Hunter & Central Coast Development Corporation

2019-20 Annual Report

Hunter & Central Coast Development Corporation

Hunter and Central Coast Development Corporation

ABN 94 688 782 063

Newcastle (Head Office)

Office Suite B, Level 5, 26 Honeysuckle Drive
Newcastle NSW 2300

Post PO Box 813
Newcastle NSW 2300

Phone 02 4904 2750

Fax 02 4904 2751

Hours 9.00am to 5.00pm
Monday to Friday

Central Coast

Office Building 22, Carinya Street
Kariong NSW 2250

Post PO Box 7120
Kariong NSW 2250

Phone 02 4345 4450

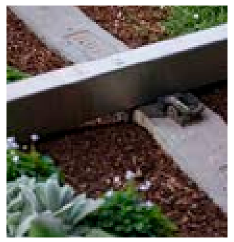
Hours 9.00am to 5.00pm
Monday to Friday

This annual report has been produced by Hunter and Central Coast Development Corporation staff. The annual report is a reflection of business activities and financial transactions undertaken in financial year 2019-20. It is available to the public as an electronic report and can be accessed on the Hunter and Central Coast Development Corporation website www.hccdc.nsw.gov.au

30 November 2020

Cover: Museum Park

Recycled features of the former Civic Station pay tribute to the sites heritage in the revitalised community space ... page 20.



Contents

Letter to the Minister

30 November 2020

The Hon. Rob Stokes, MP

Minister for Planning and Public Spaces

Parliament House
52 Martin Place
SYDNEY NSW 2000

Dear Minister,

Please find enclosed the annual report of the Hunter and Central Coast Development Corporation for the year ended 30 June 2020.

The report details the Corporation's work, achievements and relevant statutory and financial information. It has been prepared for submission to Parliament under the Annual Reports (Statutory Bodies) Regulation 2010 and the applicable provisions of the Public Finance and Audit Act 1983.

Yours sincerely,

V. Misevska

Valentina Misevska
Acting Chief Executive

Hunter and Central Coast
Development Corporation

Alex O'Mara
Group Deputy Secretary

Place, Design and Public Spaces Group
Department of Planning, Industry and Environment

Acting Chief Executive's report

Valentina Misevska

Throughout 2019-20 we worked to unlock economic and social opportunities to deliver exciting outcomes for the people of the Hunter and Central Coast regions.

2019-20 has been a significant year of change for HCCDC. In September 2019 I stepped into the role of Acting Chief Executive while we worked to embed ourselves into the Housing and Property Group (HAP) within the Department of Planning, Industry and Environment (DPIE).

In June 2020, HCCDC moved into the Placemaking NSW division of the Place, Design and Public Spaces (PDPS) Group with Deputy Secretary Alex O'Mara. In this division, our work in creating amazing public spaces and community destinations is highly valued among peer organisations that include Place Management and Sydney Olympic Park Authority.

We have continued to deliver our core work within the Hunter and Central Coast regions, including getting on with delivering a capital works program worth more than $65 million.

This significant investment was maintained during the emergence of COVID-19, allowing us to continue to boost the construction and related industries within our regions.

Of these works, we commenced construction on both the Leagues Club Field regional playground and park, a $10million project, as well as The Station landscaping, a $6million project to connect our two sites, Market Street Lawn and The Station, for the community to enjoy.

Additionally, infrastructure works commenced across Mount Penang with new road, water and sewer works, as well as in Honeysuckle with ongoing seawall works and major road realignment works getting underway as essential next steps towards delivering the final stage of Honeysuckle's urban transformation.

Within these key projects – The Station landscaping, Leagues Club Field playground and Honeysuckle Drive realignment, we have worked to implement a Social Initiatives trial. This includes a focus on increasing Aboriginal participation, increasing women in construction, and raising awareness and improving mental health in the construction industry.

Across 2019-20 we also continued to repurpose key lands to facilitate economic benefit, jobs, homes and open spaces. We were able to identify great new community uses for former rail corridor land, with City of Newcastle purchasing Rail Bridge Row. We also finalised the sale of a site within Mount Penang to The Stevens Group, and we were thrilled to land Hope Estate as the new long-term tenant at our beautiful heritage building in Honeysuckle.

2019-20 also saw us finalise our works at the former BHP Steelworks site at Mayfield. Through our work over many years, we successfully developed and implemented a remediation and groundwater management strategy. The team has worked tirelessly over many years and the site is now deemed safe and ready for the next phase of development.

This financial year we also took ownership of lands at Cockle Creek, home for the former Pasminco Zinc Smelter site. Through legislation passed in October 2019, we were tasked with unlocking economic and environmental challenges to help deliver more jobs and homes for the Lake Macquarie area. We have made significant progress and we look forward to making exciting announcements in the near future.

It was also a real highlight for our Revitalising Newcastle program to be a joint recipient of the 2019 Premier's Award for Building Stronger Economies.

HCCDC is the government's go-to agency in the Hunter and Central Coast and I am proud that across 2019-20 we continued to deliver significant outcomes, great places and new opportunities.

Valentina Misevska.

About us

The Hunter and Central Coast Development Corporation (HCCDC) is a NSW Government agency with a vision of creating thriving environments, communities and economies in the Hunter and Central Coast regions.

We are constituted under the Growth Centres (Development Corporations) Act 1974 with a growth area that encompasses 11 local government areas, including 10 in the Hunter Region and one on the Central Coast. In addition, we work alongside other government agencies, local councils, key stakeholders and the community, to deliver quality outcomes that benefit and enhance our regions.

We are a Chief Executive-governed entity, as provided for by the Act. As at 30 June 2020, we were part of the Department of Planning, Industry and Environment (the department) cluster, in the Place Design and Public Space division, and subject to the direction of the Minister for Planning and Public Spaces.

Purpose

Subject to the Act, we are charged with the responsibility of promoting, co-ordinating, managing and securing the orderly and economic development of our growth centres.

We deliver NSW Government's vision for growing diverse, thriving economies. We enhance economic and community capacity by creating new homes, employment opportunities and vibrant community spaces.

We manage a range of strategic properties in the regions, repurposing them into community-enhancing assets.

We are typically a self-funded agency and rely on the sale of underutilised and industrial lands to reinvest into the community and fund new projects.

Nature and scope of activities

We have long been a leader in city-changing outcomes on behalf of NSW Government. Our skill set includes tackling complex sites or contaminated lands and creating outcomes that facilitate economic stimulation, community benefit, and attractive investment opportunities.

We also lead government funds, such as the Newcastle Mines Grouting Fund to help mitigate developer risk and attract investment in the CBD.

Significant projects for HCCDC include the cornerstone Honeysuckle Urban Renewal Project, Revitalising Newcastle program, the remediation and rehabilitation of former BHP lands at Mayfield and Kooragang Island, the redevelopment of Leagues Club Field in Gosford and the care and management of Mount Penang Parklands, including the divestment of lands to create significant economic catalyst for the Central Coast.

Our objectives are to:

- deliver strategic outcomes to grow economic capacity and enhance communities
- drive industry diversification to grow more jobs to attract and retain talent to the regions
- create engaging, sustainable and attractive public spaces, connected to better transport options
- unlock opportunities and realise the full potential of government land and assets
- respect existing character, culture and heritage
- work in collaboration and partnership with community and stakeholders.

Senior leadership team

Our leadership team has vast experience in strengthening communities through the delivery of dynamic and complex projects and programs that create economic and community benefit.

The team works in partnership with government agencies and local stakeholders to deliver quality projects that transform the Central Coast and Hunter regions.

As at 30 June 2020

Acting Chief Executive
Valentina Misevska
LLB, Dip. Legal Practice, B.Com

Project Leader
Stephen Aebi
BE(Hons), MBA

Director Finance and Commercial
Fiona Cushing
BSc, MAcc, FCPA, GAICD

Senior Communications Manager
Amber Dale
BComm

Director Strategy
Anna Chubb
BA, GDipUrbRegPlan, GCertMgmt, EMPA

Multicultural and inclusive workplaces

HCCDC is committed to creating a diverse and inclusive workforce, both internally and on our projects.

Artist impression

Works contractors are selected not only based on their ability to meet the project objectives, but to provide community initiatives and diverse employment opportunities. This includes Aboriginal participation in both planning and implementation of projects, promoting women in construction and creating mentally healthy workplaces.

We work with heritage and cultural experts to create public spaces that reflect the culture and history of both the region's original and European inhabitants. Examples include Leagues Club Field and The Station landscaping works, designs for which both benefited input from local Aboriginal groups to incorporate Indigenous elements into functional furniture and play equipment.

We are also focused on identifying and breaking down barriers which prevent those with a disability enjoying the same opportunities as the rest of the community.

We adhere to NSW Government's 'Everyone Can Play' guidelines for inclusive public spaces to identify, with projects such as Leagues Club Field creating recreation opportunities for visitors regardless of age or ability.

Providing information to all members of the community, including those with a disability, is important to us. We regularly review access to our online services and resources in line with Web Content Accessibility Guidelines version 2.0 and multimedia material is enhanced with captions and text descriptions where possible.

Governance

Risk management and business continuity

The Department of Planning, Industry and Environment (the Department) supports HCCDC to manage risks.

In 2019-20, the Department continued to implement its enterprise-wide risk management framework across its business and the Cluster entities to which it provides risk management services. The framework reflects its commitment to provide a consistent and systematic process to manage risks across the Cluster. It is consistent with international risk management standard (ISO 31000-2018) and the NSW Treasury Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03). It provides the principles and tools for risk management practice and culture within the Department and Cluster. In June 2020 the revised DPIE Risk Management Policy was published with applicability across the Department and Cluster entities.

Risk reviews at the entity level were conducted during the year, involving senior management participation. A presentation on the risk profile of HCCDC was provided to the Audit and Risk Committee for their oversight on the effectiveness of risk management practices.

During 2019-20, the Department revised its Business Continuity Management Framework based on the international business continuity standard (ISO22301:2019) and developed a comprehensive set of tools to support business continuity planning, impact analysis and crisis management to ensure critical activities can be continued in the event of disruption. These tools and related support are available for the HCCDC to manage any business continuity event.

Audit

Internal audit

During the reporting period, HCCDC had an internal audit function in accordance with the Internal Audit and Risk Management Policy for the NSW Public Sector (TPP15-03). The internal audit function is governed the Charter approved by the Chief Executive Officer (CEO) of the Corporation.

Following the Machinery of Government changes in 2019, HCCDC was brought under the remit of the Department of Planning Industry and Environment. The Chief Audit Executive (CAE) and the internal audit function for HCCDC is provided by the DPIE Internal Audit Branch, Legal and Governance Division.

The internal audit function provides independent and objective review and advisory services designed to improve the operations, risk management, controls and governance processes.

Audit and Risk Committee

HCCDC has an independent Audit and Risk Committee (ARC) under a collaborative shared Audit and Risk Committee arrangement. During the year, the Chief Audit Executive reported to the ARC in relation to the Corporation. The ARC met during 2019–20.

Ethics

Ethics and integrity

The Department launched its Code of Ethics and Conduct on 1 April 2020. The Code is web-based and is a resource to support HCCDC employees to understand and comply with their obligations. Prior to the new Code being adopted, employees of the Department observed the compliance obligations of the relevant policies that applied prior to the machinery of government change in July 2019.

The Code of Ethics and Conduct underpins the Department's compliance framework, which includes:

- systems to assist employees with their personal compliance obligations (declaration and management of conflicts of interest, approval of secondary employment, senior executive private interests and gifts, benefits and hospitality)
- the Fraud and Corruption Control Framework and Policy
- Public Interest Disclosures Policy and Procedure (which includes access to an anonymous reporting tool)
- Lobbying of Government Officials Policy.

Public Interest Disclosures

Under the Public Interest Disclosures Act 1994, each public authority is required to prepare an annual report on their obligations under this Act. This information for HCCDC is captured in the DPIE Annual Report as all Public Interest Disclosures are managed centrally by the Department.

Summary of project achievements

HCCDC is a project focused organisation that creates connected, prosperous communities through revitalisation, regional planning and managing government assets and grants.

As we continue to lead significant city-changing projects, milestones are being achieved and progress is being made. In 2019-20, this included an overview role in finalising land settlements, starting new construction projects, opening public spaces, enabling activation and placemaking, and completing significant remediation works.

$16m in public domain works

4000m² public space opened

Premier's Award winning work

30 ha remediation completed

Some key achievements include:

- commencing works on Leagues Club Field, a $10 million landmark regional play space in Gosford
- commencing Newcastle Station landscaping works to transform the final section of Market Street Lawn and the former Newcastle Bus Depot, a $6 million project including planting beds with feature trees, bluestone and granite paving, seating and heritage and Indigenous interpretative elements

Taking The Wharf to market and awarding a 50-year lease to Hope Estate to deliver a tourism destination dedicated to Hunter food, wine and exceptional experience.

- completing works to transform the former Civic Railway Station precinct into a vibrant 4000-metre2 public space, including renovations to the station building, heritage interpretation, public art, greater pedestrian access and the creation of paved and green spaces in the surrounding parks
- completing the remediation of around 30 hectares of former industrial landfill at Kooragang Island, completed within an environmentally sensitive area containing habitat of the protected Green and Golden Bell Frog, several migratory bird species, and the nearby RAMSAR-listed Hunter Estuary Wetlands
- managing the extinguishment of a 12-hectare subterranean fire within the Kooragang Island site, in collaboration with many state departments and agencies
- recognition of the Newcastle Urban Transformation and Transport Program (Revitalising Newcastle) as one of the state's premier projects, jointly winning the 2019 Building a Strong Economy category at the NSW Premier's Awards
- passing of Lake Macquarie Smelter Site (Perpetual Care of Land) Bill 2019, transferring lands in Cockle Creek to HCCDC and tasking us with unlocking the site's potential

Completing the construction of 400 metres of rock seawalls at Lee 5 and Throsby in Honeysuckle as preparation works for new waterfront public domain

- completing works to subdivide the Highway Commercial Precinct in Mount Penang, allowing the sale of the lot to Stevens Group in early 2020 for $6.4 million. This will create valuable business hub space, potentially creating thousands of local jobs
- commencing work to realign 250 metres of Honeysuckle Drive to improve traffic flow and enhance sight lines along the road, including building safer transition lanes, bike lanes, parking and a new Cottage Creek bridge
- completing and opening of a new accessway and 66-space car park and 500-metre^2 'pocket park' in Newcastle city centre, linked to a new Honeysuckle light rail stop

Completing restoration and structural repairs to Honeysuckle's The Wharf building, enabling the site to be repurposed. Works included reinstating its harbourside deck, and completing significant stabilisation and seawall repairs.

- divesting Rail Bridge Row, a 4100-metre^2 site comprising former heavy rail corridor land to City of Newcastle to create affordable housing, retail and commercial space, new public domain and a shared cycleway
- dedicating the former Civic Station building to City of Newcastle for repurposing as a tourist information centre
- rezoning of land at Cockle Creek to unlock economic opportunities for large scale warehouse outcomes

Resolving environmental management issues at Cockle Creek, enabling the SEPP 55 restrictions to be lifted and the development potential of the site to be realised

- settling the residential building above the new Bus Interchange, incorporating two 90-metre residential towers contributing over 300 residential units
- playing a leading role in the delivery of the Newcastle Bus Interchange on The Store site, connecting trains, buses, light rail and coaches
- awarding a new facilities management program contract at Mount Penang, creating a proactive focus for the maintenance of site assets.

Newcastle projects

We continue to deliver city-changing outcomes across the Newcastle local government area through our Revitalising Newcastle and Honeysuckle Urban Renewal projects. The following provides a summary of our activities this financial year.

The Station

The transformation of the former Newcastle Railway Station is a significant component of the Revitalising Newcastle program and remains one of HCCDC's cornerstone projects.

The state heritage listed site in Newcastle's East End has potential to become the hallmark destination for the revitalised city centre, and we are committed to realising this vision.

Landscaping

In March 2020, we commenced $6 million works program to transform the former Newcastle Bus Depot and replace the temporary lawn and pathway between The Station and Market Street Lawn. As well as creating more space for the community to enjoy, the project will provide an attractive and inviting continuous link between two of Newcastle's premier public spaces.

Due for completion in late 2020, the new space will include a performance space, Aboriginal interpretative features, sculpted garden beds, trees, seating, new paving and picnic space. The design also includes echoes of the site's railway heritage, through interpretative elements present in the pavements and other structures.

It also incorporates significant environmental benefits through management of contaminated soil and water and preservation of two large fig trees.

Social Initiatives
Creating beneficial changes in the construction industry

Social Initiative

As part of our social initiatives project, we engaged contractor Daracon on a five-day working week with the intention of initiating beneficial changes in the construction industry that are aimed at improving the mental health of the workforce and their families. Daracon has also initiated a number of mental wellbeing initiatives, including worker training, dietary programs and a mental health leadership program.

Temporary Activation

We continued to manage the temporary activation of The Station through 2019-20 while the site's long-term use is being determined. This includes ensuring the site has an engaging offering to attract quality tenants and event managers, such as low rental and hire fees, event infrastructure and well-maintained amenities.

Throughout the year a variety of events were held on the platform, including:

- vegan and homegrown markets
- Friday night and Sunday afternoon gatherings with food trucks, family games, a licensed bar and live entertainment
- Oktoberfest, comedy events and Supercars events
- food and cultural festivals
- group fitness classes
- pet-friendly events, including Street Paws and Santa photos
- school holiday programs, including inflatables and water park installations
- corporate networking events.

The former Station offices and ground floor spaces have been activated with a mix of small business and pop-up retail offerings including pre-loved books, a café, homewares, art, plants, clothing and jewellery. Regular pilates classes with Scarlett's Fitness and creative workshops hosted by anchor tenants Secret Book Stuff and Make Space have also provided additional activation in these spaces throughout the year.

COVID-19 impact at The Station

The unprecedented COVID-19 crisis has made a significant impact on The Station community, resulting in changes to retail operations, recreation and events.

All events were postponed in March 2020, in line with NSW Health advice. The Station's retailers each chose to temporarily close their shopfronts and access to the public platform was temporarily closed to effectively manage public safety. During this period of COVID-19 'hibernation' we continued to allow street access to all retail spaces and supported tenants through rent relief and ongoing business promotion.

Museum Park

Works to transform the former Newcastle Civic Railway Station into vibrant public domain wrapped up in October 2019. Following a formal ribbon cutting, the site was launched to the community with a family-friendly picnic in conjunction with Newcastle Museum.

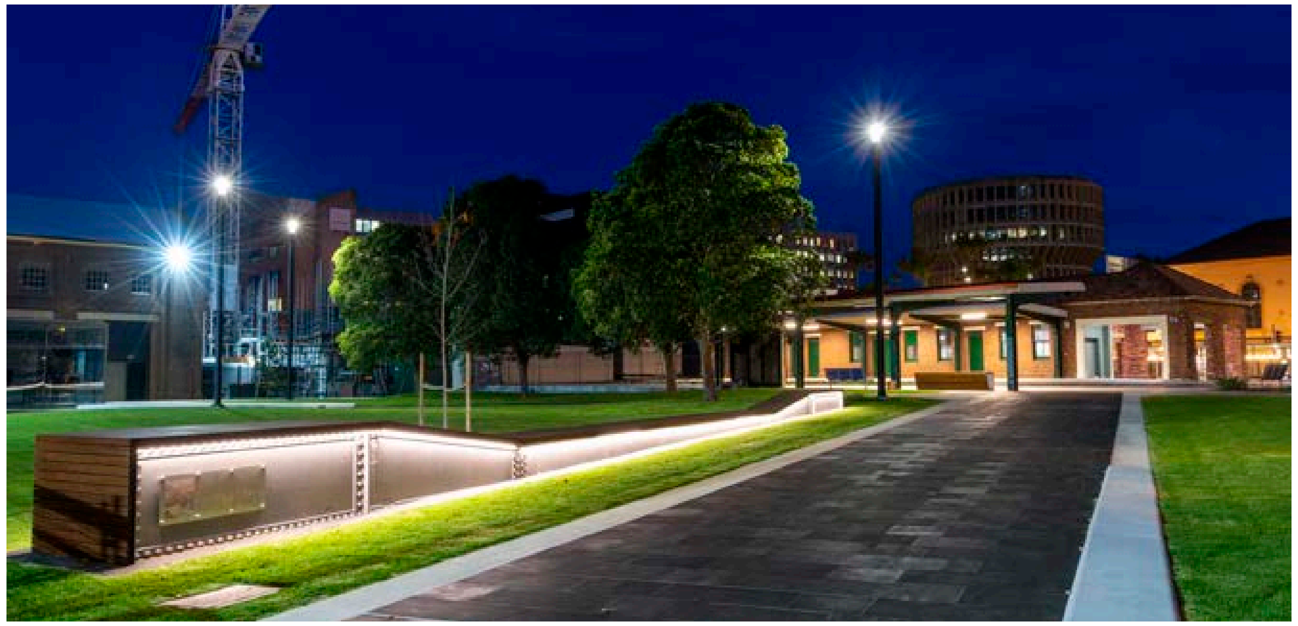
Renamed Museum Park, the transformed site includes shady trees, lawns, native gardens, accessible paved walkways, lighting and furniture. The space also creates vital pedestrian links between the Civic and Honeysuckle precincts, public transport, Newcastle Museum and the University of Newcastle.

We worked closely with heritage experts and landscape architects to achieve the right balance of functionality and preservation. Unique elements are being reused throughout the site, such as bench seating created from the footbridge beams and recycled bricks used to create decorative walkways.

A feature garden also includes illuminated train tracks in recognition of the site's past.

Following the significant restoration of station building, it was transferred to City of Newcastle and has found new life as a visitor information centre.

This project serves a great example of robust stakeholder engagement, and we are worked closely with the community, City of Newcastle, the University of Newcastle, Newcastle Museum, and Evolve Housing to deliver a considered and highly functional outcome.



The Signal Box

Originally built to direct trains in and out of the former Newcastle Railway Station, the state heritage listed Signal Box acts as a key anchor to the new Market Street Lawn entertainment and public space precinct.

The Signal Box's new tenant, the team from The Little Nel in Nelson Bay, have undertaken significant renovation works to fit out the café / restaurant and also expand the footprint of the building and include a steel and glass pavilion.

The Signal Box café / restaurant officially opened in late 2019, and in 2020 the new addition by Derive Design was awarded the prestigious Greenway Award for Heritage at the NSW Architecture Awards.

Newcastle Bus Interchange

The $200-million redevelopment at The Store by Doma Group is a significant city-making outcome that includes a new bus interchange, 16,680 metres² commercial floor space, ground floor retail space, 350 residential apartments and new public spaces.

We played a key role in creating this outstanding community outcome, working with government stakeholders and the private market to deliver a project befitting Newcastle's booming West End.

Construction on the Bus Interchange was completed in June 2020, becoming operational under Transport for NSW ownership. The Bus Interchange provides improved connectivity between heavy rail, light rail, and buses. It also provides pedestrian access between Newcastle Interchange concourse, the Bus Interchange, Hunter Street and Stewart Avenue.

The commercial office building is under construction and will house multiple government departments when complete in 2021.

In 2019-20 we settled with Doma Group on the residential air-space above the new Bus Interchange.

Steel Lane

In September 2019, we created more car parking in the Newcastle CBD with works completing in Steel Lane, near the Honeysuckle Light Rail stop.

The permanent car park includes 66 parking spaces with easy access to the Light Rail, Honeysuckle, the Hunter Street TAFE campus and NSW Department of Health building.

We also worked with TAFE NSW to create a public 'pocket park' on the site, a green space with new lawn, trees, street furniture and pedestrian walkways.

Affordable Housing

Throughout 2019-20, we worked with Evolve Housing to facilitate the delivery of 30 new affordable rental units in the heart of Newcastle.

Located on the former rail corridor in Merewether Street, the project provides affordable housing for low-to-medium-income workers who provide essential services, such as retail workers, childcare and youth workers. Affordable housing will bring more people and activity into the CBD, helping to create a diverse and dynamic city.

The project was completed in June 2020.

Darby Plaza

In 2018, we put 2142 metres^2 of former rail corridor land to market, with the goal of securing a proponent to continue the city's revitalisation.

In October that year, we announced GWH Build had purchased the land for $6 million and would deliver a mix of commercial and residential uses.

The site, at the intersection of Darby and Hunter streets, has since gained a development approval from the City of Newcastle to create 'Darby Plaza'. The development will offer 8200 metres^2 of A-grade office space to bring more workers into the city, as well as 470 metres^2 of public plaza space, which will ultimately be dedicated to City of Newcastle. This will bring more jobs and activity into the city, playing a significant role in the revitalisation of Hunter Street.

Rail Bridge Row

In 2019, we undertook a competitive divestment process for Rail Bridge Row, the final remaining section of rail corridor land.

In line with the objectives of the Revitalising Newcastle program, we sought an outcome that would create more jobs, homes and connected spaces for the CBD.

In March 2020, we announced that the City of Newcastle had been awarded the tender to transform the 4125-metre^2 site.

Council's innovative and exciting proposal for the site will see affordable housing units, open space – including a new public domain and a shared cycleway – and retail space.

We also reached a seperate agreement with City of Newcastle for the transfer of the former rail corridor site adjacent to Council's Harbour Square Boat Dock public car park.

Honeysuckle Drive realignment

Works commenced in February 2020 on the Honeysuckle Drive realignment project.

The $10million construction project will deliver improved traffic flow, allow for new transition lanes, bike lanes and additional parking in some sections and a new bridge at Cottage Creek, which will decrease the risk of future flooding.

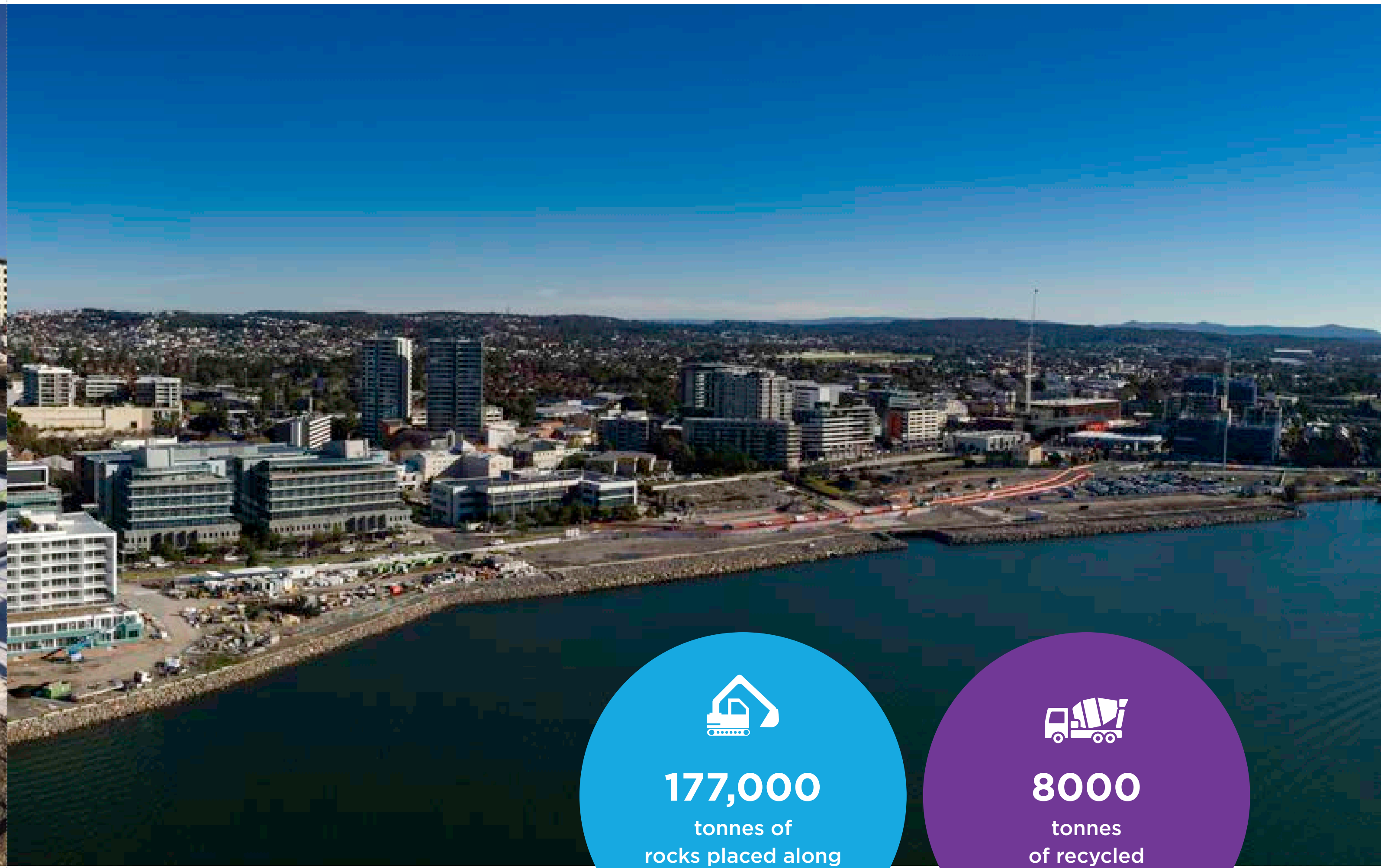
Completion of the road realignment will enable the subdivision of the remaining land to be registered, creating the new road reserve, public domain lots and development lots.

Social Initiative

Social Initiative
Women in construction

As part of our social initiatives project, we are working with contractor Robson Civil Projects to increase the rate of female participation in the delivery of the Honeysuckle Road realignment project.

In the civil construction sector, the female participation rate is 8.5% while Robson Civil Projects have female employees making up 11% of their workforce. Robson is achieving this by offering education, career and training opportunities on this project and also encouraging the employment of female workers on site and working with subcontractors that employ female workers. The project has achieved a %10 female participation rate.



177,000 tonnes of rocks placed along the Honeysuckle shoreline

8000 tonnes of recycled concrete

Seawall works

In 2019-20 we completed major seawall works along the waterfront in Honeysuckle.

This included demolition of dilapidated wharf structures, construction of rock revetment walls and reclamation works that will now underpin the future public domain and urban transformation of Honeysuckle West.

This essential infrastructure is a vital piece of work that has seen a total of 177,000 tonnes of rock placed along the waterfront at Lee 4, Lee 5 and Throsby wharves since 2018. The works have included recycling of 8000 tonnes of concrete from the demolition of the dilapidated wharf structures and effective environmental management in a challenging and high-profile location. These works enable the construction of the future foreshore path linking Merewether to Wickham.

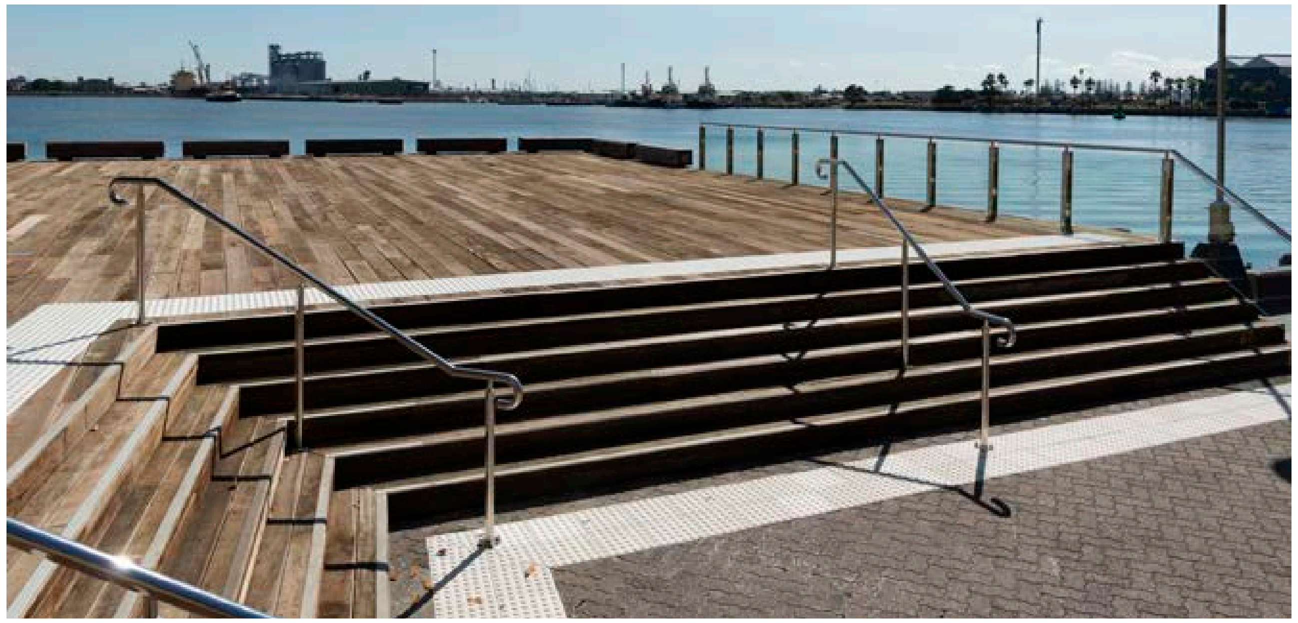
Artist impression

The Wharf

In November 2019, HCCDC took Newcastle's iconic Lee Wharf A building, renamed 'The Wharf', to market, seeking a tenant that would create a new landmark offering in the city's premier dining and entertainment precinct.

The Hunter Valley's Hope Estate was selected as the successful proponent following a competitive tender process that attracted quality submissions. The media announcement is scheduled for early July 2020.

Early 2020 also saw the completion of significant restoration works of the heritage building, including structural repairs, stabilisation and seawall repairs, as well as the reinstatement of the timber harbourside deck.



Other developments under construction

Honeysuckle and the Newcastle city centre continue to change as sites that we have taken to market are sold and begin construction. This is creating positive change for the city, including the creation of new homes, more jobs and great public spaces.

Artist impression

Artist impression

Artist impression

University of Newcastle

The University of Newcastle Honeysuckle City Campus Concept Proposal was granted development consent in May 2020, as part of Department of Planning, Industry and Engagement's fast-tracked planning approvals Tranche 1.

Stage 1A of the project was approved at the same time and includes an innovative four-storey timber-framed building that will house the School of Creative Industries and the Hunter Innovation Project hub, bringing hundreds of students and University staff into the city centre.

This project was made possible by the removal of the heavy rail line and the rezoning of the corridor.

The University consolidated three sites to form the Honeysuckle City Campus. Throughout the development it will create jobs and further diversify our region's economy and the industries that underpin the city's long-term prosperity and growth.

21 Honeysuckle Drive

Construction of Doma Group's 'LUME' at 21 Honeysuckle Drive is nearing completion. The development comprises 154 residential dwellings, ground floor commercial space and new public domain. It is the first new development in four years and adds a significant number of new dwellings and residents to the city.

LUME will soon be complemented by the delivery of our next public domain project 'Honeysuckle Park', which is due to commence construction in October 2020 in the area in front of the LUME building.

Artist impression

35 Honeysuckle Drive

Development approval Doma Group's 'Huntington' project at 35 Honeysuckle Drive was granted in June 2019 and construction commenced in late 2019. The development will offer 92 apartments across two towers with commercial space at ground level. Similar to LUME, this project will deliver high-quality architecture, ensuring interesting and attractive outcomes in the precinct.

Artist impression

42 Honeysuckle Drive

Doma Group's construction of The Little National Hotel at 42 Honeysuckle Drive commenced in November 2018. Since completing significant ground works, this project has evolved and now proposes to deliver a 181-room, four-star hotel with 4,880 metres^2 commercial office space and publicly accessible car spaces. Doma Group lodged its development application amendment in February 2020 and anticipates approval in late-2020.

Artist impression

45 Honeysuckle Drive

Miller Property Group secured 45 Honeysuckle Drive through a competitive design-focused tender process. The CKD-designed 'Horizon' development comprises 105 residential dwellings across three towers, with activated ground floor retail. After contract award, the design was further improved through the Government Architect's pilot State Design Review Panel prior to development approval being granted 18 June 2020. Construction is due to start in the first half of 2021.

Lake Macquarie projects

Cockle Creek Precinct

The Cockle Creek Precinct comprises 160 hectares of land formerly occupied by the Pasminco Cockle Creek Smelter Pty Ltd at Boolaroo, near Lake Macquarie.

In 2019, Parliament supported legislation to transfer the precinct into government ownership through the Lake Macquarie Smelter Site (Perpetual Care of Land) Bill 2019.

Our role is to manage the divestment of land for its future use as a commercial, industrial and housing destination, while also ensuring that the environmental needs of the site are met into perpetuity.

New opportunities for jobs, housing and economic benefit

Since taking ownership, we have worked in line with the legislation to progress negotiations with GreenCapital Group for over 500 homes on the site, as well as Costco Warehouse Australia for the first NSW regional warehouse on site.

Discussions continue, however we anticipate an announcement about unlocking the site and its significant potential to happen in early 2020-21.

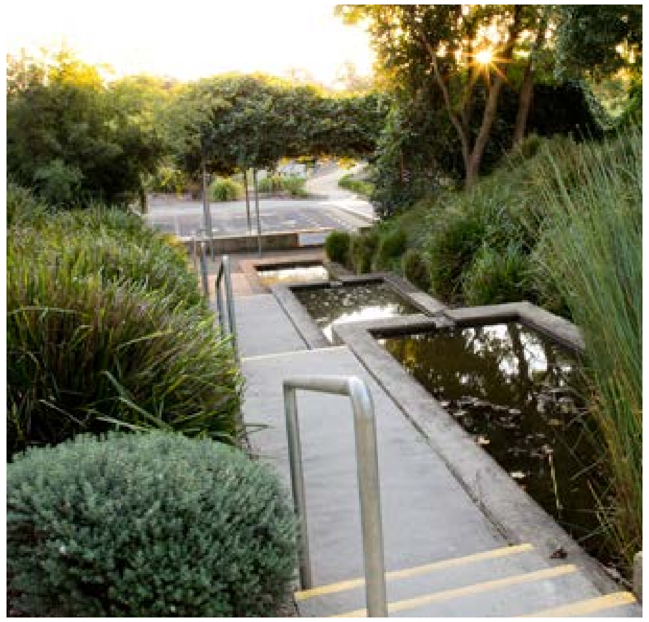
Environmental Management

The site includes a large containment cell, covering 20 hectares, which has been created to contain the contaminated materials in accordance with Environment Protection Authority (EPA) requirements.

Future land sale proceeds will be used to establish the Containment Cell Perpetual Care Fund to go towards the costs of monitoring and managing the long term. environmental needs of the site.

Central Coast projects

This financial year we have invested significantly in the Central Coast to deliver enhanced community offerings with new public domain, as well as providing more opportunity for economic stimulus with land sales.



Leagues Club Field

In August 2019, the Minister for Planning and Public Spaces unveiled the final designs for Leagues Club Field, a landmark $10 million regional playground in the Gosford CBD.

The plans promoted inclusive, unstructured play through bushland, a tidal waterway, grassed areas, picnic amenities and new pedestrian links. Construction commenced in December 2019.

The project has a strong emphasis on the use of local workers and materials, with Central Coast sub-contractors employed where possible and sandstone from Gosford's famous quarries used throughout the site.

We have worked closely with the Darkinjung Local Aboriginal Land Council to ensure that the designs promote Indigenous culture and Central Coast Council was also an active stakeholder throughout the planning and design stages.

Work on Leagues Club Field is expected to continue until late-2020. Once complete, the site will be managed by Central Coast Council.

Social Initiative

Social Initiative Aboriginal participation

As part of our social initiatives project, the Leagues Club Field project is focused on increasing Aboriginal participation. The project represents a true collaboration with local Aboriginal groups. We worked closely with the Darkinjung Local Aboriginal Land Council to ensure that the designs promote Indigenous culture, such as totems representing the local nations, interpretive signage throughout the site and play elements, such as sandstone animal 'islands' and fishing net equipment, that take inspiration from Aboriginal culture.

The construction contractor also promoted Aboriginal participation throughout the works as part of an inclusive and diverse workforce. This includes employing the services of an Aboriginal-owned civil construction contractor through much of the works.

Mount Penang Gardens

Mount Penang Gardens opened in Kariong in 2003 and is considered an enduring and radical contribution to public garden design in Australia.

The gardens span eight hectares of landscaped vistas, divided in into 12 themed garden 'rooms'. The thriving flora – over 70 per cent native to Australia – complements the heritage of the parklands, and a waterway and sandstone sculptures create a picturesque and popular picnic spot.

Challenges during COVID-19

As the COVID-19 pandemic escalated in early 2020, Mount Penang Gardens remained open to the public while enforcing strict social distancing regulations. Public spaces became more important than ever during the community lockdown, with visitor numbers increasing from April 2020.

New hygiene measures and safety signage were introduced in line with government guidelines.

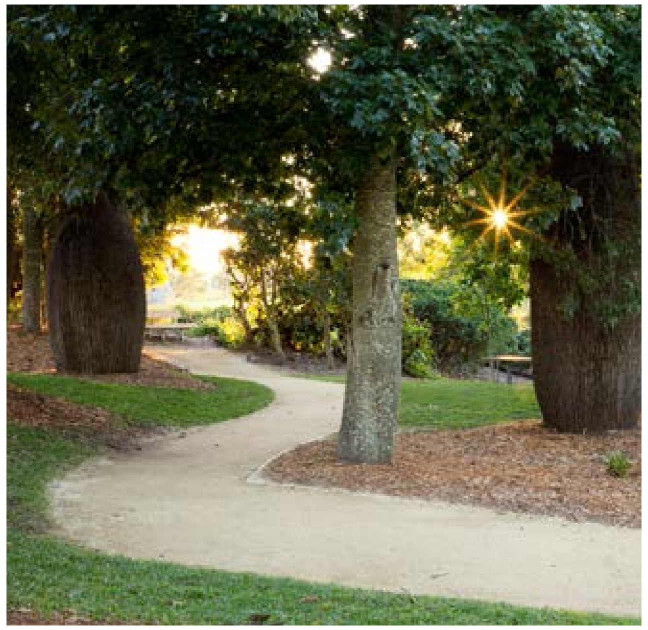
Bluethumb volunteers

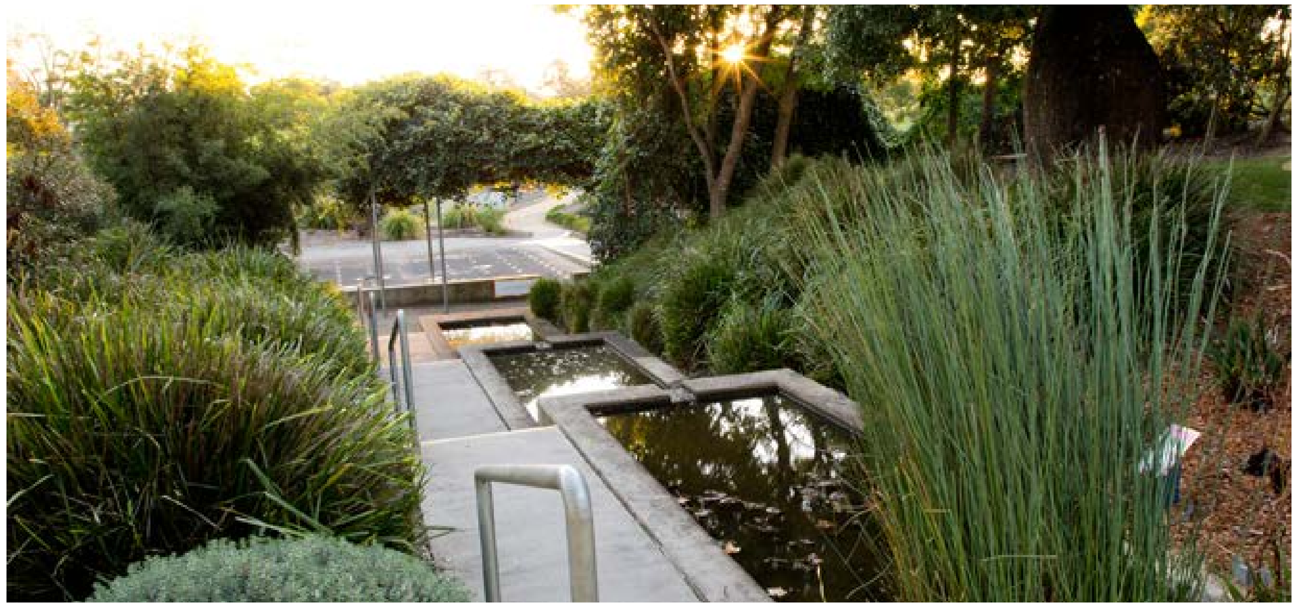
The Mount Penang Gardens Bluethumb volunteer program plays a crucial role in ensuring the gardens remain a beautiful place for the community to enjoy and discover.

Throughout 2019-20, the Bluethumb volunteers acted as garden ambassadors; conducting guided tours, assisting with events and lending a hand with the gardening. This selfless and community-inspired work ensures the gardens remain a stunning place to visit, while also offering rewarding work for the volunteers as they develop positive relationships and lasting friendships. Their continued contribution is valued by HCCDC.

The Bluethumb volunteers are:

- Allan Cragg
- Colleen Schonhoffer
- Dianne Greening
- Kamil Brozka
- Ross Bennett
- Warren Dibley
- Colin Jose
- Geoff Sillar
- Joan Harden
- Richard Watts
- Sue Dibley





Mount Penang Event Park

With five hectares of green, flat open space, Mount Penang Event Park is the ideal location for outdoor events and festivals.

The site can accommodate up to 25,000 people at capacity, with ample parking, and electrical, sewerage and water services.

In 2019-20, 10 events were held in the event park, with the COVID-19 pandemic in 2020 affecting the potential for community gatherings

Events included:

Mount Penang parkrun

Celebrating six years at Mount Penang Gardens, parkrun is a free community event, organised by volunteers. This weekly 5km run is one of 354 across the country and encourages health, fitness and social inclusion.

Food & Wine Festival

The Food & Wine Festival held its fourth annual event at Mount Penang on 4 August 2019, with over 10,000 people sampling the region's best produce. Mount Penang Gardens provided the ideal location for the free festival, where families enjoyed live music, kids' activities, food trucks, food tastings, local wines and craft beer.

The Christmas Fair

The Mount Penang Christmas Fair once again proved to be a huge success in December 2019. With over 160 handpicked stalls, an international food zone, fresh seasonal produce, entertainment for the entire family and a special appearance by Santa, the free event was attended by more than 15,000 people, a record attendance for the event.

Girrakool Blues Festival & BBQ

Girrakool Blues Festival & BBQ is a family-friendly cultural event that saw its fifth year in the surrounds or Mount Penang in March 2020. The New Orleans Mardi Gras-style festival features local and international blues acts and is a showcase for indigenous culture. Over 2000 attendees joined in the fun, including pie eating and thong throwing competitions.

Mount Penang Commercial sites

To support HCCDC's objective of driving economic development on the Central Coast, sites within the Mount Penang Precinct have been identified as suitable for redevelopment.

The redevelopment of the Kangoo Road and Highway precincts are anticipated to create over 3000 new jobs on the site, leverage the existing infrastructure and supporting local industry to keep jobs in the region.

These developments will also assist with attracting people to Mount Penang for employment opportunities, enhancing access to the public spaces and providing opportunities to deliver a great place to work and play.

A master plan process has been initiated to create appropriate land use zones and development control plan provisions to support the development of the entire parklands site.

Highway Commercial Precinct

The Highway Commercial Precinct borders the Central Coast Highway in the south of the Mount Penang Parklands site. The site was sold at the end of 2017-18, with the contract of sale renegotiated in early 2019.

The proposed future development includes provision for commercial use, in accordance with the existing planning controls. This development will bring much-needed jobs to the Central Coast and further enhance the thriving Kariong business community.

Kangoo Road Commercial Precinct

The Kangoo Road Commercial Precinct is bordered by Kangoo Road in the east and the Events and Gardens Precinct in the west. The site was sold at the end of financial year 2017-18 and is awaiting settlement.

In late 2019, a development application was approved by Central Coast Council for the subdivision of the site. Infrastructure works to facilitate this subdivision will commence in August 2020.

Mount Penang asset management

Prior to its transformation into a business, education and tourism precinct, Mount Penang operated for 86 years as a juvenile justice centre. As a result, the design of the buildings and layout of the site illustrates juvenile penal philosophies of the period 1912 to its closure in 1998.

Following the successful adaptive reuse of the parklands in 1999, the site has become an education, business and recreational hub enjoyed by the local residential and business community alike.

Ongoing asset management is guided by the HCCDC Operational Maintenance Plan 2018.

In financial year 2019-20, improvement works continued to be a key focus. These included:

- road and car park repairs, improving services for tenants and visitors
- improving business buildings with roof and gutter repairs
- footpath upgrades.

We continued updating and reviewing compliance throughout 2019-20, with reports undertaken to ensure best practice strategic asset management. These included:

- annual essential service and fire safety inspections
- annual tree safety audit, undertaken by a level 4 arborist
- annual termite inspections
- establishment safety induction rules
- approved hazard reduction certificate.

We also entered into new contracts for the provision of essential services on the site, including landscape maintenance for the gardens and parklands, security and cleaning services.

Rent deferral was offered for tenants during the COVID-19 pandemic in 2020, with all tenants eligible for six months' rent deferral from April to September.

Current tenants include:

- Central Coast Sports College
- NAISDA Dance College
- Options Disability Support
- Sunnyfield Disability Services
- KU Childrens Services
- Kariong/Somersy Rotary
- Youth Connections
- Waterfall Café
- Juel Occupational Therapy
- Travers Bushfire & Ecology
- Parklands Community Preschool.

New landscape contractors

In 2019-20, we successfully negotiated the commencement of a new landscape contractor responsible for daily inspections of the gardens, controlling public access, garden maintenance and planting, and general maintenance. This will create a new proactive approach to maintenance in the Parklands.

Remediation projects

Mayfield remediation

In 2019-20, we welcomed the completion of the former Mayfield BHP Steelworks site's remediation.

The Mayfield BHP Steelworks was one of Australia's earliest and most iconic industrial sites, and a century of heavy industry created a legacy of contaminated soils and groundwater, derelict underground infrastructure requiring intensive demolition, and containment and remediation works.

A NSW Environmental Protection Authority (EPA) declaration rendered the site temporarily unusable until remediation works were completed.

In 2019-20, we completed the final 50 hectares of the 150-hectare site, marking the final stage of this phased project.

We developed and successfully implemented a remediation and groundwater management strategy, leading to efficient progress without major health and safety, environmental incident or contractual disputes. This included constructing the deepest underground wall in the world to intercept groundwater.

Environmental monitoring, management, reporting and community consultation was necessary during all stages of remediation.

The works were completed in accordance with regulatory requirements and all parts of the site are deemed safe and ready for the next phase of development. This is expected to play a continuing role in the rapid transformation of Newcastle's post-steelworks economy.

The 100-hectare port side lands are now reused by the Port of Newcastle. We also managed the 50-hectare Intertrade site, vested in Property NSW.

The site is now regulated under a Maintenance of Remediation Notice, issued to the landowner, Property NSW, and administered by EPA.

Kooragang Island remediation

BHP began operation of the Kooragang Island Waste Emplacement Facility (KIWEF) in the late 1960s, receiving over 10 million tonnes of hazardous steelworks waste prior to closing.

In 1999, the land was returned to NSW Government with enough funding to complete essential capping and remediation.

In 2019-20, we completed coordinating the closure of 30 hectares, around half of the site. We also advanced plans to complete the remaining 32 hectares. These works were progressed in stages, complicated by commercial processes such as the now abandoned Port Waratah Coal Services Terminal 4 project and challenges posed by protected wildlife species.

The land is now owned by Port Lessor Pty Ltd, subject to NSW Treasury's long-term lease. On completion of the remediation works, the occupation, management responsibility and liability of the lands are expected to be transferred to Port of Newcastle Pty Ltd. Current land zoning anticipates reuse as a port-related facility.

The third stage is expected to be completed in July 2020, bringing the total remediation to 60 hectares of contained waste.

Managing an underground fire

In early 2019, grass fires on the KIWEF site ignited several underground pits, eventually spreading across 16 hectares. Over the course of eight months, we worked with agencies including EPA and NSW Fire and Rescue to manage and extinguish the potentially catastrophic fire.

This was achieved with no lost time injury, long-term impact or significant transient effects to the surrounding environment and community.

Creating an ecosystem

The site lies within the RAMSAR Kooragang precinct and is surrounded by the Lower Hunter Estuary. We worked with specialists to develop remediation strategies which contain and reduce environmental and health risks, while maximising ecological and sustainability outcomes.

On completion, the project will have generated over six hectares of integrated constructed wetlands, habitat and water management features aimed at maintaining and improving the outlook for local wildlife, notably a colony of Green and Golden Bell Frogs.

Regional planning

Hunter Regional Plan and Greater Newcastle Metropolitan Plan

The Hunter Regional Plan 2036 and Greater Newcastle Metropolitan Plan 2036 are NSW Government's plans for the future of the Hunter Region, with a vision to create a leading regional economy in Australia with a vibrant new metropolitan city at its heart.

Throughout 2019-20, we continued to oversee the implementation of the plans. Our focus included:

- facilitating governance across both government and non-government sectors to implement the Metropolitan Plan, including:
  - establishing and chairing joint local and NSW Government steering groups to plan for and deliver catalyst areas identified in the Metropolitan Plan, focusing on Broadmeadow, North-West Lake Macquarie and East Maitland
  - supporting the formation of the Committee for the Hunter, an independent group designed to play a key role in collaboration between community, industry and government
  - participating in forums to assist councils, agencies and private sector to facilitate economic diversification in the Upper Hunter
- commencing the Hunter Identity and Positioning Strategy, in collaboration with Department of Regional NSW and Hunter Research Foundation Centre. This will position Greater Newcastle to become a global leader in the new economy and build support for the strategy
- commencing a collaborative approach with councils and agencies to tailor the Place-based Infrastructure Compact (PIC) method within Greater Newcastle

- chairing the Hunter Urban Development Program. This brings local and NSW Government agencies together with the development industry to identify roadblocks in greenfield and infill residential development, and to advise government on infrastructure priorities
- providing advice to government on priorities for infrastructure investment, including Williamtown Special Activation Precinct and the Sydney to Newcastle Faster Rail Strategy.

Central Coast Regional Plan

On the Central Coast, our projects support the Central Coast Regional Plan, NSW Government's roadmap for creating jobs, housing, infrastructure and leisure opportunities in the region.

We continued to support the plan throughout 2019-20 with the start of works on a regional play space in Gosford which will act as a catalyst for the city's revitalisation. In addition to creating local jobs during construction, the development will assist in Gosford's development by bringing people into the city and creating confidence for private investment.

In Mount Penang, we have been undertaking essential infrastructure works to enable a business park and light industrial uses with the potential to create more than 3000 jobs. Long-term, this means more jobs for locals who would previously travel to Sydney for similar employment opportunities.

Communications and sponsorship

65,000+ website visits

85% new website visitors

Brand and tools

In 2019-20, we continued to refine a suite of tools to keep the community informed of our high-impact projects. This included significant updates to the HCCDC website, information brochures, fact sheets and project maps.

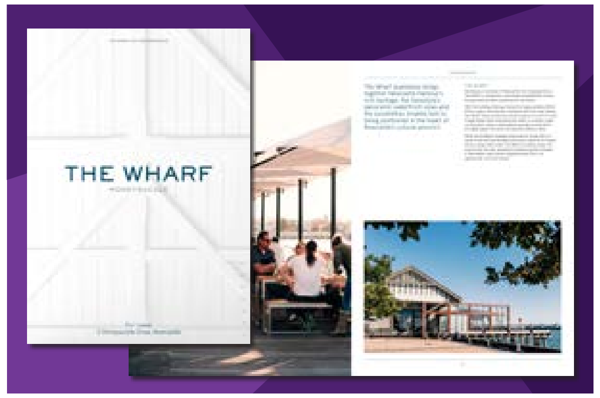
A focus on the delivery of quality digital material resulted in a 91 per cent increase in web visitors in 2019-20. A total of 65,407 visits were made by 23,709 users, demonstrating a high level of community interest in our projects and the importance of providing current, relevant and engaging information.

A new Social Media Framework was implemented and resulted in an increase in activity across our social channels:

- Corporate brand pages (HCCDC LinkedIn and Facebook)
- Project-focused pages (Honeysuckle, Mount Penang Parklands and Gosford Leagues Club Field Facebook)
- Activation pages (Facebook and Instagram for The Station).

Communication highlights

- Brand development and marketing of the heritage Lee Wharf A building in Honeysuckle, including renaming it 'The Wharf'
- Community engagement and raising awareness of ongoing Honeysuckle works with 'Honeysuckle is changing' campaign, incorporating themed wayfinding, social media updates, newsletters and notifications
- Engaging video series highlighting the construction and features of Museum Park, with featurettes focusing on retaining the site's heritage and the benefits for the community
- Regular media events showcasing progress at Leagues Club Field, which captivated Central Coast media and stakeholders
- Implementation of 'Built by Locals' social campaign, highlighting local people engaged across our projects in the Hunter and Central Coast
- Managing activation at The Station, including marketing and events to create a vibrant destination.



Announcements

HCCDC Communications announced various project milestones during 2019-20, with a total of 11 media releases distributed

Major announcements included:

- the opening of Museum Park
- the start of works at Leagues Club Field
- The Station landscaping commencement
- The Wharf going to market
- Honeysuckle Drive works commencing
- the Rail Bridge Row tender award.

Sponsorship

HCCDC supports local initiatives that celebrate our regions and align with our objectives of growing economic capacity and enhancing communities. Sponsorships approved in 2019-20 included the following.

Smaller and Smarter Cities International Symposium

In October 2019, the Hunter Research Foundation event brought together a line-up of 30 expert speakers and panellists to address opportunities and challenges that face major non-capital cities here and overseas. The symposium offered local and international perspectives on growing and developing regions and cities, aligning with our strategic objective to grow economic capacity and enhance communities.

Housing Industry Association (HIA) Hunter Awards

We were pleased to support the Affordable Housing and Specialised Housing categories in the HIA Hunter Awards in October 2019. The awards recognise and celebrate quality, excellence and innovation; aligning with our objectives to enhance communities and drive industry and housing diversification in the region.

The Big Picture Fest Newcastle

In May 2020, we granted sponsorship to The Big Picture Fest Newcastle, an internationally recognised event that will contribute to the city's rich street art legacy and leave an enviable inner-city art trail for years to come. The October 2020 festival will bring Newcastle's creative community together to work alongside a world-class line-up of professional contemporary artists, aligning with our commitment to support the community and Revitalise Newcastle's public spaces.

University of Newcastle, Biomes

In June 2020, we granted sponsorship support to The University of Newcastle for its 2020 'Biomes' exhibition. In celebration of National Biodiversity Month, the interactive Biomes displays will engage, educate and empower the community to act, overcome eco-anxiety and view their region as a living, sustainable and diverse environment. Biomes will celebrate local conservation success stories, including our remediation of Kooragang Island and protection of the endangered Green and Golden Bell Frog habitat.

Membership

In 2019-20, we were a member of the NSW Property Council (Hunter Chapter) and Urban Development Institute of Australia (UDIA).

We will consider membership with organisations that provide opportunities to work closely with industry bodies and groups, in areas representative of our strategic objectives.

Sponsorship and Membership applications must meet the eligibility criteria and requirements outlined in the HCCDC Sponsorship and Membership Policy available at hccdc.nsw.gov.au/sponsorship

Funds management

In 2019-20, we continued to oversee the administration of the Newcastle Mines Grouting Fund (NGMF) on behalf of NSW Government, aimed at encouraging development and investment in the Newcastle CBD.

The fund was established in 2015 to address the issue of mine subsidence and its impact on property development in the city centre. Remediation, involving pumping grout underground, is often required to stabilise the sites before buildings over three storeys can be built, guarding against potential future subsidence.

The fund acts like an insurance policy that applies after the cost of grouting exceeds a certain threshold. This reduces uncertainty and risk associated with building in the city centre mine subsidence zone and encourages new multi-storey housing and commercial development.

There were no applications made to the fund in 2019-20 and it is due to undergo a review at the end of 2022.

Financials

Hunter and Central Coast Development Corporation

(formerly the Hunter Development Corporation)

Annual Financial Statements

For the year ended 30 June 2020

INDEPENDENT AUDITOR'S REPORT

Hunter and Central Coast Development Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the Hunter and Central Coast Development Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Corporation as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Corporation's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Chief Executive Officer of the Corporation is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the statement signed by the Chief Executive Officer.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

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

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

I have nothing to report in this regard.

The Chief Executive Officer's Responsibilities for the Financial Statements

The Chief Executive Officer is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Corporation carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Reiky Jiang
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

14 October 2020
SYDNEY

TABLE OF CONTENTS

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Statement by the Chief Executive Officer
for the year ended 30 June 2020

Statement by the Chief Executive Officer

Pursuant to section 41C of the *Public Finance and Audit Act 1983*, I declare, on behalf of the Hunter and Central Coast Development Corporation (the Corporation), that in my opinion:

(a) The accompanying financial statements have been prepared in accordance with:

- applicable Australian Accounting Standards (which includes Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

(b) The statements and notes exhibit a true and fair view of the financial position as at 30 June 2020 and financial performance of the Corporation for the year then ended; and

(c) There are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Valentina Misevska
Acting Chief Executive Officer

Date: 14 October 2020

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Statement of comprehensive income
for the year ended 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Restated 2019* $'000
Expenses excluding losses				
Operating expenses				
Personnel services expenses	2(a)	4,291	6,439	5,348
Other operating expenses	2(b)	55,371	61,472	38,254
Depreciation and amortisation	2(c)	1,013	1,029	612
Grants and subsidies	2(d)	543	38,113	1,482
Finance costs	2(e)	4	3	7
Total expenses excluding losses		**61,222**	**107,056**	**45,703**
Revenue				
Sale of goods and services from contracts with customers	3(a)	10,880	56,684	40,745
Investment revenue	3(b)	2,400	649	2,152
Grants and contributions	3(c)	14,174	19,559	10,229
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	113	-	251
Other income	3(e)	15,573	96	8,752
Total revenue		**43,140**	**76,988**	**62,129**
Net result	20	**(18,082)**	**(30,068)**	**16,426**
Other comprehensive income				
Items that will not be reclassified to net result in subsequent periods				
Net increase in property, plant and equipment revaluation surplus	9	30,895	-	-
Total other comprehensive income		**30,895**	**-**	**-**
TOTAL COMPREHENSIVE INCOME		**12,813**	**(30,068)**	**16,426**

Statement of comprehensive income
The accompanying notes form part of these financial statements.
*The prior year comparative has been restated. Refer to Note 23 for further details.

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Statement of financial position
as at 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Restated 2019* $'000	Restated 1 July 2019* $'000
ASSETS					
Current assets					
Cash and cash equivalents	4	22,578	54,948	49,014	43,067
Receivables	5	2,630	1,200	2,294	1,543
Inventories	7	9,910	9,282	13,660	10,585
Other financial assets	8	30,000	-	30,000	5,000
Total current assets		**65,118**	**65,430**	**94,968**	**60,195**
Non-current assets					
Inventories	7	24,789	29,468	34,804	35,955
Property, plant and equipment					-
Land and buildings	9	50,347	14,775	12,252	290
Plant and equipment	9	45	92	24	14
Infrastructure systems	9	36,238	12,303	18,770	2,795
Total property, plant and equipment		86,630	27,170	31,046	3,099
Right of use assets	10	148	64	-	-
Total non-current assets		**111,567**	**56,702**	**65,850**	**39,054**
Total assets		**176,685**	**122,132**	**160,818**	**99,249**
LIABILITIES					
Current liabilities					
Payables	12	5,128	14,649	15,494	5,302
Contract liabilities	6	712	-	-	-
Provisions	13	2,090	460	476	437
Borrowings	14	147	57	-	-
Total current liabilities		**8,077**	**15,166**	**15,970**	**5,739**
Non-current liabilities					
Provisions	13	11,321	30	30	30
Borrowings	14	6	6	-	-
Other	15	59	-	409	45
Total non-current liabilities		**11,386**	**36**	**439**	**75**
Total liabilities		**19,463**	**15,202**	**16,409**	**5,814**
Net assets		**157,222**	**106,930**	**144,409**	**93,435**
EQUITY					
Accumulated funds		126,327	106,930	144,409	93,435
Reserves		30,895	-	-	-
Total equity		**157,222**	**106,930**	**144,409**	**93,435**

Statement of financial position
The accompanying notes form part of these financial statements.
*The prior year comparative has been restated. Refer to Note 23 for further details.

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Statement of changes in equity
for the year ended 30 June 2020

	Notes	Restated Accumulated funds $'000	Asset revaluation surplus $'000	Restated Total $'000
Balance at 1 July 2019		**136,562**	**-**	**136,562**
Correction of prior period errors		7,847	-	**7,847**
Restated balance at 1 July 2019*		**144,409**	**-**	**144,409**
Net result for the year		**(18,082)**	**-**	**(18,082)**
Other comprehensive income				
Net increase in property, plant and equipment	9	**-**	**30,895**	**30,895**
Total other comprehensive income		**-**	**30,895**	**30,895**
Total comprehensive income for the year		**(18,082)**	**30,895**	**12,813**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	16	-	-	**-**
Balance at 30 June 2020		**126,327**	**30,895**	**157,222**
Balance at 1 July 2018		**90,640**	**-**	**90,640**
Correction of prior period errors		2,795	-	2,795
Restated balance at 1 July 2018		**93,435**	**-**	**93,435**
Net result for the year		**16,426**	**-**	**16,426**
Other comprehensive income		**-**	**-**	**-**
Total other comprehensive income		**-**	**-**	**-**
Total comprehensive income for the year		**16,426**	**-**	**16,426**
Transactions with owners in their capacity as owners				
Increase in net assets from equity transfers	16	34,548	-	34,548
Balance at 30 June 2019		**144,409**	**-**	**144,409**

Statement of changes in equity
The accompanying notes form part of these financial statements.
*The prior year comparative has been restated. Refer to Note 23 for further details.

Statement of cash flows

for the year ended 30 June 2020

	Notes	Actual 2020 $'000	Budget 2020 $'000	Restated 2019* $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Grants and subsidies		(543)	(38,113)	(1,482)
Suppliers and personnel services		(43,106)	(6,450)	(26,348)
Inventories		(5,198)	(48,257)	(3,689)
Finance costs		(4)	(3)	(7)
Total payments		**(48,851)**	**(92,823)**	**(31,526)**
Receipts				
Reimbursements from the Crown Entity		113	-	251
Sale of goods and services		13,718	56,780	55,424
Interest received		539	604	934
Grants and other contributions		27,538	19,559	14,453
Total receipts		**41,908**	**76,943**	**71,062**
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	**(6,943)**	**(15,880)**	**39,536**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment	9	(19,343)	(800)	(6,583)
Redemption of investments	8	-	30,000	5,000
Purchase of investments	8	-	-	(30,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(19,343)**	**29,200**	**(31,583)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowings	14	-	(145)	(2,922)
Payment of principal portion of lease liabilities		(150)	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(150)**	**(145)**	**(2,922)**
NET INCREASE/(DECREASE) IN CASH		**(26,436)**	**13,175**	**5,031**
Opening cash and cash equivalents		49,014	41,773	43,067
Cash transferred in as a result of administrative restructure	16	-	-	916
CLOSING CASH AND CASH EQUIVALENTS	4	**22,578**	**54,948**	**49,014**

Statement of cash flows
The accompanying notes form part of these financial statements.
*The prior year comparative has been restated. Refer to Note 23 for further details.

Notes to the financial statements

for the year ended 30 June 2020

1. Summary of significant accounting policies

(a) Reporting entity

The Hunter and Central Coast Development Corporation ("the Corporation") is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Corporation is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units.

The Corporation is established under the *Growth Centres (Development Corporations) Act 1974*. This Act defines the functions and geographic area of the Corporation.

Pursuant to section 5 of the *Growth Centres (Development Corporations) Act 1974*, on 3 October 2018, the Minister for Planning signed the *Growth Centres (Development Corporations) Amendment (Hunter and Central Coast Development Corporation) Order 2018,* to dissolve Central Coast Regional Development Corporation and merge with Hunter Development Corporation to form a newly named entity being Hunter and Central Coast Development Corporation. This order was effective on and from 1 November 2018.

These financial statements for the year ended 30 June 2020 are authorised for issue by the Chief Executive Officer on the date the Statement by the Chief Executive Officer was signed.

(b) Basis of preparation

The financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015*; and
- Treasurer's Directions issued under the Act.

Property, plant and equipment is measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements. The financial statements are prepared on a going concern basis – refer Note 1 (h).

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the Corporation's presentation and functional currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards (AAS), which include Australian Accounting Interpretations.

(d) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except that the:

- amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1. Summary of significant accounting policies (cont'd)

(e) Equity transfer

The transfer of net assets between entities as a result of a government decision to adjust the Corporation's equity is designated as a contribution by owners and recognised as adjustment to "Accumulated Funds". This treatment is consistent with AASB 1004 *Contributions by Owners made to Wholly-Owned Public Sector Entities* and Australian Interpretation 1038 and in accordance with TPP 09-3 Accounting Policy: *Contributions by owners made to wholly owned Public Sector Entities*. These transfers are recognised at fair value.

(f) Comparative information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous year for all amounts reported in the financial statements.

The comparative information incorporates the financial results of HDC from 1 July 2018 to 31 October 2018 and HCCDC (HDC and CCRDC combined) results from 1 November 2018 to 30 June 2019.

The Corporation reclassified the below comparative information during 2019-2020 following a review in accordance with TPP 20-01 Accounting Policy: *Financial reporting codes for NSW general government sector entities*.

- FY 2018-19 finance costs of $7k in cash flows from operating activities has been reclassified from supplier and personnel services as a result of insertion of the 'Finance costs' line.
- FY 2018-19 non-current inventories held for distribution of $773k has been reclassified from non-current inventories held for sale as a result of insertion of the 'Held for distribution – at cost' line in Note 7.
- FY 2018-19 other income of $4,528k has been reclassified from 'Sale of goods and services' note 3 (a) to 'Other income' note 3 (e)

(g) Changes in accounting policy, including new or revised Australian Accounting Standards

(i) Effective for the first time in 2019-20

The Corporation applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2019-20, but do not have an impact on the financial statements of the Corporation.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract, in addition, the standard requires relevant disclosures.

In accordance with the transition provisions in AASB 15, the Corporation has adopted AASB 15 retrospectively with the cumulative effect of initially adopting the standard recognised at the date of initial application, i.e. 1 July 2019. The Corporation has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all the modifications that occur before 1 July 2019 when:

- Identifying the satisfied and unsatisfied performance obligations
- Determining the transaction price
- Allocating the transaction price to the satisfied and unsatisfied performance obligations

The impact of applying the above practical expedients is not expected to significantly affect the financial statements.

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Notes to the financial statements (cont'd)
for the year ended 30 June 2020

1. Summary of significant accounting policies (cont'd)

(g) Changes in accounting policy, including new or revised Australian Accounting standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

AASB 15 Revenue from Contracts with Customers (cont'd)

The effect of adopting AASB 15 as at 30 June 2020 is as follows:

- There is no impact on the Statement of comprehensive Income.
- Impact on Statement of financial position (increase / (decrease)):

	Notes	$'000 AASB15	$'000 Without adoption of AASB15	$'000 Impact of AASB15
Liabilities				
Contract liabilities - current	6	712	-	712
Unearned revenue		-	712	(712)
Total adjustment to equity		**712**	**(712)**	**-**

The adoption of AASB 15 did not have an impact on Other comprehensive income or the Statement of cash flows for the financial year.

The nature of these adjustments is described below:

At the reporting date, the Corporation held prepaid funding of $0.712 million from the Crown Finance Entity in relation to remediation works at Kooragang Island. Revenue is recognised as the remediation expense is incurred. In prior years, prepaid funding received was reported as unearned income in the payables note (refer note 12).

AASB 1058 *Income of Not-for-Profit Entities*

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- When the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- Immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the Corporation has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The Corporation has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the Corporation to further its objectives, are not restated to their fair value.

1. Summary of significant accounting policies (cont'd)

(g) Changes in accounting policy, including new or revised Australian Accounting standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

AASB 1058 *Income of Not-for-Profit Entities (cont'd)*

Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services are measured at fair value. As at 30 June 2020, the Corporation did not recognise revenue from volunteer services as they would have not purchased these services if not donated.

The adoption of AASB 1058 did not have an impact on the Statement of comprehensive income, Statement of financial position and the Statement of cash flows for the financial year.

AASB 16 *Leases*

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on balance sheet.

Lessor accounting

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a significant impact for leases where the entity is the lessor.

Lessee accounting

AASB 16 requires the Corporation to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. As a lessee, the Corporation recognises a lease liability and right-of-use asset at the inception of the lease. The lease liability is measured at the present value of the future lease payments, discounted using the interest rate implicit in the lease, or the lessee's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The corresponding right of use asset is measured at the value of the lease liability adjusted for lease payments before inception, lease incentives, initial direct costs and estimates of costs for dismantling and removing the asset or restoring the site on which it is located.

The Corporation has adopted the partial retrospective option in AASB 16, where the cumulative effect of initially applying AASB 16 is recognised on 1 July 2019 and the comparatives for the year ended 30 June 2019 are not restated.

In relation to leases that had previously been classified as 'operating leases' under AASB 117, a lease liability is recognised at 1 July 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 1.42%.

The corresponding right-of-use asset is initially recorded on transition at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of financial position as at 30 June 2019. The exception is right-of-use assets that are subject to accelerated depreciation. These assets are measured at their fair value at 1 July 2019.

For leases previously classified as finance leases the Corporation recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of AASB 16 are only applied after that date.

The Corporation elected to use the practical expedient to expense lease payments for lease contracts that at their commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is valued at $10,000 or under when new (low-value assets).

1. Summary of significant accounting policies (cont'd)

(g) Changes in accounting policy, including new or revised Australian Accounting standards (cont'd)

(i) Effective for the first time in 2019-20 (cont'd)

AASB 16 *Leases (cont'd)*

In applying AASB 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- Not reassess whether a contract is, or contains, a lease at 1 July 2019, for those contracts previously assessed under AASB 117 and interpretation 4.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on its previous assessment on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- Not recognising a lease liability and right-of-use asset for short-term leases that end within 12 months of the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adoption of AASB16 as at 1 July 2019 increase / (decrease) is as follows:

	$'000
Assets	
Buildings	-
Plant and equipment	-
Right of use assets	216
Total assets	**216**
Liabilities	
Borrowings	216
Total liabilities	**-**
Equity	
Accumulated funds	-
	-

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	$'000
Operating lease commitments as at 30 June 2019 (GST included)	238
(Less): GST included in operating lease commitments	(21)
Operating lease commitments as at 30 June 2019 (GST excluded)	**217**
Weighted average incremental borrowing rate as at 1 July 2019	1.42%
Discounted operating lease commitments as at 1 July 2019	218
Add: commitments related to leases previously classified as finance leases (GST excluded)	-
(Less): commitments relating to short-term leases	(2)
(Less): commitments relating to leases of low-value assets	-
Add/(less): contracts re-assessed as lease contracts	-
Add: Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	-
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	-
Lease liabilities as at 1 July 2019	**216**

1. Summary of significant accounting policies (cont'd)

(g) Changes in accounting policy, including new or revised Australian Accounting standards (cont'd)

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

NSW Treasury TC 20-01 *Mandates of options and major policy decisions under Australian Accounting Standards* provides a list of accounting standards / interpretations that agencies must not early adopt.

These standards /interpretations have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. The estimates of impacts where relevant are provided under each standard / interpretation.

The following new Australian Accounting Standards have not been applied and are not yet effective.

The following have been assessed for their possible impact on the financial statements, if any, in the period of their initial application. None of the standards listed below are likely to have any material impact:

- AASB 17 Insurance Contracts - effective from 1 January 2021
- AASB 1059 Service Concession Arrangements: Grantors - effective from 1 January 2020
- AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059 - effective from 1 January 2019
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business - effective from 1 January 2020
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material - effective from 1 January 2020
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework - effective from 1 January 2020
- AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059 - effective from 1 January 2020
- AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - effective from 1 January 2020
- AASB 2019-7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations - effective from 1 January 2020

(h) COVID-19 pandemic and delayed 2020-21 NSW Budget

COVID-19 pandemic caused a significant decrease in the Corporation's parking and rental revenue in the last quarter of 2019-20. However, the decrease in revenue was compensated by the one-off additional grant income of $0.5 million from the State Government. NSW Government has announced that the 2020-21 NSW Budget will be deferred from June 2020 until November 2020. The delayed 2020-21 NSW Budget is not expected to have any significant impact on the Corporation's operation as the Corporation is a self-funding agency. Also, the Corporation has the legal right to draw down on the allocated Consolidated Fund through DPIE Principal Department arising from the Treasurer authorising expenditure under section 4.10 of the *Government Sector Finance Act 2018*. In particular, the temporary measures introduced for COVID-19. Therefore, it is appropriate for the 2019-20 Financial Statements to be prepared under the going concern basis.

2. Expenses excluding losses

(a) Personnel services expenses

	2020 $'000	2019 $'000
Salaries and wages (including annual leave)	3,604	4,248
Redundancy	99	338
Long service leave	100	192
Superannuation - defined contribution plans	266	251
Superannuation - defined benefit plans	4	48
Payroll tax and Fringe benefits tax	218	271
	4,291	**5,348**

(b) Other operating expenses

	2020 $'000	Restated 2019* $'000
External audit of the financial statements	75	71
Cost of sales*	12,759	15,335
Remediation expenditure - note 3(e)	12,388	2,711
Inventory disposal provisional expense - note 13	11,321	-
Public infrastructure expenditure	7,384	1,526
Revitalisation project costs - note 3(c)	4,973	12,228
Asset management	3,177	2,551
Fees for services	1,604	1,771
Site disposal costs	843	867
Community information / liaison and promotion	230	221
Insurance	145	88
Contractors	16	148
Expenses relating to short-term leases	3	-
Expenses related to leases of low-value assets	3	-
Operating lease rental expense	-	47
Other	450	690
	55,371	**38,254**

*The prior year comparative has been restated. Refer to Note 23 for further details.

*Refer to Note 7 for details of the inventory decrement for 2019-20 of $4.138 million (2018-19: $1.604 million) included in cost of sales.

Recognition and measurement

Cost of sales

The Corporation holds the majority of its land as inventory and as such, the value of any inventory sold during the year is recorded in the Statement of comprehensive income as cost of goods sold. Any other costs related to the sale of the inventory including legal fees and marketing are recorded as site disposal costs.

Remediation expenditure

The level of remediation expenditure increased in 2020 due to major construction work commencing on Kooragang Island early in the year. This work was in the planning phase in 2019.

2. Expenses excluding losses (cont'd)

2(b) Other operating expenses (cont'd)

Recognition and measurement (cont'd)

Inventory disposal provisional expense

As at 30 June 2020 for the Cockle Creek project, it has been identified that there is a shortfall between the estimated proceeds of sale and the costs of disposal and net present value of costs in perpetuity to maintain the containment cell on site. As such, a provision has been raised on the balance sheet to recognise the estimated shortfall for the project. This provision will be reassessed annually as the project progresses.

Public infrastructure expenditure

Public infrastructure costs have increased in 2020 compared to 2019 mainly due to expenditure incurred for the creation of a major new public space at Gosford Leagues Club Field on the Central Coast on Crown land.

Revitalisation project costs

In 2019 some construction works were completed on multiple sites in the former rail corridor as part of the Revitalise Newcastle project (including Museum Place). Maintenance and event management costs related to sites in the former rail corridor are also included as revitalisation project costs.

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement or an enhancement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

The Corporation's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government entities. The expense (premium) is determined by the Fund Manager based on past claims experience.

Lease expense (up to 30 June 2019)

Operating leases

Up to 30 June 2019, operating lease payments are recognised as an operating expense in the Statement of comprehensive income on a straight-line basis over the lease term. An operating lease is a lease other than a finance lease.

Lease expense (from 1 July 2019)

From 1 July 2019, the Corporation recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- Leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option.
- Leases of assets that are valued at $10,000 or under when new.

Variable lease payments are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

2. Expenses excluding losses (cont'd)

(c) Depreciation and amortisation expense

	2020 $'000	2019 $'000
Depreciation:		
Buildings	366	242
Infrastructure systems	356	238
Plant and equipment	136	132
Right of use assets	155	-
Total depreciation	**1,013**	**612**

Refer to Note 9 and Note 10 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies

	2020 $'000	2019 $'000
Newcastle Mines Grouting Funds projects (NMGF)	2	10
Newcastle Port Community Contribution Fund projects (NPCC)	541	1,472
	543	**1,482**

(e) Finance costs

	2020 $'000	2019 $'000
Interest expense on TCorp borrowings	-	7
Interest expense from lease liabilities	4	-
	4	**7**

3. Revenue

(a) Sale of goods and services

	2020 $'000	2019 $'000
Sale of goods - inventories	10,880	40,745
	10,880	**40,745**

Recognition and measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Comments regarding the accounting policies for the recognition of income are discussed below.

Until 30 June 2019
Sale of goods
Revenue from the sale of goods is recognised as revenue when the Corporation transfers the significant risks and rewards of ownership of the goods, usually on delivery of the goods (or settlement of land sales).

3. Revenue (cont'd)

(a) Sale of goods and services (cont'd)

Recognition and measurement (cont'd)

Rendering of services
Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

From 1 July 2019
Sale of goods
Revenue from sale of goods is recognised as when the Corporation satisfies a performance obligation by transferring the promised goods. The nature of the goods that the Corporation has promised to transfer is mainly in relation to inventories in Note 7. The Corporation typically satisfies its performance obligations when the control of the goods is transferred to the customers. The control of land is considered transferred once a land title is legally transferred. The payments are typically settled at the time of the title transfer.

Revenue from sale of other goods is recognised based on the price specified in the contract, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a short credit term. No volume discount or warranty is provided on the sale.

Rendering of services
Revenue from rendering of services is recognised when the Corporation satisfies the performance obligation by transferring the promised services. The revenue is measured at the transaction price agreed under the contract.

(b) Investment revenue

	2020 $'000	2019 $'000
Interest revenue from financial assets not at fair value through profit or loss	539	934
Rental income	1,861	1,218
	2,400	**2,152**

Recognition and measurement

Interest income

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

(c) Grants and contributions

	2020 $'000	2019 $'000
Grants received from State Government for NMGF	-	210
Grants received from Crown Entity - NPCC	547	1,693
Grants received - Revitalisation project - refer Note 2(b)	12,997	7,973
Grants other	630	353
	14,174	**10,229**

3. Revenue (cont'd)

(c) Grants and contributions (cont'd)

Recognition and measurement

Until 30 June 2019
Income from grants (other than contribution by owners) is recognised when the Corporation obtains control over the contribution. The Corporation is deemed to have assumed control when the grant is received or receivable.

Contributions are recognised at their fair value. Contributions of services are recognised when and only when a fair value of those services can be reliably measured, and the services would be purchased if not donated.

From 1 July 2019
Grants are received by the Corporation to support its service delivery objectives and the funding agreements typically specify purpose of grants. Some funding agreements have well defined milestones and funding is received by the Corporation upon completion of those milestones.

Revenue from grants to acquire/construct a recognisable non-financial asset to be controlled by the Corporation is recognised when the Corporation satisfies its obligations under the agreement. The Corporation satisfies performance obligations under the transfer to construct non-financial assets over time. Unless specified in the underlying funding agreement, grant revenue recognised by the Corporation equals cost incurred, because this reflects progress to completion based on cost recovery arrangements.

Revenue from grants with sufficiently specific milestones/performance obligations and agreed funding against each milestone is recognised as when the Corporation satisfies its performance obligation by transferring promised goods/achieving milestones.

Income from funding without sufficiently specific performance obligations is recognised when the Corporation obtains control over the granted assets (i.e. cash received). Where the total funding amount in a contract is not allocated to distinct milestones/performance obligations and specifies purpose only, revenue is recognised when the Corporation obtains control over the funds i.e. cash received). The $13.0 million of grants received in 2019-20 relate to the final payment for the Revitalise Newcastle project. There are no sufficiently specific performance obligations related to this final payment and as such the revenue has been recognised on receipt.

No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. This is based on past experience and terms specified in the contract.

Refer Note 6 for transaction price allocated to the performance obligations that have not been satisfied at the end of the year and when it is expected to be recognised as revenue. Receipt of volunteer services is recognised when and only when the fair value of those services can be reliably determined and the services would have been purchased if not donated. Volunteer services are measured at fair value. As at 30 June 2020, the Corporation did not recognise revenue from volunteer services.

(d) Acceptance by the Crown Entity of employee benefits and other liabilities

	2020 $'000	2019 $'000
The following liabilities and expenses have been assumed by the Crown Entity:		
Superannuation - defined benefits	6	48
Long service leave	107	200
Payroll tax	-	3
	113	**251**

3. Revenue (cont'd)

(e) Other income

	2020	2019
	$'000	**$'000**
Remediation revenue – Crown Entity - refer Note 2(b)	13,364	2,282
Remediation revenue – Property NSW - refer Note 2(b)	-	1,942
Other income*	2,209	4,528
	15,573	**8,752**

* Includes Section 7.12 contributions (previously s94 contributions) received from the City of Newcastle for community service obligations of $1.1 million (FY2019: $2.9 million) undertaken at Honeysuckle, carpark and associated fine revenue, sundry reimbursements and insurance recoveries.

Recognition and measurement

Until 30 June 2019, income is recognised in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and AASB 1004 *Contributions*. Other income is recognised as revenue when the Corporation transfers the significant risks and rewards of ownership of the goods or services, usually on delivery of the goods or services.

From 1 July 2019, income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer defined by AASB 15 *Revenue from Contracts with Customers*. Other income is recognised as when the Corporation satisfies a performance obligation by transferring the promised goods or services.

Refer Note 6 for the disclosure of the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, and when the entity expects to recognise the unsatisfied portion as revenue.

(f) Deemed appropriations

Movement of Section 4.7 GSF Act – deemed appropriations:	2020	2019
	$'000	**$'000**
Opening balance	49,014	40,145
Add: additions of deemed appropriations	41,849	71,978
Less: expenditure charged against deemed appropriations	(68,285)	(63,109)
Closing balance	**22,578**	**49,014**

Recognition and measurement

Section 4.7 of the Government Sector Finance (GSF) Act defines deemed appropriation money as government money that the Corporation (a GSF agency) receives or recovers (including from the Commonwealth or another entity) of a kind prescribed by the regulations that:

- forms part of the Consolidated Fund: and
- is not appropriated under the authority of an Act

All payments and receipts of the Corporation's operations excluding borrowings and repayments fall under the category of deemed appropriations.

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Notes to the financial statements (cont'd)
for the year ended 30 June 2020

4. Current assets - cash and cash equivalents

	2020	2019
	$'000	**$'000**
Cash at bank or on hand	22,578	49,014
	22,578	**49,014**

For the purposes of the Statement of cash flows, cash and cash equivalents include cash at bank, cash on hand and short-term deposits.

Cash and cash equivalent assets recognised in the Statement of financial position are reconciled at the end of the financial year to the Statement of cash flows as follows:

Cash and cash equivalents (per Statement of financial position)	22,578	49,014
Closing cash and cash equivalents (per Statement of cash flows)	**22,578**	**49,014**

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

5. Current assets - receivables

	2020	2019
	$'000	**$'000**
Trade receivables	368	742
Allowance for expected credit losses*	(30)	-
Goods and Services Tax recoverable	928	842
Prepayments	40	77
Accrued income	127	633
Sundry receivables	1,197	-
	2,630	**2,294**
***Movements in the allowance for expected credit losses:**		
Balance at the beginning of the year	-	71
Amounts written off during the year	-	(71)
Amounts recovered during the year	-	-
Increase / (decrease) in allowance recognised in net results	30	-
Balance at the end of the year	**30**	**-**

Refer Note 21 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

Recognition and measurement

All purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace. Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Corporation holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Corporation recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the Corporation expects to receive, discounted at the original effective interest rate. For trade receivables, the Corporation applies a simplified approach in calculating ECLs. The Corporation recognises a loss allowance based on lifetime ECLs at each reporting date. The Corporation has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivables.

6. Contract assets and liabilities

	2020 $'000	1 July 2019 adjusted for AASB 15 $'000
Contract liabilities - current	712	6,512
Contract liabilities - non-current	-	-
	712	**6,512**
Contract receivables (included in Note 5)	368	742

Recognition and measurement

Contract liabilities relate to consideration received in advance from the Crown Finance Entity in respect of the remediation works at Kooragang Island. The balance of contract liabilities at 30 June 2020 was impacted by the remediation funding received in advance adjusted by the remediation revenues recognised once the satisfaction of performance obligations is met when the remediation expenditures are incurred. The contract liability balance has reduced during the year because the opening contract liability was fully recognised as revenue. The balance at the reporting date represents the current year funding received in advance less the revenue recognised.

	2020 $'000
Revenue recognised that was included in the contract liability balance (adjusted for AASB 15) at the beginning of the year	6,512
Revenue recognised from performance obligations satisfied in previous periods	6,852
Transaction price allocated to remaining performance obligations from contracts with customers	712

The transaction price allocated to the remaining performance obligations relates to the remediation works at Kooragang Island. Most of the balance is expected to be recognised as revenue in the first quarter in the next financial year.

7. Current / non-current assets – inventories

	2020 $'000	Restated 2019* $'000
Current inventories		
Held for distribution - at cost current	2,104	1,362
Held for sale - at cost	7,806	12,298
	9,910	**13,660**
Non-current inventories		
Held for distribution - at cost	661	773
Held for sale - at cost	24,128	27,561
Held for sale - at valuation	-	6,470
	24,789	**34,804**
Total inventories	**34,699**	**48,464**
Details of inventories:		
Acquisition costs	11,519	13,085
Equity transfers	26,904	33,490
Development costs	2,755	5,871
Transfers to PP&E	(6,204)	-
Accumulated inventory adjustment to net realisable value	(275)	(3,982)
	34,699	**48,464**

*The prior year comparative has been restated. Refer to Note 23 for further details.

Recognition and measurement

Land inventories are reported at the lower of cost and net realisable value. Cost includes acquisition and development cost.

Inventories classified as held for distribution include assets whose ownership will transfer to another entity (for example, local government) at nil or nominal value. Inventories held for distribution have been reported at cost where cost is the original value recorded for these assets on acquisition by the Corporation. This cost is believed to be comparable to current replacement cost due to the limited revenue generating potential of the assets. Although these assets are held at cost, upon transfer to a local government entity, the Corporation will write these assets down to nil value. For the current inventories held for distribution as at 30 June 2020, $0.57 million was written down in August 2020 when the related assets were transferred to the City of Newcastle.

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 inventories have been classified as current and non-current based on the forecast timing of sales.

Preston Rowe Patterson Newcastle and Central Coast Pty Limited undertook a revaluation of land inventory as at 31 March 2020 and has issued an updated revaluation as at 30 June 2020. This revaluation has resulted in some inventory assets being impaired by $4.168 million, and a land inventory within the former rail corridor having $0.030 million of the impairment from 2017-18 reversed. As such, the overall valuation adjustment recognised as a result of the inventory revaluation was a net impairment of $4.138 million.

8. Current / non-current assets – other financial assets

	2020 $'000	2019 $'000
Investments - Term Deposits		
Balance at beginning of year	30,000	5,000
Acquisitions during the year	-	30,000
Redemptions during the year	-	(5,000)
Balance at end of year	**30,000**	**30,000**

Recognition and measurement

Purchases or sales of other financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised and derecognised on a trade date basis.

Other financial assets are initially measured at fair value plus any transaction cost.

Subsequent measurement

Financial assets at amortised cost

Other financial assets are classified and subsequently measured at amortised cost as they are held for collection of contractual cash flows solely representing payments of principal and interest. Impairment losses are presented as a separate line item in the Statement of comprehensive income. Any gain or loss arising on derecognition is recognised directly in net results and presented in other gains/(losses) together with foreign exchange gains and losses.

9. Non-current assets – property, plant and equipment

(a) Total property, plant and equipment

	Land and buildings $'000	Restated Infrastructure systems $'000	Plant and equipment $'000	Leasehold improvements $'000	Restated Total $'000
At 1 July 2019 - fair value					
Gross carrying amount	22,628	24,297	34	396	47,355
Accumulated depreciation	(10,635)	(5,527)	(10)	(137)	(16,309)
Net carrying amount*	**11,993**	**18,770**	**24**	**259**	**31,046**
At 30 June 2020 - fair value					
Gross carrying amount	63,691	42,121	61	396	106,269
Accumulated depreciation	(13,473)	(5,883)	(16)	(267)	(19,639)
Net carrying amount	**50,218**	**36,238**	**45**	**129**	**86,630**

*The prior year comparative has been restated. Refer to Note 23 for further details.

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Notes to the financial statements (cont'd)
for the year ended 30 June 2020

9. Non-current assets – property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land and buildings $'000	Restated Infrastructure systems $'000	Plant and equipment $'000	Leasehold improvements $'000	Restated Total $'000
Year ended 30 June 2020					
Net carrying amount at beginning of year	11,993	12,285	24	259	24,561
Prior period adjustment (Note 23)	-	6,485	-	-	6,485
Additions	1,492	17,824	27	-	19,343
Reclassification from inventories	6,204	-	-	-	6,204
Reclassification to inventories	-	-	-	-	-
Net revaluation increment	30,895	-	-	-	30,895
Depreciation expense - assets owned	(366)	(356)	(6)	(130)	(858)
Net carrying amount at end of year	**50,218**	**36,238**	**45**	**129**	**86,630**

	Land and buildings $'000	Restated Infrastructure systems $'000	Plant and equipment $'000	Leasehold improvements $'000	Restated Total $'000
At 1 July 2018 - fair value					
Gross carrying amount	-	-	15	298	313
Accumulated depreciation	-	-	(1)	(8)	(9)
Net carrying amount	**-**	**-**	**14**	**290**	**304**
At 30 June 2019 - fair value					
Gross carrying amount	22,628	24,297	34	396	47,355
Accumulated depreciation	(10,635)	(5,527)	(10)	(137)	(16,309)
Net carrying amount*	**11,993**	**18,770**	**24**	**259**	**31,046**

*The prior year comparative has been restated. Refer to Note 23 for further details.

9. Non-current assets – property, plant and equipment (cont'd)

(a) Total property, plant and equipment (cont'd)

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

	Land and buildings $'000	Restated Infrastructure systems $'000	Plant and equipment $'000	Leasehold improvements $'000	Restated Total $'000
Year ended 30 June 2019					
Net carrying amount at beginning of year	-	-	14	290	304
Prior period adjustment (Note 23)	-	2,795	-	-	2,795
Additions	-	3,690	-	98	3,788
Transfers as a result of administrative restructure	14,995	12,523	34	-	27,552
Reclassification to inventories	(2,760)	-	(21)	-	(2,781)
Depreciation expense	(242)	(238)	(3)	(129)	(612)
Net carrying amount at end of year	**11,993**	**18,770**	**24**	**259**	**31,046**

(b) Property, plant and equipment where entity is lessor under operating lease

	Buildings $'000
At 1 July 2019 - fair value	
Gross carrying amount	18,129
Accumulated depreciation	(10,636)
Net carrying amount	**7,493**
At 30 June 2020 - fair value	
Gross carrying amount	18,129
Accumulated depreciation	(10,998)
Net carrying amount	**7,131**

Reconciliation

A reconciliation of the carrying amount of buildings at the beginning and end of the prior reporting period is set out below:

	Buildings $'000
Year ended 30 June 2019	
Net carrying amount at beginning of year	7,493
Depreciation expense	(362)
Net carrying amount at end of year	**7,131**

9. Non-current assets – property, plant and equipment (cont'd)

Recognition and measurement

Acquisition of property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Property, plant and equipment and intangible assets costing $5,000 and above individually (or forming part of a network costing more than $5,000) are capitalised.

Major inspection costs

When a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of property, plant and equipment

Except for certain non-depreciable assets, depreciation is provided for on a straight-line basis so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Corporation. All material identifiable components of assets are depreciated separately over their useful lives. Land is not a depreciable asset.

Category	Depreciation rate / useful lives
Buildings	1% - 2%
Office furniture and fittings	10%
Computers	25% - 27%
General plant and equipment	14% - 25%
Make-good and fit-out	Over the period of the lease
Leasehold improvements	Over the period of the lease
Software	3 – 5 years

Finance leases acquired by lessees (Under AASB 117 until 30 June 2019)

Until 30 June 2019, AASB 117 *Leases* (AASB 117) distinguished between finance leases that effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Property, plant and equipment at 30 June 2019 includes non-current assets acquired under finance leases only. The assets are recognised at fair value or, if lower, the present value of the minimum lease payments, at the inception of the lease. Property, plant and equipment does not include amounts in respect of operating leases.

Property, plant and equipment acquired under finance leases are depreciated over the asset's useful life. However, if there is no reasonable certainty that the lessee entity will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

9. Non-current assets – property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Right-of-Use Assets acquired by lessees (under AASB 16 from 1 July 2019)

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset for most leases. The entity has elected to present right-of-use assets separately in the Statement of Financial Position.

Therefore, at that date property, plant and equipment recognised under leases previously treated as finance leases under AASB 117 are derecognised. The right-of-use assets arising from these leases are recognised and included in the separate line item together with those right-of-use assets arising from leases previously treated as operating leases under AASB 117.

Further information on leases is contained at Note 10.

The Corporation has adopted the option to not apply AASB 16 to assets that would be classified as service concession assets in accordance with AASB 1059 Service Concession Arrangements: Grantors.

Revaluation of property, plant and equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and must take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Prior to 30 June 2020, six assets previously held as inventory were transferred to property, plant and equipment in recognition of the fact that management has no plans to dispose of these assets. The management decision was made during 2019-20. Upon recognition as property, plant and equipment the assets were revalued in accordance with AASB13 and AASB16 and a revaluation increment of $31 million was recognised in the asset revaluation reserve.

Fair value of property, plant and equipment is based on market participants perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs. Also refer to Note 11 for further information regarding fair value.

Revaluations shall be made with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The Corporation conducts a comprehensive revaluation at least every three years for its land and buildings and at least every five years for other classes of property, plant and equipment.

Interim revaluations are conducted between comprehensive revaluations where cumulative changes to indicators suggest fair value may differ materially from the carrying value. Land, buildings and infrastructure were last comprehensively revalued at 1 November 2018. Since that time there is no indication to suggest fair value differs materially from carrying value.

Non-specialised assets with short useful lives are measured at depreciated historical cost, which for these assets approximates fair value. The Corporation has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For other assets valued using other valuation techniques, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are recognised in other comprehensive income and credited to revaluation surplus in equity. However, to the extent that an increment reverses a revaluation decrement in respect of the same class of asset previously recognised as a loss in the net result, the increment is recognised immediately as a gain in the net result.

9. Non-current assets – property, plant and equipment (cont'd)

Recognition and measurement (cont'd)

Revaluation of property, plant and equipment (cont'd)

Revaluation decrements are recognised immediately as a loss in the net result, except to the extent that it offsets an existing revaluation surplus on the same class of assets, in which case, the decrement is debited directly to the revaluation surplus.

As a not-for-profit Corporation, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise. When revaluing non-current assets using the cost approach, the gross amount and the related accumulated depreciation are separately restated.

Where the income approach or market approach is used, accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Where an asset that has previously been revalued is disposed of, any balance remaining in the revaluation surplus in respect of that asset is transferred to accumulated funds. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end.

Impairment of property, plant and equipment

As a not-for-profit Corporation with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. Since property, plant and equipment is carried at fair value or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Corporation assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specialised assets held for continuing use of their service capacity are rarely sold and their cost of disposal is typically negligible. Their recoverable amount is expected to be materially the same as fair value, where they are regularly revalued under AASB 13 *Fair Value Measurement*.

As a not-for-profit Corporation, an impairment loss is recognised in the net result to the extent the impairment loss exceeds the amount in the revaluation surplus for the class of asset.

After an impairment loss has been recognised, it is reversed if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

10. Leases

A. Lessee for operating leases

The Corporation leases an office building, equipment and motor vehicles. Lease contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Corporation does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $0.216 million.

From 1 July 2019, AASB 16 *Leases* (AASB 16) requires a lessee to recognise a right-of-use asset and a corresponding lease liability for most leases.

The Corporation has elected to recognise payments for short-term leases and low value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less. Low value assets are assets with a fair value of $10,000 or less when new.

(a) Right-of-use assets under leases

The following tables presents right-of-use assets that do not meet the definition of investment property.

	Buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2019	191	25	216
Additions	87	-	87
Depreciation expense	(145)	(10)	(155)
Balance at 30 June 2020	**133**	**15**	**148**

(b) Lease liabilities

The following table presents liabilities under leases

	Total $'000
Balance at 1 July 2019	216
Additions	87
Interest expenses	4
Payments	(154)
Balance at 30 June 2020	**153**

10. Leases (cont'd)

(c) Right-of-use expenses under leases

The following amounts were recognised in the Statement of comprehensive income for the year ending 30 June 2020:

	$'000
Depreciation expense of right-of-use assets	155
Interest expense on lease liabilities	4
Expense relating to short-term leases	16
Expense relating to leases of low-value assets	3
Variable lease payments, not included in the measurement of lease liabilities	-
Total amount recognised in the statement of comprehensive income	**178**

The Corporation had total cash outflows for leases of $0.154 million in 2019-20.

Future minimum lease payments under non-cancellable leases as at 30 June 2019 were, as follows:

	Operating lease $'000
Within one year	238
Total (including GST)	**238**
Less: GST recoverable from the Australian Tax Office	(21)
Total (excluding GST)	**217**

Recognition and measurement (under AASB 16 from 1 July 2019)

The Corporation assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

i. Right-of-use assets

The Corporation recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer ii below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site.

The right-of-use assets are subsequently measured at cost. They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office building 5 to 10 years
- Motor vehicles and other equipment 4 to 5 years

If ownership of the leased asset transfers to the Corporation at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

10. Leases (cont'd)

Recognition and measurement (cont'd)

i. Right-of-use assets (cont'd)

The right-of-use assets are also subject to impairment. The entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

ii. Lease liabilities

At the commencement date of the lease, the Corporation recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- exercise price of a purchase options reasonably certain to be exercised by the Corporation; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Corporation's leases, the lessee's incremental borrowing rate is used, being the rate that the Corporation would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Corporation's lease liabilities are included in borrowings.

iii. Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

10. Leases (cont'd)

Recognition and measurement (cont'd)

Recognition and measurement (under AASB 117 until 30 June 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Until 30 June 2019, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Corporation was classified as a finance lease.

Where a non-current asset was acquired by means of a finance lease at the commencement of the lease, the asset was recognised at its fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability was established at the same amount. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the Statement of comprehensive income.

Property, plant and equipment acquired under finance leases was depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Corporation will obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the Statement of comprehensive income on a straight-line basis over the lease term.

B. Lessor for operating leases

Future minimum rentals receivable (undiscounted) under non-cancellable operating lease as at 30 June 2020 are, as follows:

	2020	**2019**
	$'000	**$'000**
Future minimum lease receipts under non-cancellable operating leases as lessor:		
Not later than one year	1,028	925
Later than one year and not later than five years	2,899	722
Later than five years	367	-
Present value of minimum lease payments	**4,294**	**1,647**

Recognition and measurement – lessor for operating lease

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

11. Fair value measurement of non-financial assets

Fair value measurement and hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Corporation categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets / liabilities that the Corporation can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Corporation recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(a) Fair value hierarchy

2020	Level 1	Level 2	Level 3	Total fair value
	$'000	$'000	$'000	$'000
Property, plant and equipment (Note 9)				
Land and buildings	-	20,049	30,169	50,218
Infrastructure systems	-	-	36,238	36,238
	-	**20,049**	**66,407**	**86,456**

2019*	Level 1	Level 2	Restated Level 3	Restated Total fair value
	$'000	$'000	$'000	$'000
Property, plant and equipment (Note 9)				
Land and buildings	-	4,500	7,493	11,993
Infrastructure systems	-	-	18,770	18,770
	-	**4,500**	**26,263**	**30,763**

*The prior year comparative has been restated. Refer to Note 23 for further details.

There were no transfers between Level 1 or 2 during the year.

(b) Valuation inputs, techniques and processes

In June 2020, Preston Rowe Patterson Newcastle and Central Coast Pty limited undertook a revaluation of 6 inventories for the purpose of reclassification to non-current land and building assets. In November 2018, the Corporation engaged CBRE Valuations Pty Limited to provide an independent valuation advice on the land, building and infrastructure systems assets for the Mount Penang site. The valuations are compliant with the relevant requirements as set out in Treasury Policy paper TPP14-01 and Australian Accounting Standards AASB13 and AASB116. The fair value hierarchy for these assets is considered to be at Level 2 for lands and Level 3 for buildings and infrastructure.

Method of valuation: Cost approach

This valuation method applies to buildings and infrastructure systems based on construction costs. These assets are held at cost less depreciation i.e. based on the amount required to replace the service potential of an asset (often referred to as current replacement cost), that is the cost to acquire or construct a similar asset, adjusted for physical deterioration and all forms of obsolescence.

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Notes to the financial statements (cont'd)
for the year ended 30 June 2020

11. Fair value measurement of non-financial assets (cont'd)

Method of valuation: Market approach

This valuation method applies to land based on prices and other relevant information generated by market transactions involving identical or similar assets.

Plant and equipment and leasehold improvements

These assets are not included in the table above because they are measured at depreciated historical cost as an approximation of fair value.

(c) Reconciliation of recurring level 3 fair value measurements

2020	Buildings	Infrastructure	Total recurring Level 3 fair value
	$'000	$'000	$'000
Fair value as at 1 July 2019	7,493	18,770	26,263
Additions	1,492	17,824	19,316
Reclassification from inventories	3,520	-	3,520
Net revaluation increment	18,030	-	18,030
Depreciation	(366)	(356)	(722)
Fair value as at 30 June 2020	**30,169**	**36,238**	**66,407**

2019*	Buildings	Restated Infrastructure	Restated Total recurring Level 3 fair value
	$'000	$'000	$'000
Fair value as at 1 July 2018	-	2,795	2,795
Additions	-	3,690	3,690
Net asset transfers through equity	7,735	12,523	20,258
Depreciation	(242)	(238)	(480)
Fair value as at 30 June 2019	**7,493**	**18,770**	**26,263**

*The prior year comparative has been restated. Refer to Note 23 for further details.

12. Current liabilities - payables

	2020	2019
	$'000	$'000
Personnel services - accrued salaries and wages	38	117
Creditors	4,845	6,164
Goods and Services Tax payable	261	2,579
Unearned revenue	43	6,634
	5,187	**15,494**

Refer to Note 21 for details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables.

Recognition and measurement

Payables represent liabilities for goods and services provided to the Corporation and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

12. Current liabilities - payables (cont'd)

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

13. Current / non-current liabilities – provisions

	2020 $'000	2019 $'000
Provisions - current liabilities		
Personnel services - annual leave	276	325
Personnel services - on-costs	155	151
Inventory disposal provision	1,629	-
Make good provision	30	-
Total	**2,090**	**476**
Personnel services benefits expected to be settled within 12 months from reporting date		
Annual leave	276	325
	276	**325**
Other provisions - non-current liabilities		
Inventory disposal provision non-current	11,321	-
Make good provision non-current	-	30
Total	**11,321**	**30**
Total Provisions	**13,411**	**506**
Aggregate personnel services		
Provisions - current liabilities	431	476
Personnel services - accrued salaries, wages and on-costs (Note 12)	38	117
	469	**593**

The Corporation has recognised a provision for the disposal of inventories related to two sites. The current provision relates to works required to be undertaken for roadworks following the sale of the Highway Commercial site at Mount Penang. The non-current provision relates to the difference between the estimated sale proceeds for land at Cockle Creek and the estimated costs of disposal and net present value of the estimated costs in perpetuity to maintain the containment cell on site.

The Corporation has an obligation for restoration costs at the end of its lease at Level 5, 26 Honeysuckle Drive Newcastle (31 May 2021).

Movement in provisions (other than employee benefits)

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2020	**Inventory disposal provision $'000**	**Make good provision $'000**
Carrying amount at the beginning of the year	-	30
Additional provisions recognised	12,968	-
Amounts used	(18)	-
Carrying amount at the end of the year	**12,950**	**30**

13. Current / non-current liabilities - provisions (cont'd)

Recognition and measurement

Personnel services benefits and related on-costs

Salaries and wages, annual leave and sick leave

The Corporation does not employ any staff and receives personnel services from the Department of Planning, Industry and Environment. The cost of personnel services is recognised as expense and provisions.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits*.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Long service leave and superannuation

The Corporation's liabilities for long service leave and defined benefit superannuation are assumed by the Crown Entity. The Corporation accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) are calculated as a percentage of the employees' salaries. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential on-costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

Other provisions

Provisions are recognised when: the Corporation has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of comprehensive income.

Any provisions for restructuring are recognised only when the Corporation has a detailed formal plan and the Corporation has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected.

14. Borrowings

	2020 $'000	2019 $'000
Current		
Lease liability	147	-
TCorp borrowings	-	-
	147	**-**
Non-current		
Lease liability	6	-
	6	**-**

	2020 $'000	2019 $'000
TCorp borrowings*		
Balance at beginning of the year	-	-
Transfers as a result of administrative restructure	-	2,915
Interest accrued during the year	-	7
Repayments during the year	-	(2,922)
	-	**-**

*TCorp borrowing was transferred to the Corporation from CCRDC as part of the administrative restructure on 1 November 2018 (refer Note 16).

The borrowing was unsecured. Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above borrowings are disclosed in Note 21.

Recognition and measurement

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

Finance lease liabilities are determined in accordance with AASB 117 until 30 June 2019. From 1 July 2019, lease liabilities are determined in accordance with AASB 16.

Change in liabilities arising from financing activities

	TCorp Borrowings	Leases	Total liabilities from financing activities
1 July 2018	-	-	-
Transfers as a result of administrative restructure	2,915	-	2,915
Interest accrued during the year	7	-	7
Cash flows - repayments	(2,922)	-	(2,922)
30 June 2019	-	-	-
Recognised on adoption of AASB 16	-	216	216
1 July 2019	-	216	216
Cash flows - repayments	-	(154)	(154)
Cash flows - interest additions	-	4	4
Addition - lease extension	-	87	87
30 June 2020	**-**	**153**	**153**

Hunter and Central Coast Development Corporation
(formerly the Hunter Development Corporation)
Notes to the financial statements (cont'd)
for the year ended 30 June 2020

15. Non-current liabilities – other

	2020 $'000	2019 $'000
Non-current		
Security deposits	59	409
	59	**409**

16. Equity transfer

	2020 $'000	2019 $'000
Assets		
Cash and cash equivalents	-	916
Receivables	-	128
Land assets held for sale	-	9,427
Property, plant and equipment	-	27,552
Total assets	**-**	**38,023**
Liabilities		
Payables	-	538
Employee provisions	-	22
Borrowings	-	2,915
Total liabilities	**-**	**3,475**
Net assets transferred as part of administrative restructure	**-**	**34,548**

Pursuant to section 5 of the *Growth Centres (Development Corporations) Act 1974*, on 3 October 2018, the Minister for Planning signed the *Growth Centres (Development Corporations) Amendment (Hunter and Central Coast Development Corporation) Order 2018*, to transfer the assets, rights and liabilities of the Central Coast Regional Development Corporation (CCRDC) to the Hunter and Central Coast Development Corporation. This order was effective on and from 1 November 2018.

Recognition and measurement

The transfer of net assets between entities as a result of an administrative restructure, transfers of programs / functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by AAS to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 and Australian Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.

Transfers arising from an administrative restructure involving not-for-profit and for-profit government entities are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

17. Commitments

	2020 $'000	2019 $'000
Commitments - expenditure		
(a) Capital		
Aggregate capital expenditure contracted for at balance date and not provided for:		
Not later than 1 year	21,611	25,311
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
Total (including GST)	**21,611**	**25,311**

18. Contingent liabilities and contingent assets

At the time of preparing the financial statements, the Corporation and a developer are in dispute in relation to the interpretations of the agreement regarding costs associated with the development of a site. These discussions will determine to what extent, if any, there will be an amount either payable or receivable by the Corporation. There are no other known contingent assets or liabilities.

19. Reconciliation of cash flows from operating activities to net result

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of comprehensive income are as follows:

	2020 $'000	Restated 2019 $'000
Net cash inflow from operating activities	(6,943)	39,536
Depreciation and amortisation	(1,013)	(612)
Inventory adjustment to net realisable value	(4,138)	(1,604)
(Decrease) in inventories	(3,423)	(13,079)
Increase in receivables	336	623
Decrease/(Increase) in creditors	4,204	(8,421)
(Increase) in provisions	(12,905)	(17)
Decrease in contract liabilities	5,800	-
Net result	**(18,082)**	**16,426**

*The prior year comparative has been restated. Refer to Note 23 for further details.

20. Budget review

Net result

The net result is favourable to budget by $12.0 million primarily as a result of:

- Grants and subsidies expenditure being $37.6 million lower than budget. The original budget assumed that the full budget allowance for the Newcastle Mines Grouting Fund (NMGF) and the Newcastle Ports Community Contribution Fund (NPCC) would be claimed by potential recipients during the year. No claims were made against the NMGF in the year. Budgeted public Infrastructure costs of $32.2 million were originally budgeted under this category, however actual costs have been accounted for in Other operating expenses and some components of public infrastructure have been capitalised in 2019-20 as well.
- Personnel services expenses were below budget by $2.1 million due to a lower number of employees compared to budget.
- Other operating expenses are below budget by $6.1 million due to savings achieved in remediation costs on the Kooragang Island site due to efficiencies being achieved in the use of fill and lower expenditure to deal with an underground fire on site; lower costs related to the Revitalise Newcastle project ($8.7 million) due to the budget originally anticipating additional works being required; lower asset management costs ($2.3 million) and lower cost of land sales due to the deferral of settlement of two sites ($3.7 million). These favourable variances have been partially offset by public infrastructure costs of $7.4 million being allocated in this category (but originally budgeted as Grants and Subsidies) which includes work on Gosford Leagues Club Field; as well as a provision being raised for the Cockle Creek site ($11.3 million) to cover the difference between the estimated sale proceeds and the cost of managing the containment cell in perpetuity.
- Sale of goods and services is lower than the original budget by $45.8 million. Land sales were budgeted to be $31.0 million however settlement of two sites has been deferred to 2020-21 ($24.6 million). These deferrals were partially offset by bringing forward settlement of two other sites ($4.5 million). In addition, remediation revenue of $22.9 million was budgeted in this category (and the actual revenue is reported below in other income).

20. Budget review (cont'd)

Net result (cont'd)

- Investment revenue is higher than the original budget by $1.8 million due to lease income being reported as investment revenue but originally budgeted in Sale of goods and services.
- Grants and contributions are lower than budget by $5.4 million due to no claims made on the NMGF (as noted above) and the timing of NPCC claims.
- Other income is $15.5 million favourable to budget which is the remediation revenue received (originally budgeted in sale of goods and services) in addition to other income ($2.8 million) including car parking revenue and s7.12 contributions from council being allocated to this category but budgeted originally in Sale of goods and services..
- Depreciation and amortisation expenses were consistent with budget.

Assets and liabilities

The net asset position is $50.3 million favourable to the original budget primarily due to:

- The cash position being $32.4 million below budget due to the budget assuming the $30 million of term deposits would have been converted to cash by 30 June 2020.
- Other financial assets being $30.0 million higher than budget due to the budget assuming the term deposits would have been converted to cash by 30 June 2020.
- Property, Plant and Equipment is $59.5 million higher than budget due to the reclassification of $6.2 million of inventory assets and the subsequent revaluation up to fair value (previously held at the lower of cost or net realisable value). In addition to this reclassification there were also major construction works undertaken on seawalls, roadworks and landscaping that have been incorporated into property, plant and equipment as at 30 June. These costs were originally budgeted to have been expensed.
- The net inventory position being $4.1 million lower compared to the original budget due to the reclassification of $6.2 million of inventory items to property, plant and equipment and a revaluation impairment of $4.1m offset by deferred inventory sales which were not budgeted. These decreases in inventory value were partially offset by construction works undertaken for public domain work that have increased the value of inventories held for distribution.
- Payables being $9.5 million lower than budget due to timing of expenditure and payments as well as there being $6.5 million in prepaid income in 2018-19 in relation to remediation works at Kooragang Island.
- Provisions have increased by $12.9 million compared to budget due to the provision raised for the Cockle Creek site (noted above in Other operating expenses).

Cash flows

Net cash flows from operating activities were $8.9 million favourable to budget as a result of:

- Cash payments for grants and subsidies being lower than budget by $37.6 million as a result of the budget assuming public infrastructure cash outflows ($32.2 million) would be allocated to this category (these have been recorded as cash outflows in Suppliers and personnel services) and also receiving no claims for grants on the Newcastle Mines Grouting Fund (NMGF).
- Higher payments for suppliers and personnel services of $36.6 million primarily due to the original budget incorrectly only providing for payments to employees and no other supplier payments (the budget for all other supplier payments was incorrectly allocated to the inventory cash flow.
- Lower payments for inventory of $43.1 million due to the budget misallocation noted above.
- Cash inflows for the sale of goods and services were lower than budget by $43.1 million due to the timing of land sales as well as the budget for remediation cash inflows being allocated here but the actual cash inflows being reported in Grants and contributions.
- Revenue from grants and other contributions is higher than budget by $8.0 million due to remediation cash inflows being reported here partially offset by no claims being received for the NMGF.

20. Budget review (cont'd)

Cash flows (cont'd)

Net cash flows from investing activities are $48.5 million unfavourable to budget due to:

- $30.0 million of term deposits not being converted to cash (as assumed in the budget).
- Also, payments related to the construction of seawalls, roadworks and landscaping works at the Station site were all originally budgeted against inventory cash flows.

21. Financial instruments

The Corporation's principal financial instruments are outlined below. These financial instruments arise directly from the Corporation's operations or are required to finance the Corporation's operations. The Corporation does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporation's main risks arising from financial instruments are outlined below, together with the Corporation's objectives, policies and processes for measuring and managing risk. Further qualitative disclosures are included throughout these financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Corporation, to set risk limits and controls and to monitor risks.

(a) Financial instrument categories

Class	Note	Category	Carrying amount 2020 $'000	Carrying amount 2019 $'000
Financial assets				
Cash and cash equivalents	4	N/A	22,578	49,014
Receivables[1]	5	At amortised cost	495	1,375
Other financial assets	8	At amortised cost	30,000	30,000
Financial liabilities				
Payables[2]	12	Financial liabilities measured at amortised cost	4,883	6,281
Borrowings	14	Financial liabilities measured at amortised cost	153	-

Notes

1. Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7)
2. Excludes statutory payables, unearned revenue and non-cash works-in-kind received in advance (i.e. not within scope of AASB 7)

The Corporation determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or if the Corporation transfers the financial asset:

- where substantially all the risks and rewards have been transferred; or
- where the entity has not transferred substantially all the risks and rewards, if the entity has not retained control.

Where the Corporation has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Corporation's continuing involvement in the asset. In that case, the Corporation also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Corporation has retained.

21. Financial instruments (cont'd)

(b) Derecognition of financial assets and liabilities(cont'd)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

(i) Credit risk

Credit risk arises when there is the possibility that the counterparty will default on their contractual obligations, resulting in a financial loss to the Corporation. The maximum exposure to the credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment). Credit risk arises from the financial assets of the Agency, including cash, receivables and authority deposits. No collateral is held by the Corporation. The Corporation has not granted any financial guarantees. Credit risk associated with the Corporation's financial assets, other than receivables, is managed thorough the selection of counterparties and establishment of minimum credit rating standards. Authority deposits held with NSW TCorp are guaranteed by the State.

Cash and cash equivalents

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on the daily bank balance at the monthly TCorp 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Accounting policy for impairment of trade debtors and other financial assets

Receivables - trade debtors

Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation has identified Gross Domestic Product (GDP) and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade debtors are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period of greater than 90 days past due.

21. Financial instruments (cont'd)

(d) Financial risks (cont'd)

(i) Credit risk (cont'd)

The loss allowance for trade debtors as at 30 June 2020 and 30 June 2019 was determined as follows:

30 June 2020 $'000	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	2.5%	5.0%	10.0%	11.1%*	n/a
Estimated total gross carrying amount at default	73	-	-	-	266	339
Expected credit loss	-	-	-	-	30	30

30 June 2019 $'000	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	-	2.5%	5.0%	7.5%	10.0%	n/a
Estimated total gross carrying amount at default	736	1	3	-	2	742
Expected credit loss	-	-	-	-	-	-

Notes:

- ECL rate 11.1% applied for >91 days represents a weighted average between normal trade debtors and COVID19 deferred rental tenants. Each tenant has been assessed with current status of business activity and categorised into either low or higher risk for their repayment capability. Actual ECL rates applied are 10% for the low risk and 30% for the higher risk tenants.
- The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the receivables total in note 5.

The Corporation is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors as at 30 June 2020. The Corporation's debtors have a high credit rating.

(ii) Liquidity risk

Liquidity risk is the risk the Corporation will be unable to meet its payment obligations when they fall due. The Corporation continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12 Payment of accounts. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Minister may automatically pay the supplier simple interest. No interest penalty was paid during the period 1 July 2019 and 30 June 2020 (2019: nil).

The table below summarises the maturity profile of the Corporation's financial liabilities, together with the interest rate exposure.

21. Financial instruments (cont'd)

(d) Financial risks (cont'd)

(ii) Liquidity risk (cont'd)

Maturity Analysis and interest rate exposure of financial liabilities

$'000			Interest Rate Exposure			Maturity Dates		
	Weighted average effective Int. rate	Nominal Amount[1]	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	< 1 year	1 -5 years	> 5 years
30 June 2020								
Trade creditors and accruals	N/A	4,883	-	-	4,883	4,883	-	-
Lease liabilities	N/A	153			153	137	16	-
		5,036	-	-	5,036	5,020	16	-
30 June 2019								
Trade creditors and accruals	N/A	6,281	-	-	6,281	6,281	-	-

[1] The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the Corporation can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to the Statement of financial position.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Corporation has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Corporation operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the Statement of financial position reporting date. The analysis is performed on the same basis as for 2019. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the Corporation's interest-bearing liabilities. This risk is minimised by undertaking mainly fixed rate borrowings, primarily with NSW TCorp. The Corporation does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates (based on official Reserve Bank of Australia interest rate volatility over the last five years). The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility.

The Corporation's exposure to interest rate risk is set out below.

21. Financial instruments (cont'd)

(d) Financial risks (cont'd)

(iii) Market risk (cont'd)

	Carrying amount	-1% Profit	-1% Equity	+1% Profit	+1% Equity
	$'000	$'000	$'000	$'000	$'000
30 June 2020					
Financial assets:					
Cash and cash equivalents	22,578	(226)	(226)	226	226
Receivables[1]	495	(5)	(5)	5	5
Other financial assets	30,000	(300)	(300)	300	300
Financial liabilities:					
Payables	4,883	49	49	(49)	(49)
Borrowings	153	2	2	(2)	(2)
30 June 2019					
Financial assets:					
Cash and cash equivalents	49,014	(490)	(490)	490	490
Receivables[1]	742	(7)	(7)	7	7
Other financial assets	30,000	(300)	(300)	300	300
Financial liabilities:					
Payables	6,281	63	63	(63)	(63)

[1] Excludes statutory receivables, prepayments and accrued income.

(e) Fair value measurement

Fair value compared to carrying amount

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. Given the nature of the financial instruments held by the Corporation, their carrying amounts approximate the fair value.

22. Program group

The Corporation's activities are reported under the program group "Maximise community benefit from government land and property" supporting the State outcome "Create a strong and vibrant NSW".

23. Prior period errors

The prior period adjustment relates to reclassification of some expenses to assets for works undertaken during 2017-18 and 2018-19 on public infrastructure and public domain/spaces on Corporation owned lands which will be transferred to other government agencies at nil or nominal values. Previously, the Corporation had been expensing these items on the basis that there were no future economic benefits flowing to the Corporation upon the transfers. However, it now has been determined that the Corporation incurred these costs to enable it to achieve its objectives which could be considered as future economic benefits. Therefore, the Corporation will now capitalise these costs until the assets are transferred at which point the book values will be expensed or adjusted against equity for the equity transferred assets.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to Accumulated funds at that date.

Comparative amounts have been restated to reflect the correction of the error.

STATEMENT OF FINANCIAL POSITION AS AT 1 JULY 2019

	As per audited financials 2018 $'000	Prior Period Adjustment 2018 $'000	Restated 2018 $'000
Non-current assets			
Inventories	35,955	-	35,955
Property, plant and equipment		-	-
Land and buildings	290	-	290
Plant and equipment	14	-	14
Infrastructure systems	-	2,795	2,795
Total property, plant and equipment	304	2,795	3,099
EQUITY			
Accumulated funds	90,640	2,795	93,435
Total equity	**90,640**	**2,795**	**93,435**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	As per audited financials 2019 $'000	Prior Period Adjustment 2019 $'000	Restated 2019 $'000
Expenses excluding losses			
Operating expenses			
Personnel services expenses	5,348	-	5,348
Other operating expenses	43,306	(5,052)	38,254
Depreciation and amortisation	612	-	612
Grants and subsidies	1,482	-	1,482
Finance costs	7	-	7
Total expenses excluding losses	**50,755**	**(5,052)**	**45,703**

23. Changes to comparatives due to prior period errors (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	As per audited financials 2019 $'000	Prior Period Adjustment 2019 $'000	Restated 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	49,014	-	49,014
Receivables	2,294	-	2,294
Inventories	12,298	1,362	13,660
Other financial assets	30,000	-	30,000
Total current assets	**93,606**	**1,362**	**94,968**
Non-current assets			
Inventories	34,804	-	34,804
Property, plant and equipment			-
Land and buildings	12,252	-	12,252
Plant and equipment	24	-	24
Infrastructure systems	12,285	6,485	18,770
Total property, plant and equipment	24,561	6,485	31,046
EQUITY			
Accumulated funds	136,562	7,847	144,409
Total equity	**136,562**	**7,847**	**144,409**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2019

	As per audited financials 2019 $'000	Prior Period Adjustment 2019 $'000	Restated 2019 $'000
Balance at 1 July 2018	**90,640**	**2,795**	**93,435**
Net result for the year	**11,374**	**5,052**	**16,426**
Transactions with owners in their capacity as owners			
Increase in net assets from equity transfers	34,548	-	34,548
Balance at 30 June 2019	**136,562**	**7,847**	**144,409**

23. Changes to comparatives due to prior period errors (cont'd)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	As per audited financials 2019 $'000	Prior Period Adjustment 2019 $'000	Restated 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Grants and subsidies	(1,482)		(1,482)
Suppliers and personnel services	(32,840)	6,492	(26,348)
Inventories	(3,689)		(3,689)
Finance costs	-	(7)	(7)
Total payments	**(38,011)**	**6,485**	**(31,526)**
Total receipts	**71,062**	**-**	**71,062**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**33,051**	**6,485**	**39,536**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of plant and equipment	(98)	(6,485)	(6,583)
Redemption of investments	5,000		5,000
Purchase of investments	(30,000)		(30,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(25,098)**	**(6,485)**	**(31,583)**

24. Related party disclosure

(a) Key management personnel compensation

The Corporation's key management personnel compensation is as follows:

	2020 $'000	2019 $'000
Short-term employee benefits	325	1,248
Post-employment benefits	22	92
Total remuneration	347	1,340

The above key management personnel compensation excludes the Minister for Planning and Public Spaces. Ministerial compensation is paid by the NSW Legislature, not the Corporation. It also excludes long service leave and defined benefit superannuation amounts, which are assumed by the Crown.

The Corporation did not provide any non-monetary benefits to Cabinet Ministers, their close family members or entities controlled or jointly controlled thereof during the year.

(b) Transactions with key management personnel

The Corporation did not enter into any related party transactions with key management personnel, their close family members or entities controlled or jointly controlled thereof during year.

24. Related party disclosure (cont'd)

(c) Transactions with government related entities during the financial year

During the year, the Corporation entered into the following individually significant arm's-length transactions with other entities that are controlled by the NSW Government:

- Cluster grant funding from Department of Planning, Industry and Environment of $13.5 million (2019: $8.2 million)
- Grant funding from the Crown Entity of $0.5 million (2019: $1.7 million)
- Personnel service expenses transacted from the Department of Planning, Industry and Environment of $4.2 million (2019: $5.0 million), of these, $0.04 million (2019: $0.02 million) is recognised as accrued expense at year end and $0.4 million (2019: $0.5 million) recognised as provisions for annual leave and on-costs at year end
- Corporate shared service expense paid to the Department of Planning, Industry and Environment of $1.0 million (2019: $1.0 million)
- Remediation revenue from Crown Finance Entity of $13.4 million (2019: $2.2 million), in addition contact liability of $0.7 million (2019: $6.5 million classified as unearned revenue)

The Corporation also entered into other transactions with entities that are controlled by the NSW Government during the year. These transactions are conducted at arm's length and are not individually significant. This includes NSW Audit Office, Property NSW, Office of State Revenue, NSW Self Insurance Corporation, Crown Finance Entity and other NSW government entities.

25. Events after the reporting period

As at 30 June 2020, the Corporation assessed the impact of COVID-19 on the fair value of its physical and financial assets. These assets include land, buildings, inventories, right-of-use-assets and receivables. This was based on historical sales information, expectation of macroeconomic conditions and outlook at the time of assessment. Given continued uncertainty of the COVID-19 pandemic factor, it is possible that post 30 June 2020 there may be some new evidence that impacts this fair value and impairment assessment materially.

In August 2020, the Corporation dedicated $0.57 million of inventories held for distribution to City of Newcastle at nil value resulting in an expense being recognised for that transfer.

On 1 October 2020, it was announced that, NSW Government employees would receive a 0.3% salary increase. Employee provision calculations as at 30 June 2020 had assumed 2.5% would be applied. The impact of this lower salary increase is immaterial and has not been adjusted in the financial statements.

There are no other known events that would impact on the state of the Corporation or have a material impact on the financial statements.

End of audited financial statements.

Appendices

Appendices

Appendix A

Under the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2015* and various Treasury circulars, HCCDC is required to include in this report information on the following topics:

Topic	Comment / location
Letter of Submission	Page 4
Charter	Page 7
Aims and objectives	Page 8
Access	Inside cover
Management and structure	Pages 8
Summary review of operations	Page 12
Funds granted to non-government community organisations	Appendix B (i)
Legal Changes	The *Growth Centres Act (Development Corporations) 1974*. There were no changes to the legislation affecting HCCDC.
Economic or other factors	Appendix B (ii)
Research and development	HCCDC did not undertake any research and development activity during the reporting period relating to new knowledge, products, services or processes within the established definition
Human resources	Appendix B (iii)
Consultants	During the year no consultants were engaged by HCCDC
Workforce Diversity	Appendix B (iii)
Disability Inclusion Action Plans	Appendix B (iii)
Land Disposal	Appendix B (iv)
Promotion - overseas visits	Appendix B (v)
Consumer Response	Appendix B (vi)
Payment of Accounts	Appendix B (vii)
Risk management and insurance activities	Appendix B (viii)
Internal audit and risk management policy attestation	Appendix B (ix)
Digital Information Security Annual Attestation Statement for the 2019-20 Financial Year for the Hunter and Central Coast Development Corporation	Appendix B(x)
Disclosure of Controlled Entities	HCCDC has no controlled entities
Multicultural Policies and Services Program (formerly EAPS)	Appendix B (iii)
Work Health and Safety	Appendix B (iii)
Response to significant issues raised by Auditor-General	Appendix B (xi)
Total external costs incurred in the production of the report.	Nil
Is the report available in non-printed formats	Yes
Is the report available on the internet	Yes at www.hccdc.nsw.gov.au
Performance and numbers of executive officers	Appendix B (iii)
Government Information (Public Access) Act 2009	Appendix B (xii)
Public Interest Disclosures	Appendix B (iii) and (xiii)
Credit card certification	In accordance with *Treasurer's Direction 205.01*, credit card usage during the reporting period was in accordance with relevant Government policy, Premier's memoranda and Treasurer's directions.
Public availability of annual reports	HCCDC's annual reports are available on its website and the NSW Parliament website after tabling in Parliament.

Appendix B

Under the *Annual Reports (Statutory Bodies) Act 1984*, the *Annual Reports (Statutory Bodies) Regulation 2015* and various Treasury circulars, HCCDC is required to include in this report information on the following topics:

(i) Funds granted to non-government organisations

Sponsorships

Organisation	Amount $ (ex GST)	Purpose
Property Council of Australia	4,136	Property Council Membership 2019-20
University of Newcastle	18,500	UON Biomes Exhibition Sponsorship 2020
Housing Industry Association	3,636	Sponsorship HIA Housing Awards Hunter
Newcastle Afoot	20,000	The Big Picture Fest - 2020 Sponsorship
Hunter Business Chamber	3,341	HBC 'Hunter Firsts' Membership 1yr
Committee for the Hunter	10,000	Committee for the Hunter
TOTAL	**59,614**	

(ii) Economic or Other Factors (affecting achievement of operational objectives)

Global and Australian economic conditions declined during 2019-20 including the impact of the COVID-19 pandemic, however demand for vacant development land within the Newcastle area remained strong. Land sale prices were in-line with expectations and future sales are expected to remain strong (although perhaps not as robust as in recent years) in Newcastle despite the housing market downturn and lower demand for residential housing elsewhere.

HCCDC has continually reviewed its strategy for future land releases to suit relevant market conditions and will continue to do so.

(iii) Human Resources

The Hunter and Central Coast Development Corporation does not directly employ staff. The Department of Planning, Industry and Environment administers the personnel function of HCCDC's affairs on a day-to-day basis on behalf of the Acting CEO. Information on HCCDC's compliance with a number of important matters is therefore included in the Department of Planning, Industry and Environment's annual report. These include the following matters:

- Exceptional Wage Movement
- Personnel Policies and Practices
- Performance and Numbers of Executive Officers
- Industrial Relations Policies and Practices
- Workforce Diversity
- Disability Inclusion Action Plan
- Multicultural Policies and Services Program
- Work Health and Safety
- Privacy Management Plan
- Public Interest Disclosures

All staff completed and returned declarations of conflicts interest during the reporting period and Senior Executives completed pecuniary interest declarations for the reporting period.

Key management personnel completed an additional certificate on related party transactions for reporting under AASB 124.

(iv) Land Disposal

During 2019-20, HCCDC had five land disposals: 4 Bath Street, Teralba (October 2019); Lot 300, 854 Hunter Street, The Store Office Lot (October 2019); Highway Commercial Precinct, Mt Penang (February 2020); The Store – Lot 301 (March 2020); and Railbridge Row (April 2020).

Prior approval was sought from the Minister for all land sales. Proceeds from the sales are utilised in HCCDC's operations as well as delivering community works. The sales occur on commercial terms and, as such, contract documentation is treated as "Commercial in Confidence". Access to documents relating to the disposal can be obtained under the *Government Information (Public Access) Act 2009*.

(v) Promotion – Overseas Visits

There were no overseas trips taken during the year.

(vi) Consumer Response

Communication received from the public in 2019-20 included questions about projects, feedback on announcements and, occasionally, complaints about construction works. Communication is received by phone, email and on social media.

HCCDC welcomes suggestions and feedback from the public. Complaints are logged and responded to quickly and transparently, in consultation with subject matter experts.

(vii) Payment of Accounts Performance

(a) Aged Analysis at the end of each quarter

Quarter	Current (by due date)	Less than 30 days overdue	Between 30 and 60 days overdue	Between 61 and 90 days Overdue	> 90 days Overdue
All Suppliers					
September	11,964,073	37,599	2,446	-	-
December	15,644,268	132,151	1,421	-	-
March	9,033,609	194,108	111,140	-	-
June	23,642,789	50,736	609	-	-

Small Business Suppliers					
September	-	-	-	-	-
December	33,713	-	-	-	-
March	100,949	70,752	-	-	-
June	78,539	-	-	-	-

Measure	Sep 2019	Dec 2019	Mar 2020	Jun 2020
All Suppliers				
Number of accounts due for payment	498	542	503	610
Number of accounts paid on time	491	528	482	602
Actual percentage of accounts paid on time (based on number of accounts)	98.6%	97.4%	95.8%	98.7%
Dollar amount of accounts due for payment	12,004,119	15,777,840	9,338,857	23,694,133
Dollar amount of accounts paid on time	11,964,073	15,644,268	9,033,609	23,642,789
Actual percentage of accounts paid on time (based on $)	99.7%	99.2%	96.7%	99.8%
Number of payments for interest on overdue accounts	-	-	-	-
Interest paid on overdue accounts	-	-	-	-
Small Business Suppliers				
Number of accounts due for payment to small businesses	-	15	22	16
Number of accounts due to small businesses paid on time	-	15	21	16
Actual percentage of small business accounts paid on time (based on number of accounts)	100.0%	100.0%	95.5%	100.0%
Dollar amount of accounts due for payment to small businesses	-	33,713	171,701	78,539
Dollar amount of accounts due to small businesses paid on time	-	33,713	100,949	78,539
Actual percentage of small business accounts paid on time (based on $)	100.0%	100.0%	58.8%	100.0%
Number of payments to small business for interest on overdue accounts	-	-	-	-
Interest paid to small businesses on overdue accounts	-	-	-	-

(viii) Risk Management and Insurance

HCCDC's risk management process aims to minimise the consequences of events that could adversely affect HCCDC's ability to achieve its objectives. To achieve this HCCDC has developed a Business Risk Register which has been prepared using the Department of Planning, Industry and Environment's Risk Management Guide. This process is based upon Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009.

HCCDC is a member of the NSW Treasury Managed Fund (iCare), which provides all necessary insurance cover for HCCDC's risk profile, including, public and professional liability, property, motor vehicle and miscellaneous covers.

(ix) Internal Audit and Risk Management Attestation Statement for the 2019-20 Financial Year for the Hunter and Central Coast Development Corporation

I, Valentina Misevska, Chief Executive, am of the opinion that the Hunter and Central Coast Development Corporation has internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector* (TPP 15-03), specifically:

1. Risk Management Framework

1.1	The agency head is ultimately responsible and accountable for risk management in the agency	Compliant
1.2	A risk management framework that is appropriate to the agency has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009	Compliant

2. Internal Audit Function

2.1	An internal audit function has been established and maintained	Compliant
2.2	The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing	Compliant
2.3	The agency has an Internal Audit Charter that is consistent with the content of the 'model charter'	Compliant

3. Audit and Risk Committee

3.1	An independent Audit and Risk Committee with appropriate expertise has been established	Compliant
3.2	The Audit and Risk Committee is an advisory committee providing assistance to the agency head on the agency's governance processes, risk management and control frameworks, and its external accountability obligations	Compliant
3.3	The Audit and Risk Committee has a Charter that is consistent with the content of the 'model charter'	Compliant

Membership

The chair and members of the Audit and Risk Committee are:

Role	Name	Start term date	Finish term date
Independent Chair	Carol Holley	30 March 2020	29 March 2023
Independent member	Arthur Butler	30 March 2020	29 March 2023
Independent member	Nirmal Hansra	30 March 2020	29 March 2023

Note: Audit and Risk Committee oversight of HCCDC was previously provided by an Audit and Risk Committee arrangement provided by the former Department of Planning and Environment which continued to meet in the latter half of 2019 to complete the 2018-19 financial reporting cycle. HCCDC transitioned to a DPIE collaborative shared Audit and Risk Committee arrangement in early 2020.

The Audit and Risk Committee has been established under a collaborative shared arrangement with the following entities:

- Cemeteries and Crematoria NSW
- Luna Park Reserve Trust
- Planning Ministerial Corporation
- Hunter and Central Coast Development Corporation
- Place Management NSW
- Property NSW
- Sydney Olympic Park Authority
- Waste Assets Management Corporation.

Valentina Misevska
CHIEF EXECUTIVE
Hunter and Central Coast Development Corporation
Signed 10.09.20

(x) Digital Information Security Annual Attestation Statement for the 2019-20 Financial Year for the Hunter and Central Coast Development Corporation

I, Valentina Misevska, A/Chief Executive Officer, am of the opinion that the Hunter and Central Coast Development Corporation have an Information Security Management System in place via Planning Industry and Environment Cluster Corporate Services and have managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy.

Governance is in place to manage the cyber security maturity and initiatives of Department of Planning, Industry and Environment.

Risks to the information and systems of Department of Planning, Industry and Environment have been assessed and are managed.

There exists a current cyber incident response plan for Department of Planning Industry and Environment which has been tested during the reporting period.

The Department of Planning Industry and Environment Cluster Corporate Services has maintained certified compliance with ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party (BSI) during the 2019-2020 financial year (Certificate Number IS 645082).

Valentina Misevska
A/CHIEF EXECUTIVE
Hunter and Central Coast Development Corporation

(xi) Response to Matters Raised by the Auditor General in Outgoing Audit Reports

There were no audit and accounting matters raised by the Auditor General in the Audit Report for the last financial year.

(xii) Government Information (Public Access) Act 2009

Under Schedule 3 of the *Government Information (Public Access) Regulation 2018*, the HCCDC is a subsidiary agency for the purpose of the *Government Information (Public Access) Act 2009 (GIPA Act)*. Any formal applications for information from the HCCDC are dealt with by the Department of Planning, Industry and Environment and are included in the Department's statistical information.

HCCDC adopts the principle of proactive release of information as described in the GIPA Regulation. That is, HCCDC will seek to proactively release information which is deemed to be in the public interest where there are no overriding reasons against disclosure and publish such information on its website. Information which would be proactively released is that which is commonly sought after by members of the public as reflected in the number of requests made for such information.

HCCDC will also routinely publish other information which could reasonably be expected to be of public interest based on the experiences and practices of other similar Government agencies or as determined by HCCDC's annual review of this program.

The annual review of this program is conducted by staff with relevant expertise in the operation of the GIPA Act and any recommendations arising from this review will be made to the CEO on advice from the Communications Manager and Director Finance and Commercial.

The review seeks to understand what categories of information were repeatedly asked for, both formally and informally, what types of information have been produced by HCCDC since the last review and what types of information have been proactively released by other similar agencies or other agencies in general.

(xiii) Public Interest Disclosures

Number of public officials who have made a public interest disclosure to HDC	0
Number of public interest disclosures received by HDC in total	0
Number of public interest disclosures received by HDC relating to each of the following:	
▪ **corrupt conduct**	0
▪ **maladministration**	0
▪ **serious and substantial waste of public money**	0
government information contraventions	
Number of public interest disclosures finalised	0

End of Annual Report 2019-20

hccdc.nsw.gov.au

NSW GOVERNMENT

Hunter & Central Coast Development Corporation