	5,681	
Other expenses	2,473	-	-	2,473	
Net losses from the disposal of assets	1,129	-	-	1,129	
<b>Total Expenses from continuing operations</b>	<b>19,559</b>	<b>-</b>	<b>-</b>	<b>19,559</b>	
<b>Total Operating result from continuing operations</b>	<b>8,190</b>	<b>408</b>	<b>-</b>	<b>8,598</b>	
Net operating result for the year	8,190	408	-	8,598	
<b>Total comprehensive income</b>	<b>36,457</b>	<b>-</b>	<b>-</b>	<b>36,457</b>	

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

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

##### Statement of Financial Position

\$ '000	Original Balance 1 July 2019	Impact Increase/ (decrease)	Restated Balance 1 July 2019
Contract assets	–	364	364
<b>Total assets</b>	<b>299,085</b>	<b>364</b>	<b>299,449</b>
Contract liabilities	–	284	284
<b>Total liabilities</b>	<b>10,142</b>	<b>284</b>	<b>10,426</b>
Accumulated surplus	144,941	80	145,021
<b>Total equity</b>	<b>288,943</b>	<b>80</b>	<b>289,023</b>

#### (iii) AASB 16 Leases

##### Council as a lessee

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

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

##### Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

##### Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$104,401 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.42%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>119</b>

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**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

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

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
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**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	105
Lease liabilities recognised at 1 July 2019	105

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

**Statement of Financial Position**

<b>\$ '000</b>	<b>Original Balance 1 July 2019</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July 2019</b>
Rights-of-use assets	–	105	105
<b>Total assets</b>	<b>299,085</b>	<b>105</b>	<b>299,190</b>
Leases	–	105	105
<b>Total liabilities</b>	<b>10,142</b>	<b>105</b>	<b>10,247</b>
Accumulated surplus	144,941	–	144,941
<b>Total equity</b>	<b>288,943</b>	<b>–</b>	<b>288,943</b>

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	3,554	3,548
<b>Balance as per the Statement of Cash Flows</b>		<b>3,554</b>	<b>3,548</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		8,190	8,722
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,681	5,421
Net losses/(gains) on disposal of assets		1,129	655
Adoption of AASB 15/1058		80	-
Unwinding of discount rates on reinstatement provisions		-	(139)
Share of net (profits)/losses of associates/joint ventures using the equity method		(4,000)	(382)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		820	643
Increase/(decrease) in provision for impairment of receivables		(19)	3
Decrease/(increase) in inventories		-	(287)
Decrease/(increase) in other current assets		5	9
Decrease/(increase) in contract assets		(578)	-
Increase/(decrease) in payables		(472)	143
Increase/(decrease) in accrued interest payable		5	(2)
Increase/(decrease) in other accrued expenses payable		3	12
Increase/(decrease) in other liabilities		(9)	(44)
Increase/(decrease) in contract liabilities		986	-
Increase/(decrease) in provision for employee benefits		63	319
Increase/(decrease) in other provisions		299	(26)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>12,183</b>	<b>15,047</b>



## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Associates	4,000	382	29,367	25,017
<b>Total</b>	<b>4,000</b>	<b>382</b>	<b>29,367</b>	<b>25,017</b>

#### Associates

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

##### (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2020		2019	
Central Tablelands Water	Associate	Equity	29,110		24,761	
Upper Macquarie County Council	Associate	Equity	257		256	
<b>Total carrying amounts – material associates</b>			<b>29,367</b>		<b>25,017</b>	

##### (b) Details

	Principal activity	Place of business
Central Tablelands Water	Water supply	Blayney
Upper Macquarie County Council	Weeds Council	Bathurst

##### (c) Relevant interests and fair values

\$ '000	Proportion of voting power	
	2020	2019
Central Tablelands Water	33%	33%
Upper Macquarie County Council	25%	25%

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Interests in other entities (continued)

##### (d) Summarised financial information for associates

\$ '000	Central Tablelands Water		Upper Macquarie County Council	
	2020	2019	2020	2019
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	2,029	817	1,107	993
Other current assets	5,216	6,763	61	132
<b>Non-current assets</b>	83,110	69,618	92	124
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	655	202	–	–
Other current liabilities	1,398	1,250	209	211
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	962	1,455	22	13
<b>Net assets</b>	<b>87,340</b>	<b>74,291</b>	<b>1,029</b>	<b>1,025</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	74,291	72,645	1,025	924
Profit/(loss) for the period	11,967	1,070	44	101
Other adjustments to equity	1,082	576	–	–
<b>Closing net assets</b>	<b>87,340</b>	<b>74,291</b>	<b>1,069</b>	<b>1,025</b>
<b>Council's share of net assets (%)</b>	33%	33%	25%	25%
<b>Council's share of net assets (\$)</b>	29,110	24,761	257	256
<b>Statement of comprehensive income</b>				
Income	18,666	6,846	1,258	1,419
Interest income	195	182	18	17
Depreciation and amortisation	(2,761)	(2,111)	(48)	(53)
Interest expense	(114)	(144)	–	–
Other expenses	(4,019)	(3,703)	(1,184)	(1,282)
<b>Profit/(loss) from continuing operations</b>	<b>11,967</b>	<b>1,070</b>	<b>44</b>	<b>101</b>
<b>Profit/(loss) for period</b>	<b>11,967</b>	<b>1,070</b>	<b>44</b>	<b>101</b>
Other comprehensive income	1,082	1,646	–	–
<b>Total comprehensive income</b>	<b>13,049</b>	<b>2,716</b>	<b>44</b>	<b>101</b>
<b>Share of income – Council (%)</b>	33%	33%	25%	25%
<b>Profit/(loss) – Council (\$)</b>	3,989	357	11	25
<b>Total comprehensive income – Council (\$)</b>	4,349	905	11	25
<b>Summarised Statement of cash flows</b>				
Cash flows from operating activities	3,228	3,050	130	177
Cash flows from investing activities	(1,550)	(2,961)	(16)	(2)
Cash flows from financing activities	(466)	(437)	–	–
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,212</b>	<b>(348)</b>	<b>114</b>	<b>175</b>

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## Blayney Shire Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Interests in other entities (continued)

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In addition to the joint ventures and associates disclosed individually above, Council has interests in a number of individually immaterial joint ventures and associates that have still been accounted for using the equity method.

##### **Accounting policy for associates**

Interests in associates are accounted for using the equity method in accordance with *AASB 128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

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

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 19. Commitments

\$ '000	2020	2019
Non-cancellable operating lease commitments (2019 only)		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	–	44
Later than one year and not later than 5 years	–	75
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>119</b>

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

Refer to Note 14 for information relating to leases for 2020.

- Gym equipment lease for 40 months including 3 treadmills, 2 cross trainers, 2 rowers, 3 lifecycle bikes and one powermill.
- Photocopier equipment lease for 60 months for 5 photocopiers and 1 large format printer.
- Forklift equipment lease for 60 months.

#### **Conditions relating to finance and operating leases:**

– All finance agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Contingencies

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

##### 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 future service employer contributions and past service employer contributions to the Fund.

The future service 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% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 116,663. The last valuation of the Scheme was performed by the Actuary Mr Richard Boyfield as at 30 June 2019.

The amount of additional contributions included in the total employer contribution advised above is \$57,700. Council's expected contribution to the plan for the next annual reporting period is \$61,200.

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$60,000 as at 30 June 2020.

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% 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 Limited

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

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

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

#### (iii) StateCover Limited

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

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Contingencies (continued)

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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

##### (i) Third party claims

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

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

##### (ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

#### 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 30/6/08.

##### (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.

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management

##### Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	3,554	3,548	3,554	3,548
Receivables	650	1,494	680	1,494
Investments				
– 'Financial assets at amortised cost'	12,500	13,000	12,500	13,000
<b>Total financial assets</b>	<b>16,704</b>	<b>18,042</b>	<b>16,734</b>	<b>18,042</b>
<b>Financial liabilities</b>				
Payables	1,046	1,297	1,046	1,297
Loans/advances	7,779	5,759	7,171	6,747
Lease liabilities	72	–	71	–
<b>Total financial liabilities</b>	<b>8,897</b>	<b>7,056</b>	<b>8,288</b>	<b>8,044</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	36	36	(36)	(36)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	35	35	(35)	(35)

##### (b) Credit risk

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

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

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

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

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

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management (continued)

##### Credit risk profile

##### Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	126	39	62	32	259
<b>2019</b>						
Gross carrying amount	–	115	48	46	8	217

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

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	294	62	1	6	138	501
Expected loss rate (%)	4.40%	0.00%	0.00%	0.00%	70.70%	22.06%
<b>ECL provision</b>	<b>13</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>111</b>
<b>2019</b>						
Gross carrying amount	1,033	16	6	8	343	1,406
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	37.60%	9.17%
<b>ECL provision</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>129</b>	<b>129</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Financial risk management (continued)

##### (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	237	–	–	–	237	824
Loans and advances	4.66%	–	576	2,293	4,910	7,779	7,779
<b>Total financial liabilities</b>		<b>237</b>	<b>576</b>	<b>2,293</b>	<b>4,910</b>	<b>8,016</b>	<b>8,603</b>
<b>2019</b>							
Trade/other payables	0.00%	246	1,048	3	–	1,297	1,297
Loans and advances	5.43%	–	694	2,717	4,098	7,509	5,759
<b>Total financial liabilities</b>		<b>246</b>	<b>1,742</b>	<b>2,720</b>	<b>4,098</b>	<b>8,806</b>	<b>7,056</b>

##### Loan agreement breaches

There have been no breaches to loan agreements throughout the financial year.

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>REVENUES</b>				
<b>User charges and fees</b>	1,753	1,353	(400)	(23)% <b>U</b>
Council's swimming pool was closed whilst major upgrade works were undertaken. Whilst originally scheduled to reopen for the final 4 months of the financial year the entire facility including the gym and dry courts area was closed due to the Covid restrictions. Additionally quarries revenues were significantly down on forecast.				
<b>Capital grants and contributions</b>	3,833	6,197	2,364	62% <b>F</b>
An increase in capital grants and contributions compared to budget was largely a result of carry over projects from the previous financial year tied to milestone payments.				
<b>Interest and investment revenue</b>	442	283	(159)	(36)% <b>U</b>
Forecast return on investments was significantly less than anticipated.				
<b>Net gains from disposal of assets</b>	263	-	(263)	100% <b>U</b>
Budgeted gain on sale of plant & equipment and real estate was higher than forecast. Council did not make provision for losses on disposal of infrastructure assets resulting from the major building upgrade works at CentrePoint and transportation assets identified during the revaluation.				
<b>Joint ventures and associates – net profits</b>	23	4,000	3,977	17,291% <b>F</b>
Council budgets the forecast operational result from Joint Ventures operational plan. Central Tablelands Water received significant one off grant funding for the construction of the Orange to Carcoar pipeline.				
<b>EXPENSES</b>				
<b>Borrowing costs</b>	337	485	(148)	(44)% <b>U</b>
Applied interest rate for new borrowings relating to the CentrePoint major upgrade and Carcoar Rd Bridge was less than forecast. This saving was offset against a significant decrease in the discount rate used for the NPV calculation for the remediation provisions for Council's Waste Facility and four quarries.				

**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 22. Material budget variations**

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----
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**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	9,042	12,183	3,141	35% <b>F</b>
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Cash flows from operating activities were up following an increase in receipt of grants and contributions of \$3.6m compared to budget. An increase in cash and cash equivalents at year end following receipt of a number of contract liabilities in the last week of June.

<b>Cash flows from investing activities</b>	(10,683)	(14,164)	(3,481)	33% <b>U</b>
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Council had only forecast the sale of 4 lots of its newly completed subdivision this financial year compared to the 8 lots sold prior to the end of June. In addition Council purchased or constructed \$4m more infrastructure, property, plant and equipment more than originally forecast.

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/20	–	–	6,643	6,643
Office equipment	30/06/20	–	–	340	340
Furniture and fittings	30/06/20	–	–	131	131
Operational land	30/06/20	–	–	989	989
Community land	30/06/20	–	–	5,002	5,002
Land under roads (post 30/06/08)	30/06/20	–	–	16	16
Land improvements - non depreciable	30/06/20	–	–	118	118
Land improvements - depreciable	30/06/20	–	–	3,588	3,588
Buildings – non-specialised	30/06/20	–	–	1,500	1,500
Buildings – specialised	30/06/20	–	357	17,640	17,997
Roads	30/06/20	–	–	168,624	168,624
Bridges	30/06/20	–	–	21,416	21,416
Footpaths	30/06/20	–	–	5,943	5,943
Major earthworks	30/06/20	–	–	12,610	12,610
Stormwater	30/06/20	–	–	13,608	13,608
Sewerage network	30/06/20	–	–	19,716	19,716
Swimming Pools	30/06/20	–	–	4,296	4,296
Open space/recreation assets	30/06/20	–	–	3,705	3,705
Tip assets	30/06/20	–	–	99	99
Quarry assets	30/06/20	–	–	175	175
<b>Total infrastructure, property, plant and equipment</b>		–	357	286,159	286,516

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## Blayney Shire Council

Financial Statements 2020

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

#### Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total Restated
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/19	–	–	6,548	6,548
Office equipment	30/06/19	–	–	299	299
Furniture and fittings	30/06/19	–	–	131	131
Operational land	30/06/19	–	–	1,165	1,165
Community land	30/06/19	–	–	5,002	5,002
Land under roads (post 30/06/08)	30/06/19	–	–	16	16
Land improvements - non depreciable	30/06/19	–	–	–	–
Land improvements - depreciable	30/06/19	–	–	3,612	3,612
Buildings – non-specialised	30/06/19	–	–	1,527	1,527
Buildings – specialised	30/06/19	–	357	15,737	16,094
Roads	30/06/19	–	–	135,040	135,040
Bridges	30/06/19	–	–	25,830	25,830
Footpaths	30/06/19	–	–	4,478	4,478
Major earthworks	30/06/19	–	–	11,625	11,625
Stormwater	30/06/19	–	–	15,311	15,311
Sewerage network	30/06/19	–	–	19,842	19,842
Swimming Pools	30/06/19	–	–	775	775
Open space/recreation assets	30/06/19	–	–	3,385	3,385
Tip assets	30/06/19	–	–	51	51
Quarry assets	30/06/19	–	–	177	177
<b>Total infrastructure, property, plant and equipment</b>		–	357	250,551	250,908

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

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

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

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

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

**Plant and Equipment** – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

**Office Equipment** – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

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**Furniture and Fittings** – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

**Operational Land** – Industrial land, quarries and rural fire service land

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location - sales of comparable land

Council's Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Australis Asset Advisory Group analysed sales of similar properties as a basis of comparison in order to arrive at a value

**Community Land** – Parkland, sporting grounds, reserves, land under public buildings (halls & community centres)

Valuation Techniques: 'Market approach adjusted for restrictions'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 30 June 2016)

Council's community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

**Depreciable Land Improvements** – Gardens/soffall areas, cricket pitches, other depreciable assets.

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, unit rates

Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Rawlinson's Australian Construction handbook'. Council officers undertook a rigorous onsite inspection program to establish condition ratings used in calculating the remaining life and replacement cost of each asset. By using a spatial information program and satellite imagery officers were able to accurately calculate asset lengths and dimensions and apply these to the established condition data.

**Buildings (Specialised/Non Specialised)** – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach & Market approach'

Inputs Used (Level 2 and Level 3): Market approach, Unit rates, useful life, asset condition

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## Blayney Shire Council

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### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

Council's buildings were valued at fair value on 30th June 2018 in accordance with Australian Property Institute's (API) Code of Professional Practice, TPP 14-01 Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standard (including AASB13) and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation.

Council's Specialised Buildings were valued by Australis Asset Advisory Group as at 30 June 2018. The methodology adopted by Australis Asset Advisory Group is on an individually assessed (asset-by-asset) basis to determine which method is most appropriate.

##### **Open Space/Recreational Assets** – Fencing, shadesails, other recreational furniture

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition.

Council used In-house resources to provide a valuation for each asset applying a rate based on historical cost. Condition data was then considered to provide a valuation taking into account consumption patterns, dimensions and other specifications.

##### **Roads** – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's road infrastructure assets were last valued in-house on 30 June 2020. As per Paragraph 43 of AASB116, Council's roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement Base Layer
- Pavement Sub Base Layer
- Formation including Minor Culverts
- Roadside Furniture (crash barriers & signs)

GPS logged to establish the length and extent of the network. Road terminuses (extent of Council maintenance activities) were taken as the measure of asset length. Recent works have been included from Works as Executed plans.

Seal widths (sealed roads) and running surface width (unsealed roads) were verified using aerial imagery and random field testing. Pavement widths are assumed to be equal to the seal width / running surface width, which was confirmed by random sampling of a range of road classifications across the Shire.

Formation widths for sealed and unsealed roads were established by random sampling in the field and from aerial imagery analysis of a range of road classifications and were demonstrated to be double the width of the pavement for sealed roads and 1.4 times the width of the surface for unsealed roads. Formation depth varies according to the Class of road, with urban areas assumed to be a greater depth, as urban roads tend to be on flood plains. Formation costs allow for the installation of drainage blankets over 20% of the road length and for 1.2 minor culverts per kilometre (based on the average number per kilometre across the Shire).

Unit rates for formation, pavement and sealing were based on recent Council works and validated against Rawlinson's Australian Construction handbook. Unit rates are assumed to be for an undulating topography, as this represents the majority of road corridors in the Shire. The slightly steeper grades are assumed to be countered by the substantially longer corridors of flat to slightly undulating topography.

Condition Assessment data was obtained from laser survey undertaken by the Australian Road Research Board (ARRB) in 2019/20 (sealed roads) and assessment by Council officers utilising the UnsealedRoads.com assessment methodology (unsealed roads). Condition data was used as a substitute for date of construction data to establish remaining lives. This was due to Council not having complete road construction / rehabilitation / initial sealing data.

Roadside furniture including crash barriers and signs were collated from the ARRB survey for sealed roads and by Council staff for unsealed roads. An average unit rate by length categories was applied to crash barriers (including guard rail and wire rope) to account for variations in the value of the various 'end treatments' used on guard rail. Condition ratings are per item, collated by Council staff using a standard Condition Rating Guide. Unit rates for signs are based on an assumed Type B size sign with one post, to provide an average cost, to account for multiple posts and multiple sign faces on a single post.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

The unit rate reflects the cost of recent council works. Condition ratings were supplied by ARRB for sealed road signs and by Council staff for unsealed roads.

**Bridges** – Concrete bridges, Timber Bridges, Bridge sized culverts

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber).

Council defines a bridge as a structure with a road centreline length of 6m or more and has inspected all Bridges and Major Culverts utilising a standardised Bridge Measurement Guide to determine the split between Bridges and Major Culverts, resulting in transfers into and out of the Bridge Asset Class.

Condition assessment for bridges was undertaken by professional bridge engineering companies for Timber bridges (Level 4 inspections) and by an experienced bridge 'ganger' for concrete bridges and other Council staff using Culvert Condition Assessment Guide for Culvert style bridges (Level 2 inspections, based on observed defects), but does not include core sampling or tensile testing of any components. Bridges constructed in the last 5 years have been assumed to be in Condition 1.

Bridge values were determined on the basis of a square metre (of deck) rate, based on a number of bridges Council has had built in the last five years.

**Footpaths** – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen/pavers)

Footpaths assets lengths, widths and extents were verified using 7.5cm aerial imagery and field inspection. Condition Assessments were undertaken of the entire network by Council staff utilising a standardised Condition Assessment Guide. These inspections are undertaken 6 monthly in the Blayney and Millthorpe CBDs and annual across the full network.

Unit Rates for footpaths are derived from recent Council works, as Council has constructed significant lengths of footpath in recent years.

**Stormwater Drainage** - includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Register was developed using a combination of field observation and aerial imagery. The level of capture is estimated to be around 85% to 95%, as by its nature Urban Stormwater drainage is difficult to locate and Council does not have complete records of drainage installed. Pipe sizes have been estimated in some instances, as it is not possible to access all pipes.

Condition assessment was undertaken by Council staff using a standardised Condition Assessment Guide, with the condition of most pipes assumed from the condition of associated pits, due to a lack of accessibility.

Unit Rates for stormwater pits, pipes were derived from the Office of Water; NSW reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets, Reinforced Concrete Box Culverts from recent council works and concrete lined drains from Rawlinsons Australian Construction Handbook. As with Kerb and Gutter, these rates do not take into account any allowance for the removal of existing (failed) stormwater assets.

**Major Earthworks** – (transport asset class only)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, dimensions and specifications

Major Earthworks have been captured through field surveys and Works as Executed plans for more recent works. Bulk earthworks do not include earthworks for buildings and within Parks and Gardens, as these are accounted for within those asset classes, where applicable.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

Council has verified the extent of some of its major earthworks through the use of Drone Survey, resulting in changes in some existing estimates. The condition of major earthworks is assumed to be 1, as these are a very long life assets, which are not depreciated.

The Unit Rates for Major Earthworks are derived from recent Council works and have been compared with rates from the Rawlinsons Australian Construction Handbook.

##### **Major Culverts** – Pipe Culverts, Reinforced Concrete Box Culverts

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset dimensions, asset condition

The location and condition of all Major Culverts has been verified by an extensive review by Council Officers, utilising standardised Condition Inspection Guides. Culverts of 450mm or less have not been valued separately due to their cost (purchase price and installation cost) and have been allowed for in the cubic metre rate for road formation.

Major Culverts have been normalised to align with Modern Engineering Equivalent Replacement Asset (MEERA) to standardise culvert sizes and interpolation was used to account for nonstandard sizes. They are valued as single, double, triple or quad pipes / box culverts. Major Culverts do not include Bridge size (6m+ along road centre line) culverts, as these were valued in the Bridge Register.

Unit rates for culverts are derived from recent Council works and include materials (contract rates), excavation and nonlinear variation for multi cell culverts.

##### **Kerb and Gutter** – highback concrete, rollback concrete, median and 'splitter islands', bluestone and riverstone

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset dimensions, asset condition

The Kerb and Gutter asset register was developed using a combination of 7.5cm Aerial imagery for Blayney and the Villages. This data was verified with an inspection program to determine the accuracy and materials used. The bulk of Council's kerb and gutter network is concrete ('high back' or 'roll back'), however some kerb and gutter is constructed from bluestone or river stone. Median and 'splitter islands' are included in this asset sub class.

Condition assessment for Kerb and Gutter was collated by Council staff using a standardised Condition Assessment Guide.

Unit Rates were established on 'First Principles' and verified against a tender that Council had recently submitted for kerb and gutter works. Unit rates for the bluestone and river stone kerbs and gutters was also established on 'First Principles' and verified against recent 'reconstruction' works in Carcoar.

Unit rates for kerb and gutter are all based on 'Greenfields' costs and do not include any allowance of the removal of existing failed sections.

##### **Sewerage Network** – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Council's complex Sewer Assets were valued by AUSTRALIS Asset Advisory Group as at 30 June 2017. The valuation was based on the NSW Office of Water's NSW Reference Rates Tables issued in 2016, a supplement to the former Ministry of Energy and Utilities' 2003 document NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets. These rates are indexed, which is applied to the network annually.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Australis conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

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The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage.

The reticulation system (pipes and manholes) were valued internally using the same inputs, with condition assessment undertaken using the WSM Conduit Inspection and Reporting Code. Surveys were conducted across almost 15% of each age category of pipes in the Blayney and Millthorpe Sewer systems.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

##### Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Council's swimming pools were valued at fair value on 30th June 2018 in accordance with Australian Property Institute's (API) Code of Professional Practice, TPP 14-01 Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standard (including AASB13) and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation.

Council's swimming pools were valued by Australis Asset Advisory Group. The methodology adopted by Australis Asset Advisory Group is on an individually assessed (asset-by-asset) basis to determine which method is most appropriate.

The value of the Pool assets has been substantially revised as at 30 June 2020, following a major upgrade to the CentrePoint Sport and Leisure Centre over the previous two financial years. This has been based on actual costs.

##### Tip and Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management requirements.

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

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**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 23. Fair Value Measurement (continued)**

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

\$ '000	Notes	Operational Land	Community Land	Depreciable land improvement s	Building specialised	Buildings non-specialised
<b>2019</b>						
<b>Opening balance</b>		1,165	5,002	3,646	16,305	1,379
Transfers from/(to) level 2 FV hierarchy	26 4(b)	-	-	-	(357)	-
Transfers from/(to) another asset class		-	-	-	(191)	123
Other adjustments and transfers		-	-	-	-	-
Purchases (GBV)		-	-	335	704	72
Disposals (WDV)		-	-	(20)	(193)	-
Depreciation and impairment		-	-	(349)	(531)	(47)
<b>Closing balance</b>		<b>1,165</b>	<b>5,002</b>	<b>3,612</b>	<b>15,737</b>	<b>1,527</b>
<b>2020</b>						
<b>Opening balance</b>		1,165	5,002	3,612	15,737	1,527
Transfers from/(to) another asset class		-	-	139	-	-
Other adjustments and transfers		(130)	-	-	-	-
Purchases (GBV)		-	-	218	2,790	20
Disposals (WDV)		(46)	-	(33)	(395)	-
Depreciation and impairment		-	-	(348)	(492)	(47)
<b>Closing balance</b>		<b>989</b>	<b>5,002</b>	<b>3,588</b>	<b>17,640</b>	<b>1,500</b>

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**Blayney Shire Council**

Financial Statements 2020

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 23. Fair Value Measurement (continued)**

\$ '000	Open space/recreati on assets	Roads Restated	Bridges	Footpaths	Major earthworks
<b>2019</b>					
<b>Opening balance</b>	3,134	129,251	24,502	4,325	11,625
Other adjustments and transfers	-	-	-	-	-
Purchases (GBV)	459	8,085	1,998	241	-
Disposals (WDV)	(104)	-	(405)	-	-
Depreciation and impairment	(104)	(2,296)	(265)	(88)	-
<b>Closing balance</b>	<b>3,385</b>	<b>135,040</b>	<b>25,830</b>	<b>4,478</b>	<b>11,625</b>
<b>2020</b>					
<b>Opening balance</b>	3,385	135,040	25,830	4,478	11,625
Transfers from/(to) another asset class	(65)	-	-	-	-
Other adjustments and transfers	-	1,998	(510)	-	(118)
Purchases (GBV)	515	3,967	906	897	-
Disposals (WDV)	(17)	(397)	(25)	(134)	-
Depreciation and impairment	(113)	(2,370)	(283)	(91)	-
FV gains – other comprehensive income	-	30,386	(4,502)	793	1,103
<b>Closing balance</b>	<b>3,705</b>	<b>168,624</b>	<b>21,416</b>	<b>5,943</b>	<b>12,610</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

\$ '000	Stormwater Restated	Sewerage network	Plant and equipment	Office equipment	Furniture and fittings
<b>2019</b>					
<b>Opening balance</b>	15,454	19,768	5,439	282	82
Transfers from/(to) another asset class	-	68	-	-	-
Other adjustments and transfers	-	-	-	-	-
Purchases (GBV)	1	212	2,157	97	59
Disposals (WDV)	-	-	(176)	-	-
Depreciation and impairment	(144)	(517)	(872)	(80)	(10)
FV gains – other comprehensive income	-	311	-	-	-
<b>Closing balance</b>	<b>15,311</b>	<b>19,842</b>	<b>6,548</b>	<b>299</b>	<b>131</b>
<b>2020</b>					
<b>Opening balance</b>	15,311	19,842	6,548	299	131
Other adjustments and transfers	(1,562)	-	-	-	-
Purchases (GBV)	248	207	1,232	119	13
Disposals (WDV)	(151)	-	(123)	-	-
Depreciation and impairment	(191)	(517)	(1,014)	(78)	(13)
FV gains – other comprehensive income	(47)	184	-	-	-
<b>Closing balance</b>	<b>13,608</b>	<b>19,716</b>	<b>6,643</b>	<b>340</b>	<b>131</b>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

\$ '000	Notes	Swimming pools	Land improvement s - non depreciable	Land under roads - (post 30/06/2008)	Remediation, rehabilitation & restoration	Total
<b>2019</b>						
<b>Opening balance</b>		828	–	16	283	<b>242,486</b>
Transfers from/(to) level 2 FV hierarchy	26 4(b)	–	–	–	–	<b>(357)</b>
Transfers from/(to) another asset class		(10)	–	–	–	<b>(10)</b>
Other adjustments and transfers		–	–	–	(56)	<b>(56)</b>
Purchases (GBV)		–	–	–	30	<b>14,450</b>
Disposals (WDV)		(3)	–	–	–	<b>(901)</b>
Depreciation and impairment		(40)	–	–	(29)	<b>(5,372)</b>
FV gains – other comprehensive income		–	–	–	–	<b>311</b>
<b>Closing balance</b>		<b>775</b>	<b>–</b>	<b>16</b>	<b>228</b>	<b>250,551</b>
<b>2020</b>						
<b>Opening balance</b>		775	–	16	228	<b>250,551</b>
Transfers from/(to) another asset class		–	–	–	–	<b>74</b>
Other adjustments and transfers		–	118	–	–	<b>(204)</b>
Purchases (GBV)		4,087	–	–	74	<b>15,293</b>
Disposals (WDV)		(556)	–	–	–	<b>(1,877)</b>
Depreciation and impairment		(10)	–	–	(28)	<b>(5,595)</b>
FV gains – other comprehensive income		–	–	–	–	<b>27,917</b>
<b>Closing balance</b>		<b>4,296</b>	<b>118</b>	<b>16</b>	<b>274</b>	<b>286,159</b>

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

For each FV hierarchy transfer into or out of level 3, please reference and list the details and reasons for the change here.

As non specialised buildings there were able to be valued using market analysis.

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Plant & Equipment	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>
Office Equipment	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>
Furniture & Fittings	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>
Operational Land	Market Approach	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Community Land	Market Approach - adjusted for restrictions	<ul style="list-style-type: none"> <li>• NSW Valuer Generals Valuation (Unimproved Capital Value)</li> </ul>
Land Improvements - non depreciable	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> </ul>
Depreciable Land Improvements	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Buildings – Specialised	Cost Approach & Market Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Buildings – Non Specialised	Cost Approach & Market Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Open Space/Recreation Assets	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Condition</li> <li>• Useful life</li> </ul>
Roads	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Bridges	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Footpaths	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Major Earthworks	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> </ul>
Stormwater Drainage	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Sewerage Network	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Useful Life</li> <li>• Asset Conditions</li> </ul>
Swimming Pools	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>
Tips & Quarries	Cost Approach	<ul style="list-style-type: none"> <li>• Discounted Future Cash Flow</li> </ul>

#### (4) Highest and best use

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

**Blayney Shire Council**  
**Notes to the Financial Statements**  
 for the year ended 30 June 2020  
**Note 24. Related party disclosures**

**(a) Key management personnel**

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

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

	2020	2019
<b>Compensation:</b>		
Short-term benefits	916	913
Post-employment benefits	72	72
Other long-term benefits	42	34
<b>Total</b>	<b>1,030</b>	<b>1,019</b>

**(b) Other transactions with KMP and their related parties**

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
<b>2020</b>						
Catering	1	6	-	Paid on invoice	-	-
Donations & Financial Assistance Grants	2	2	-	Paid on completion of works	-	-
Supply of water	3	334	-	Payable by instalment date	-	-
<b>2019</b>						
Catering	1	2	-	Paid on invoice	-	-
Donations & Financial Assistance Grants	2	5	-	Paid on completion of works	-	-
Supply of water	3	188	-	Payable by instalment date	-	-

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**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 24. Related party disclosures (continued)**

- 1 Catering for training and meetings of Council were supplied by related parties of a number of KMP's
- 2 Council have donated funds to local not for profit organisations for community projects where a number of KMP's are members
- 3 A KMP is the Chair of a joint organisation (County Council) who supplies water to Council Facilities

**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 25. Statement of developer contributions**

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

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

**Summary of contributions and levies**

	as at 30/06/19		Contributions received during the year				as at 30/06/20	
	Opening Balance	Non-cash	Cash	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
Local infrastructure fund	851	-	114	(300)	-	683	-	
<b>S7.11 contributions – under a plan</b>	851	-	114	(300)	-	683	-	
<b>Total S7.11 and S7.12 revenue under plans</b>	851	-	114	(300)	-	683	-	
S64 contributions	936	-	50	(146)	-	860	-	
<b>Total contributions</b>	<b>1,787</b>	<b>-</b>	<b>164</b>	<b>(446)</b>	<b>-</b>	<b>1,543</b>	<b>-</b>	

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**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 25. Statement of developer contributions (continued)**

\$ '000	as at 30/06/19		Contributions received during the year				Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Non-cash	Cash			Held as restricted asset				Cumulative internal borrowings due/(payable)	
<b>S7.11 Contributions – under a plan</b>											
<b>CONTRIBUTION PLAN NUMBER – Local infrastructure fund</b>											
Local infrastructure fund	851	–	114	–	18	(300)	–	–	683	–	–
Total	851	–	114	–	18	(300)	–	–	683	–	–
<b>S64 contributions</b>											
<b>S64 contributions</b>											
Community facilities	936	–	20	–	50	(146)	–	–	860	–	–
Total	936	–	20	–	50	(146)	–	–	860	–	–

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Result by fund

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Income Statement by fund</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	10,069	1,175
User charges and fees	1,102	251
Interest and investment revenue	188	95
Other revenues	290	6
Grants and contributions provided for operating purposes	4,125	29
Grants and contributions provided for capital purposes	6,147	50
Rental income	222	–
Share of interests in joint ventures and associates using the equity method	4,000	–
<b>Total income from continuing operations</b>	<b>26,143</b>	<b>1,606</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	6,762	270
Borrowing costs	441	44
Materials and contracts	2,127	632
Depreciation and amortisation	5,104	577
Other expenses	2,373	100
Net losses from the disposal of assets	1,129	–
<b>Total expenses from continuing operations</b>	<b>17,936</b>	<b>1,623</b>
<b>Operating result from continuing operations</b>	<b>8,207</b>	<b>(17)</b>
<b>Net operating result for the year</b>	<b>8,207</b>	<b>(17)</b>
<b>Net operating result attributable to each council fund</b>	<b>8,207</b>	<b>(17)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>2,060</b>	<b>(67)</b>

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

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

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## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,168	1,386
Investments	7,683	4,817
Receivables	547	33
Inventories	2,173	–
Contract assets	578	–
Other	53	–
<b>Total current assets</b>	<b>13,202</b>	<b>6,236</b>
<b>Non-current assets</b>		
Receivables	70	–
Infrastructure, property, plant and equipment	268,989	20,536
Investments accounted for using the equity method	29,367	–
Intangible assets	117	–
Right of use assets	72	–
<b>Total non-current assets</b>	<b>298,615</b>	<b>20,536</b>
<b>TOTAL ASSETS</b>	<b>311,817</b>	<b>26,772</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,027	17
Contract liabilities	986	–
Lease liabilities	31	–
Borrowings	525	51
Provisions	2,296	–
<b>Total current liabilities</b>	<b>4,865</b>	<b>68</b>
<b>Non-current liabilities</b>		
Payables	2	–
Lease liabilities	41	–
Borrowings	6,733	470
Provisions	930	–
<b>Total non-current liabilities</b>	<b>7,706</b>	<b>470</b>
<b>TOTAL LIABILITIES</b>	<b>12,571</b>	<b>538</b>
<b>Net assets</b>	<b>299,246</b>	<b>26,234</b>
<b>EQUITY</b>		
Accumulated surplus	144,301	9,260
Revaluation reserves	154,945	16,974
<b>Council equity interest</b>	<b>299,246</b>	<b>26,234</b>
<b>Total equity</b>	<b>299,246</b>	<b>26,234</b>

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
			Restated		
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(878)	(5.00)%	(0.91)%	0.74%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	17,552				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	13,398	56.42%	51.24%	58.54%	>60.00%
Total continuing operating revenue <sup>1</sup>	23,749				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	9,008	4.71x	3.94x	5.83x	>1.50x
Current liabilities less specific purpose liabilities	1,913				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	5,288	5.30x	13.14x	14.33x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	998				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	327	2.84%	2.27%	2.07%	<10.00%
Rates, annual and extra charges collectible	11,523				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	16,054	12.72	13.10	14.26	>3.00
Monthly payments from cash flow of operating and financing activities	1,262	mths	mths	mths	mths

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

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



**Blayney Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

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

	General Indicators <sup>3</sup> 2020 Restated	Sewer Indicators 2020	2019	Benchmark
<b>\$ '000</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(5.07)%	(4.31)%	(1.35)%	>-0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>				
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	53.61%	95.08%	97.03%	>60.00%
Total continuing operating revenue <sup>1</sup>				
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	4.71x	91.71x	74.07x	>1.50x
Current liabilities less specific purpose liabilities				
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	5.22x	6.09x	12.55x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	2.84%	2.81%	3.99%	<10.00%
Rates, annual and extra charges collectible				
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	7.89	287.86	67.10	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths

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

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

## Blayney Shire Council

Financial Statements 2020

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 28. Council information and contact details

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**Principal place of business:**

91 Adelaide Street  
Blayney NSW 2799

**Contact details**

**Mailing Address:**

PO Box 62  
Blayney NSW 2799

**Opening hours:**

9am to 4:30pm  
Monday to Friday

**Internet:** [www.blayney.nsw.gov.au](http://www.blayney.nsw.gov.au)

**Email:** [council@blayney.nsw.gov.au](mailto:council@blayney.nsw.gov.au)

**Officers**

**General Manager**

R. Ryan

**Responsible Accounting Officer**

T. Irlam

**Public Officer**

A. Franze

**Auditors**

Auditor General New South Wales  
Level 19 Tower 2 Darling Park  
201 Sussex Street  
SYDNEY NSW 2000

**Elected members**

**Mayor**

Cr. S.J. Ferguson

**Deputy Mayor**

Cr. D. Kingham

**Councillors**

Cr. J Newstead  
Cr. A Ewin  
Cr. B Reynolds  
Cr. S Denton  
Cr. D Somerville

**Blayney Shire Council**

Financial Statements 2020

**General Purpose Financial Statements**  
for the year ended 30 June 2020

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**Blayney Shire Council**

Financial Statements 2020

**General Purpose Financial Statements**  
for the year ended 30 June 2020

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# Blayney Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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## Blayney Shire Council

Special Purpose Financial Statements 2020

### Special Purpose Financial Statements for the year ended 30 June 2020

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#### Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

## Blayney Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2020

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#### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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


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

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

Signed in accordance with a resolution of Council made on 17 August 2020.



Cr. S.J. Ferguson  
Mayor  
17 August 2020



Cr. A. Ewin  
Deputy Mayor  
17 August 2020



R. Ryan  
Chief Executive Officer  
17 August 2020



T. Irlam  
Responsible Accounting Officer  
17 August 2020

## Blayney Shire Council

Special Purpose Financial Statements 2020

### Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,175	1,153
User charges	153	151
Liquid trade waste charges	98	77
Interest	95	149
Grants and contributions provided for non-capital purposes	29	24
Other income	6	6
<b>Total income from continuing operations</b>	<b>1,556</b>	<b>1,560</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	270	257
Borrowing costs	44	47
Materials and contracts	632	599
Depreciation, amortisation and impairment	577	564
Other expenses	100	114
<b>Total expenses from continuing operations</b>	<b>1,623</b>	<b>1,581</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(67)</b>	<b>(21)</b>
Grants and contributions provided for capital purposes	50	23
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(17)</b>	<b>2</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(17)</b>	<b>2</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(17)</b>	<b>2</b>
<b>Plus accumulated surplus</b>	<b>9,277</b>	<b>9,275</b>
<b>Closing accumulated surplus</b>	<b>9,260</b>	<b>9,277</b>
<b>Return on capital %</b>	<b>(0.1)%</b>	<b>0.1%</b>
<b>Subsidy from Council</b>	<b>204</b>	<b>247</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(17)	2
Less: capital grants and contributions (excluding developer contributions)	(50)	(23)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>



**Blayney Shire Council**

Special Purpose Financial Statements 2020

**Statement of Financial Position – Sewerage Business Activity**

as at 30 June 2020

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,386	5,427
Investments	4,817	500
Receivables	33	46
<b>Total current assets</b>	<b>6,236</b>	<b>5,973</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	20,536	20,682
<b>Total non-current assets</b>	<b>20,536</b>	<b>20,682</b>
<b>TOTAL ASSETS</b>	<b>26,772</b>	<b>26,655</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	17	21
Borrowings	51	47
<b>Total current liabilities</b>	<b>68</b>	<b>68</b>
<b>Non-current liabilities</b>		
Borrowings	470	520
<b>Total non-current liabilities</b>	<b>470</b>	<b>520</b>
<b>TOTAL LIABILITIES</b>	<b>538</b>	<b>588</b>
<b>NET ASSETS</b>	<b>26,234</b>	<b>26,067</b>
<b>EQUITY</b>		
Accumulated surplus	9,260	9,277
Revaluation reserves	16,974	16,790
<b>TOTAL EQUITY</b>	<b>26,234</b>	<b>26,067</b>

## Blayney Shire Council

Special Purpose Financial Statements 2020

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

#### Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

##### a. Blayney Sewerage Service

Sewerage reticulation and treatment system servicing the town of Blayney, which has been established as a Special Rate Fund

##### b. Millthorpe Sewerage Service

Sewerage reticulation and treatment system servicing the town of Millthorpe, which has been established as a Special Rate Fund

continued on next page ...

Page 6 of 9

## Blayney Shire Council

Special Purpose Financial Statements 2020

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

#### Note 1. Significant Accounting Policies (continued)

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##### Monetary amounts

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

##### (i) Taxation equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

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

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

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

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

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

continued on next page ...

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## Blayney Shire Council

Special Purpose Financial Statements 2020

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

#### Note 1. Significant Accounting Policies (continued)

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##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

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

##### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

##### (iv) Dividends

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

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

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

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

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.

**Blayney Shire Council**

Special Purpose Financial Statements 2020

**Special Purpose Financial Statements**  
for the year ended 30 June 2020

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# Blayney Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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**Blayney Shire Council**

Special Schedules 2020

**Special Schedules**  
for the year ended 30 June 2020

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Blayney Shire Council

Special Schedules 2020

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	8,858	8,597
Plus or minus adjustments <sup>2</sup>	b	3	29
<b>Notional general income</b>	c = a + b	<b>8,861</b>	<b>8,626</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	230	233
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>9,091</b>	<b>8,859</b>
Plus (or minus) last year's carry forward total	l	-	1
<b>Sub-total</b>	n = (l + m)	<b>-</b>	<b>1</b>
<b>Total permissible income</b>	o = k + n	<b>9,091</b>	<b>8,860</b>
Less notional general income yield	p	9,079	8,858
<b>Catch-up or (excess) result</b>	q = o - p	<b>12</b>	<b>2</b>
Less unused catch-up <sup>5</sup>	s	(6)	(2)
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>6</b>	<b>-</b>

Notes

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



**Blayney Shire Council**  
**Report on Infrastructure Assets**  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring to the standard		Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000						1	2	3	4	5
<b>Buildings</b>	Buildings	529	1,581	320	654	654	19,497	30,713	76.0%	14.0%	5.0%	3.0%	2.0%
	<b>Sub-total</b>	<b>529</b>	<b>1,581</b>	<b>320</b>	<b>654</b>	<b>654</b>	<b>19,497</b>	<b>30,713</b>	<b>76.0%</b>	<b>14.0%</b>	<b>5.0%</b>	<b>3.0%</b>	<b>2.0%</b>
<b>Roads</b>	Sealed roads	1,031	239	1,314	727	727	123,499	139,794	81.0%	16.0%	2.0%	1.0%	0.0%
	Unsealed roads	4,620	1,201	324	996	996	27,063	34,471	57.0%	14.0%	16.0%	11.0%	2.0%
	Bridges	2,118	451	89	24	24	21,415	29,806	45.0%	33.0%	15.0%	6.0%	1.0%
	Footpaths	415	153	95	6	6	5,959	8,488	32.0%	34.0%	29.0%	3.0%	2.0%
	Major earthworks (non depreciable)	-	-	-	-	-	12,610	12,610	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	784	202	139	1	1	10,318	14,831	28.0%	48.0%	19.0%	4.0%	1.0%
	Roadside Furniture	267	145	25	-	-	1,883	2,697	45.0%	42.0%	3.0%	1.0%	9.0%
	Culverts	343	97	71	-	-	5,846	7,524	70.0%	18.0%	8.0%	3.0%	1.0%
	<b>Sub-total</b>	<b>9,578</b>	<b>2,488</b>	<b>2,057</b>	<b>1,754</b>	<b>1,754</b>	<b>208,593</b>	<b>250,221</b>	<b>68.8%</b>	<b>19.8%</b>	<b>7.5%</b>	<b>3.2%</b>	<b>0.6%</b>
<b>Sewerage network</b>	Sewerage network	821	144	360	449	449	19,716	32,172	83.0%	11.0%	3.0%	3.0%	0.0%
	<b>Sub-total</b>	<b>821</b>	<b>144</b>	<b>360</b>	<b>449</b>	<b>449</b>	<b>19,716</b>	<b>32,172</b>	<b>83.0%</b>	<b>11.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	164	46	86	-	-	13,608	17,287	63.0%	31.0%	6.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>164</b>	<b>46</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>13,608</b>	<b>17,287</b>	<b>63.0%</b>	<b>31.0%</b>	<b>6.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>	Swimming pools	-	-	120	28	28	4,286	4,432	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	18	104	250	314	314	3,715	5,216	29.0%	40.0%	29.0%	2.0%	0.0%
	<b>Sub-total</b>	<b>18</b>	<b>104</b>	<b>370</b>	<b>342</b>	<b>342</b>	<b>8,001</b>	<b>9,648</b>	<b>61.6%</b>	<b>21.6%</b>	<b>15.7%</b>	<b>1.1%</b>	<b>0.0%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>11,110</b>	<b>4,363</b>	<b>3,193</b>	<b>3,199</b>	<b>3,199</b>	<b>269,415</b>	<b>340,041</b>	<b>70.3%</b>	<b>19.1%</b>	<b>7.0%</b>	<b>3.0%</b>	<b>0.7%</b>

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

**Infrastructure asset condition assessment 'key'**

- 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

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## Blayney Shire Council

Special Schedules 2020

### Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019      2018 Restated		Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	9,514	231.26%	272.25%	231.92%	>=100.00%
Depreciation, amortisation and impairment	4,114				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	11,110	4.12%	7.42%	8.28%	<2.00%
Net carrying amount of infrastructure assets	269,415				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	3,199	100.19%	104.38%	104.98%	>100.00%
Required asset maintenance	3,193				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	4,363	1.28%	2.14%	2.07%	
Gross replacement cost	340,041				

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

(<sup>1</sup>) Excludes Work In Progress (WIP)

(<sup>2</sup>) 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.

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**Blayney Shire Council**  
**Report on Infrastructure Assets (continued)**  
 as at 30 June 2020

Buildings and infrastructure renewals ratio	Buildings and infrastructure renewals ratio	Asset maintenance ratio	Asset maintenance ratio
<p><b>Buildings and infrastructure renewals ratio</b></p> <p>Ratio %</p> <p>2018: 231.92, 2019: 272.25, 2020: 231.26</p> <p>Benchmark: — &gt;= 100.00%</p>	<p><b>Buildings and infrastructure renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p> <p>Council has continued to undertake substantial renewal works on a number of buildings including the CentrePoint Sports and Leisure Centre (swimming pool) and numerous roads and bridges.</p> <p>19/20 ratio 231.26%</p> <p>Commentary on result</p>	<p><b>Asset maintenance ratio</b></p> <p>Ratio %</p> <p>2018: 104.98, 2019: 104.38, 2020: 100.19</p> <p>Benchmark: — &gt; 100.00%</p>	<p><b>Asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p> <p>19/20 ratio 100.19%</p> <p>Commentary on result</p>
<p><b>Infrastructure backlog ratio</b></p> <p>Ratio %</p> <p>2018: 8.28, 2019: 7.42, 2020: 4.12</p> <p>Benchmark: — &lt;= 2.00%</p>	<p><b>Infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p> <p>19/20 ratio 4.12%</p> <p>Commentary on result</p>	<p><b>Cost to bring assets to agreed service level</b></p> <p>Ratio %</p> <p>2018: 2.07, 2019: 2.14, 2020: 1.28</p> <p>Benchmark: — &gt; 100.00%</p>	<p><b>Cost to bring assets to agreed service level</b></p> <p>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.</p> <p>19/20 ratio 1.28%</p> <p>Commentary on result</p>