

Armidale Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

Restore and thrive



Armidale Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Restore and thrive



Armidale Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors and Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	78
On the Financial Statements (Sect 417 [3])	81

Overview

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

135 Rusden Street
Armidale NSW 2350

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

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

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

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

Armidale Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2022.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Armidale Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

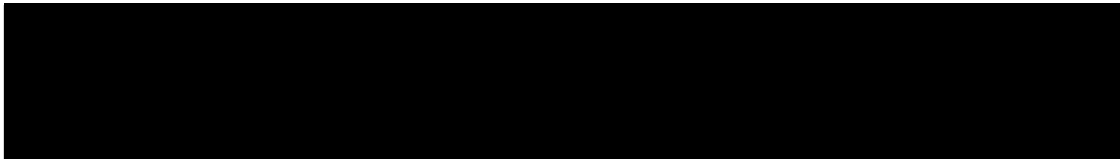
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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


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

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

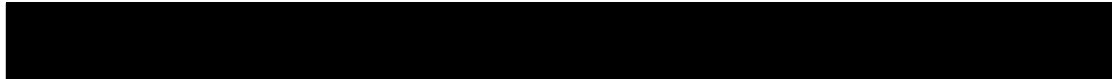
Signed in accordance with a resolution of Council made on 26 October 2022.



Sam Coupland
Mayor
26 October 2022



Todd Redwood
Deputy Mayor
26 October 2022



James Roncon
General Manager
26 October 2022

Ann Newsome
Responsible Accounting Officer
26 October 2022

Armidale Regional Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Income from continuing operations				
36,731	Rates and annual charges	B2-1	37,609	35,117
24,551	User charges and fees	B2-2	30,622	24,991
2,585	Other revenues	B2-3	3,593	3,181
12,681	Grants and contributions provided for operating purposes	B2-4	15,782	15,780
36,207	Grants and contributions provided for capital purposes	B2-4	20,339	13,984
673	Interest and investment income	B2-5	466	628
807	Other income	B2-6	794	726
—	Net gain from the disposal of assets	B4-1	230	—
114,235	Total income from continuing operations		109,435	94,407
Expenses from continuing operations				
25,724	Employee benefits and on-costs	B3-1	26,309	24,549
29,681	Materials and services	B3-2	31,146	26,277
1,259	Borrowing costs	B3-3	1,349	1,562
18,472	Depreciation, amortisation and impairment of non-financial assets	B3-4	23,193	21,956
1,860	Other expenses	B3-5	1,681	2,814
—	Net loss from the disposal of assets	B4-1	—	1,731
76,996	Total expenses from continuing operations		83,678	78,889
37,239	Operating result from continuing operations		25,757	15,518
37,239	Net operating result for the year attributable to Council		25,757	15,518
Net operating result for the year before grants and contributions provided for capital purposes				
1,033			5,418	1,534

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

Armidale Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Net operating result for the year – from Income Statement		25,757	15,518
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<u>84,652</u>	<u>75,707</u>
Total items which will not be reclassified subsequently to the operating result		84,652	75,707
Total other comprehensive income for the year		84,652	75,707
Total comprehensive income for the year attributable to Council		110,409	91,225

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

Armidale Regional Council

Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	20,283	21,927
Investments	C1-2	85,987	59,379
Receivables	C1-4	10,445	11,200
Inventories	C1-5	2,632	2,235
Contract assets and contract cost assets	C1-6	4,711	3,338
Other		739	697
Total current assets		124,797	98,776
Non-current assets			
Receivables	C1-4	261	284
Inventories	C1-5	1,147	1,013
Infrastructure, property, plant and equipment (IPPE)	C1-8	1,058,023	965,752
Right of use assets	C2-1	532	240
Non-current assets classified as held for sale	C1-7	–	612
Total non-current assets		1,059,963	967,901
Total assets		1,184,760	1,066,677
LIABILITIES			
Current liabilities			
Payables	C3-1	11,100	9,038
Contract liabilities	C3-2	11,794	6,852
Lease liabilities	C2-1	143	27
Borrowings	C3-3	3,169	2,988
Employee benefit provisions	C3-4	6,749	7,153
Provisions	C3-5	1,791	–
Total current liabilities		34,746	26,058
Non-current liabilities			
Lease liabilities	C2-1	450	241
Borrowings	C3-3	20,532	17,944
Employee benefit provisions	C3-4	432	350
Provisions	C3-5	10,402	14,295
Total non-current liabilities		31,816	32,830
Total liabilities		66,562	58,888
Net assets		1,118,198	1,007,789
EQUITY			
Accumulated surplus	C4-1	926,756	900,999
IPPE revaluation reserve	C4-1	191,442	106,790
Council equity interest		1,118,198	1,007,789
Total equity		1,118,198	1,007,789

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

Armidale Regional Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		900,999	106,790	1,007,789	885,481	31,083	916,564
Restated opening balance		900,999	106,790	1,007,789	885,481	31,083	916,564
Net operating result for the year		25,757	–	25,757	15,518	–	15,518
Net operating result for the period		25,757	–	25,757	15,518	–	15,518
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	84,652	84,652	–	75,707	75,707
Other comprehensive income		–	84,652	84,652	–	75,707	75,707
Total comprehensive income		25,757	84,652	110,409	15,518	75,707	91,225
Closing balance at 30 June		926,756	191,442	1,118,198	900,999	106,790	1,007,789

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

Armidale Regional Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Cash flows from operating activities				
Receipts:				
36,731	Rates and annual charges		37,267	35,185
24,551	User charges and fees		35,674	26,503
673	Interest received		444	773
48,889	Grants and contributions		38,916	29,191
–	Bonds, deposits and retentions received		53	–
3,392	Other		4,122	4,738
Payments:				
(25,724)	Payments to employees		(26,552)	(24,956)
(20,133)	Payments for materials and services		(35,126)	(28,619)
(1,134)	Borrowing costs		(1,163)	(1,971)
(11,408)	Other		(1,307)	(4,556)
55,837	Net cash flows from operating activities	G1-1	52,328	36,288
Cash flows from investing activities				
Receipts:				
1,010	Redemption of term deposits		47,331	46,000
–	Sale of real estate assets		803	–
–	Proceeds from sale of IPPE		518	1,874
–	Deferred debtors receipts		23	28
Payments:				
–	Purchase of investments		–	(12,069)
–	Acquisition of term deposits		(73,939)	(42,042)
(65,275)	Payments for IPPE		(30,460)	(23,819)
–	Payment of Real Estate Development costs		(924)	(2,333)
(64,265)	Net cash flows from investing activities		(56,648)	(32,361)
Cash flows from financing activities				
Receipts:				
9,770	Proceeds from borrowings		5,770	–
Payments:				
(2,988)	Repayment of borrowings		(3,001)	(2,845)
–	Principal component of lease payments		(93)	(11)
6,782	Net cash flows from financing activities		2,676	(2,856)
(1,646)	Net change in cash and cash equivalents		(1,644)	1,071
21,897	Cash and cash equivalents at beginning of year		21,927	20,856
20,251	Cash and cash equivalents at end of year	C1-1	20,283	21,927
48,423	plus: Investments on hand at end of year	C1-2	85,987	59,379
68,674	Total cash, cash equivalents and investments		106,270	81,306

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

Armidale Regional Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

A About Council and these financial statements	13
A1-1 Basis of preparation	13
B Financial Performance	16
B1 Functions or activities	16
B1-1 Functions or activities – income, expenses and assets	16
B1-2 Components of functions or activities	17
B2 Sources of income	18
B2-1 Rates and annual charges	18
B2-2 User charges and fees	19
B2-3 Other revenues	20
B2-4 Grants and contributions	21
B2-5 Interest and investment income	24
B2-6 Other income	25
B3 Costs of providing services	25
B3-1 Employee benefits and on-costs	25
B3-2 Materials and services	26
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	30
B5-1 Material budget variations	30
C Financial position	32
C1 Assets we manage	32
C1-1 Cash and cash equivalents	32
C1-2 Financial investments	32
C1-3 Restricted and allocated cash, cash equivalents and investments	33
C1-4 Receivables	35
C1-5 Inventories	36

Armidale Regional Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

C1-6 Contract assets and Contract cost assets	36
C1-7 Non-current assets classified as held for sale	37
C1-8 Infrastructure, property, plant and equipment	38
C2 Leasing activities	42
C2-1 Council as a lessee	42
C2-2 Council as a lessor	44
C3 Liabilities of Council	45
C3-1 Payables	45
C3-2 Contract Liabilities	46
C3-3 Borrowings	46
C3-4 Employee benefit provisions	48
C3-5 Provisions	49
C4 Reserves	51
C4-1 Nature and purpose of reserves	51
D Council structure	52
D1 Results by fund	52
D1-1 Income Statement by fund	52
D1-2 Statement of Financial Position by fund	53
D2 Interests in other entities	54
D2-1 Unconsolidated structured entities	54
E Risks and accounting uncertainties	56
E1-1 Risks relating to financial instruments held	56
E2-1 Fair value measurement	59
E3-1 Contingencies	63
F People and relationships	66
F1 Related party disclosures	66
F1-1 Key management personnel (KMP)	66
F1-2 Councillor and Mayoral fees and associated expenses	67
F2 Other relationships	67
F2-1 Audit fees	67
G Other matters	68
G1-1 Statement of Cash Flows information	68
G2-1 Commitments	69
G3-1 Events occurring after the reporting date	69
G4 Statement of developer contributions as at 30 June 2022	70
G4-1 Summary of developer contributions	70
G4-2 Developer contributions by plan	71
G5 Statement of performance measures	72
G5-1 Statement of performance measures – consolidated results	72
G5-2 Statement of performance measures by fund	73

A1-1 Basis of preparation (continued)

H Additional Council disclosures (unaudited)	75
H1-1 Statement of performance measures – consolidated results (graphs)	75
H1-2 Council information and contact details	77

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 26 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note B5-1 - Material budget variations

and are clearly marked.

Where relevant, comparative information has been reclassified to align with current year treatment.

COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Council operations, in particular the airport, have experienced a downturn in revenue due to COVID-19. The assets associated with these operations are not considered to be impaired as they are valued at depreciated replacement cost and not linked to valuation methods dependent on cash flows or income. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2022 financial results. Hence, 30 June 2022 financial statements were prepared on a going concern basis.

Historical cost convention

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- ii. estimated landfill and quarry remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

A1-1 Basis of preparation (continued)

- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council acknowledges the important contribution that volunteers make in the provision of some of Council's community services. Volunteer services are not formally costed or recorded in the financial records, as the quantum of volunteer services is not considered to represent a material part of Council's service delivery nor impact on results.

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2021:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*

A1-1 Basis of preparation (continued)

- *AASB 2020-7 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions: Tier 2 disclosures [AASB 16 and AASB 1060]*
- *AASB 2021-3 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021*
- *AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*

None of the above standards had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Functions or activities										
Growth, Prosperity, and Economic Development	65,928	47,037	49,722	44,805	16,206	2,232	31,372	13,549	–	–
People and Community	5,187	5,603	14,492	13,360	(9,305)	(7,757)	3,826	4,329	146,623	112,006
Leadership for the Region	23,107	25,404	6,751	8,897	16,356	16,507	479	5,247	121,367	99,483
Environment and Infrastructure	15,213	16,363	12,713	11,827	2,500	4,536	444	6,639	916,770	855,188
Total functions and activities	109,435	94,407	83,678	78,889	25,757	15,518	36,121	29,764	1,184,760	1,066,677

B1-2 Components of functions or activities

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

Growth, Prosperity, and Economic Development

Includes tourism, economic development, private works and industrial development promotion.

People and Community

Includes public halls and community facilities, parks, gardens and recreation facilities, swimming pools, community development and support including aboriginal services, youth services, aged and disabled services. Also includes libraries, museums and other cultural facilities as well as bush fire and emergency services.

Leadership for the Region

Includes civic governance and executive, finance and human resources services, risk management and occupational health and safety, ranger services, fleet and depot services and customer services.

Environment and Infrastructure

Includes urban and rural sealed and unsealed roads, bridges, footpaths, kerb and gutter, parking areas, airports, water and sewerage operations, cemeteries, footpaths and cycleways, street lighting, waste management and catchment management. Also includes development control, strategic planning, environmental management and animal control.

B2 Sources of income

B2-1 Rates and annual charges

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	11,500	11,167
Farmland	5,019	4,853
Mining	62	62
Business	2,784	2,653
Less: pensioner rebates (mandatory)	(322)	(328)
Rates levied to ratepayers	19,043	18,407
Pensioner rate subsidies received	163	160
Total ordinary rates	19,206	18,567
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,647	5,226
Water supply services	3,134	2,595
Sewerage services	6,690	5,841
Drainage	470	466
Waste management services (non-domestic)	2,683	2,659
Less: pensioner rebates (Council policy)	(409)	(420)
Annual charges levied	18,215	16,367
Pensioner subsidies received:		
– Water	69	67
– Sewerage	65	63
– Domestic waste management	54	53
Total annual charges	18,403	16,550
Total rates and annual charges	37,609	35,117

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

Accounting policy

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

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

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

B2-2 User charges and fees

	2022 \$ '000	2021 \$ '000
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	8,178	7,664
Sewerage services	161	109
Drainage services	66	67
Waste management services (non-domestic)	3,493	4,132
Total specific user charges	11,898	11,972
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	107	156
Planning and building regulation	264	233
Private works – section 67	316	370
Regulatory/ statutory fees	135	130
Registration fees	53	75
Regulatory fees	165	162
Section 10.7 certificates (EP&A Act)	94	110
Section 603 certificates	164	145
Total fees and charges – statutory/regulatory	1,298	1,381
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	981	524
Cemeteries	264	227
Child care	662	610
Leaseback fees – Council vehicles	101	100
Quarry revenues	483	440
Transport for NSW works (state roads not controlled by Council)	14,439	9,406
Swimming centres	157	158
Other	339	173
Total fees and charges – other	17,426	11,638
Total other user charges and fees	18,724	13,019
Total user charges and fees	30,622	24,991
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	12,962	9,406
User charges and fees recognised at a point in time	17,660	15,585
Total user charges and fees	30,622	24,991

Accounting policy

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

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

Where an upfront fee is charged and where considered to be material, the fee is recognised on a straight-line basis over the expected term of the income stream.

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

B2-3 Other revenues

	2022 \$ '000	2021 \$ '000
Fines – parking	386	271
Legal fees recovery – rates and charges (extra charges)	67	37
Commissions and agency fees	3	6
Insurance claims recoveries	31	89
Sales – general	510	412
Items for resale	166	205
Sales – cattle	1,301	1,216
Rebates	628	747
Other	501	198
Total other revenue	3,593	3,181

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	3,593	3,181
Total other revenue	3,593	3,181

Accounting policy for other revenue

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

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

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

B2-4 Grants and contributions

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,337	2,106	–	–
Financial assistance – local roads component	1,213	1,227	–	–
Payment in advance - future year allocation				
Financial assistance – general component	3,594	2,253	–	–
Financial assistance – local roads component	1,865	1,317	–	–
Amount recognised as income during current year	9,009	6,903	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Aged care	29	210	–	–
Bushfire and emergency services	230	485	40	–
Child care	177	199	–	–
Community care	477	4	392	385
Economic development	19	415	200	–
Employment and training programs	7	23	–	–
Heritage and cultural	6	6	–	–
Library	45	138	70	–
LIRS subsidy	42	55	–	–
Noxious weeds	–	411	–	–
NSW rural fire services	345	345	–	–
Recreation and culture	153	264	603	1,389
Storm/flood damage	1,000	43	7,982	4,491
Airport	1,160	–	343	3,340
Waste Management	61	4	–	49
Sewerage services	–	55	–	–
Water supplies	–	77	1,617	1,403
Street lighting	85	85	–	–
Transport (roads to recovery)	1,430	2,145	–	–
Transport (other roads and bridges funding)	–	32	3,579	817
Merger Grant Funding	–	1,522	588	–
Other specific grants	–	727	555	–
Previously contributions:				
Bushfire services	286	220	–	–
Community services	225	245	–	–
Other councils – joint works/services	99	111	–	–
Recreation and culture	39	–	–	–
Transport for NSW contributions (regional roads, block grant)	835	1,036	200	184
Tourism	8	16	–	–
Total special purpose grants and non-developer contributions – cash	6,758	8,873	16,169	12,058

B2-4 Grants and contributions (continued)

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Non-cash contributions				
Land	–	–	–	39
NSW State Government - Crown Land	–	–	–	227
NSW State Government - RFS Assets	–	–	2,344	–
Total other contributions – non-cash	–	–	2,344	266
Total special purpose grants and non-developer contributions (tied)	6,758	8,873	18,513	12,324
Total grants and non-developer contributions	15,767	15,776	18,513	12,324
Comprising:				
– Commonwealth funding	10,311	10,690	110	1,799
– State funding	2,284	4,493	9,465	10,486
– Other funding	3,172	593	8,938	39
	15,767	15,776	18,513	12,324
Developer contributions				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.4 – contributions using planning agreements	15	4	–	28
S 7.11 – contributions towards amenities/services	–	–	19	6
S 7.12 – fixed development consent levies	–	–	540	344
S 64 – water supply contributions	–	–	684	569
S 64 – sewerage service contributions	–	–	487	498
Other developer contributions	–	–	96	215
Total developer contributions – cash	15	4	1,826	1,660
Total developer contributions	15	4	1,826	1,660
Total contributions	15	4	1,826	1,660
Total grants and contributions	15,782	15,780	20,339	13,984
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time	2,658	3,647	7,548	5,068
Grants and contributions recognised at a point in time	13,124	12,133	12,791	8,916
Total grants and contributions	15,782	15,780	20,339	13,984

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Unspent grants				
Unspent funds at 1 July	3,965	5,143	2,936	2,827
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	144	6	1	8
Add: Funds received and not recognised as revenue in the current year	1,273	1,396	8,686	2,412
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(334)	(349)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(698)	(2,231)	(1,034)	(2,311)
Unspent grants at 30 June	4,350	3,965	10,589	2,936
Unspent contributions				
Unspent funds at 1 July	343	139	8,382	6,766
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	218	154	1,862	1,706
Add: contributions received and not recognised as revenue in the current year	55	189	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	(83)	(76)	–	(90)
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	(63)	–	–
Unspent contributions at 30 June	533	343	10,244	8,382

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement and include events and the provision of particular services. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2022 \$ '000	2021 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	105	28
– Cash and investments	350	581
– Deferred debtors	11	19
Total interest and investment income (losses)	466	628
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	65	25
General Council cash and investments	123	92
Restricted investments/funds – external:		
Development contributions		
– Section 7.11, Section 7.12	39	74
Water fund operations	135	253
Sewerage fund operations	104	184
Total interest and investment income	466	628

Accounting policy

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

B2-6 Other income

	Notes	2022 \$ '000	2021 \$ '000
Rental income			
Other lease income			
Council owned property		794	726
Total other lease income		794	726
Total rental income	C2-2	794	726
Total other income		794	726

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	19,940	18,882
Employee termination costs	362	710
Travel expenses	51	85
Employee leave entitlements (ELE)	3,911	3,604
Superannuation	2,383	2,230
Workers' compensation insurance	773	612
Fringe benefit tax (FBT)	79	20
Payroll tax	61	69
Training costs (other than salaries and wages)	304	172
Protective clothing	113	103
Other	59	30
Total employee costs	28,036	26,517
Less: capitalised costs	(1,727)	(1,968)
Total employee costs expensed	26,309	24,549
Number of 'full-time equivalent' employees (FTE) at year end	278	269

Accounting policy

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

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

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

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

B3-2 Materials and services

	Notes	2022 \$ '000	2021 \$ '000
Raw materials and consumables		16,217	17,006
Contractor and consultancy costs		34,955	25,625
Audit Fees	F2-1	198	150
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	345	352
Advertising		97	115
Bank charges		147	137
Computer software charges		586	725
Election expenses		259	—
Electricity and heating		810	873
Insurance		1,241	1,153
Postage		206	166
Printing and stationery		168	226
Street lighting		273	602
Subscriptions and publications		450	108
Telephone and communications		356	432
Valuation fees		102	110
Items for resale - Cattle		1,280	752
Items for resale - Other		70	96
Promotion and publicity		594	241
Security		63	129
Licences		623	334
Other expenses		119	686
Council water expenses		716	672
Legal expenses:			
– Legal expenses: planning and development		95	22
– Legal expenses: debt recovery		2	11
– Legal expenses: other		109	132
Total materials and services		60,081	50,855
Less: capitalised costs		(28,935)	(24,578)
Total materials and services		31,146	26,277

Accounting policy

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

B3-3 Borrowing costs

	Notes	2022 \$ '000	2021 \$ '000
(i) Interest bearing liability costs			
Interest on leases	C2-1c	32	16
Interest on loans		1,155	1,279
Total interest bearing liability costs		1,187	1,295
Total interest bearing liability costs expensed		1,187	1,295
(ii) Other borrowing costs			
Amortisation of discount of Landfill & Quarry remediation liabilities	C3-5	162	267
Total other borrowing costs		162	267
Total borrowing costs expensed		1,349	1,562

Accounting policy

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

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

	Notes	2022 \$ '000	2021 \$ '000
Depreciation and amortisation			
Plant and equipment	C1-8	1,187	2,015
Office equipment	C1-8	53	83
Infrastructure:			
– Buildings	C1-8	2,934	3,194
– Other structures		130	153
– Roads		5,663	4,165
– Bridges		622	681
– Footpaths		285	258
– Stormwater drainage		2,076	646
– Water supply network		3,432	3,422
– Sewerage network		1,620	2,112
– Airport infrastructure		579	373
Right of use assets	C2-1a	126	39
Other assets:			
– Heritage collections	C1-8	9	9
– Other	C1-8	1,021	1,065
Reinstatement, rehabilitation and restoration assets:			
– Landfill and quarry assets	C1-8	1,530	1,620
Total gross depreciation and amortisation costs		21,267	19,835
Total depreciation and amortisation costs		21,267	19,835
Impairment / revaluation decrement of IPPE			
Infrastructure:			
– Roads	C1-8	169	27
– Capital work in progress	C1-8	1,544	1,461
– Bulk earthworks (non-depreciable)	C1-8	213	443
Non-current assets held for sale		–	–
Inventory - Land held for resale		–	190
Total gross IPPE impairment / revaluation decrement costs		1,926	2,121
Total IPPE impairment / revaluation decrement costs charged to Income Statement		1,926	2,121
Total depreciation, amortisation and impairment for non-financial assets		23,193	21,956

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

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

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

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

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

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

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

B3-5 Other expenses

	Notes	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Other		30	191
Total impairment of receivables	C1-4	30	191
Other			
Contributions/levies to other levels of government		806	1,459
Donations, contributions and assistance to other organisations (Section 356)		845	1,164
Total other		1,651	2,623
Total other expenses		1,681	2,814

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2022 \$ '000	2021 \$ '000
Operational Land & Building assets			
Proceeds from disposal – property		55	1,174
Less: carrying amount of property assets sold/written off		(190)	(1,136)
Gain (or loss) on disposal		(135)	38
Plant and equipment assets			
Proceeds from disposal – plant and equipment		463	700
Less: carrying amount of plant and equipment assets sold/written off	C1-8	(267)	(684)
Gain (or loss) on disposal		196	16
Infrastructure assets			
Proceeds of disposal of Infrastructure assets		–	–
Less: carrying amount of infrastructure assets sold/written off	C1-8	(476)	(1,785)
Gain (or loss) on disposal		(476)	(1,785)
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		803	–
Less: carrying amount of real estate assets sold/written off		(158)	–
Gain (or loss) on disposal		645	–
Gain (or loss) on disposal of term deposits			
Proceeds from disposal/redemptions/maturities – term deposits		47,331	46,000
Less: carrying amount of term deposits sold/redeemed/matured		(47,331)	(46,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		230	(1,731)

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

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	36,731	37,609	878	2% F
User charges and fees	24,551	30,622	6,071	25% F
This positive material variation has occurred due to an increase in the state government contracted roadwork revenue. This has been offset by an increase in material and services costs.				
Other revenues	2,585	3,593	1,008	39% F
Council received higher cattle sales as a consequence of market conditions, higher diesel fuel rebates due to higher fuel prices, additional revenue for the Big Chill event and higher waste sales.				
Operating grants and contributions	12,681	15,782	3,101	24% F
Operating grants exceeded budget principally due to the higher prepayment of the Financial Assistance Grant of \$1.76M and the one-off airport grant for security screening and Regional Airport Program.				
Capital grants and contributions	36,207	20,339	(15,868)	(44)% U
Council capital grants were less than budget mainly due to major projects like Kempsey Road, Dumaresq Dam wall and Puddledock Dam water main being behind schedule due to a number of factors.				
Interest and investment revenue	673	466	(207)	(31)% U
Revenue from interest on investments has been negatively impacted by the pandemic and the decision by the RBA to keep interest rates lower than anticipated.				
Net gains from disposal of assets	–	230	230	∞ F
Other income	807	794	(13)	(2)% U
Expenses				
Employee benefits and on-costs	25,724	26,309	(585)	(2)% U
Materials and services	29,681	31,146	(1,465)	(5)% U
Borrowing costs	1,259	1,349	(90)	(7)% U
Depreciation, amortisation and impairment of non-financial assets	18,472	23,193	(4,721)	(26)% U
Depreciation is higher than budget due to the revaluation increase of road and stormwater assets that were finalised after adoption of the budget.				
Other expenses	1,860	1,681	179	10% F
Variation to budget relates to lower costs of over \$300,000 for RFS, SES and the Fire Brigade Service.				
Net losses from disposal of assets	–	–	–	∞ F

continued on next page ...

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	55,837	52,328	(3,509)	(6)% U
The unfavourable variance relates to the reduced capital grants as noted above and the higher material costs offset by the increased user charges associated with state government contracted roadwork revenue.				
Cash flows from investing activities	(64,265)	(56,648)	7,617	(12)% F
The favourable variance reflects a lower than forecast progression of some capital projects due to a range of factors including additional storm and flood damage impacting planned works.				
Cash flows from financing activities	6,782	2,676	(4,106)	(61)% U
The unfavourable variance relates to the decision to only borrow for the Puddledock pipeline and not draw funds for some of the Dumaresq Dam remediation works.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022 \$ '000	2021 \$ '000
Cash assets		
Cash on hand and at bank	20,283	21,927
Total cash and cash equivalents	20,283	21,927

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	20,283	21,927
Balance as per the Statement of Cash Flows	20,283	21,927

Accounting policy

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

C1-2 Financial investments

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Debt securities at amortised cost				
Medium term deposits	85,987	–	59,379	–
Total	85,987	–	59,379	–
Total financial investments	85,987	–	59,379	–
Total cash assets, cash equivalents and investments	106,270	–	81,306	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

C1-2 Financial investments (continued)

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

Council's financial assets measured at amortised cost, comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term Deposits (with maturities of less than 365 days) and the NSW Government T-Corp Investment Management Funds (Cash Fund and Short Term Income Fund) are considered to have a short - medium term investment horizon.

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

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

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

	2022 \$ '000	2021 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	106,270	81,306
Less: Externally restricted cash, cash equivalents and investments	(79,095)	(61,086)
Cash, cash equivalents and investments not subject to external restrictions	27,175	20,220
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	2,102	2,228
NIRW grant from EPA	351	726
Specific purpose unexpended grants – general fund	11,794	6,852
External restrictions – included in liabilities	14,247	9,806
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	3,968	3,253
Developer contributions – water fund	3,542	2,871
Developer contributions – sewer fund	2,734	2,258
Transport for NSW contributions	478	154
Specific purpose unexpended grants (recognised as revenue) – general fund	3,145	1,058
Water fund	25,468	20,375
Sewer fund	20,416	17,253
Domestic waste management	3,514	2,377
Deposits, Retentions & Bonds	1,528	1,492
Other Contributions	55	189
External restrictions – other	64,848	51,280
Total external restrictions	79,095	61,086

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

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

	2022	2021
	\$ '000	\$ '000

(b) Internal allocations**Cash, cash equivalents and investments not subject to external restrictions**

27,175	20,220
---------------	--------

Less: Internally restricted cash, cash equivalents and investments

(21,394)	(16,813)
-----------------	----------

Unrestricted and unallocated cash, cash equivalents and investments

5,781	3,407
--------------	-------

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Plant and vehicle replacement	3,073	2,302
Infrastructure replacement	4,713	5,349
Employees leave entitlement	3,735	3,904
Carry over works	1,036	1,400
Economic Development	2,468	1,131
Waste Management, Landfill & Quarry Rehabilitation	2,966	1,380
Performance Improvement Initiatives	1,219	374
Natural Disasters	700	700
Technology Strategy	594	—
Other	890	273
Total internal allocations	21,394	16,813

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

C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	2,145	–	1,945	–
Interest and extra charges	166	–	166	–
User charges and fees	2,138	–	3,060	–
Private works	148	–	2,707	–
Accrued revenues				
– Interest on investments	263	–	241	–
– TfNSW Roads Maintenance Council Contract (RMCC) income accruals	2,914	–	–	–
Deferred debtors	–	261	–	284
Government grants and subsidies	1,050	–	2,620	–
Net GST receivable	1,326	–	815	–
Other debtors	852	–	195	–
Total	11,002	261	11,749	284
Less: provision for impairment				
Rates and annual charges	(300)	–	(258)	–
User charges and fees	(257)	–	(291)	–
Total provision for impairment – receivables	(557)	–	(549)	–
Total net receivables	10,445	261	11,200	284

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	549	392
Less Debts written off during the year	(22)	(191)
Add additional provision for impairment in the current year	30	348
Balance at the end of the year	557	549

Accounting policy

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

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the receivables that have been written off are subject to enforcement activity.

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

C1-5 Inventories

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
	Notes				
(i) Inventories at cost					
Real estate for resale	(a)	1,091	1,147	1,071	1,013
Stores and materials		600	–	561	–
Cattle stock		941	–	603	–
Total inventories		2,632	1,147	2,235	1,013

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(a) Details of real estate for resale					
Residential Land		66	74	–	194
Airport Business Park Development		1,025	1,073	1,071	819
Total real estate for resale		1,091	1,147	1,071	1,013

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

No borrowings have been taken out for this development.

C1-6 Contract assets and Contract cost assets

	2022 Current \$ '000	2021 Current \$ '000
Contract assets	4,711	3,338
Total contract assets and contract cost assets	4,711	3,338

Contract assets

Contract Asset (AASB 15)	2,919	2,918
Accrued Income (AASB 1058)	1,792	420
Total contract assets	4,711	3,338

Significant changes in contract assets

The increase in AASB15 Contract Assets relates to accrued revenue recognised at 30 June 2022 for the TfNSW Roads Maintenance Council Contract compared with last year. The decrease in AASB1058 Contract Assets relates to accrued revenue recognised for the Airport Airside Works project in the prior period.

Accounting policy

C1-6 Contract assets and Contract cost assets (continued)

Contract assets

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

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

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

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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Land & Buildings	—	—	—	612
Total non-current assets classified as held for sale	—	—	—	612

Details of assets and disposal groups

At 30 June 2021, "The Croft" property and associated land and buildings, adjacent to the Airport Business Park Development, were available for sale. The property failed to sell and was returned to their respective asset categories at 30 June 2022. The property was recorded at cost, as representative of lower of cost and net market value and depreciation ceased during the period of marketing.

Reconciliation of non-current assets 'held for sale'

	2022 Assets 'held for sale' \$ '000	2021 Assets 'held for sale' \$ '000
Opening balance	612	1,359
Add Land & Buildings transferred from Operational Land & Building category	—	612
Less Transfer to Inventories - Real estate for resale	—	(464)
Less Properties Sold	—	(895)
Balance still unsold after 12 months:	612	612
Less: assets no longer classified as held for sale	(612)	—
Closing balance of held for sale non-current assets and operations	—	612

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period										At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Other movements - RFS Rural Fire-fighting assets ²	Tfrs from/(to) real estate assets for sale and inventory	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Capital work in progress	23,053	–	23,053	–	8,726	(291)	–	(1,544)	407	–	–	–	30,351	–	30,351	
Plant and equipment	24,018	(13,159)	10,859	153	804	(267)	(1,187)	–	–	2,344	–	–	31,535	(18,829)	12,706	
Office equipment	5,235	(5,111)	124	–	–	–	(53)	–	5	–	–	–	5,235	(5,159)	76	
Land:																
– Operational land	25,149	–	25,149	–	–	(187)	–	–	(5)	–	213	3,574	28,744	–	28,744	
– Community land	27,108	–	27,108	–	–	–	–	–	–	–	–	3,849	30,957	–	30,957	
– Land under roads (post 30/6/08)	725	–	725	–	–	–	–	–	–	–	–	125	850	–	850	
Infrastructure:																
– Buildings	118,233	(59,616)	58,617	1,153	790	(11)	(2,934)	–	59	–	399	11,196	141,371	(72,102)	69,269	
– Other structures	13,048	(4,423)	8,625	9,871	37	(10)	(130)	–	1	–	–	2,414	26,541	(5,733)	20,808	
– Roads	251,171	(48,968)	202,203	3,291	493	–	(5,663)	(169)	3	–	–	15,630	274,372	(58,584)	215,788	
– Bridges	49,547	(16,378)	33,169	–	2,221	(56)	(622)	–	–	–	–	2,564	55,484	(18,208)	37,276	
– Footpaths	12,200	(4,075)	8,125	4	–	–	(285)	–	–	–	–	628	13,147	(4,675)	8,472	
– Bulk earthworks (non-depreciable)	143,127	–	143,127	–	–	–	–	(213)	(1)	–	–	11,064	153,977	–	153,977	
– Stormwater drainage	172,756	(54,098)	118,658	–	–	–	(2,076)	–	(1)	–	–	9,172	186,109	(60,356)	125,753	
– Water supply network	244,289	(82,302)	161,987	1,466	493	–	(3,432)	–	–	–	–	9,282	260,672	(90,876)	169,796	
– Sewerage network	140,477	(40,691)	99,786	86	98	–	(1,620)	–	(2)	–	–	5,718	149,088	(45,022)	104,066	
– Airport infrastructure	15,108	(2,941)	12,167	–	392	–	(579)	–	1	–	–	2,701	18,854	(4,172)	14,682	
Other assets:																
– Heritage collections	130	(87)	43	–	–	–	(9)	–	2	–	–	12	167	(119)	48	
– Artworks	112	(1)	111	–	–	(111)	–	–	–	–	–	–	–	–	–	
– Other	30,996	(6,985)	24,011	306	74	–	(1,021)	–	–	–	–	6,723	40,055	(9,962)	30,093	
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Landfill & quarry assets	13,767	(5,662)	8,105	–	–	–	(1,530)	–	(2,264)	–	–	–	11,504	(7,193)	4,311	
Total infrastructure, property, plant and equipment	1,310,249	(344,497)	965,752	16,330	14,128	(933)	(21,141)	(1,926)	(1,795)	2,344	612	84,652	1,459,013	(400,990)	1,058,023	

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

(2) RFS Rural Fire-fighting assets are separately disclosed to provide Users of the financial statements with beneficial information of the value of assets contributed to Council by the Rural Fire Service (RFS) as a non-cash capital contribution. As a non-cash capital contribution, these assets do not represent a renewal or new asset in accordance with the asset renewal or other asset ratios reported separately in the financial statements and special schedules.

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period									At 30 June 2021 ²		
	Gross carrying amount ²	Accumulated depreciation and impairment ²	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Tfrs from/(to) real estate assets (Note C1-5)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount ²	Accumulated depreciation and impairment ²	Net carrying amount ²
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	21,741	–	21,741	–	6,422	(65)	–	(1,461)	1	(1,870)	–	–	23,053	–	23,053
Plant and equipment	24,074	(12,645)	11,429	–	3,173	(684)	(2,015)	–	15	–	–	–	24,018	(13,159)	10,859
Office equipment	5,235	(5,044)	191	–	–	–	(83)	–	16	–	–	–	5,235	(5,111)	124
Land:															
– Operational land	24,962	–	24,962	–	30	(150)	–	–	39	(245)	–	513	25,149	–	25,149
– Community land	27,516	–	27,516	–	–	–	–	–	227	–	(635)	–	27,108	–	27,108
– Land under roads (post 30/6/08)	657	–	657	–	–	–	–	–	1	–	–	67	725	–	725
Infrastructure:															
– Buildings	118,483	(56,723)	61,760	544	19	(85)	(3,194)	–	(28)	(399)	–	–	118,233	(59,616)	58,617
– Other structures	10,878	(4,270)	6,608	278	1,892	–	(153)	–	–	–	–	–	13,048	(4,423)	8,625
– Roads ²	225,440	(68,482)	156,958	70	4,662	–	(4,165)	(27)	(1)	–	–	44,706	251,171	(48,968)	202,203
– Bridges ²	55,217	(20,274)	34,943	121	729	(1,634)	(681)	–	(8,636)	–	–	8,327	49,547	(16,378)	33,169
– Footpaths	14,219	(6,872)	7,347	–	109	–	(258)	–	–	–	–	927	12,200	(4,075)	8,125
– Bulk earthworks (non-depreciable)	142,100	–	142,100	–	–	–	–	(443)	1	–	–	1,469	143,127	–	143,127
– Stormwater drainage ²	139,866	(48,348)	91,518	–	1,218	–	(646)	–	8,638	–	–	17,930	172,756	(54,098)	118,658
– Water supply network	241,378	(78,110)	163,268	65	574	–	(3,422)	–	–	–	–	1,502	244,289	(82,302)	161,987
– Sewerage network	136,138	(38,197)	97,941	2,535	521	–	(2,112)	–	–	–	–	901	140,477	(40,691)	99,786
– Airport infrastructure	9,545	(2,568)	6,977	–	5,563	–	(373)	–	–	–	–	–	15,108	(2,941)	12,167
Other assets:															
– Heritage collections	130	(78)	52	–	–	–	(9)	–	–	–	–	–	130	(87)	43
– Artworks	112	–	112	–	–	–	–	–	(1)	–	–	–	112	(1)	111
– Other	30,174	(5,919)	24,255	342	480	–	(1,065)	–	(1)	–	–	–	30,996	(6,985)	24,011
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Landfill & Quarry assets	23,343	(4,042)	19,301	–	–	–	(1,620)	–	(9,576)	–	–	–	13,767	(5,662)	8,105
Total infrastructure, property, plant and equipment ²	1,251,208	(351,572)	899,636	3,955	25,392	(2,618)	(19,796)	(1,931)	(9,305)	(2,514)	(635)	76,342	1,310,249	(344,497)	965,752

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

(2) Comparative disclosures at 30 June 2020 were restated - Refer to Note G4-1 of the 30 June 2021 Financial Statements.

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Revaluation model

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment – Water.

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

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

Land under roads

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

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

Crown reserves

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

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

Rural Fire Service assets

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

For the year ended 30 June 2022, Council amended its accounting policy and recognised the Rural Fire Service fleet assets as assets of the Council in these financial statements.

Infrastructure, property, plant and equipment – current year impairments

Council has recognised impairment losses on certain Infrastructure, Property, Plant and Equipment during the reporting period, as disclosed in Note B3-4.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

Council leases land and buildings as part of access arrangements and for the provision of services. The leases are generally between 2 to 99 years and some include a renewal option to allow Council to renew the lease. The leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. A new photocopier lease commenced 1st October 2021 for a three year period.

(a) Right of use assets

	Photocopier \$ '000	Various Other Property, Plant & Equipment \$ '000	Total \$ '000
2022			
Opening balance at 1 July	–	240	240
Additions to right-of-use assets	272	95	367
Depreciation charge	(70)	(56)	(126)
Other movement	–	51	51
Balance at 30 June	202	330	532
2021			
Opening balance at 1 July	–	279	279
Depreciation charge	–	(39)	(39)
Balance at 30 June	–	240	240

(b) Lease liabilities

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Lease liabilities	143	450	27	241
Total lease liabilities	143	450	27	241

C2-1 Council as a lessee (continued)

(i) Maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2022					
Cash flows	150	109	759	1,018	593
2021					
Cash flows	27	74	730	831	268

(c) Income Statement

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

	2022 \$ '000	2021 \$ '000
Interest on lease liabilities	32	16
Depreciation of right of use assets	126	39
	158	55

(d) Statement of Cash Flows

Total cash outflow for leases	150	28
	150	28

(e) Leases at significantly below market value – concessionary / peppercorn leases

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

- community services
- historical purposes

The leases are generally between 3 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services and other purposes which Council either facilitates or provides, these services are detailed in the leases.

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

Accounting policy

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

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

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

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

C2-1 Council as a lessee (continued)

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

(i) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of achieving improved community service provision outcomes, the amounts below relate to operating leases on assets disclosed in C1-8.

Lease income (excluding variable lease payments not dependent on an index or rate)	794	726
Total income relating to operating leases for Council assets	794	726

(ii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

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

< 1 year	663	683
1–2 years	221	645
2–3 years	199	213
3–4 years	183	191
4–5 years	145	175
> 5 years	2,654	2,345
Total undiscounted lease payments to be received	4,065	4,252

Accounting policy

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

C2-2 Council as a lessor (continued)

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Goods and services – operating expenditure	3,615	–	4,453	–
Accrued expenses:				
– Borrowings	133	–	109	–
– Salaries and wages	843	–	653	–
– Contractors	2,388	–	261	–
– Other expenditure accruals	1,485	–	400	–
Security bonds, deposits and retentions	93	–	40	–
NIRW grant from EPA	351	–	726	–
Trust	1,435	–	1,455	–
Prepaid rates	757	–	941	–
Total payables	11,100	–	9,038	–

Accounting policy

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

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

C3-2 Contract Liabilities

		2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	8,593	–	3,946	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,119	–	2,717	–
Unexpended operating grants	(i)	2,027	–	–	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	55	–	189	–
Total grants received in advance		11,794	–	6,852	–
Total contract liabilities		11,794	–	6,852	–

Notes

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

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 and AASB 1058 being satisfied since the performance obligations are ongoing.

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

	2022 \$ '000	2021 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,946	2,312
Operating grants (received prior to performance obligation being satisfied)	1,598	2,232
Operating contributions (received prior to performance obligation being satisfied)	134	63
Total revenue recognised that was included in the contract liability balance at the beginning of the period	5,678	4,607

Significant changes in contract liabilities

The increase in unexpended operating grants predominantly relates to additional grant funding received but not yet expended during the reporting period and the associated recognition of revenue.

Accounting policy

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

C3-3 Borrowings

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Loans – secured ¹	3,169	20,532	2,988	17,944
Total borrowings	3,169	20,532	2,988	17,944

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

C3-3 Borrowings (continued)

(1) Disclosures of liability interest rate risk exposures, fair value disclosures and security can be found in Note E.

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	20,932	(3,001)	5,770	–	–	–	23,701
Lease liability (Note C2-1b)	268	(92)	417	–	–	–	593
Total liabilities from financing activities	21,200	(3,093)	6,187	–	–	–	24,294

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	23,777	(2,845)	–	–	–	–	20,932
Lease liability (Note C2-1b)	279	(11)	–	–	–	–	268
Total liabilities from financing activities	24,056	(2,856)	–	–	–	–	21,200

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	210	210
Total financing arrangements	1,210	1,210
Drawn facilities		
– Credit cards/purchase cards	3	22
Total drawn financing arrangements	3	22
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	207	188
Total undrawn financing arrangements	1,207	1,188

Additional financing arrangements information

Breaches and defaults

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

Security over loans

The general rating income of Council is provided as security for loans.

Unused limits and facilities

Council has access to an unused overdraft with a limit of \$1,000,000.

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

C3-3 Borrowings (continued)

Accounting policy

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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

C3-4 Employee benefit provisions

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Annual leave	2,225	–	2,120	–
Long service leave	4,367	432	4,846	350
Other leave – Accrued leave	157	–	187	–
Total employee benefit provisions	6,749	432	7,153	350

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

	2022 \$ '000	2021 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,925	4,518
	3,925	4,518

Description of and movements in provisions

	ELE provisions			
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	Total \$ '000
2022				
At beginning of year	2,120	5,196	187	7,503
Leave Taken	(1,806)	(345)	(1,760)	(3,911)
Leave Accrued	1,911	(52)	1,730	3,589
Total ELE provisions at end of year	2,225	4,799	157	7,181
2021				
At beginning of year	2,247	5,293	172	7,712
Leave Taken	(1,671)	(612)	(1,564)	(3,847)
Leave Accrued	1,544	515	1,579	3,638
Total ELE provisions at end of year	2,120	5,196	187	7,503

Accounting policy

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

C3-4 Employee benefit provisions (continued)

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	1,791	10,402	–	14,295
Sub-total – asset remediation/restoration	1,791	10,402	–	14,295
Total provisions	1,791	10,402	–	14,295

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2022		
At beginning of year	14,295	14,295
Unwinding of discount	162	162
Reduction in Provision	(2,264)	(2,264)
Total other provisions at end of year	12,193	12,193
2021		
At beginning of year	23,604	23,604
Changes to provision:		
– Revised discount rate	(665)	(665)
Unwinding of discount	267	267
Rehabilitation performed	(90)	(90)
Reduction in Provision	(8,821)	(8,821)
Total other provisions at end of year	14,295	14,295

Nature and purpose of provisions

Landfill and Quarry remediation

C3-5 Provisions (continued)

Council has a legal and public obligation to make, restore, rehabilitate and reinstate council landfill sites and quarries in-line with relevant licencing agreements.

During the 2019/20 Financial year, Council made a significant adjustment to the provision to restore, rehabilitate and restate Council's landfill sites.

During the 2019/20 financial year, Council engaged an external consultant to visit Council's three (3) landfill sites (Long Swamp Road Landfill, the former Guyra Landfill and the new Waterfall Way Regional Landfill). The consultant provided updated rehabilitation costs for all three landfill sites and a rehabilitation model for Council to use to value the Rehabilitation provision in accordance with required Accounting Standards. The comprehensive model resulted in an increase in the Landfill Rehabilitation Provision from \$3.8 million at 30 June 2019 to \$22.4 million at 30 June 2020. The Long Swamp Road Landfill continues to accept landfill as an active landfill and includes transfer station operations. The Guyra Landfill is no longer an active landfill and only operates as a Transfer Station. The Waterfall Way Regional Landfill site was licensed by the EPA to accept landfill from 1 July 2020.

During the 2020/21 financial year, Council's Waste Engineer conducted a detailed review of costings in the Rehabilitation Model and determined savings in several input costs and capping procedures, while still retaining the EPA approved capping methodology. The identified savings amounted to approximately \$8.8 million for the year ended 30 June 2021.

Council notes that the phytocap method of rehabilitation is only in testing phase with a limited number of councils in NSW. The EPA have not yet provided approval for Council to use phytocap technology so a full capping methodology is applied in valuing the Landfill Rehabilitation Provision at 30 June 2022. Apart from the impact of inflation for the year ended 30 June 2022, no other significant amendments were made to the Landfill Rehabilitation Provision at 30 June 2022. The reduction of \$2.264m in the provision balance is due to the impact of increased interest rates on the discounted valuation model.

For Council's Quarry Rehabilitation Provision, during the 2019/20 financial year, Council performed an annual internal review of the provision and determined an additional \$1.0 million was required to rehabilitate the quarry sites. This resulted in a total Quarry Rehabilitation Provision of \$1.2 million at 30 June 2020. Apart from the impact of inflation on costs, no other changes were identified during the annual review of the Quarry Rehabilitation Provision at 30 June 2021 and 30 June 2022.

Any changes to these provisions will be reflected in future Financial Statements.

Accounting policy

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

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

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

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

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
Income from continuing operations			
Rates and annual charges	27,955	3,046	6,608
User charges and fees	22,031	8,337	254
Interest and investment revenue	227	135	104
Other revenues	1,843	38	1,712
Grants and contributions provided for operating purposes	15,787	(5)	–
Grants and contributions provided for capital purposes	17,545	2,307	487
Net gains from disposal of assets	230	–	–
Other income	794	–	–
Total income from continuing operations	86,412	13,858	9,165
Expenses from continuing operations			
Employee benefits and on-costs	23,238	1,760	1,311
Materials and services	23,680	3,873	3,593
Borrowing costs	969	380	–
Depreciation, amortisation and impairment of non-financial assets	17,955	3,534	1,704
Other expenses	1,659	22	–
Total expenses from continuing operations	67,501	9,569	6,608
Operating result from continuing operations	18,911	4,289	2,557
Net operating result for the year	18,911	4,289	2,557
Net operating result attributable to each council fund	18,911	4,289	2,557
Net operating result for the year before grants and contributions provided for capital purposes	1,366	1,982	2,070

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	20,283	–	–
Investments	33,827	29,010	23,150
Receivables	7,883	2,308	254
Inventories	1,691	–	941
Contract assets and contract cost assets	4,467	244	–
Other	739	–	–
Total current assets	68,890	31,562	24,345
Non-current assets			
Receivables	261	–	–
Inventories	1,147	–	–
Infrastructure, property, plant and equipment	755,279	193,149	109,595
Right of use assets	532	–	–
Total non-current assets	757,219	193,149	109,595
Total assets	826,109	224,711	133,940
LIABILITIES			
Current liabilities			
Payables	10,271	72	–
Income received in advance	598	159	–
Contract liabilities	11,690	104	–
Lease liabilities	143	–	–
Borrowings	2,888	281	–
Employee benefit provision	6,749	–	–
Provisions	1,791	–	–
Total current liabilities	34,130	616	–
Non-current liabilities			
Lease liabilities	450	–	–
Borrowings	11,175	9,357	–
Employee benefit provision	432	–	–
Provisions	10,402	–	–
Total non-current liabilities	22,459	9,357	–
Total liabilities	56,589	9,973	–
Net assets	769,520	214,738	133,940
EQUITY			
Accumulated surplus	611,242	194,113	121,401
Revaluation reserves	158,278	20,625	12,539
Council equity interest	769,520	214,738	133,940
Total equity	769,520	214,738	133,940

D2 Interests in other entities

D2-1 Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. New England Weeds Authority

New England Weeds Authority (NEWA), is the registered trading name of The New England Tablelands Noxious Plants County Council. NEWA is a single purpose Council which is a Local Control Authority for priority and invasive weeds under the NSW Biosecurity Act, 2015. The present area of operation of NEWA is the local government areas of Armidale Regional, Walcha, Uralla Shire, and Glen Innes Severn (under a Memorandum of Understanding). These Councils are located in the Northern Tablelands region of New South Wales.

The County Council's governance is in accordance with the Local Government Act 1993 (LGA 1993) with the County Council first proclaimed in 1947.

NEWA is funded by contributions from its four Constituent Councils, grants and private works. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

NEWA leases property from Council for office accommodation, parking and storage of chemicals under a month-to-month lease agreement. Council also provides servicing of vehicles owned by NEWA at cost. Management assessed the impact of the NEWA's operations to be insignificant to the financial statements of Council.

Nature of risks relating to the Unconsolidated Structured Entity

NEWA is a separately constituted and proclaimed County Council. The proclamation determined the contribution of each participating Council. These contributions are the total financial support required of each Constituent Council.

Council has no further obligations should NEWA become insolvent. As a proclaimed entity of the State of NSW, any additional funding obligations remain with the State.

Non-contractual financial support provided

Council did not provide any non contractual support to NEWA.

Current intention to provide financial support

Council will continue to provide a contribution to NEWA in accordance with NEWA's proclamation. Council's contribution for the 2022/2023 year is \$239,575 including GST (2021/2022: \$239,575 including GST).

2. New England Regional Art Museum (NERAM)

New England Regional Art Museum (NERAM) is a not for profit company limited by guarantee, and a Charitable Trust which has received endorsed deductible gift recipient status. NERAM is an organisation built with a combination of state and local government funding and community contributions. Council does not hold any ownership interest in NERAM.

NERAM's income is derived from several sources, including a 20 year funding agreement with Council (38%), NSW government (5%), with the balance made up from membership fees, art classes, commercial sponsorship and fundraising.

The 20 year funding agreement commenced on 15 April 2009 at \$265,000 per annum plus GST, indexed at Councils rate peg increase at each anniversary date. The funding agreement is due to expire on 14 April 2028. Under the funding agreement, Council also provides 'in kind' support for building maintenance, up to a capped amount of \$10,000 per annum indexed with CPI each year, on the building that NERAM occupies and leases from Council under a separate lease agreement.

Council has assessed the impact of the organisation's operations to be insignificant to the financial statements of Council.

Nature of risks relating to the Unconsolidated Structured Entity

Council provides 38% of funding for NERAM. As a public company limited by guarantee, the organisation is responsible for its own funding, while it may not exist without Council's ongoing support. Council makes 4 quarterly payments to NERAM in accordance with the funding agreement.

The main assets of NERAM are artworks. The nature of the Hinton and Coventry Trust prevent sale and usage of funds to fund operations. The assets and liabilities of NERAM are not considered significant to the financial statements of Council.

Income received by Council relating to the Structured Entity

– Rental Income	(11)	(11)
Assets in Council's Statement of Financial Position relating to the Structured Entity	6,310	6,711
Net assets in Council's Statement of Financial Position	6,310	6,711

D2-1 Unconsolidated structured entities (continued)

Difference – net asset/(net exposure) relating to the Structured Entity:	6,310	6,711
---	--------------	-------

Non-contractual financial support provided

Council did not provide any non contractual support to NERAM.

Current intention to provide financial support

Council's current position is to maintain support and contributions in accordance with the 20 year funding agreement which commenced on 15 April 2009 and concludes on 14 April 2028.

Under the funding agreement, the commencement funding amount is \$265,000 per annum plus GST, increased on each anniversary date by what is commonly referred to as the rate pegging percentage for Council. Council's contribution for the 2022/23 year is estimated at \$374,336 plus GST.

Council also provides 'in kind' support to NERAM in terms of a lease of the building and maintenance of the land upon which NERAM is located, capped at a dollar value of \$10,000 per annum indexed to CPI.

3. New England Joint Organisation (NEJO)

The New England Joint Organisation ("NEJO") was established on 11 May 2018 and is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

The principal purpose of the NEJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

The NEJO comprises seven voting member councils: Armidale Regional Council, Glen Innes Severn Council, Inverell Shire Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council and Uralla Shire Council.

The Board of the NEJO consists of the Mayors of each Member Council, who are entitled to one (1) vote at Meetings, and a non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. The Chairperson does not have a casting vote.

A decision of the Board is supported by a majority at which a quorum is present.

Armidale Regional Council, as a member of the NEJO, has a one-seventh voting right in respect to the decisions of the Board. Decision making is based on majority votes, so Council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the NEJO's Charter, each member is required to contribute annual fees towards the operation of the organisation. In the 2021/2022 year, the contribution made by Council was \$31,774 GST inclusive (2020/2021 \$31,152 GST inclusive). The contribution by Council for the 2022/2023 financial year has not yet been determined.

The net operating result for the year ended 30 June 2022 has not yet been reported. (2021: \$81,000). Council is not entitled to any share or distribution of the NEJO net operating result.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

	Carrying value 2022 \$ '000	Carrying value 2021 \$ '000	Fair value 2022 \$ '000	Fair value 2021 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	20,283	21,927	20,283	21,927
Receivables	10,706	11,484	7,792	11,484
Investments				
– Debt securities at amortised cost	85,987	59,379	85,987	59,379
Total financial assets	116,976	92,790	114,062	92,790
Financial liabilities				
Payables	11,100	9,038	10,343	8,097
Loans/advances	23,701	20,932	23,701	20,932
Total financial liabilities	34,801	29,970	34,044	29,029

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

(a) Market risk – interest rate and price risk

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

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

Impact of a 1% movement in interest rates

– Equity / Income Statement	860	594
-----------------------------	-----	-----

Impact of a 10% movement in price of investments

– Equity / Income Statement	8,599	5,938
-----------------------------	-------	-------

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2022				
Gross carrying amount	–	2,051	94	2,145
2021				
Gross carrying amount	–	1,878	67	1,945

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses,

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

non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2022						
Gross carrying amount	12,793	335	478	5	218	13,829
Expected loss rate (%)	0.00%	0.00%	7.10%	100.00%	100.00%	1.86%
ECL provision	—	—	34	5	218	257
2021						
Gross carrying amount	10,714	1,895	80	51	686	13,426
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	42.40%	2.17%
ECL provision	—	—	—	—	291	291

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year \$ '000	payable in:		Total cash outflows \$ '000	Actual carrying values \$ '000
				1 - 5 Years \$ '000	> 5 Years \$ '000		
2022							
Payables	0.00%	93	10,250	—	—	10,343	11,100
Borrowings	5.49%	—	4,542	16,284	10,434	31,260	23,701
Total financial liabilities		93	14,792	16,284	10,434	41,603	34,801
2021							
Payables	0.00%	40	8,057	—	—	8,097	8,097
Borrowings	5.57%	—	4,138	16,565	5,491	26,194	20,932
Total financial liabilities		40	12,195	16,565	5,491	34,291	29,029

Loan agreement breaches

No breaches of any loan agreements occurred during the year.

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs ¹		Total ¹	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-8								
Plant and equipment		30/06/20		—	—	12,706	10,859	12,706	10,859
Office equipment		30/06/20		—	—	76	124	76	124
Operational Land		30/06/19		28,744	25,149	—	—	28,744	25,149
Community Land		30/06/19		—	—	30,957	27,108	30,957	27,108
Land Under Roads		30/06/19		—	—	850	725	850	725
Buildings (specialised and non-specialised)		30/06/18		69,269	58,617	—	—	69,269	58,617
Other structures		13/05/16		—	—	20,808	8,625	20,808	8,625
Roads	30/06/21	30/06/21		—	—	215,788	202,203	215,788	202,203
Bridges	30/06/21	30/06/21		—	—	37,276	33,169	37,276	33,169
Footpaths	30/06/21	30/06/21		—	—	8,472	8,125	8,472	8,125
Bulk earthworks (non-depreciable)	30/06/21	30/06/21		—	—	153,977	143,127	153,977	143,127
Stormwater drainage	30/06/21	30/06/21		—	—	125,753	118,658	125,753	118,658
Water supply network	30/06/17	30/06/17		—	—	169,796	161,987	169,796	161,987
Sewerage network	30/06/17	30/06/17		—	—	104,066	99,786	104,066	99,786
Airport infrastructure	30/06/17	30/06/17		—	—	14,682	12,167	14,682	12,167
Heritage collections	13/05/16	13/05/16		—	—	48	43	48	43
Artworks	13/05/16	13/05/16		—	—	—	111	—	111
Other	13/05/16	13/05/16		—	—	30,093	24,011	30,093	24,011
Landfill & quarry assets	30/06/21	30/06/21		—	—	4,311	8,105	4,311	8,105
Total infrastructure, property, plant and equipment				98,013	83,766	929,659	858,933	1,027,672	942,699

Valuation techniques

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

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

E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, and office equipment – Level 3

Valuation Techniques – Depreciated historic cost. The nature and value of plant and equipment and office equipment recognises that depreciated historic cost is a representation of fair value. Observable inputs - Available market data to assess the replacement cost of the asset. Unobservable inputs - Estimates of useful life and residual value.

Operational Land – Level 2

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Valuation Techniques – at 30 June 2020, valuation information was obtained from the NSW Valuer-General and their valuations undertaken at 1 July 2019 for rating purposes. Operational land was previously valued by an external independent valuer at 30 June 2018. Where the valuation information obtained from the NSW Valuer-General indicated an increment or decrement in the value, the increment/decrement was recorded to represent a more current reflection of value. The valuation undertaken by the external independent valuer at 30 June 2018 involved the analysis of sales evidence of other properties within the region and adjustment for differences between key attributes of the properties. Observable inputs - Valuation information obtained from the NSW Valuer-General and sales evidence of price per square metre of land.

Community Land and Land under roads – Level 3

Valuations of all of Council's Community Land and Council-managed land were based on either the Unimproved Capital Value (UCV) provided by the NSW Valuer-General or an average unit rate based on the UCV for similar properties where the Valuer-General did not provide a UCV having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3.

At 30 June 2020, valuation information was obtained from the NSW Valuer-General and their valuations undertaken at 1 July 2019 for rating purposes. Community Land was previously recorded at fair value following the engagement of an external, independent and qualified valuer to determine the fair value of Community Land at 30 June 2018.

Buildings - Level 2

The approach taken with buildings, estimated the replacement cost of each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2), other inputs (such as obsolescence) require extensive professional judgement, and impact significantly on the final determination of fair value. In forming valuations of each building, the market to which the asset could be sold in was taken into account and compared back against the cost. Many of the buildings that council owns are specific purpose and valued using current replacement cost approach, and as such, these assets were classified as having been valued using Level 3 valuation inputs.

Buildings were recorded at fair value following the engagement of an external, independent and qualified valuer to determine the fair value of Buildings at 30 June 2018.

Transport Assets - Roads, bridges, footpaths, bulk earthworks, stormwater drainage assets – Level 3

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets, observable market inputs are often unavailable. The cost approach has been adopted for Council's Transport Assets and deemed level 3. These assets were valued at 30 June 2021, by Australis Asset Advisory Group. The cost approach to valuation involves the following process:

- The fair value is a reflection of gross value (replacement cost) less accumulated depreciation.
- Actual construction cost data was used to establish unit rates and applied to the asset's attributes to determine the gross value
- A sample of assets were inspected to arrive at a condition score. This is applied along with the asset age to determine the remaining useful life.
- Roads were categorised into appropriate groupings such as Sealed and Unsealed.
- The network was broken into segments linked to defining geographical features
- Assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives) i.e. seal, pavement, subbase, earthworks.

Observable inputs - Construction costs used to assess the replacement cost of the asset. For example Seal cost per m2, Pavement construction per m2, gravel cost.

Unobservable inputs - Estimates of useful life, condition and residual value.

Water supply network and Sewerage network – Level 3

Valuation Techniques – Cost Approach Method.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Water and Sewer deemed level 3 and was applied as part of 30 June 2017 fair value process. This involves the following process:

E2-1 Fair value measurement (continued)

- Council engaged independent external valuer, to perform a comprehensive revaluation of its water and sewerage supply network assets
- Council used data published in the NSW Reference Rates Manual as published by the Office of Water, assets's condition assessment and observation and asset useful life for Valuation of Water & Sewerage Assets

Unobservable inputs - Estimates of useful life, condition and residual value.

Water and Sewerage Infrastructure Assets were revalued at 30 June 2017 by an independent, external valuer.

Landfill & Quarry assets – reinstatement, rehabilitation and restoration – Level 3

Valuation Techniques - cost inputs, unit rates, useful life, asset condition, dimensions and specifications.

At the time a landfill site becomes full and the site is required to be closed, there are significant costs associated with the rehabilitation of the site.

During the year ended 30 June 2020, Council engaged an external consultant to provide a Rehabilitation Provision model for all three of Council's landfill sites. The model enabled Council to arrive at a revalued cost of rehabilitation work to be completed on Council's landfill sites. A significant increase in the rehabilitation provision is recorded at 30 June 2020 with a corresponding adjustment to the value of the Landfill asset.

During the year ended 30 June 2021, Council's in-house Waste Engineer performed an annual review of the Rehabilitation Model including a detailed review of input costings. Savings were determined in several input costs and capping procedures, while still retaining the EPA approved full capping methodology.

Heritage collections, artworks and other assets – Level 3

Valuation Technique – Depreciated Cost Approach. The depreciated cost of the asset category is considered a close proxy for fair value.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The depreciated cost approach has been adopted for this asset class and deemed level 3. This involves the following process:

- The fair value is a reflection of gross value less accumulated depreciation. Published project and cost data applied to the asset's attributes is used to determine the gross value (replacement cost)
- Age and asset condition is applied to determine the level of depreciation.
- Major assets were disaggregated into significant components which exhibit different patterns of consumption (useful lives).

Observable inputs - Available market data to assess the replacement cost of the asset.

Unobservable inputs - Estimates of useful life, and condition.

Heritage collections, Artworks and Other Assets were recorded at fair value from merged councils which engaged external, independent valuers to determine the fair value at 13 May 2016.

E2-1 Fair value measurement (continued)

Fair value measurements using significant observable and unobservable inputs (levels 2 & 3)

A reconciliation of the movements in recurring fair value measurements allocated to Level 2 and 3 of the hierarchy is provided below:

	Operational land		Community land		Buildings		Infrastructure assets		Other assets		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	25,149	24,962	27,108	27,516	58,617	61,760	812,583	732,572	19,242	31,085	942,699	877,895
Total gains or losses for the period												
Recognised in other comprehensive income – revaluation surplus	3,574	513	3,849	(635)	11,196	–	66,021	75,829	12	–	84,652	75,707
Other movements												
Transfers from/(to) another asset class	213	(206)	–	227	399	(427)	–	2	–	–	612	(404)
Other Movements	(5)	–	–	–	59	–	1	–	87	(9,546)	142	(9,546)
Purchases (GBV)	–	30	–	–	1,943	563	18,832	19,159	957	2,114	21,732	21,866
Disposals (WDV)	(187)	(150)	–	–	(11)	(85)	(66)	(1,634)	(378)	(684)	(642)	(2,553)
Depreciation and impairment	–	–	–	–	(2,934)	(3,194)	(15,810)	(13,345)	(2,779)	(3,727)	(21,523)	(20,266)
Closing balance	28,744	25,149	30,957	27,108	69,269	58,617	881,561	812,583	17,141	19,242	1,027,672	942,699

E2-1 Fair value measurement (continued)

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council contributes to a Defined Benefit Superannuation Plan under the Local Government Superannuation Scheme, named Active Super (formerly The Local Government Superannuation Scheme – Pool B) ("the Scheme"). The Scheme is a defined benefit superannuation plan that has been deemed to be a 'multi-employer fund' for the purposes of AASB119 Employee Benefits, for the following reasons:

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

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

Description of the funding arrangements.

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

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

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

* For the year ended 30 June 2022, for 180 Point Members, Employers are required to contribute 7.5% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits. From 1 July 2022, the required contribution rate increases to 8% in line with the increase in the Superannuation Guarantee contribution level.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 to 31 December 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These additional lump sum contributions for past service are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

There is no relief under the Scheme's trust deed for employers to relinquish their defined benefit obligations. Under limited circumstances, an employer may withdraw from the Scheme when there are no active members, on full payment of outstanding

E3-1 Contingencies (continued)

additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme (Active Super) and recognised as an expense for the year ended 30 June 2022 was \$227,286. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2021.

Council's expected contribution to the Scheme for the next annual reporting period is \$177,872.

The estimated employer reserves in the Scheme for the Pooled Employers at 30 June 2022 is:

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

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

The share of this surplus that is broadly attributed to Council is estimated to be in the order of 0.58% as at 30 June 2022.

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

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2022.

(ii) Statewide Mutual

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2022 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Mutual Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

During the 2018/19 year, Council provided two bank guarantees for \$10,000 each relating to easements over an independent party's land. The bank guarantees remain in place as at 30 June 2022.

In May 2021, Council resolved to act as Guarantor for the Armidale City Gymnastics Club Incorporated, for a \$150,000 loan from an independent lender. The borrowings assisted the Club to expand its facilities. The application to Council to act as Guarantor was supported by a business case including financial projections. The arrangements remains in place as at 30 June 2022.

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

3. Contingent liabilities

(i) Contingent Remediation Work

Council has one site where future potential remediation work may be required to comply with environmental requirements.

The former Armidale Gas Works site, may require certain land and waterway rehabilitation work. Council continues to test and monitor the site for contamination and leaching. At this stage, there is no present obligation for Council to incur costs of remediation. Council continues to work with the relevant authorities to monitor the site. Should the ongoing testing and monitoring indicate leaked contamination and leaching, remediation may be required to further rehabilitate the site.

The Guyra recycling centre and waste transfer station, previously used as the Guyra Landfill, was previously disclosed as potentially requiring remediation and therefore as a contingent liability. During the 2020 financial year, in consultation with the environmental regulator, Council determined the site requires remediation work and the costs associated with this work have been recognised as a provision for rehabilitation, and included in Note C3-5 above.

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2022 \$ '000	2021 \$ '000
Compensation:		
Short-term benefits	1,509	1,213
Post-employment benefits	104	66
Other long-term benefits	101	53
Termination benefits	31	631
Total	1,745	1,963

Other transactions with KMP and their related parties

Other transactions that occur between KMP and their related parties and Council, as part of Council delivering a public service objective (e.g. access by KMP to use library facilities or Council swimming pools), occur on an arm's length basis, with no additional benefits being provided to KMP over and above those benefits provided to the public.

There are no other disclosures to be made by KMP.

F1-2 Councillor and Mayoral fees and associated expenses

	2022 \$ '000	2021 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	57	46
Councillors' fees	211	80
Interim Administrator fees	–	110
Other Councillors' expenses (including Mayor)	37	37
Temporary Advisor / Financial Controller	40	79
Total	345	352

F2 Other relationships

F2-1 Audit fees

	2022 \$ '000	2021 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements (NSW Auditor-General)	122	128
Other Assurance services including acquittal audits (other Audit service providers)	76	22
Total audit fees	198	150

G Other matters

G1-1 Statement of Cash Flows information

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

	2022 \$ '000	2021 \$ '000
Net operating result from Income Statement	25,757	15,518
Add / (less) non-cash items:		
Depreciation and amortisation	21,267	19,835
(Gain) / loss on disposal of assets	(230)	1,731
Non-cash capital grants and contributions	(2,344)	–
Other movement	145	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	1,926	2,121
Unwinding of discount rates on reinstatement provisions	162	(398)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	747	(2,182)
Increase / (decrease) in provision for impairment of receivables	8	157
(Increase) / decrease of inventories	(377)	(137)
(Increase) / decrease of other current assets	(42)	(91)
(Increase) / decrease of contract asset	(1,373)	(265)
Increase / (decrease) in payables	(838)	2,466
Increase / (decrease) in accrued interest payable	24	(11)
Increase / (decrease) in other accrued expenses payable	1,275	(1,400)
Increase / (decrease) in other liabilities	1,601	(454)
Increase / (decrease) in contract liabilities	4,942	(393)
Increase / (decrease) in employee benefit provision	(322)	(209)
Net cash flows from operating activities	52,328	36,288

(b) Non-cash investing and financing activities

The following non-cash investing activities occurred:

1. During the 2020/21 financial year, Council was devolved one Crown Land parcel from the NSW State Government. Council attributed the 2019 Valuer General value of \$227,000. The NSW Valuer General conducts valuations each 3 years with the last valuation conducted as at 1 July 2019. Council has recognised the parcel of land in the Community Land asset class in Note C1-8. A corresponding credit as a Non-cash Capital contribution is recognised in Note B2-4. Consistent accounting treatment has been applied from financial year 2019/20.

2. By way of background information, during the 2019/20 financial year, Council recognised Rural Fire Service (RFS) fleet assets based upon non-cash capital funding contributions made by the RFS. The cost of the fleet assets recognised at 1 July 2019 was \$4,115,000 less accumulated depreciation of \$2,688,000, giving a written down value of \$1,427,000. Due to a change in accounting policy during the 2020/21 year, no new RFS fleet assets were recognised during the 2020/21 financial year. During the 2021/22 financial year, the accounting policy was amended to again recognise RFS fleet assets, as advised to Council by RFS and NSW Treasury sources up to 30 June 2022. The recognition of the additional RFS fleet assets as at 30 June 2022 was at a cost of \$7,728,000, less accumulated depreciation of \$5,384,000, giving a written down value of \$2,344,000. These values are included in Council's Infrastructure, Property, Plant and Equipment at Note C1-8.

G2-1 Commitments

Capital commitments (exclusive of GST)

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

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

Property, plant and equipment

Plant and equipment	340	316
Bridges	–	695
Netball Court Lighting	169	–
Kempsey Road Restoration	14,378	–
Puddledock Pipeline Project	9,281	–
Swimming Pools	–	343
Dumaresq Dam Wall	626	3,209
Roads	2,342	2,308
Buildings	213	69
Airport Infrastructure	28	1,106
Landfill	–	108

Total commitments

27,377	8,154
---------------	--------------

These expenditures are payable as follows:

Within the next year	27,377	8,154
Total payable	27,377	8,154

Sources for funding of capital commitments:

Unrestricted general funds	1	–
Externally restricted reserves	26,695	7,177
Internally restricted reserves	681	977

Total sources of funding

27,377	8,154
---------------	--------------

Details of capital commitments

For each of the commitments, tenders have been called and orders placed prior to year end, with an expectation of delivery early in the 2022/23 financial year.

G3-1 Events occurring after the reporting date

No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	(Expenditure) & Other Adjustments during year \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	47	–	–	–	–	–	47	–
Roads	992	–	–	4	–	–	996	–
Traffic facilities	18	–	–	–	–	–	18	–
Parking	33	18	–	–	–	–	51	–
Open space	338	–	–	2	–	–	340	–
Community facilities	54	–	–	–	–	–	54	–
Other	8	–	–	–	–	–	8	–
Bushfire	1	–	–	–	–	–	1	–
Street Trees	93	1	–	–	–	–	94	–
S7.11 contributions – under a plan	1,584	19	–	6	–	–	1,609	–
S7.12 levies – under a plan	1,403	538	–	7	–	–	1,948	–
Total S7.11 and S7.12 revenue under plans	2,987	557	–	13	–	–	3,557	–
S7.4 planning agreements	55	65	–	1	–	–	121	–
S64 contributions	5,123	1,171	–	24	–	–	6,318	–
Contributions not under any plan	217	30	–	1	–	–	248	–
Total contributions	8,382	1,823	–	39	–	–	10,244	–

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

G4-2 Developer contributions by plan

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	(Expenditure) & Other Adjustments during year \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN								
Drainage	47	—	—	—	—	—	47	—
Roads	992	—	—	4	—	—	996	—
Traffic facilities	18	—	—	—	—	—	18	—
Bridges	33	18	—	—	—	—	51	—
Open space	338	—	—	2	—	—	340	—
Community facilities	54	—	—	—	—	—	54	—
Bushfire	1	—	—	—	—	—	1	—
Street Trees	93	1	—	—	—	—	94	—
Other	8	—	—	—	—	—	8	—
Total	1,584	19	—	6	—	—	1,609	—

S7.12 Levies – under a plan

CONTRIBUTION PLAN								
Other	1,403	538	—	7	—	—	1,948	—
Total	1,403	538	—	7	—	—	1,948	—

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021	Indicators 2020	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7,144	8.04%	6.93%	1.00%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	88,866				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	73,084	66.92%	68.47%	58.56%	> 60.00%
Total continuing operating revenue ¹	109,205				
3. Unrestricted current ratio					
Current assets less all external restrictions	41,955	2.27x	2.41x	2.64x	> 1.50x
Current liabilities less specific purpose liabilities	18,515				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	29,760	6.70x	6.11x	4.08x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,443				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	2,011	5.07%	4.98%	5.74%	< 10.00%
Rates and annual charges collectable	39,634				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	106,270	18.96 months	15.50 months	13.91 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	5,603				

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

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

G5-2 Statement of performance measures by fund

	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
\$ '000	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	4.50%	7.27%	17.16%	2.01%	23.85%	11.14%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	61.32%	63.21%	83.39%	83.77%	94.69%	93.04%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.27x	2.41x	51.24x	48.13x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.94x	5.18x	15.52x	7.01x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	5.35%	5.51%	5.45%	1.81%	3.71%	3.80%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.91 months	8.83 months	41.97 months	44.71 months	60.90 months	53.87 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G6-1 above.

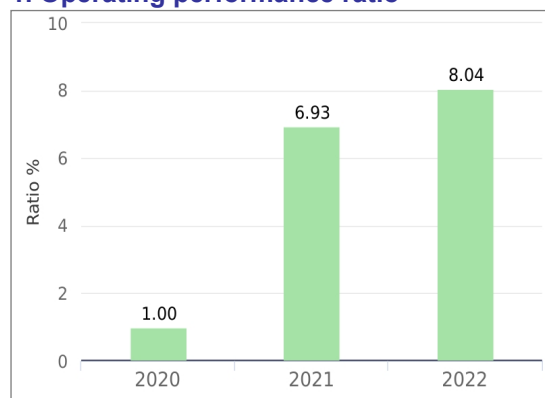
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 8.04%

This ratio has increased this year due to an increase in the operating performance of the General Fund due mainly to higher operating grants and higher depreciation, offset by operating performance improvements in both the Water Fund and Sewer Fund as a consequence of increased charges. Note the underlying improvement is due to higher grants received as opposed to the operational performance of Council.

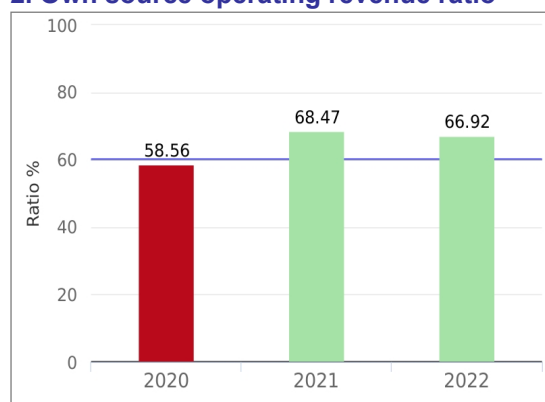
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 66.92%

There has been a slight decrease in this ratio.

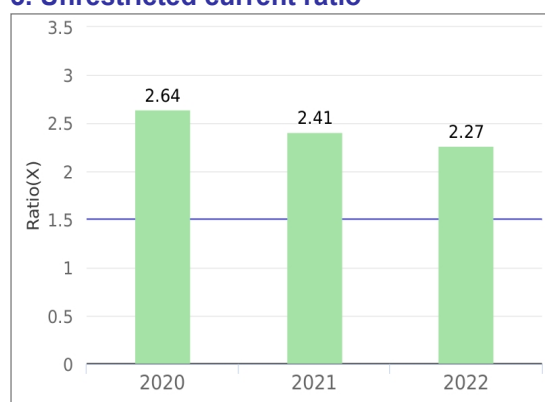
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 2.27x

This ratio has remained in line with prior years and reflects council's ability to pay debts from reserves not restricted for other purposes.

Benchmark: — > 1.50x

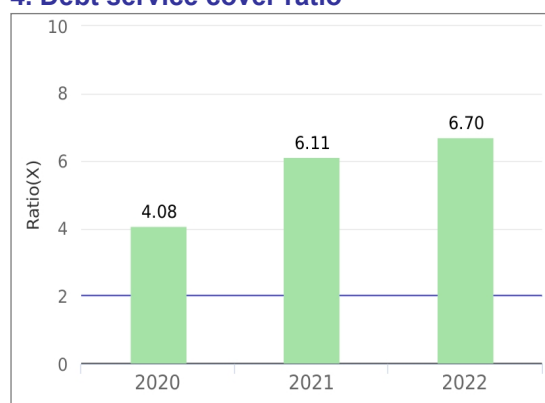
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 6.70x

This ratio has remained high due to the improved operating performance in all funds, primarily relating to the receipt of additional grant funding.

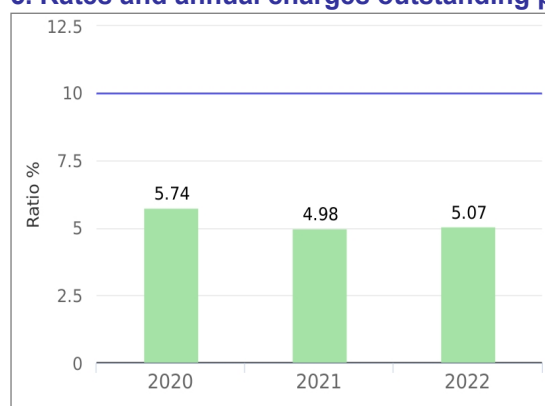
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 5.07%

This ratio remains well within the benchmark range due to the proactive management of outstanding rates and charges, mostly through payment arrangements.

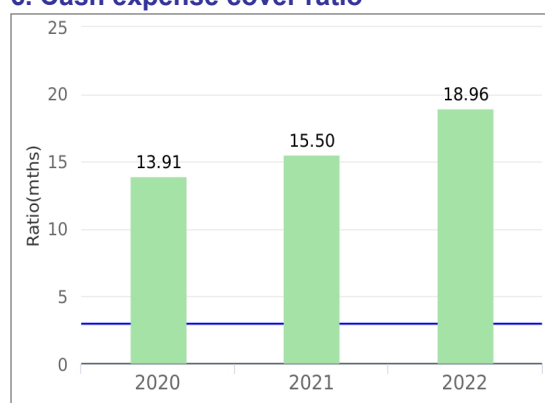
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 18.96 months

This ratio continues to climb due to the high level of cash held for the Water and Sewer Funds (for future capital works) together with higher than usual unspent capital grants.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

135 Rusden Street
Armidale NSW 2350

Contact details**Mailing Address:**

PO Box 75A
Armidale NSW 2350

Telephone: 1300 136 833

Opening hours:

8:30am - 4:00pm
Monday to Friday

Internet: www.armidaleregional.nsw.gov.au

Email: council@armidale.nsw.gov.au

Officers**General Manager**

James Roncon

Responsible Accounting Officer

Ann Newsome

Public Officer

Simone Mooketsi

Auditors

Audit Office of New South Wales
GPO Box 12
Sydney NSW 2001

Elected members**Mayor**

Sam Coupland

Councillors

Todd Redwood (Deputy Mayor)
Margaret O'Connor
Debra O'Brien
Susan McMichael
Paul Gaddes
Dorothy Robinson
Steven Mephram
Bradley Widders
Paul Packham
Jon Galletly

Other information

ABN: 39 642 954 203



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements Armidale Regional Council

To the Councillors of Armidale Regional Council

Opinion

I have audited the accompanying financial statements of Armidale Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2022, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

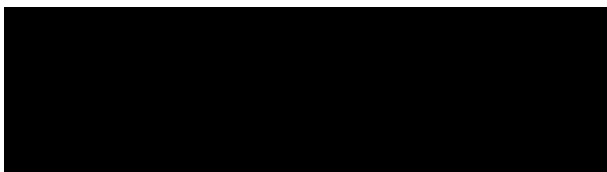
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

31 October 2022
SYDNEY



Mr Sam Coupland
Mayor
Armidale Regional Council
PO Box 75A
ARMIDALE NSW 2350

Contact: [REDACTED]
Phone no: [REDACTED]
Our ref: D2222077/1685

31 October 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Armidale Regional Council**

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2022 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	37.6	35.1	↑ 7.1
Grants and contributions revenue	36.1	29.8	↑ 21.1
Operating result from continuing operations	25.8	15.5	↑ 66.5
Net operating result before capital grants and contributions	5.4	1.5	↑ 260.0

Rates and annual charges revenue (\$37.6 million) increased by \$2.5 million (7.1 per cent) in 2021–22 mainly due to:

- the normal rate peg allowance
- increases in water supply service charges and sewerage services (20 per cent).

Grants and contributions revenue (\$36.1 million) increased by \$6.3 million (21.1 per cent) in 2021–22 due to increases of:

- \$3.5 million in capital grants received for storm/flood damage
- \$2.3 million in capital contribution received for Rural-fire fighting assets
- \$2.1 million in grants received under Financial Assistance grant funding
- \$2.8 million in capital grants received for Transport assets other than roads and bridges funding.

This was offset by decreases of:

- \$3.0 million of capital grants received for Airport funding
- \$934,000 of grants received for Merger Grant funding
- \$715,000 of operating grants received for Transport assets roads to recovery funding.

The Council's operating result from continuing operations (\$25.8 million including depreciation and amortisation expense of \$23.2 million) was \$10.3 million higher than the 2020–21 result. This is a result of the increases in rates and annual charges and grants and contributions discussed above. An increase of \$5.6 million in user charges and fees revenue was also recorded, mainly due to increased works undertaken for Transport for NSW on state-controlled roads. The increase in revenue is offset by the following increases in expenses from continuing operations:

- \$4.9 million in materials and services due to increased contractor and consultancy costs relating to infrastructure works
- \$1.2 million in depreciation expense due to the revaluation of the transport asset class in 2020–21, resulting in higher depreciation costs.

The net operating result before capital grants and contributions (\$5.4 million) was \$3.9 million higher than the 2020–21 result. This is due to the changes in operational grants and contributions discussed above.

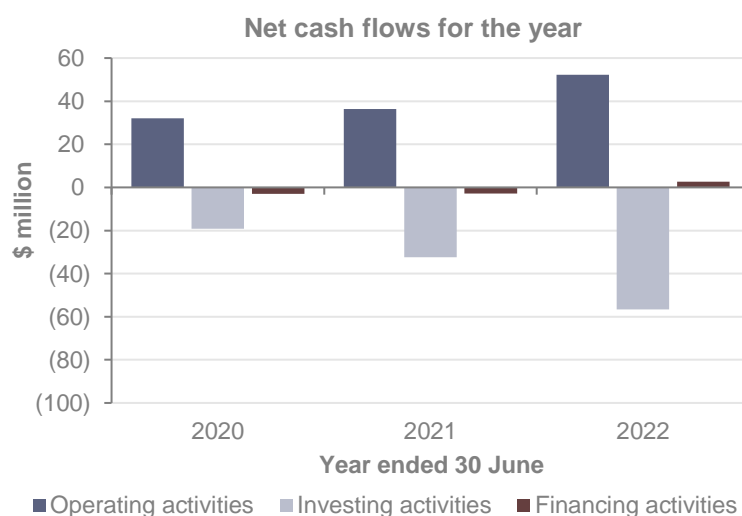
STATEMENT OF CASH FLOWS

Cash from operating activities

increased by \$16.0 million due to an increase in grants and contributions.

Cash outflows from investing activities increased by \$24.2 million due to an increase in the purchase of investments and higher capital expenditure on Infrastructure, property, plant, and equipment (IPPE) during the year.

Cash inflows from financing activities increased mainly due to new borrowings in the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	106.3	81.3	<ul style="list-style-type: none"> Major external restrictions include water, sewer and domestic waste operations, as well as grants for specific purposes, unexpended loans and developer contributions. The main increases related to unexpended grants for specific purposes and water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	79.1	61.1	<ul style="list-style-type: none"> Major internal restrictions include the employee provisions, infrastructure replacement and plant and equipment replacement reserves.
• Internal allocations	21.4	16.8	

PERFORMANCE

Performance measures

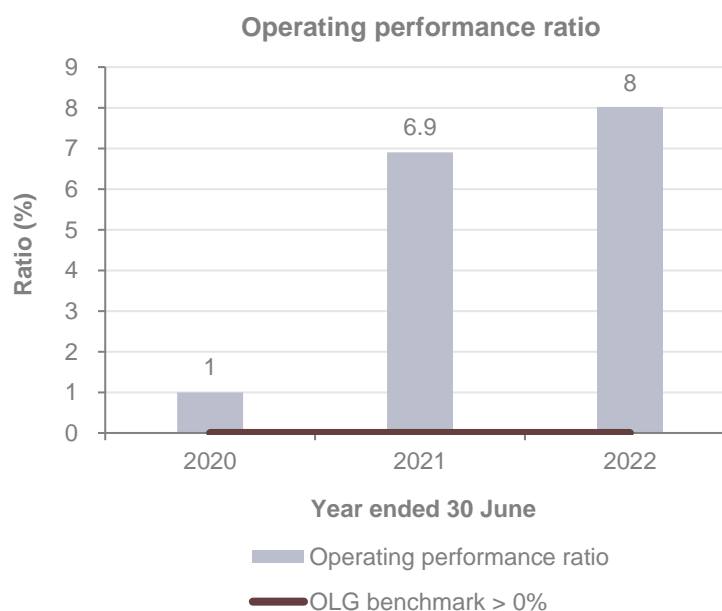
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

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

The 2021-22 ratio remains consistent with the prior year.

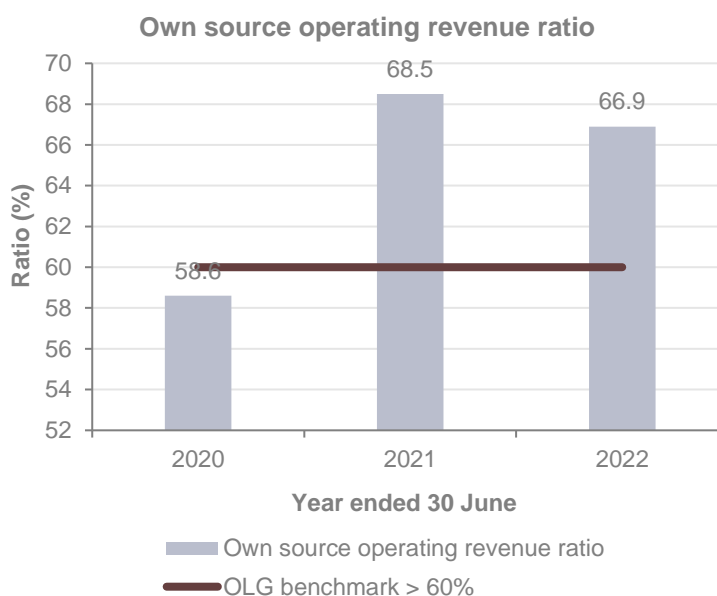


Own source operating revenue ratio

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

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

The 2021-22 ratio remains consistent with the prior year.

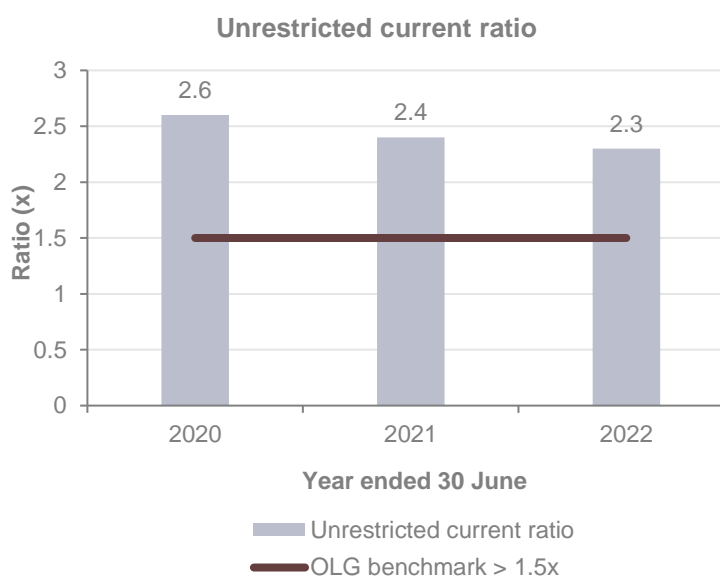


Unrestricted current ratio

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

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

The 2021-22 ratio remains consistent with the prior year.

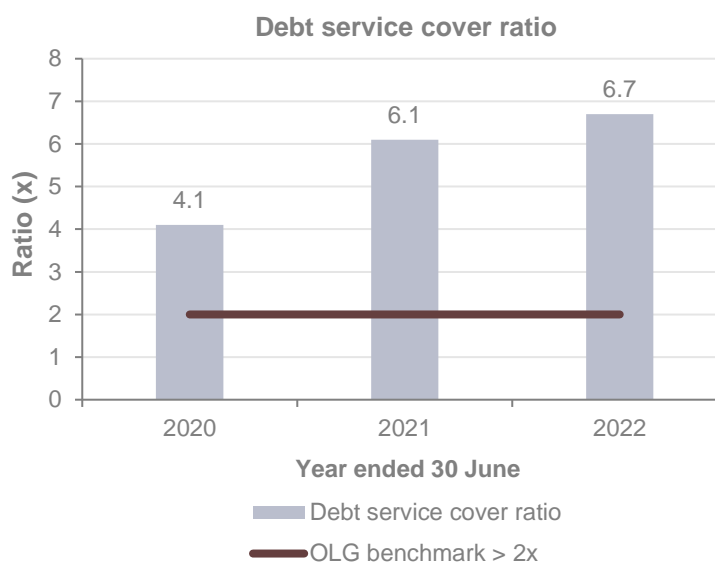


Debt service cover ratio

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

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

The 2021-22 ratio remains consistent with the prior year.

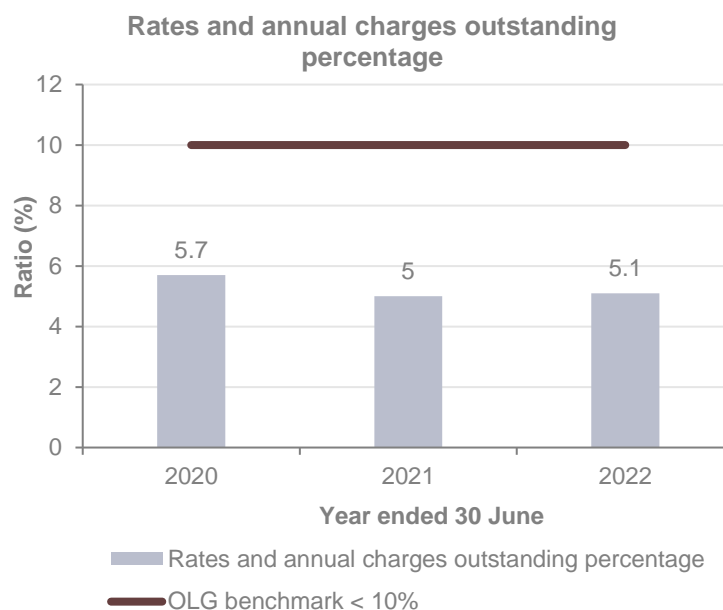


Rates and annual charges outstanding percentage

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

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

The 2021-22 ratio remains consistent with the prior year.

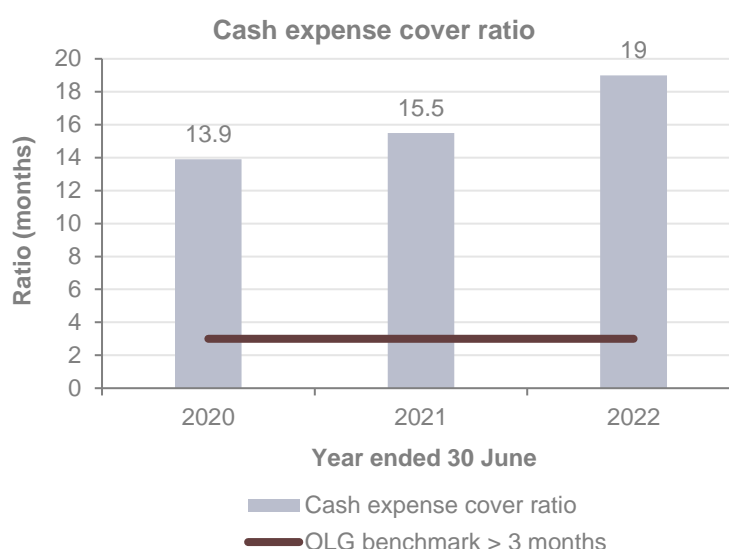


Cash expense cover ratio

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

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

The ratio has increased due to an increase in the term deposit balance at year end.



Infrastructure, property, plant and equipment renewals

IPPE renewal expenditure during the year was \$16.3 million. This increased by \$12.4 million compared to 2020-21 due to council increasing its focus on renewal work in the year and completion of the stabilisation of the Dumaresq Dam wall.

OTHER MATTERS

Legislative compliance

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr James Roncon, General Manager
Mr Phil Thomas, Chair of the Audit, Risk and Improvement Committee
Ms Ann Newsome, Chief Financial Officer
Mr Paul Cornell, Principal, Forsyths
Mr Michael Cassel, Secretary of the Department of Planning and Environment

Armidale Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Restore and thrive



Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Statement of Financial Position of water supply business activity	6
Statement of Financial Position of sewerage business activity	7
Note – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Armidale Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

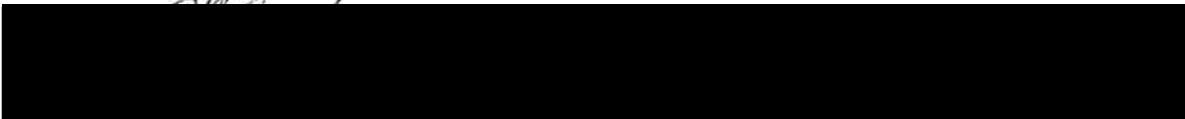
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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


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

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

Signed in accordance with a resolution of Council made on 26 October 2022.



Sam Coupland
Mayor
26 October 2022



Todd Redwood
Deputy Mayor
26 October 2022



James Roncon
General Manager
26 October 2022

Ann Newsome
Responsible Accounting Officer
26 October 2022

Armidale Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	3,046	2,502
User charges	8,160	7,650
Fees	177	137
Interest and investment income	135	253
Grants and contributions provided for operating purposes	(5)	77
Other income	38	36
Total income from continuing operations	11,551	10,655
Expenses from continuing operations		
Employee benefits and on-costs	1,760	1,980
Borrowing costs	380	313
Materials and services	3,873	4,610
Depreciation, amortisation and impairment	3,534	3,517
Other expenses	22	21
Total expenses from continuing operations	9,569	10,441
Surplus (deficit) from continuing operations before capital amounts	1,982	214
Grants and contributions provided for capital purposes	2,307	1,972
Surplus (deficit) from continuing operations after capital amounts	4,289	2,186
Surplus (deficit) from all operations before tax	4,289	2,186
Less: corporate taxation equivalent (25%) [based on result before capital]	(496)	(56)
Surplus (deficit) after tax	3,793	2,130
Plus accumulated surplus	189,824	187,638
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	496	56
Closing accumulated surplus	194,113	189,824
Return on capital %	1.2%	0.3%
Subsidy from Council	4,707	2,129
Calculation of dividend payable:		
Surplus (deficit) after tax	3,794	2,130
Less: capital grants and contributions (excluding developer contributions)	(1,623)	(1,403)
Surplus for dividend calculation purposes	2,171	727
Potential dividend calculated from surplus	1,085	364

Armidale Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	6,608	5,753
User charges	161	109
Liquid trade waste charges	66	67
Fees	27	28
Interest and investment income	104	184
Grants and contributions provided for operating purposes	–	55
Other income	1,712	1,255
Total income from continuing operations	8,678	7,451
Expenses from continuing operations		
Employee benefits and on-costs	1,311	1,231
Materials and services	3,593	3,191
Depreciation, amortisation and impairment	1,704	2,199
Total expenses from continuing operations	6,608	6,621
Surplus (deficit) from continuing operations before capital amounts	2,070	830
Grants and contributions provided for capital purposes	487	498
Surplus (deficit) from continuing operations after capital amounts	2,557	1,328
Surplus (deficit) from all operations before tax	2,557	1,328
Less: corporate taxation equivalent (25%) [based on result before capital]	(518)	(216)
Surplus (deficit) after tax	2,039	1,112
Plus accumulated surplus	118,844	117,516
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	518	216
Closing accumulated surplus	121,401	118,844
Return on capital %	1.9%	0.8%
Subsidy from Council	1,941	732
Calculation of dividend payable:		
Surplus (deficit) after tax	2,040	1,112
Surplus for dividend calculation purposes	2,040	1,112
Potential dividend calculated from surplus	1,020	556

Armidale Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	244	310
Investments	29,010	23,246
Receivables	2,308	2,321
Total current assets	31,562	25,877
Non-current assets		
Infrastructure, property, plant and equipment	193,149	178,265
Total non-current assets	193,149	178,265
Total assets	224,711	204,142
LIABILITIES		
Current liabilities		
Contract liabilities	104	—
Payables	72	47
Income received in advance	159	150
Borrowings	281	281
Total current liabilities	616	478
Non-current liabilities		
Borrowings	9,357	3,945
Total non-current liabilities	9,357	3,945
Total liabilities	9,973	4,423
Net assets	214,738	199,719
EQUITY		
Accumulated surplus	194,113	189,824
Revaluation reserves	20,625	9,895
Total equity	214,738	199,719

Armidale Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Investments	23,150	19,511
Receivables	254	229
Inventories	941	603
Total current assets	24,345	20,343
Non-current assets		
Infrastructure, property, plant and equipment	109,595	104,828
Total non-current assets	109,595	104,828
Total assets	133,940	125,171
Net assets	133,940	125,171
EQUITY		
Accumulated surplus	121,401	118,844
Revaluation reserves	12,539	6,327
Total equity	133,940	125,171

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993* (Act), the *Local Government (General) Regulation 2005* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

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

Category 1 – business activities with gross operating turnover more than \$2 million

a. Water Supplies	Comprising the whole of the operations and assets of water supply systems. As the total annual operating revenues are greater than \$2,000,000, it is defined as a category 1 "Business Unit".
b. Sewerage Service	Comprising the whole of the operations and assets of the sewer reticulation and treatment system. As the total annual operating revenues are greater than \$2,000,000, it is defined as a category 1 "Business Unit".

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **25%** (20/21 26%)

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

Note – Significant Accounting Policies (continued)

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (20/21 26%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) Return on investments (rate of return)

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

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30 June 2022.

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines

Note – Significant Accounting Policies (continued)

and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIE – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Armidale Regional Council

To the Councillors of Armidale Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Armidale Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- 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.



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

31 October 2022
SYDNEY

Armidale Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

Restore and thrive



Armidale Regional Council

Special Schedules

for the year ended 30 June 2022

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2022

7

Armidale Regional Council

Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	19,267	19,796
Plus or minus adjustments ²	b	30	128
Notional general income	$c = a + b$	19,297	19,924
Permissible income calculation			
Special variation percentage ³	d	10.50%	0.00%
Or rate peg percentage	e	0.00%	2.50%
Less expiring special variation amount	g	(1,468)	—
Plus special variation amount	$h = d \times (c + g)$	1,872	—
Or plus rate peg amount	$i = e \times (c + g)$	—	498
Sub-total	$k = (c + g + h + i + j)$	19,701	20,422
Plus (or minus) last year's carry forward total	l	89	(6)
Sub-total	$n = (l + m)$	89	(6)
Total permissible income	$o = k + n$	19,790	20,416
Less notional general income yield	p	19,796	20,326
Catch-up or (excess) result	$q = o - p$	(6)	90
Plus income lost due to valuation objections claimed ⁴	r	—	1
Carry forward to next year ⁶	$t = q + r + s$	(6)	91

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable, the Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (6) Carry-forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the Act. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Armidale Regional Council

To the Councillors of Armidale Regional Council

Opinion

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

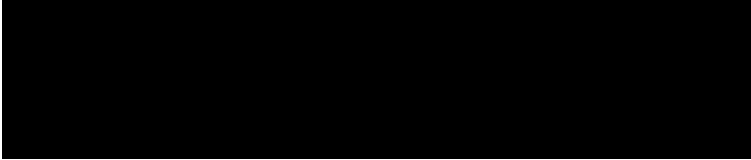
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

31 October 2022
SYDNEY

Armidale Regional Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard ^a	Estimated cost to bring to the agreed level of service set by Council ^b	2021/22 Required maintenance ^c	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	12,133	31,409	2,590	1,078	69,269	141,371	43.0%	8.0%	29.0%	17.0%	3.0%
	Sub-total	12,133	31,409	2,590	1,078	69,269	141,371	43.0%	8.0%	29.0%	17.0%	3.0%
Other structures	Other structures	25	65	—	—	20,808	26,541	70.0%	10.0%	20.0%	0.0%	0.0%
	Other Infrastructure Assets	364	957	5,570	12,431	30,093	40,055	52.0%	36.0%	10.0%	2.0%	0.0%
	Sub-total	389	1,022	5,570	12,431	50,901	66,596	59.2%	25.6%	14.0%	1.2%	0.0%
Roads	Roads	46,367	120,035	5,280	5,155	215,788	274,372	61.0%	6.0%	9.0%	21.0%	3.0%
	Bridges	861	2,295	120	203	37,276	55,484	11.0%	49.0%	37.0%	3.0%	0.0%
	Footpaths	629	1,595	180	59	8,472	13,147	1.0%	62.0%	30.0%	5.0%	2.0%
	Other	—	—	510	164	153,977	153,977	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	47,857	123,925	6,090	5,581	415,513	496,980	65.9%	10.4%	9.9%	12.1%	1.7%
Water supply network	Water supply network	28,622	75,114	4,380	2,557	169,796	260,672	11.0%	35.0%	34.0%	18.0%	2.0%
	Sub-total	28,622	75,114	4,380	2,557	169,796	260,672	11.0%	35.0%	34.0%	18.0%	2.0%
Sewerage network	Sewerage network	6,999	18,591	2,440	2,247	104,066	149,088	5.0%	29.0%	57.0%	9.0%	0.0%
	Sub-total	6,999	18,591	2,440	2,247	104,066	149,088	5.0%	29.0%	57.0%	9.0%	0.0%
Stormwater drainage	Stormwater drainage	15,221	40,471	1,620	1,013	125,753	186,109	46.0%	4.0%	33.0%	17.0%	0.0%
	Sub-total	15,221	40,471	1,620	1,013	125,753	186,109	46.0%	4.0%	33.0%	17.0%	0.0%
Other infrastructure assets	Airport Infrastructure	—	—	1,920	716	14,682	18,854	54.0%	43.0%	3.0%	0.0%	0.0%
	Sub-total	—	—	1,920	716	14,682	18,854	54.0%	43.0%	3.0%	0.0%	0.0%
Total – all assets		111,221	290,532	24,610	25,623	949,980	1,319,670	42.4%	17.4%	25.4%	13.4%	1.4%

(a) In accordance with the 2022 NSW Local Government Code of Accounting Practice and Financial Reporting, the condition level for "satisfactory standard" is Condition 2. In 2021, "satisfactory standard" was determined as Condition 3.

(b) In accordance with the 2022 NSW Local Government Code of Accounting Practice and Financial Reporting, the condition level for "agreed service level set by Council" (where Council does not currently have an agreed service level) is Condition 1 discounted to Condition 2. In 2021, this Condition level was determined as Condition 2.

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

Armidale Regional Council

Report on infrastructure assets as at 30 June 2022 (continued)

Infrastructure asset condition assessment 'key'

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

Armidale Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	15,871	89.55%	26.31%	17.81%	>= 100.00%
Depreciation, amortisation and impairment	17,723				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	111,221	11.73%	1.77%	1.73%	< 2.00%
Net carrying amount of infrastructure assets	948,279				
Asset maintenance ratio					
Actual asset maintenance	25,623	104.12%	72.10%	88.54%	> 100.00%
Required asset maintenance	24,610				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	290,532	22.02%	5.74%	6.11%	
Gross replacement cost	1,319,670				

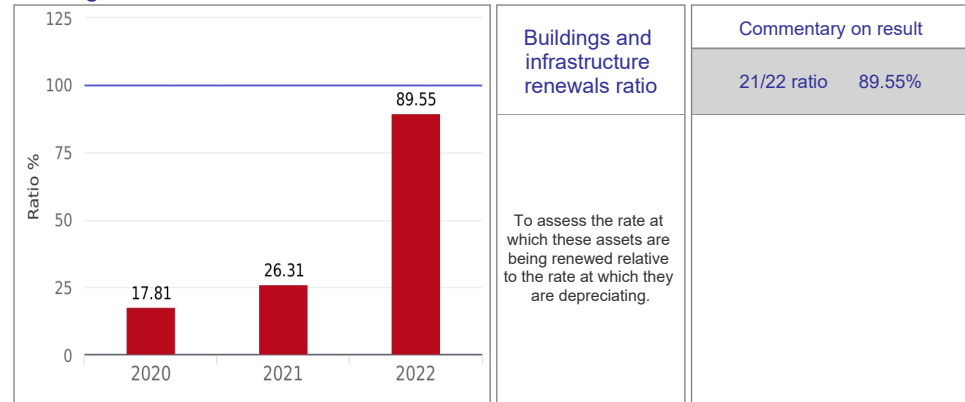
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Armidale Regional Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



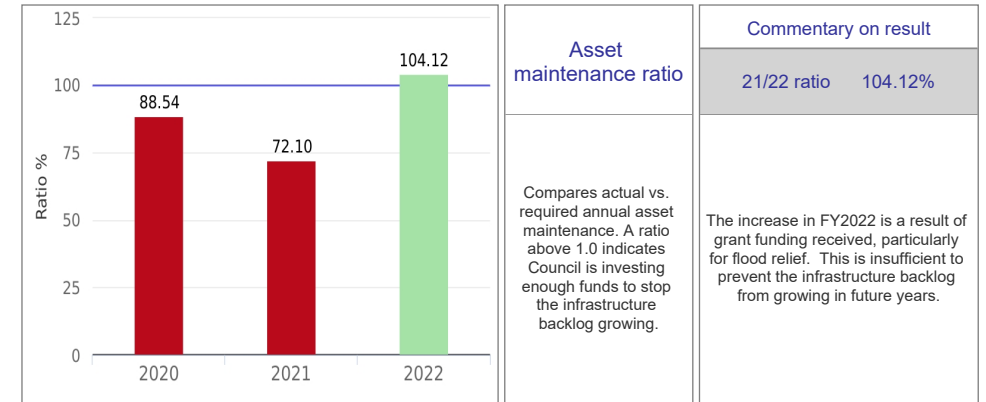
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



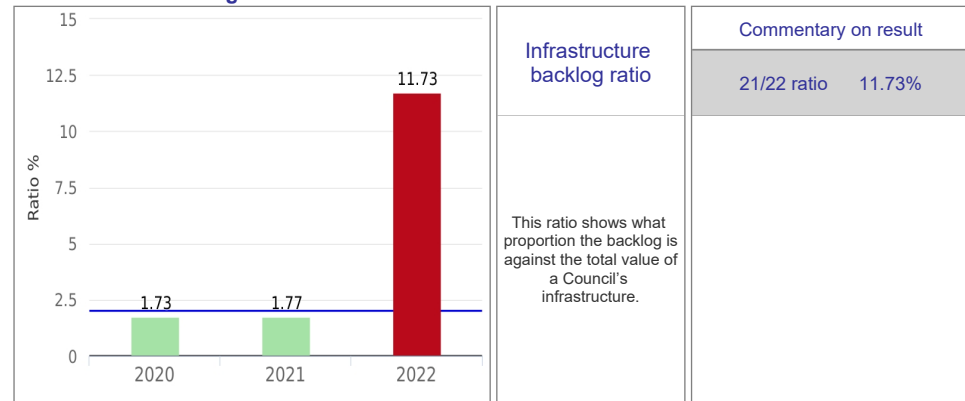
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Armidale Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	114.05%	14.27%	41.86%	1.90%	5.16%	120.03%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	11.22%	1.91%	16.86%	0.93%	6.73%	2.31%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	117.03%	67.49%	58.38%	79.85%	92.09%	91.48%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	21.65%	5.83%	28.82%	3.33%	12.47%	9.39%	

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