

Bellingen Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

Connected, Sustainable, Creative.



Bellingen Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Connected, Sustainable, Creative.



Bellingen Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Statement by Councillors and Management	3
Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	82

Bellingen Shire 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.



Stephen Allan
Mayor
26 October 2022



Joanne Cook
Councillor
26 October 2022



Liz Jeremy
General Manager
26 October 2022



Chris Hodge
Responsible Accounting Officer
26 October 2022

Bellingen Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Income from continuing operations				
16,531	Rates and annual charges	B2-1	16,876	16,068
8,374	User charges and fees	B2-2	12,376	9,423
532	Other revenues	B2-3	625	487
6,169	Grants and contributions provided for operating purposes	B2-4	17,314	7,853
17,600	Grants and contributions provided for capital purposes	B2-4	8,556	11,487
471	Interest and investment income	B2-5	166	1,026
–	Other Income	B2-6	362	375
–	Net gain from the disposal of assets	B4-1	–	363
49,677	Total income from continuing operations		56,275	47,082
Expenses from continuing operations				
11,131	Employee benefits and on-costs	B3-1	12,280	11,537
10,280	Materials and services	B3-2	21,548	14,057
456	Borrowing costs	B3-3	273	396
7,500	Depreciation, amortisation and impairment of non-financial assets	B3-4	7,681	8,562
4,022	Other expenses	B3-5	2,312	1,993
–	Net loss from the disposal of assets	B4-1	964	–
33,389	Total expenses from continuing operations		45,058	36,545
16,288	Operating result from continuing operations		11,217	10,537
16,288	Net operating result for the year attributable to Council		11,217	10,537
(1,311)	Net operating result for the year before grants and contributions provided for capital purposes		2,661	(950)

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

Bellingen Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		11,217	10,537
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	32,360	7,786
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	52	(15,150)
Total items which will not be reclassified subsequently to the operating result		32,412	(7,364)
Total other comprehensive income for the year		32,412	(7,364)
Total comprehensive income for the year attributable to Council		43,629	3,173

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

Bellingen Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	1,982	5,557
Investments	C1-2	39,589	28,882
Receivables	C1-4	9,970	8,332
Inventories	C1-5	546	516
Contract assets and contract cost assets	C1-6	886	271
Current assets classified as held for sale	C1-7	307	705
Total current assets		53,280	44,263
Non-current assets			
Receivables	C1-4	309	325
Infrastructure, property, plant and equipment (IPPE)	C1-8	496,813	453,453
Investment property	C1-9	3,115	2,890
Intangible assets	C1-10	917	1,010
Total non-current assets		501,154	457,678
Total assets		554,434	501,941
LIABILITIES			
Current liabilities			
Payables	C3-1	6,343	2,786
Contract liabilities	C3-2	6,346	3,553
Borrowings	C3-3	1,720	1,342
Employee benefit provisions	C3-4	2,517	2,835
Provisions	C3-5	51	969
Total current liabilities		16,977	11,485
Non-current liabilities			
Payables	C3-1	12	10
Borrowings	C3-3	11,804	9,424
Employee benefit provisions	C3-4	132	146
Provisions	C3-5	2,053	1,049
Total non-current liabilities		14,001	10,629
Total liabilities		30,978	22,114
Net assets		523,456	479,827
EQUITY			
Accumulated surplus	C4-1	301,312	290,095
IPPE revaluation reserve	C4-1	222,144	189,732
Council equity interest		523,456	479,827
Total equity		523,456	479,827

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

Bellingen Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		290,095	189,732	479,827	279,558	197,096	476,654
Net operating result for the year		11,217	–	11,217	10,537	–	10,537
Net operating result for the period		11,217	–	11,217	10,537	–	10,537
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	32,360	32,360	–	7,786	7,786
– Impairment (loss) reversal relating to IPP&E	C1-8	–	52	52	–	(15,150)	(15,150)
Other comprehensive income		–	32,412	32,412	–	(7,364)	(7,364)
Total comprehensive income		11,217	32,412	43,629	10,537	(7,364)	3,173
Closing balance at 30 June		301,312	222,144	523,456	290,095	189,732	479,827

Bellingen Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
16,495	Rates and annual charges		17,184	16,154
8,308	User charges and fees		11,500	8,151
468	Interest received		123	1,028
23,806	Grants and contributions		27,798	14,733
–	Bonds, deposits and retentions received		–	50
398	Other		3,770	1,922
<i>Payments:</i>				
(11,138)	Payments to employees		(12,491)	(11,603)
(10,498)	Payments for materials and services		(21,510)	(16,294)
(416)	Borrowing costs		(278)	(395)
–	Bonds, deposits and retentions refunded		(22)	–
(4,025)	Other		(2,155)	(4,301)
23,398	Net cash flows from operating activities	G1-1	23,919	9,445
Cash flows from investing activities				
<i>Receipts:</i>				
4,355	Sale of investments		33,100	19,000
–	Sale of investment property		441	–
–	Proceeds from sale of IPPE		535	677
<i>Payments:</i>				
–	Purchase of investments		(30,000)	(13,863)
–	Acquisition of term deposits		(14,500)	(14,000)
–	Purchase of investment property		(43)	–
(34,625)	Payments for IPPE		(19,760)	(9,061)
–	Purchase of intangible assets		(25)	(82)
(30,270)	Net cash flows from investing activities		(30,252)	(17,329)
Cash flows from financing activities				
<i>Receipts:</i>				
6,600	Proceeds from borrowings		4,100	5,500
<i>Payments:</i>				
(1,185)	Repayment of borrowings		(1,342)	(1,035)
5,415	Net cash flows from financing activities		2,758	4,465
(1,457)	Net change in cash and cash equivalents		(3,575)	(3,419)
2,957	Cash and cash equivalents at beginning of year		5,557	8,976
1,500	Cash and cash equivalents at end of year	C1-1	1,982	5,557
21,746	plus: Investments on hand at end of year	C1-2	39,589	28,882
23,246	Total cash, cash equivalents and investments		41,571	34,439

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

Bellingen Shire Council

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

A About Council and these financial statements	11
A1-1 Basis of preparation	11
B Financial Performance	13
B1 Functions or activities	13
B1-1 Functions or activities – income, expenses and assets	13
B1-2 Components of functions or activities	14
B2 Sources of income	15
B2-1 Rates and annual charges	15
B2-2 User charges and fees	16
B2-3 Other revenues	17
B2-4 Grants and contributions	18
B2-5 Interest and investment income	23
B2-6 Other Income	23
B3 Costs of providing services	24
B3-1 Employee benefits and on-costs	24
B3-2 Materials and services	25
B3-3 Borrowing costs	25
B3-4 Depreciation, amortisation and impairment of non-financial assets	26
B3-5 Other expenses	27
B4 Gains or losses	28
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	28
B5 Performance against budget	29
B5-1 Material budget variations	29
C Financial position	31
C1 Assets we manage	31
C1-1 Cash and cash equivalents	31
C1-2 Financial investments	32
C1-3 Restricted and allocated cash, cash equivalents and investments	33
C1-4 Receivables	35
C1-5 Inventories	37
C1-6 Contract assets and Contract cost assets	37
C1-7 Non-current assets classified as held for sale	38
C1-8 Infrastructure, property, plant and equipment	39
C1-9 Investment properties	43
C1-10 Intangible assets	43
C2 Leasing activities	44
C2-1 Council as a lessee	44
C2-2 Council as a lessor	45
C3 Liabilities of Council	46
C3-1 Payables	46
C3-2 Contract Liabilities	46
C3-3 Borrowings	47

Bellingen Shire Council

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

C3-4 Employee benefit provisions	49
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
E Risks and accounting uncertainties	54
E1-1 Risks relating to financial instruments held	54
E2-1 Fair value measurement	57
E3-1 Contingencies	65
F People and relationships	68
F1 Related party disclosures	68
F1-1 Key management personnel (KMP)	68
F1-2 Councillor and Mayoral fees and associated expenses	69
F2 Other relationships	70
F2-1 Audit fees	70
G Other matters	71
G1-1 Statement of Cash Flows information	71
G2-1 Commitments	72
G3 Statement of developer contributions as at 30 June 2022	73
G3-1 Summary of developer contributions	73
G3-2 Developer contributions by plan	73
G3-3 Contributions not under plans	75
G4 Statement of performance measures	76
G4-1 Statement of performance measures – consolidated results	76
G4-2 Statement of performance measures by fund	77
H Additional Council disclosures (unaudited)	79
H1-1 Statement of performance measures – consolidated results (graphs)	79
H1-2 Council information and contact details	81

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 financial statements are set out below.

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-9
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-8
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) 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.

Monies and other assets received by Council

The Consolidated Fund

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

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

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

- General purpose operations
- Water service

A1-1 Basis of preparation (continued)

- Sewerage service

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports. A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Income relating to volunteer services should be recognised where the amount is material, the services would be purchased if they were not donated and the amounts of the volunteer services can be measured reliably. Council is not able to reliably measure the value of volunteer services at this time and so are unable to recognise them in the financial statements. Council does not consider the amount to be material.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

None of these standards had a significant impact on the reported financial position or performance.

COVID-19 Impact

The outbreak of Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has continued to impact Council's operations. This impact is reflected in the financial statements for the year ended 30 June 2022.

Going concern

Council has considered its updated Operation Plan and Long Term Financial Plans and the key financial risks and uncertainties in assessing Council as a going concern including liquidity and working capital risk, credit risk, significant accounting judgements and key sources of estimate uncertainty.

Despite the continued impact of COVID-19 on the 2021/22 financial year, and the uncertain timeframe required for some areas of Council's operations to fully recover from COVID-19, as at the date of preparing and signing Council's financial statements, Council has sufficient resources to conclude that using the going concern basis is appropriate in preparing its financial statements.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Governance	–	–	506	408	(506)	(408)	–	–	–	–
Administration	1,165	1,259	3,298	3,101	(2,133)	(1,842)	392	177	37,356	36,642
Public order and safety	483	520	1,422	1,261	(939)	(741)	438	416	8,095	7,940
Health	64	43	75	80	(11)	(37)	–	–	25	25
Environment	4,704	4,753	4,105	3,941	599	812	255	662	314	308
Community services and education	326	388	913	928	(587)	(540)	194	161	6,258	6,138
Housing and community amenities	416	382	1,384	1,242	(968)	(860)	114	119	21,197	20,792
Water supplies	2,465	3,118	2,981	2,701	(516)	417	84	40	64,555	56,415
Sewerage services	3,867	4,393	3,363	3,288	504	1,105	20	386	56,819	48,003
Recreation and culture	2,175	176	3,100	3,040	(925)	(2,864)	2,592	262	42,776	41,959
Mining, manufacturing and construction	156	251	332	376	(176)	(125)	–	–	382	375
Transport and communication	24,745	15,974	21,891	15,377	2,854	597	15,936	4,813	299,319	293,601
Economic Affairs	773	746	1,054	802	(281)	(56)	365	150	5,332	5,228
General Purpose	14,936	15,079	634	–	14,302	15,079	5,480	3,910	–	–
Other	–	–	–	–	–	–	–	8,244	12,006	(15,485)
Total functions and activities	56,275	47,082	45,058	36,545	11,217	10,537	25,870	19,340	554,434	501,941

B1-2 Components of functions or activities

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

Governance

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

Administration

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

Public order and safety

Includes fire protection, emergency services, beach control, enforcement of regulations and animal control.

Health

Activities related to food control and health centres.

Environment

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

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation— as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family daycare; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; streetlighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Includes management of water, and activities associated with water supply and services provided by water utilities.

Sewerage services

Includes management of sewer, and activities associated with sewerage treatment and services provided by sewer utilities.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

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

Economic Affairs

Includes camping areas; tourism and area promotion; industrial development promotion; saleyards and markets; real estate development; and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	7,180	6,802
Farmland	1,179	1,125
Business	552	527
Less: pensioner rebates (mandatory)	(219)	(226)
Rates levied to ratepayers	8,692	8,228
Pensioner rate subsidies received	123	125
Total ordinary rates	8,815	8,353
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	3,155	2,990
Water supply services	686	661
Sewerage services	3,699	3,563
Waste management services (non-domestic)	645	615
Less: pensioner rebates (mandatory)	(271)	(266)
Annual charges levied	7,914	7,563
Pensioner subsidies received:		
– Water	51	56
– Sewerage	40	40
– Domestic waste management	56	56
Total annual charges	8,061	7,715
Total rates and annual charges	16,876	16,068

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	1,950	1,737
Sewerage services	1	185	181
Waste management services (non-domestic)	2	549	290
Liquid trade waste	2	42	44
Total specific user charges		2,726	2,252
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	1	5	242
Regulatory/ statutory fees	2	294	323
Planning Certificates	2	74	123
Section 603 Certificates	2	26	31
Inspection Fees	2	53	33
Other	2	54	49
Total fees and charges – statutory/regulatory		506	801
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	70	49
Leaseback fees – Council vehicles	1	51	57
Transport for NSW works (state roads not controlled by Council)	1	8,809	5,931
Respite Care	1	136	221
Other	2	42	37
Parking Fines	2	36	75
Total fees and charges – other		9,144	6,370
Total other user charges and fees		9,650	7,171
Total user charges and fees		12,376	9,423
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		11,135	8,369
User charges and fees recognised at a point in time (2)		1,241	1,054
Total user charges and fees		12,376	9,423

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 such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Rental income – other council properties	2	9	7
Legal fees recovery – rates and charges (extra charges)	2	71	13
Raleigh reuse centre	2	38	47
Scrap metal sales	2	112	90
Tourist centre income	2	29	8
Workers compensation/OHS rebate	2	43	88
Insurance Claim Recoveries	2	241	136
Insurance Rebates	2	68	48
Container Deposit Scheme	2	14	50
Total other revenue		625	487
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		625	487
Total other revenue		625	487

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component ¹	2	1,648	1,432	–	–
Financial assistance – local roads component ¹	2	511	456	–	–
Payment in advance - future year allocation					
Financial assistance – general component ¹	2	2,531	1,532	–	–
Financial assistance – local roads component ¹	2	789	489	–	–
Amount recognised as income during current year		5,479	3,909	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	2	–	–	45	–
Sewerage services	2	–	–	–	374
Community care	2	167	161	–	–
Bushfire and emergency services	2	350	369	–	–
Diesel fuel rebate	2	58	71	–	–
Employment and training programs	2	–	32	–	–
Environmental programs	2	45	5	–	–
Library	2	104	100	–	7
Heritage and cultural	2	6	12	–	–
Biodiversity	2	60	83	–	–
Public halls	1	–	–	1,615	(88)
Recreation and culture	1	–	–	264	222
Storm/flood damage	2	8,731	1,259	–	–
Street lighting	2	15	15	–	–
Transport (other roads and bridges funding)	1	64	96	1,721	1,650
Waste	2	58	553	–	–
Bushfire Recovery	2	733	–	–	–
Planning	2	–	50	–	–
Economic Development	2	–	–	–	–
Bridges	2	–	–	4,444	892
Transport (roads to recovery)	1	595	595	–	–
Town Planning - Planning Portal Grant	2	80	–	–	–
Other Grants	2	94	–	–	–
Previously contributions:					
Transport for NSW contributions (regional roads, block grant)	2	268	268	54	54
Tourism	2	350	140	–	–
Other Grants and contributions	2	57	135	–	10
Total special purpose grants and non-developer contributions – cash		11,835	3,944	8,143	3,121
Non-cash contributions					
Other grants and contributions	2	–	–	250	–
Crown Lands	2	–	–	–	8,244
Total other contributions – non-cash		–	–	250	8,244
Total special purpose grants and non-developer contributions (tied)		11,835	3,944	8,393	11,365
Total grants and non-developer contributions		17,314	7,853	8,393	11,365

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Comprising:					
– Commonwealth funding		6,230	4,504	1,052	–
– State funding		11,006	2,950	7,091	3,072
– Other funding		78	399	250	8,293
		17,314	7,853	8,393	11,365

(1) (1) \$3.32M of the 2022-2023 Financial Assistance Grant from the Commonwealth Government was received by Council in June 2022. This is reported as 2021-2022 income although it relates to the 2022-2023 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G3					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	104	70
S 64 – water supply contributions		2	–	–	39	40
S 64 – sewerage service contributions		2	–	–	20	12
Total developer contributions – cash			–	–	163	122
Total developer contributions			–	–	163	122
Total grants and contributions			17,314	7,853	8,556	11,487
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			659	691	3,600	1,784
Grants and contributions recognised at a point in time (2)			16,655	7,162	4,956	9,703
Total grants and contributions			17,314	7,853	8,556	11,487

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

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

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:

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants				
Unspent funds at 1 July	632	1,397	3,556	308
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	151	52	106	–
Add: Funds received and not recognised as revenue in the current year	2,566	–	4,489	4,523
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(443)	(817)	(1,811)	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(271)	(1,275)
Unspent funds at 30 June	2,906	632	6,069	3,556
Unspent Contributions				
Unspent funds at 1 July	8,129	7,864	–	–
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	163	290	–	–
Add: contributions received and not recognised as revenue in the current year	–	–	–	–
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	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(226)	(25)	–	–
Unspent contributions at 30 June	8,066	8,129	–	–

Council has received funding for expenditure predominantly relating to the construction of capital infrastructure. All funds are expected to be spent within the next reporting period.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include the construction of infrastructure and delivery of project milestones. 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).

B2-4 Grants and contributions (continued)

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

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	43	28
– Cash and investments	123	998
Total interest and investment income (losses)	166	1,026
Overdue rates and annual charges (general fund)	41	26
General Council cash and investments	22	121
Overdue rates and annual charges (water)	2	2
Water fund operations	72	500
Sewerage fund operations	20	184
Domestic waste management operations	9	25
Total interest and investment income	166	1,026

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other Income

\$ '000	Notes	2022	2021
Fair value increment on investment properties			
Fair value increment on investment properties		225	260
Total fair value increment on investment properties	C1-9	225	260
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		137	115
Total Investment properties		137	115
Total rental income	C2-2	137	115
Total other income		362	375

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	10,698	10,129
Employee leave entitlements (ELE)	1,223	1,552
Superannuation – defined contribution plans	965	880
Superannuation – defined benefit plans	120	128
Workers' compensation insurance	493	372
Fringe benefit tax (FBT)	10	13
Training costs (other than salaries and wages)	101	178
Other	64	76
Total employee costs	13,674	13,328
Less: capitalised costs	(1,394)	(1,791)
Total employee costs expensed	12,280	11,537

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		1,734	1,731
– Externally hired plant		2,615	1,072
– Labour hire		2,496	2,216
– Swimming pool		406	394
– Transport (roads, bridges, footpaths maintenance)		1,993	826
– Waste contracts		2,069	1,786
– Other contractors		6,214	2,876
Contractor and consultancy costs			
– Contractor and consultancy costs		827	334
- IT Support		37	26
Audit Fees	F2-1	70	90
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	112	111
Advertising		135	116
Bank charges		66	64
Election expenses		106	–
Electricity and heating		467	460
Insurance		510	475
Postage		40	43
Printing and stationery		100	81
Street lighting		115	115
Subscriptions and publications		28	28
Telephone and communications		95	117
Valuation fees		45	54
Other expenses		181	184
Licence fees		748	682
Cleaning		53	60
Councillor Expenses Other		42	16
Internet, Network Connectivity & Other Communication		73	62
Legal expenses:			
– Legal expenses: planning and development		1	16
– Legal expenses: debt recovery		85	12
– Legal expenses: other		85	10
Total materials and services		21,548	14,057
Total materials and services		21,548	14,057

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		434	449
Total interest bearing liability costs		434	449
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	(161)	(53)
Total other borrowing costs		(161)	(53)
Total borrowing costs expensed		273	396

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		871	914
Office equipment		56	51
Furniture and fittings		29	7
Land improvements (depreciable)		109	66
Infrastructure:	C1-8		
– Buildings – non-specialised		663	662
– Buildings – specialised		361	364
– Roads		2,308	2,422
– Bridges		552	557
– Footpaths		43	35
– Stormwater drainage		238	238
– Water supply network		743	737
– Sewerage network		1,169	1,177
– Swimming pools		42	51
– Other open space/recreational assets		216	142
– Other infrastructure		79	108
Other assets:			
– Other		2	2
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-8	82	61
Intangible Assets:			
- Intangible assets	C1-10	118	142
Total depreciation and amortisation costs		7,681	7,736
Impairment / revaluation decrement of IPPE			
Land improvements (depreciable)		49	161
Infrastructure:	C1-8		
– Buildings – non-specialised		–	–
– Buildings – specialised		–	125
– Roads		2,299	2,823
– Bridges		297	1,447
– Footpaths		319	–
– Bulk earthworks		(3,347)	11,325
– Stormwater drainage		297	–
– Water supply network		–	48
– Sewerage network		–	47
– Other open space/recreational assets		34	–
Total gross IPPE impairment / revaluation decrement costs		(52)	15,976
Amounts taken through revaluation reserve	C1-8	52	(15,150)
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	826
Total depreciation, amortisation and impairment for non-financial assets		7,681	8,562

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

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		71	50
Total impairment of receivables	C1-4	71	50
Fair value decrement on investments			
Fair value decrement on investments through profit and loss		693	–
Total Fair value decrement on investments	C1-2	693	–
Other			
Contributions/levies to other levels of government			
– Bushfire fighting fund		421	576
– Emergency services levy (includes FRNSW, SES, and RFS levies)		19	25
– Libraries contribution		278	242
– NSW fire brigade levy		55	60
– Waste levy		328	229
– Donations, contributions and assistance to local and regional bodies		447	811
Total other		1,548	1,943
Total other expenses		2,312	1,993

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		441	–
Less: carrying amount of property assets sold/written off		(398)	–
Gain (or loss) on disposal		43	–
Gain (or loss) on disposal of plant and equipment			
	C1-8		
Proceeds from disposal – plant and equipment		94	677
Less: carrying amount of plant and equipment assets sold/written off		(78)	(314)
Gain (or loss) on disposal		16	363
Gain (or loss) on disposal of infrastructure			
	C1-8		
Less: carrying amount of infrastructure assets sold/written off		(1,023)	–
Gain (or loss) on disposal		(1,023)	–
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		33,100	19,000
Less: carrying amount of investments sold/redeemed/matured		(33,100)	(19,000)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(964)	363

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 30/06/2021 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	16,531	16,876	345	2% F
User charges and fees	8,374	12,376	4,002	48% F
Revenue from user charges and fees exceeded budget due to Council receiving additional revenue due to flood related contract work on State Road MR716.				
Other revenues	532	625	93	17% F
Income from other revenues exceeded budget due to a one-off insurance claim payment received by Council for the damaged amenities block at Burdett Park.				
Operating grants and contributions	6,169	17,314	11,145	181% F
Operating grants revenue exceeded budget due to Council receiving additional advanced payments of the 2023 Financial Assistance Grant and receiving additional grants for repairing infrastructure damaged during the 2022 flood event.				
Capital grants and contributions	17,600	8,556	(9,044)	(51)% U
Capital grants income is considerably lower than budget due to the delay in the commencement of the Sewering Coastal Villages Project.				
Interest and investment revenue	471	166	(305)	(65)% U
Investments revenues were down on budget due to financial market volatility experienced during 2022. Loss on investments for year was attributed to the performance of Councils TCorp Medium Term Growth Fund.				
Net gains from disposal of assets	-	-	-	∞ F
Other income	-	362	362	∞ F
Expenses				
Employee benefits and on-costs	11,131	12,280	(1,149)	(10)% U
Employee costs were higher than budget as result of Council responding to the 2022 flood event and additional work performed on State Roads during year. Workers compensation premiums also increased during year.				
Materials and services	10,280	21,548	(11,268)	(110)% U
Material and contract costs were higher then original budget due to the 2022 flood event and additional work performed on State Roads during year.				
Borrowing costs	456	273	183	40% F
Borrowing costs were lower than budget due to the change in 10 year bond rates impacting the remediation liabilities.				
Depreciation, amortisation and impairment of non-financial assets	7,500	7,681	(181)	(2)% U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
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Depreciation costs were higher than budget due to the write-off of assets during the year. As assets are renewed, the remaining depreciation of the renewed assets is required to be fully depreciated.

Other expenses	4,022	2,312	1,710	43%	F
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Other expenses are higher than original budget due to the delay in payments made from the Bushfire grants received in the 2021 financial year.

Net losses from disposal of assets	–	964	(964)	∞	U
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Statement of cash flows

Cash flows from operating activities	23,398	23,919	521	2%	F
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Cash flows from investing activities	(30,270)	(30,252)	18	0%	F
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Cash flows from financing activities	5,415	2,758	(2,657)	(49)%	U
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Cash flows from financing activities are lower due to Council not taking forecast borrowings during year as a result of the delay in the Sewering Coastal Villages Project.

C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2022	2021
Cash assets		
Cash at bank	1,981	5,455
Cash on Hand	1	2
ME Bank Call Account	-	100
Total cash and cash equivalents	1,982	5,557

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	1,982	5,557
Balance as per the Statement of Cash Flows	1,982	5,557

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	10,089	–	10,782	–
Total	10,089	–	10,782	–
Debt securities at amortised cost				
Long term deposits	29,500	–	15,000	–
NCD's, FRN's (with maturities > 3 months)	–	–	3,100	–
Total	29,500	–	18,100	–
Total financial investments	39,589	–	28,882	–
Total cash assets, cash equivalents and investments	41,571	–	34,439	–

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments of \$39,588,968 in the Statement of Financial Position.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	41,571	34,439
Less: Externally restricted cash, cash equivalents and investments	<u>(36,299)</u>	<u>(30,822)</u>
Cash, cash equivalents and investments not subject to external restrictions	5,272	3,617

External restrictions**External restrictions**

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

Developer contributions – general	1,828	1,950
Developer contributions – water fund	5,398	5,358
Developer contributions – sewer fund	841	821
Specific purpose unexpended grants – general fund	8,975	4,188
Water fund	9,601	10,410
Sewer fund	8,477	7,254
Domestic waste management	276	276
Environmental levy	356	417
Crown reserves	–	77
Deposits, bonds, etc	71	71
Loan- Memorial Hall	476	–
Total external restrictions	36,299	30,822

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	5,272	3,617
Less: Internally restricted cash, cash equivalents and investments	<u>(3,778)</u>	<u>(3,188)</u>
Unrestricted and unallocated cash, cash equivalents and investments	1,494	429

Internal allocations

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

Plant and vehicle replacement	1,115	1,113
Employees leave entitlement	512	512
Carry over works	299	–
Quarry remediation	61	61
Revolving energy	345	345
Waste management	771	771
Proceeds from sale of investment property	675	386
Total internal allocations	3,778	3,188

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

\$ '000	2022	2021
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C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	1,494	429

C1-4 Receivables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Rates and annual charges	510	231	679	251
Interest and extra charges	22	78	20	74
User charges and fees	8,632	–	6,871	–
Accrued revenues				
– Interest on investments	64	–	27	–
Net GST receivable	912	–	847	–
Fringe Benefit Tax (FBT) Instalments Paid	2	–	1	–
Rural Fire Service	168	–	168	–
Total	10,310	309	8,613	325
Less: provision for impairment				
Rates and annual charges	(276)	–	(258)	–
User charges and fees	(64)	–	(23)	–
Total provision for impairment – receivables	(340)	–	(281)	–
Total net receivables	9,970	309	8,332	325

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	281	232
+ new provisions recognised during the year	71	49
– amounts already provided for and written off this year	(12)	–
Balance at the end of the year	340	281

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

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

C1-4 Receivables (continued)

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	546	–	516	–
Total inventories at cost	546	–	516	–
Total inventories	546	–	516	–

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.

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	886	–	271	–
Total contract assets and contract cost assets	886	–	271	–

Contract assets

Work relating to infrastructure grants	886	–	271	–
Total contract assets	886	–	271	–

Significant changes in contract assets

Contract assets arise due to grant monies yet to be received by Council for the construction of assets which will be under Council's control. Contract assets recognised at 30 June 2022 relate to road infrastructure projects.

Accounting policy

Contract assets

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

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

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

Contract cost asset – costs to fulfil a contract

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

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

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

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

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

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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Non-current assets held for sale				
Land	307	-	705	-
Total non-current assets held for sale	307	-	705	-
Total non-current assets classified as held for sale	307	-	705	-

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.

Description of assets classified as held for sale

Council has property assets as held for sale as at 30 June 2022. Previously these assets were designated as "Land - Operational" and disclosed in Note C1-8 Infrastructure, property, plant and equipment.

At the ordinary Council meeting of 24 March 2021 Council resolved to sell specific parcels of land by auction (or private treaty if the land fails to sell at auction). The auction (and subsequent sale) is expected within the next twelve months.

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	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	Impairment reversal (recognised in equity)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	5,402	–	5,402	11,135	2,243	–	–	–	–	(2,724)	–	16,056	–	16,056
Plant and equipment	12,654	(6,649)	6,005	–	1,688	(78)	(871)	–	–	118	–	14,143	(7,281)	6,862
Office equipment	1,634	(1,345)	289	–	–	–	(56)	–	–	–	–	1,634	(1,401)	233
Furniture and fittings	553	(399)	154	–	18	–	(29)	–	–	91	–	662	(428)	234
Land:														
– Operational land	8,410	–	8,410	–	–	–	–	–	–	–	3,755	12,165	–	12,165
– Community land	10,462	–	10,462	–	–	–	–	–	–	–	1,454	11,916	–	11,916
– Crown land	18,511	–	18,511	–	–	–	–	–	–	–	2,573	21,084	–	21,084
Land improvements – depreciable	4,765	(1,973)	2,792	–	–	(106)	(109)	(49)	–	(2)	229	4,838	(2,083)	2,755
Infrastructure:														
– Buildings – non-specialised	29,727	(15,279)	14,448	–	–	–	(663)	–	–	(1)	1,611	31,338	(15,943)	15,395
– Buildings – specialised	16,551	(9,378)	7,173	–	16	(5)	(361)	–	–	160	887	17,608	(9,738)	7,870
– Roads	132,337	(50,347)	81,990	1,420	–	(404)	(2,308)	(2,299)	–	843	1,240	133,137	(52,655)	80,482
– Bridges	41,845	(19,438)	22,407	1,526	–	(422)	(552)	(297)	–	105	271	43,028	(19,990)	23,038
– Footpaths	3,594	(806)	2,788	50	1	–	(43)	(319)	–	110	–	3,436	(849)	2,587
– Bulk earthworks (non-depreciable)	176,737	–	176,737	–	–	–	–	(1,303)	4,650	–	3,061	183,145	–	183,145
– Stormwater drainage	25,307	(10,783)	14,524	69	116	(61)	(238)	(297)	–	20	–	25,154	(11,021)	14,133
– Water supply network	60,833	(25,252)	35,581	578	87	–	(743)	–	–	1,255	8,421	64,890	(19,711)	45,179
– Sewerage network	63,089	(25,850)	37,239	–	146	–	(1,169)	–	–	–	8,178	61,764	(17,370)	44,394
– Swimming pools	2,749	(1,148)	1,601	–	–	–	(42)	–	–	–	141	2,891	(1,191)	1,700
– Other open space/recreational assets	6,492	(3,181)	3,311	–	25	(24)	(216)	(34)	–	25	280	6,765	(3,398)	3,367
– Other infrastructure	4,118	(1,185)	2,933	–	–	–	(79)	–	–	–	259	4,377	(1,264)	3,113
Other assets:														
– Library books	5	(5)	–	–	–	–	–	–	–	–	–	4	(4)	–
– Other	120	(31)	89	–	250	–	(2)	–	–	–	–	369	(32)	337
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	849	(242)	607	243	–	–	(82)	–	–	–	–	1,091	(323)	768
– Quarry assets	34	(34)	–	–	–	–	–	–	–	–	–	34	(34)	–
Total infrastructure, property, plant and equipment	626,778	(173,325)	453,453	15,021	4,590	(1,100)	(7,563)	(4,598)	4,650	–	32,360	661,529	(164,716)	496,813

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period										At 30 June 2021			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Other adjustments recognised in P/L	Tfrs from/to 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	4,991	–	4,991	2,919	2,071	–	–	–	–	(4,579)	–	–	–	–	5,402	–	5,402
Plant and equipment	13,212	(7,331)	5,881	65	1,127	(314)	(914)	–	–	–	160	–	–	12,654	(6,649)	6,005	
Office equipment	1,634	(1,294)	340	–	–	–	(51)	–	–	–	–	–	–	1,634	(1,345)	289	
Furniture and fittings	467	(392)	75	–	–	–	(7)	–	–	86	–	–	–	553	(399)	154	
Land:																	
– Operational land	10,400	–	10,400	–	–	–	–	–	–	–	(1,905)	–	(705)	8,410	–	8,410	
– Community land	7,654	–	7,654	–	–	–	–	–	–	–	1,786	–	–	10,462	–	10,462	
– Crown land	7,867	–	7,867	–	8,243	–	–	–	–	–	119	–	–	18,511	–	18,511	
Land improvements – depreciable	2,588	(1,458)	1,130	142	–	–	(66)	(161)	–	–	279	–	–	4,765	(1,973)	2,792	
Infrastructure:																	
– Buildings – non-specialised	29,415	(14,617)	14,798	–	–	–	(662)	–	–	312	–	–	–	29,727	(15,279)	14,448	
– Buildings – specialised	16,676	(9,014)	7,662	–	–	–	(364)	(125)	–	–	–	–	–	16,551	(9,378)	7,173	
– Roads	131,886	(47,925)	83,961	2,083	–	–	(2,422)	(65)	(2,758)	1,191	–	–	–	132,337	(50,347)	81,990	
– Bridges	42,205	(18,881)	23,324	–	–	–	(557)	(380)	(1,067)	1,087	–	–	–	41,845	(19,438)	22,407	
– Footpaths	2,886	(771)	2,115	–	–	–	(35)	–	–	708	–	–	–	3,594	(806)	2,788	
– Bulk earthworks (non-depreciable)	188,062	–	188,062	–	–	–	–	–	(11,325)	–	–	–	–	176,737	–	176,737	
– Stormwater drainage	25,223	(10,545)	14,678	–	–	–	(238)	–	–	84	–	–	–	25,307	(10,783)	14,524	
– Water supply network	60,127	(24,514)	35,613	194	–	–	(737)	(48)	–	4	–	–	555	60,833	(25,252)	35,581	
– Sewerage network	62,412	(24,672)	37,740	110	–	–	(1,177)	(47)	–	38	–	–	575	63,089	(25,850)	37,239	
– Swimming pools	1,988	(1,168)	820	24	–	–	(51)	–	–	–	(152)	–	960	2,749	(1,148)	1,601	
– Other open space/recreational assets	5,279	(2,490)	2,789	125	–	–	(142)	–	–	357	182	–	–	6,492	(3,181)	3,311	
– Other infrastructure	3,261	(966)	2,295	24	175	–	(108)	–	–	712	(469)	–	304	4,118	(1,185)	2,933	
Other assets:																	
– Library books	5	(5)	–	–	–	–	–	–	–	–	–	–	–	5	(5)	–	
– Other	169	(78)	91	–	–	–	(2)	–	–	–	–	–	–	120	(31)	89	
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																	
– Tip assets	849	(184)	665	–	–	–	(61)	–	–	–	–	3	–	849	(242)	607	
– Quarry assets	34	(34)	–	–	–	–	–	–	–	–	–	–	–	34	(34)	–	
Total infrastructure, property, plant and equipment	619,290	(166,339)	452,951	5,686	11,616	(314)	(7,594)	(826)	(15,150)	–	–	3	(705)	7,786	626,778	(173,325)	453,453

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

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

Accounting policy

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

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

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

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

Plant and equipment	Years		
Office equipment	5 to 10		
Office furniture	5 to 20		
Computer equipment	4		
Vehicles	3 to 8	Buildings	Years
Other plant and equipment	5 to 20	Buildings: Non Specialised	10 to 60
		Buildings: Specialised	5 to 60
Water and sewer assets		Stormwater assets	
Sewer Network	1 to 180	Drains	85 to 106
Water Network	5 to 200	Pipes	85 to 106
Transportation assets		Other infrastructure assets	
Sealed roads: surface	25	Bulk earthworks	Infinite
Sealed roads: structure	60 to 175	Land improvements	30 to 60
Unsealed roads	25	Swimming pools	27 to 120
Bridges	30 to 106	Other open space/recreational assets	25 to 80
Road pavements - Sealed	55		
Road pavements - Unsealed	20		
Kerb and gutter	100		
Footpaths and cycleways	15 to 120		

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. 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.

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

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

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”.

Council has assessed and determined to not recognise any rural fire service assets.

C1-9 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	3,115	2,890
Total owned investment property	3,115	2,890

Owned investment property

At fair value

Opening balance at 1 July	2,890	2,630
Net gain/(loss) from fair value adjustments	225	260
Closing balance at 30 June	3,115	2,890

Accounting policy

Investment property, principally comprising business premises, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

C1-10 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	1,183	1,131
Accumulated amortisation	(173)	(61)
Net book value – opening balance	1,010	1,070
Movements for the year		
Additions	25	82
Amortisation expense	(118)	(142)
Closing values at 30 June		
Gross book value	1,209	1,183
Accumulated amortisation	(292)	(173)
Total software – net book value	917	1,010

Accounting policy

IT development and software

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

C2 Leasing activities

C2-1 Council as a lessee

Council has several short term and/or low-value asset lease arrangements for which a right-of-use asset and corresponding lease liability are not required to be recognised under AASB 16.

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:

- child care centres
- community halls

The leases are generally between 1 and 10 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to businesses and community groups; these leases have been classified as operating leases for financial reporting purposes. Assets relating to commercial property are included as investment property (refer note C1-9) in the Statement of Financial Position.

\$ '000	2022	2021
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(i) Assets held as investment property

Council leases a number of properties to both commercial tenants and community groups. Those property assets that are held by Council for the purposes of generating rental income and/or capital appreciation are classified as investment property in the statement of financial position. Other property assets generating lease income are held for a range of community and strategic purposes, and income generated through lease arrangements is considered incidental to these longer term strategic aims.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	137	115
Total income relating to operating leases for investment property assets	137	115

Operating lease expenses

Direct operating expenses that generated rental income	10	9
Direct operating expenses that did not generate rental income	11	33
Total expenses relating to operating leases for investment property assets	21	42

Repairs and maintenance: investment property

Other	54	37
Total repairs and maintenance: investment property	54	37

(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 all operating leases:

< 1 year	123	107
1–2 years	12	24
Total undiscounted lease payments to be received	135	131

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Goods and Services - operating expenditure:				
- Trade Creditors Control	4,866	-	809	-
- Other	335	-	1,049	-
Accrued expenses:				
- Salaries and wages	227	-	106	-
- Borrowings	85	-	90	-
- Other expenditure	283	12	264	10
Security bonds, deposits and retentions	186	-	208	-
Prepaid rates	361	-	260	-
Total payables	6,343	12	2,786	10

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

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

C3-2 Contract Liabilities

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Grants and contributions received in advance:				
Unexpended capital grants (to construct Council controlled assets)	6,346	-	3,553	-
Total grants received in advance	6,346	-	3,553	-
Total contract liabilities	6,346	-	3,553	-

Notes

Contract liabilities represent Capital grants received prior to the performance obligation being satisfied. 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.

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

\$ '000	2022	2021
	Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	1,562	-
Operating grants (received prior to performance obligation being satisfied)	97	-
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,659	-

Significant changes in contract liabilities

The movement in Contract liabilities for the year represents capital grants received prior to the performance obligation being satisfied. 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

C3-2 Contract Liabilities (continued)

in the next 12 months.

Accounting policy

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

C3-3 Borrowings

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	1,720	11,804	1,342	9,424
Total borrowings	1,720	11,804	1,342	9,424

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note E1-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	10,766	2,758	–	–	–	–	13,524
Total liabilities from financing activities	10,766	2,758	–	–	–	–	13,524

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,301	4,465	–	–	–	–	10,766
Total liabilities from financing activities	6,301	4,465	–	–	–	–	10,766

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Credit cards/purchase cards	100	100
Total financing arrangements	100	100
Drawn facilities		
– Credit cards/purchase cards	14	12
Total drawn financing arrangements	14	12
Undrawn facilities		
– Credit cards/purchase cards	86	88
Total undrawn financing arrangements	86	88

Additional financing arrangements information**Breaches and defaults**

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	916	–	1,000	–
Sick leave	233	–	314	–
Long service leave	1,184	132	1,310	146
Other leave – RDO and TIL	184	–	211	–
Total employee benefit provisions	2,517	132	2,835	146

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,509	2,816
	2,509	2,816

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	51	2,053	969	1,049
Sub-total – asset remediation/restoration	51	2,053	969	1,049
Total provisions	51	2,053	969	1,049

C3-5 Provisions (continued)

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	2,018	2,018
Other	86	86
Total other provisions at end of year	2,104	2,104
2021		
At beginning of year	2,069	2,069
Other	(51)	(51)
Total other provisions at end of year	2,018	2,018

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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

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.

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	12,538	655	3,683
User charges and fees	10,090	2,033	253
Interest and investment revenue	72	74	20
Other revenues	603	22	–
Grants and contributions provided for operating purposes	17,314	–	–
Grants and contributions provided for capital purposes	8,452	84	20
Other income	362	–	–
Total income from continuing operations	49,431	2,868	3,976
Expenses from continuing operations			
Employee benefits and on-costs	9,296	1,569	1,415
Materials and services	20,318	531	699
Borrowing costs	273	–	–
Depreciation, amortisation and impairment of non-financial assets	5,551	881	1,249
Other expenses	1,798	403	111
Net losses from the disposal of assets	964	–	–
Total expenses from continuing operations	38,200	3,384	3,474
Operating result from continuing operations	11,231	(516)	502
Net operating result for the year	11,231	(516)	502
Net operating result attributable to each council fund	11,231	(516)	502
Net operating result for the year before grants and contributions provided for capital purposes	2,779	(600)	482

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	823	715	444
Investments	16,431	14,284	8,874
Receivables	9,785	173	12
Inventories	266	210	70
Contract assets and contract cost assets	886	–	–
Non-current assets classified as held for sale	307	–	–
Total current assets	28,498	15,382	9,400
Non-current assets			
Receivables	274	5	30
Infrastructure, property, plant and equipment	400,820	48,886	47,107
Investment property	3,115	–	–
Intangible assets	355	281	281
Total non-current assets	404,564	49,172	47,418
Total assets	433,062	64,554	56,818
LIABILITIES			
Current liabilities			
Payables	5,888	282	173
Contract liabilities	6,346	–	–
Borrowings	1,720	–	–
Employee benefit provision	2,261	117	139
Provisions	51	–	–
Total current liabilities	16,266	399	312
Non-current liabilities			
Payables	12	–	–
Borrowings	11,804	–	–
Employee benefit provision	117	7	8
Provisions	2,053	–	–
Total non-current liabilities	13,986	7	8
Total liabilities	30,252	406	320
Net assets	402,810	64,148	56,498
EQUITY			
Accumulated surplus	266,009	20,621	14,682
Revaluation reserves	136,801	43,527	41,816
Council equity interest	402,810	64,148	56,498
Total equity	402,810	64,148	56,498

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.

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	1,982	5,557	1,982	5,557
Receivables	10,279	8,657	10,279	8,657
Investments				
– Debt securities at amortised cost	29,500	18,100	29,500	18,100
Fair value through profit and loss				
Investments				
– Held for trading	10,089	10,782	10,089	10,782
Total financial assets	51,850	43,096	51,850	43,096
Financial liabilities				
Payables	6,355	2,796	5,734	2,289
Loans/advances	13,524	10,766	13,524	10,766
Total financial liabilities	19,879	13,562	19,258	13,055

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 measure at amortised cost 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) **at fair value through other comprehensive income** – 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 s.625 of the *Local Government Act 1993* and Minister's Investment Order. 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 financial instruments held are:

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

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

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	386	312
Impact of a 10% movement in price of investments		
– Equity / Income Statement	303	323

(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, with the exception of significant risk exposures in its local area given the nature of Council activities.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	741	–	741
2021				
Gross carrying amount	–	930	–	930

Receivables - non-rates and annual charges and contract assets

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

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	6,763	115	365	2,308	1,213	10,764
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	3.61%	0.41%
2021						
Gross carrying amount	5,666	1,056	628	349	309	8,008
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%

(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 and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	186	5,496	–	–	5,682	6,355
Borrowings	6.11%	–	2,310	7,521	7,229	17,060	13,524
Total financial liabilities		186	7,806	7,521	7,229	22,742	19,879
2021							
Payables	0.00%	208	2,071	–	–	2,279	2,796
Borrowings	4.23%	–	1,780	6,130	5,122	13,032	10,766
Total financial liabilities		208	3,851	6,130	5,122	15,311	13,562

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
- Investment property
- Financial assets and liabilities

During the reporting period Council has also measured the following assets at fair value on a non-recurring basis:

- Non current assets held for sale

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).

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021		
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
– 'At fair value through profit and loss'		10,089	10,782	–	–	10,089	10,782
Total financial assets		10,089	10,782	–	–	10,089	10,782
Investment property							
Investment properties	C1-9	3,115	2,890	–	–	3,115	2,890
Total investment property		3,115	2,890	–	–	3,115	2,890
Infrastructure, property, plant and equipment							
Plant and equipment	C1-8	–	–	6,862	6,005	6,862	6,005
Office equipment		–	–	233	289	233	289
Furniture and fittings		–	–	234	154	234	154
Land – operational		12,165	8,410	–	–	12,165	8,410
Land – community and crown		–	–	33,000	28,973	33,000	28,973
Land improvements – depreciated		–	–	2,755	2,792	2,755	2,792
Buildings –specialised		–	–	7,870	7,173	7,870	7,173
Buildings – non-specialised		–	–	15,395	14,448	15,395	14,448
Roads		–	–	80,482	81,990	80,482	81,990
Bridges		–	–	23,038	22,407	23,038	22,407
Footpaths		–	–	2,587	2,788	2,587	2,788
Bulk earthworks		–	–	183,145	176,737	183,145	176,737
Stormwater drainage		–	–	14,133	14,524	14,133	14,524
Water supply network		–	–	45,179	35,581	45,179	35,581
Sewerage network		–	–	44,395	37,239	44,395	37,239
Swimming pools		–	–	1,700	1,601	1,700	1,601
Open space and recreation		–	–	3,367	3,311	3,367	3,311
Other infrastructure		–	–	3,113	2,933	3,113	2,933
Other assets		–	–	337	89	337	89
Tip assets		–	–	768	607	768	607

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021		
Total infrastructure, property, plant and equipment		12,165	8,410	468,593	439,641	480,758	448,051

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

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Investment property

The investment property is included in Level 2 of the hierarchy, and the valuation is based upon the best sales evidence in an active market for similar assets. The key unobservable input to the valuation is price per square metre.

The fair value of the investment property is determined by a qualified and experienced valuer. Council's last valuation of its investment property occurred in June 2022 by Cardow & Partners Property (estate agents). There has been no change to the valuation process during the reporting period.

Infrastructure, property, plant and equipment (IPPE)

Community & Crown Land

Community Land is based on either the Land Value provided by the Valuer-General or an average unit rate based on the land value for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. The last revaluation of community land was undertaken at 30 June 2021. There has been no change to the valuation process during the reporting period.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Operational Land

The valuation of Operational Land has been based upon relevant sales in the area. In certain locations there was a lack of appropriate comparable sales evidence and in these instances the closest comparable sales and factors relating the land parcels geographic, land use and zoning were also taken into consideration. The last full valuation was undertaken at 30 June 2018 by Griffin Valuation Advisory. Due to changes in market conditions since the last valuation, a desktop valuation was undertaken at 30 June 2022 by APV Valuers & Asset Management Pty Ltd.

Land Under Roads

Land under roads has not been recognised in Council's accounts.

Other Structures

This asset class comprises of various park assets such as water tanks, fencing, small sheds & shelters, lighting & retaining walls. The valuation of these assets have been undertaken internally by Councils Engineering department by experienced engineers. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the engineers. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken internally by Councils Engineers at 30 June 2021. There has been no change to the valuation process during the reporting period.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Plant & Equipment, Office Equipment, Furniture & Fittings

Office Equipment are valued at cost but disclosed at fair value in the Notes of the financial statements. It is assumed that the carrying amount of these asset classes is approximate fair value. Assets include graders, motor vehicles, mowers, chainsaws, computers, tables and chairs. The key unobservable inputs are residual life, patterns of consumption and useful life. The last revaluation was undertaken at 30 June 2013. There has been no change to the valuation process during the reporting period.

Buildings

Buildings are classified as either Specialised or Non Specialised as required by the NSW Code of Accounting Practice. Where possible the valuation was based upon the Market Value Approach where comparable market transactions have been obtained and used in the valuation. For the remaining assets the depreciated replacement cost approach was used in the valuation process. The unobservable inputs such as asset condition, patterns of consumption, replacement cost value and useful life relies on the experience and judgement of the valuer and therefore these assets are recorded at Level 3.

The last valuation was undertaken at 30 June 2018 by Opus International Consultants (Australia) Pty Ltd.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

E2-1 Fair value measurement (continued)

Swimming Pools

Swimming Pools were valued in June 2021 by APV Valuers & Asset Management Pty Ltd. The valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the valuer. The unobservable inputs place this class of asset at Level 3. There has been no change to the valuation process during the reporting period.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Open Space & Recreation

This asset class comprises of lighting, benches, barbecues, seating and any other asset relating to open spaces and recreation that were in the Other Structures class of asset. The valuation of these assets have been undertaken internally by Councils Engineering department by experienced engineers. The market value approach was utilised on a number of assets where there was sufficient market evidence. For some assets the valuation was based upon the depreciated replacement cost approach and unobservable inputs such as estimated patterns of consumption, residual value, asset condition and useful life require extensive professional judgement and rely on the experience of the engineers. The unobservable inputs place this class of asset at Level 3. The last valuation was undertaken internally by Councils Engineers at 30 June 2019. There has been no change to the valuation process during the reporting period.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Water System Assets

This class of assets includes water mains & reticulation, reservoirs, pumping stations and treatment works. Water system assets were valued at 30 June 2022 by APV Valuers & Asset Management Pty Ltd. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. Changes to the valuation process during the reporting period include a change in methodology from depreciated replacement cost to current replacement cost, and recognising short life/long life components.

Sewer System Assets

This class of assets includes sewer mains & reticulation, pumping stations, treatment works and ancillary. The Sewer system assets were valued at 30 June 2022 by APV Valuers & Asset Management Pty Ltd. The unobservable inputs are useful life, patterns of consumption, condition ratings, remaining life and residuals which rely on the skill and experience of the valuer. Changes to the valuation process during the reporting period include a change in methodology from depreciated replacement cost to current replacement cost, and recognising short life/long life components.

Roads, Bridges, Bulk Earthworks, Stormwater Drainage and other Infrastructure Assets

This class of asset includes roads, culverts, bridges, footpaths, kerb & gutter, bulk earthworks and causeways. Each asset class has been broken down into significant components with similar physical and operating characteristics. A separate useful life is applied to each component and they are depreciated independently. The unit replacement cost and the useful life of each asset is aligned with Councils Asset Management Plan. The valuation includes observable inputs for some elements of the revaluation but not for the complete asset. Key unobservable inputs include unit rates, gross replacement cost, condition ratings, pattern of consumption, useful life and residual value. The last valuation was undertaken by G7 Asset Management at 30 June 2020.

Asset values have been reviewed against relevant industry indexation rates as provided by Rawlinsons Construction Cost Guide and Australian Bureau of Statistics. Where a material variation has been identified, asset values have been modified accordingly.

Remediation Assets

This class of asset includes the Raleigh Waste Facility and Whites Quarry. Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation of these assets. In particular the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, the timing of remediation and indexation of labour costs. There has been no change to the valuation process during the reporting period. The last valuation of all sites was undertaken by Impact Environmental at 30 June 2019, with Dorrigo Waste facility updated at 30 June 2022.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

The valuation processes used for fair value on Level 3 assets is the depreciated replacement cost approach and the market value approach. Assets that have been valued using the market value approach have been included in the Level Fair Value as the unobservable inputs rely on the skill and experience of the valuer.

The depreciated replacement cost approach involves using comparative sales evidence, asset conditions and relies on the skill and experience of the valuer.

The land improvements, operational land, community land, other structures, swimming pools, buildings and open space and recreation assets have had valuations completed by external valuers. The external valuers are independent and are qualified and experienced in their field. The valuations have been prepared in accordance with AASB5, AASB13, ASSB116, AASB136 and AASB140.

In the case of stormwater, sewer and water assets, the valuations have been based on the modern engineering equivalent replacement asset (MEERA).

Before engaging a valuer to undertake valuations, Council requires at least three (3) quotations from suitably qualified valuers. Valuation of the road infrastructure assets has been undertaken internally by Council's Engineering Department. This valuation process involved using unit rates to obtain a replacement cost value and condition assessments of the asset obtained a remaining life. The valuation process also relied on the skill and experience of the Engineers.

The analysis of the Level 3 fair value movements after valuations will be undertaken by the Chief Financial Officer.

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

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

	Valuation technique/s	Unobservable inputs
Financial assets		
Investments	Value based upon unit prices calculated and published daily	Prices are observable, however no active market exists for these funds as they are only accessible to government agencies.
Investment properties		
Properties	Valued provided by third-party experienced valuer	Price per square metre and future maintainable earnings assessments.
Infrastructure, property, plant and equipment		
Office Equipment, Furniture and Fittings and Plant and Equipment	Replacement cost	Gross replacement cost Asset condition Remaining useful life Residual value
Land - Operational	Rate per square metre	Rate per square metre
Land - Community	Land values obtained from the NSW Valuer-General	Unimproved Capital Value per square metre provided by Valuer General
Land Improvements	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Buildings (Specialised and non-specialised)	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Roads	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Bridges	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Footpaths	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Bulk Earthworks	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Stormwater Drainage	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Water Supply Network	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Sewer Network	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Swimming pools	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Open space and Recreational Assets	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other Infrastructure	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Other assets (Library books and Miscellaneous)	Industry Cost Indexes, council and contractor construction rates	Gross replacement cost Asset condition Remaining useful life Residual value
Tip Assets	Industry Cost Indexes, council and contractor construction rates	Future rehabilitation regulations

E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Land operational	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	6,005	5,881	289	340	154	75	8,410	10,400
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	118	160	–	–	91	86	–	(2,610)
Purchases (GBV)	1,688	1,192	–	–	18	–	–	–
Disposals (WDV)	(78)	(314)	–	–	–	–	–	–
Depreciation and impairment	(871)	(914)	(56)	(51)	(29)	(7)	–	–
Revaluation increment/(decrement)	–	–	–	–	–	–	3,755	620
Closing balance	6,862	6,005	233	289	234	154	12,165	8,410

\$ '000	Land community & Crown		Land improvements		Buildings non-specialised		Roads	
	2022	2021	2022	2021	2022	2021	2022	2021 ¹
Opening balance	28,973	15,521	2,792	1,130	14,448	14,798	81,990	85,990
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	1,905	(2)	279	(1)	312	843	(838)
Purchases (GBV)	–	8,243	–	1,371	–	–	1,420	2,083
Disposals (WDV)	–	–	(106)	–	–	–	(404)	–
Depreciation and impairment	–	–	(158)	(227)	(663)	(662)	(4,607)	(2,487)
Revaluation increment/(decrement)	4,027	3,304	229	239	1,611	–	1,240	(2,758)
Closing balance	33,000	28,973	2,755	2,792	15,395	14,448	80,482	81,990

\$ '000	Bridges		Footpaths		Bulk earthworks		Stormwater drainage	
	2022	2021	2022	2021	2022	2021 ¹	2022	2021
Opening balance	22,407	23,324	2,788	2,115	176,737	192,440	14,524	14,678
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	105	1,087	110	708	–	(4,378)	20	84
Purchases (GBV)	1,526	–	51	–	–	–	185	–
Disposals (WDV)	(422)	–	–	–	–	–	(61)	–
Depreciation and impairment	(849)	(937)	(362)	(35)	(1,303)	–	(535)	(238)
Revaluation increment/(decrement)	271	(1,067)	–	–	7,711	(11,325)	–	–
Closing balance	23,038	22,407	2,587	2,788	183,145	176,737	14,133	14,524

(1)

E2-1 Fair value measurement (continued)

\$ '000	Water supply network		Sewerage network		Swimming pools		Open space/recreational assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	35,581	35,613	37,239	37,740	1,601	820	3,311	2,789
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	1,255	4	–	38	–	(152)	25	539
Purchases (GBV)	665	194	146	110	–	24	25	125
Disposals (WDV)	–	–	–	–	–	–	(24)	–
Depreciation and impairment	(743)	(785)	(1,169)	(1,224)	(42)	(51)	(250)	(142)
Revaluation increment/(decrement)	8,421	555	8,178	575	141	960	280	–
Closing balance	45,179	35,581	44,394	37,239	1,700	1,601	3,367	3,311

\$ '000	Buildings specialised		Other infrastructure		Other assets		Tip assets	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	7,173	7,662	2,933	2,295	89	91	606	667
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	160	–	–	243	–	–	–	–
Purchases (GBV)	16	–	–	24	250	–	244	–
Disposals (WDV)	(5)	–	–	(508)	–	–	–	–
Depreciation and impairment	(361)	(489)	(79)	(108)	(2)	(2)	(82)	(61)
Revaluation increment/(decrement)	887	–	259	987	–	–	–	–
Closing balance	7,870	7,173	3,113	2,933	337	89	768	606

\$ '000	Total	
	2022	2021
Opening balance	448,050	454,369
Transfers from/(to) another asset class	2,724	(2,533)
Purchases (GBV)	6,234	13,366
Disposals (WDV)	(1,100)	(822)
Depreciation and impairment	(12,161)	(8,420)
Revaluation increment/(decrement)	37,010	(7,910)
Closing balance	480,757	448,050

No transfers were made in or out of Level 3 fair value hierarchy.

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

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

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

Description of the funding arrangements

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2021 to 31 December 2021 followed by \$20.0 million per annum thereafter. The contribution is apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding 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 Fund's trust deed dealing with deficits or surplus on wind-up.

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$94,498. The last valuation of the Scheme was performed by Richard Boyfield FIA on 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$42,000. Council's expected contribution to the plan for the next annual reporting period is \$75,283.

The estimated employer reserves financial position 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 deficit that is broadly attributed to Council is estimated to be 0.15% as at 30 June 2022.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

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. No notifications were received during the year.

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

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	911	901
Post-employment benefits	81	75
Total	992	976

Other transactions with KMP and their related parties

There were no other material transactions between KMP and their related parties and Council during the financial year.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
<p>The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:</p>		
Mayoral fee	27	26
Councillors' fees	85	85
Total	112	111

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

68	83
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Remuneration for audit and other assurance services

68	83
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Total Auditor-General remuneration

68	83
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Non NSW Auditor-General audit firms

(ii) Non-assurance services

Audit Risk and Improvement Committee Expenses

2	7
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Remuneration for non-assurance services

2	7
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Total remuneration of non NSW Auditor-General audit firms

2	7
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Total audit fees

70	90
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G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	11,217	10,537
Add / (less) non-cash items:		
Depreciation and amortisation	7,681	7,736
(Gain) / loss on disposal of assets	964	(363)
Non-cash capital grants and contributions	(250)	(8,244)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	693	–
– Investment property	(225)	(260)
– Revaluation decrements / impairments of IPP&E direct to P&L	–	826
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,681)	(2,170)
Increase / (decrease) in provision for impairment of receivables	59	49
(Increase) / decrease of inventories	(30)	(54)
(Increase) / decrease of contract asset	(615)	129
Increase / (decrease) in payables	4,057	(183)
Increase / (decrease) in accrued interest payable	(5)	1
Increase / (decrease) in other accrued expenses payable	142	(62)
Increase / (decrease) in other liabilities	(635)	(1,991)
Increase / (decrease) in contract liabilities	2,793	3,453
Increase / (decrease) in employee benefit provision	(332)	92
Increase / (decrease) in other provisions	86	(51)
Net cash flows from operating activities	23,919	9,445

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage and water infrastructure	611	2
IT Infrastructure	–	4
Buildings	2,825	155
Road infrastructure	55	57
Open space/recreational assets	449	–
Bridges	945	–
Footpaths	485	–
Total commitments	5,370	218

G3 Statement of developer contributions as at 30 June 2022

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	11	-	-	-	-	-	11	-
Roads	1,022	21	-	-	(172)	-	871	-
Parking	30	-	-	-	-	-	30	-
Community facilities	775	15	-	-	(53)	-	737	-
S7.11 contributions – under a plan	1,838	36	-	-	(225)	-	1,649	-
S7.12 Contributions Plan	-	67	-	-	-	-	67	-
Total S7.11 and S7.12 revenue under plans	1,838	103	-	-	(225)	-	1,716	-
S64 contributions	6,179	60	-	-	-	-	6,239	-
S7.11 not under plans	112	-	-	-	-	-	112	-
Total contributions	8,129	163	-	-	(225)	-	8,067	-

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.

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – Community services and amenities								
Community facilities	620	15	-	-	(53)	-	582	-
Total	620	15	-	-	(53)	-	582	-
CONTRIBUTION PLAN – South Urunga Development Area								
Roads	17	-	-	-	(17)	-	-	-
Total	17	-	-	-	(17)	-	-	-
CONTRIBUTION PLAN – Bellingen Council Roads								
Roads	1,869	21	-	-	(1,019)	-	871	-
Total	1,869	21	-	-	(1,019)	-	871	-
CONTRIBUTION PLAN – Bridge replacement								
Roads	(864)	-	-	-	864	-	-	-

continued on next page ...

G3-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	(864)	-	-	-	864	-	-	-
CONTRIBUTION PLAN – Bushfire Services Plan								
Community facilities	155	-	-	-	-	-	155	-
Total	155	-	-	-	-	-	155	-
CONTRIBUTION PLAN – Bellingen drainage								
Drainage	11	-	-	-	-	-	11	-
Total	11	-	-	-	-	-	11	-
CONTRIBUTION PLAN – Bellingen Parking								
Parking	30	-	-	-	-	-	30	-
Total	30	-	-	-	-	-	30	-

G3-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

In July 2021, Council adopted the Bellingen Shire Section 7.12 Contributions Plan 2021. The plan commenced from 1 July 2021.

G3-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTIONS NOT UNDER A PLAN								
Drainage	11	-	-	-	(11)	-	-	-
Other	101	-	-	-	11	-	112	-
Total	112	-	-	-	-	-	112	-

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,164	8.77%	(1.99)%	(2.33)%	(12.43)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	47,494					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	30,180	53.84%	76.12%	72.84%	68.81%	> 60.00%
Total continuing operating revenue, inclusive of all grants and contributions ¹	56,050					
3. Unrestricted current ratio						
Current assets less all external restrictions	16,516	2.58x	2.17x	2.56x	1.94x	> 1.50x
Current liabilities less specific purpose liabilities	6,400					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12,118	7.50x	5.20x	6.00x	3.42x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,615					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	565	3.18%	4.51%	5.46%	4.13%	< 10.00%
Rates and annual charges collectable	17,756					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	31,482	9.99	7.34	8.33	10.43	> 3.00
Monthly payments from cash flow of operating and financing activities	3,150	mths	mths	mths	mths	mths

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

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

G4-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	10.51%	(6.43)%	(21.59)%	12.28%	12.18%	17.92%	> 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	47.64%	51.44%	97.07%	98.72%	99.50%	91.21%	> 60.00%
Total continuing operating revenue, inclusive of all grants and contributions ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.58x	2.17x	38.55x	100.75x	30.13x	48.56x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.27x	2.97x	∞	∞	∞	∞	> 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	3.09%	4.44%	3.36%	4.59%	3.48%	4.75%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.76 mths	4.10 mths	66.94 mths	47.20 mths	36.58 mths	23.70 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note G5-1 above.

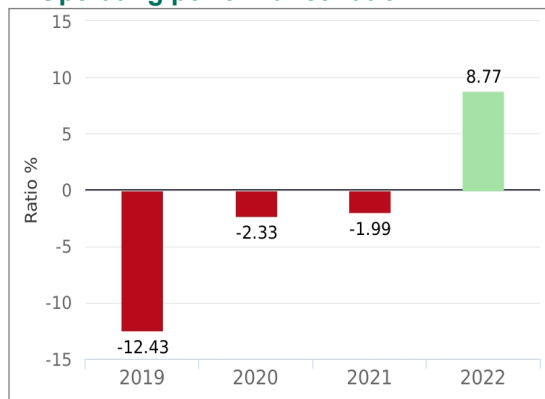
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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 8.77%

Councils operating performance ratio result represents an improvement from the prior financial year and is significantly better than the 2021/22 ratio estimate of -3.4%. Council is continuing to work on improving this ratio into the future.

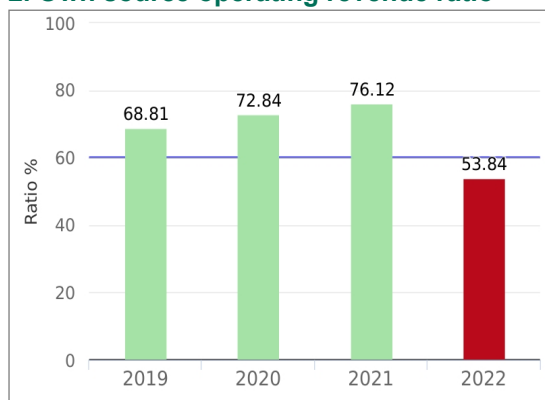
Benchmark: — > 0.00%

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 53.84%

Councils generation of own source revenue is primarily achieved through the collection of rating revenue. Council is slightly below the benchmark of 60% due to one off grants received during 2022.

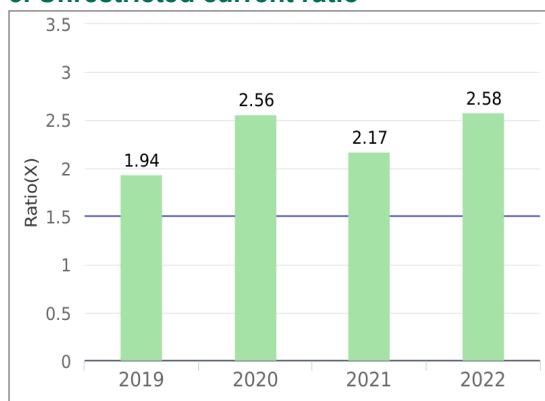
Benchmark: — > 60.00%

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 2.58x

Councils unrestricted current ratio is well above the industry benchmark of 1.50x, indicating Council is able to satisfy its obligations as and when they fall due.

Benchmark: — > 1.50x

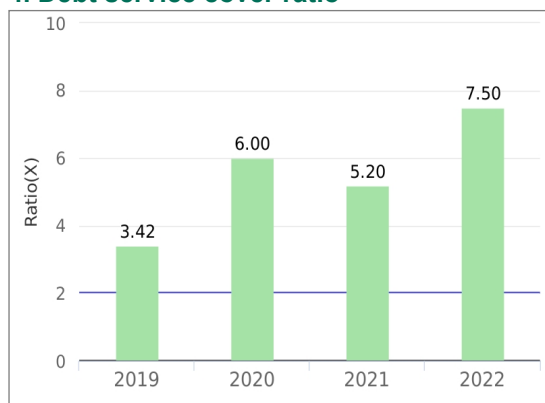
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 7.50x

Council exceeds the industry benchmark of 2.0x, indicating sufficient operating cash to service its debts.

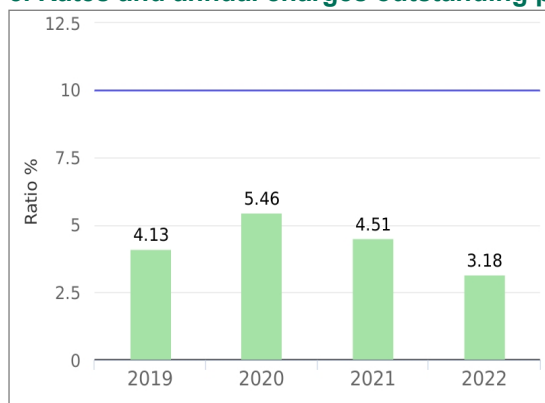
Benchmark: — > 2.00x

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 3.18%

Councils result for 2021/22 is well below the industry benchmark of 10%, reflecting good debt management practices.

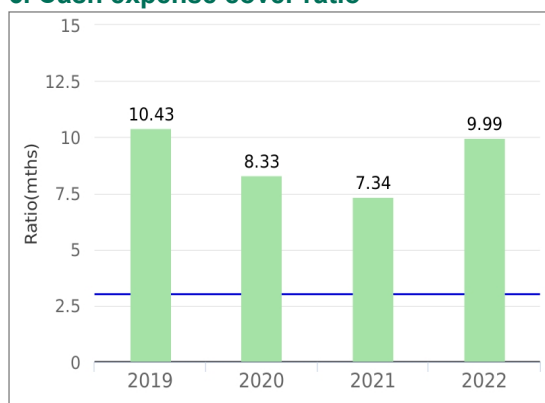
Benchmark: — < 10.00%

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 9.99 mths

This ratio is well above industry benchmark, indicating that Council has sufficient liquidity to mitigate any unforeseen future events.

Benchmark: — > 3.00mths

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:

Hyde Street
BELLINGEN NSW 2454

Contact details

Mailing Address:

PO Box 117
BELLINGEN NSW 2454

Opening hours:

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

Telephone: 02 6655 7300

Facsimile: 02 6655 2310

Internet: www.bellingen.nsw.gov.au

Email: council@bellingen.nsw.gov.au

Officers

GENERAL MANAGER

Liz Jeremy

RESPONSIBLE ACCOUNTING OFFICER

Chris Hodge

Elected members

MAYOR

Stephen Allan

Other information

ABN: 26 066 993 265



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Qualified Opinion

I have audited the accompanying financial statements of Bellingen Shire 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 the Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 12 August 2012.
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G4-1 'Statement of performance measures – consolidated results' and Note G4-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

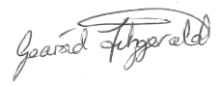
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

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

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

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

- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in cursive script that reads "Gearoid Fitzgerald".

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY



Cr Steve Allan
Mayor
Bellingen Shire Council
PO Box 117
BELLINGEN NSW 2454

Contact: Gearoid Fitzgerald
Phone no: 9275 7392
Our ref: D2222673/1691

27 October 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Bellingen Shire Council**

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

I expressed a modified opinion on the Council's GPFS.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership

- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 12 August 2012
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

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

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

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	16.9	16.1	↑ 5.0
Grants and contributions revenue	25.9	19.3	↑ 34.2
Materials and Services	21.5	14.1	↑ 52.5
Operating result from continuing operations	11.2	10.5	↑ 6.7
Net operating result before capital grants and contributions	2.7	(1.0)	↑ 370.0

The Council's operating result from continuing operations (\$11.2 million including depreciation and amortisation expense of \$7.7 million) was \$0.7 million higher than the 2020–21 result.

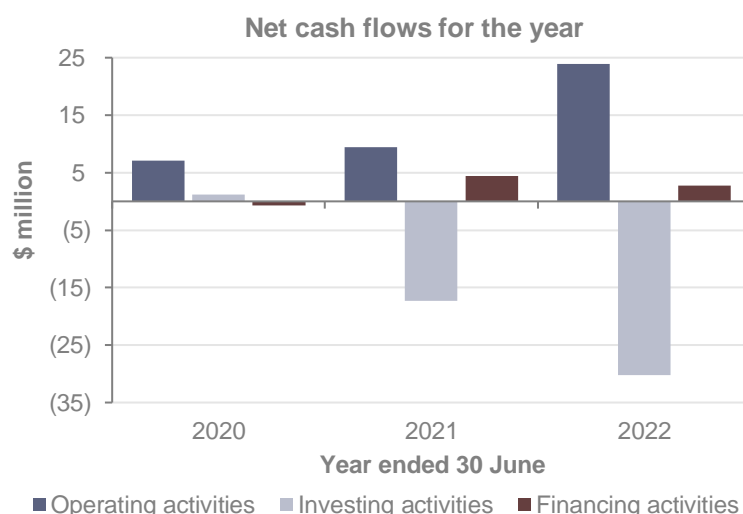
The increase in operating result is largely attributable to the following:

- Rates and annual charges revenue (\$16.9 million) increased by \$0.8 million (5.0 per cent). The IPART approved rate peg was 2.0 percent in 2021-22, however Council had a special rate variation for 2021-22
- Grants and contributions revenue (\$25.9 million) increased by \$6.6 million (34.2 per cent). An increase in the level of operating grants received was offset by reduced capital grants and reduced non-cash contributions in 2021-22.
- Materials and services expense (\$21.5 million) increased by \$7.4 million (52.5 per cent) due to increase in contractor and consultancy costs required for maintenance costs as a result of weather events.
- Employee benefits expense (\$12.3 million) increased by \$0.7 million (6.4 per cent).
- Depreciation and amortisation of non-financial assets (\$7.7 million) decreased by \$0.9 million (10.3 per cent) primarily as a result of impairment recognised in the prior year.

The net operating result before capital grants and contributions (\$2.7 million) was \$3.7 million higher than the 2020–21 result.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$14.5 million. This is largely due to an increase in grants and contributions income.
- Net cash used in investing activities increased by \$13.0 million. This is largely due to increased payments for infrastructure, property, plant and equipment.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	41.6	34.4	<ul style="list-style-type: none"> • Externally restricted cash and investments has increased by \$5.5 million from the prior year. \$4.7 million of this increase relates to general fund specific purpose unexpended grants.
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> • Internally allocated cash and investments have increased by \$0.6 million from prior year. This increase is largely due to cash reserves set aside for carry forward works and proceeds from the sale of investment property.
• External restrictions	36.3	30.8	
• Internal allocations	3.8	3.2	

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

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

We note that council did not meet the benchmark for Water fund for the current reporting period.



Own source operating revenue ratio

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

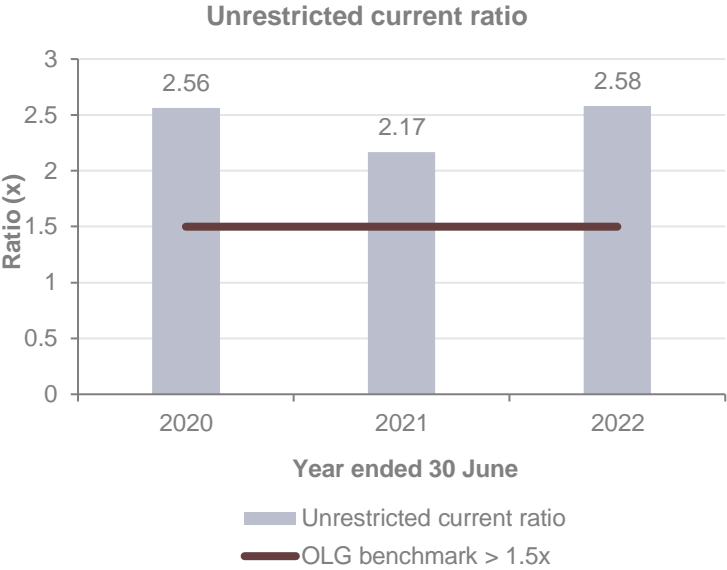
The Council did not meet the OLG benchmark for the current reporting period.

We note that a significant increase in grant funding received in the current year has negatively impacted this ratio.



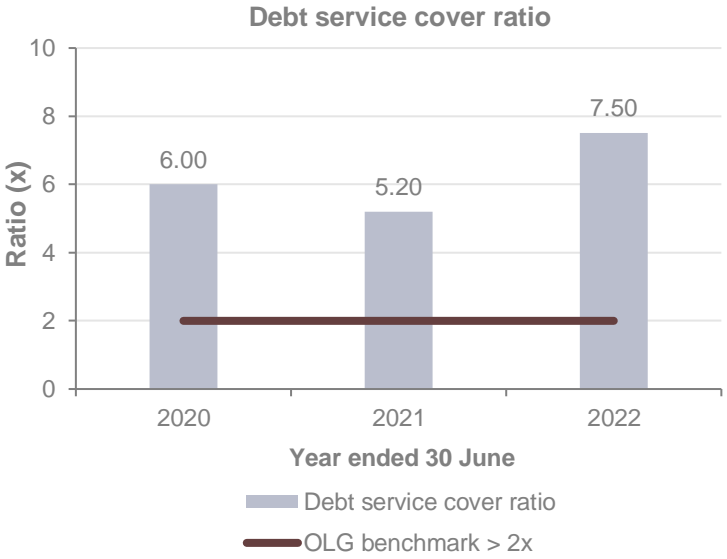
Unrestricted current ratio

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



Debt service cover ratio

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

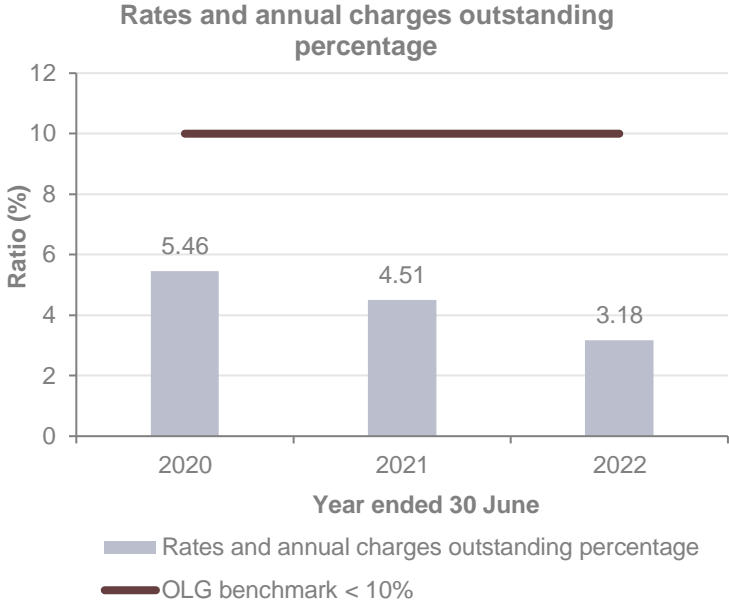


Rates and annual charges outstanding percentage

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

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

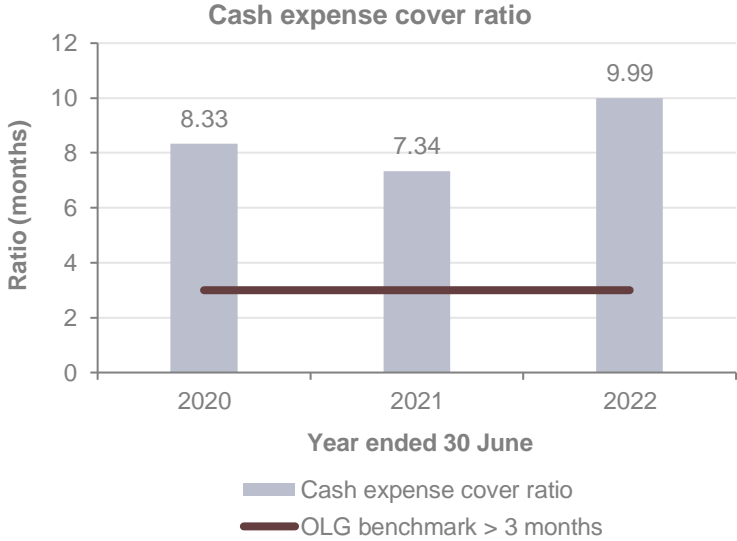
The ratio has continued to improve when compared with the comparative reporting periods.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2021-22 year was \$15.0 million (\$5.7 million in 2020-21). Renewal expenditure for the current reporting period exceeded the rate at which these assets are depreciating.

OTHER MATTERS

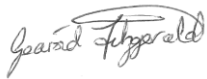
Legislative compliance

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

As explained in the 'Significant Issues and Observations' section of this Report, rural fire-fighting equipment was not recognised in the financial statements.

Aside from the matter outlined above, the Council's:

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Ms Liz Jeremy, General Manager
Mr Allan Shorter, Chair of the Audit, Risk and Improvement Committee

Bellingen Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

Connected, Sustainable, Creative.



Bellingen Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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).

Bellingen Shire 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,
- accord with Council's accounting and other records; and
- 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.



Stephen Allan
Mayor
26 October 2022



Joanne Cook
Councillor
26 October 2022



Liz Jeremy
General Manager
26 October 2022



Chris Hodge
Responsible Accounting Officer
26 October 2022

Bellingen Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	655	632
User charges	2,033	1,816
Interest and investment income	74	613
Other income	22	18
Total income from continuing operations	2,784	3,079
Expenses from continuing operations		
Employee benefits and on-costs	1,569	1,362
Materials and services	531	463
Depreciation, amortisation and impairment	881	828
Other expenses	404	–
Impairment of IPP&E	–	48
Calculated taxation equivalents (incl. NSW Land tax)	5	6
Total expenses from continuing operations	3,390	2,707
Surplus (deficit) from continuing operations before capital amounts	(606)	372
Grants and contributions provided for capital purposes	84	40
Surplus (deficit) from continuing operations after capital amounts	(522)	412
Surplus (deficit) from all operations before tax	(522)	412
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(97)
Surplus (deficit) after tax	(522)	315
Plus accumulated surplus	21,138	20,720
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	5	6
– Corporate taxation equivalent	–	97
Return on capital %	(1.2)%	0.9%
Subsidy from Council	2,395	219
Calculation of dividend payable:		
Surplus (deficit) after tax	(522)	315
Less: capital grants and contributions (excluding developer contributions)	(84)	(40)
Surplus for dividend calculation purposes	–	275
Potential dividend calculated from surplus	–	138

Bellingen Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	3,683	3,558
User charges	210	205
Liquid trade waste charges	43	42
Interest and investment income	20	201
Other Revenues	–	–
Total income from continuing operations	3,956	4,006
Expenses from continuing operations		
Employee benefits and on-costs	1,415	1,382
Materials and services	699	589
Depreciation, amortisation and impairment	1,249	1,271
Impairment of IPP&E	–	45
Calculated taxation equivalents	11	–
Other expenses	111	1
Total expenses from continuing operations	3,485	3,288
Surplus (deficit) from continuing operations before capital amounts	471	718
Grants and contributions provided for capital purposes	20	386
Surplus (deficit) from continuing operations after capital amounts	491	1,104
Surplus (deficit) from all operations before tax	491	1,104
Less: corporate taxation equivalent (25%) [based on result before capital]	(118)	(187)
Surplus (deficit) after tax	373	917
Plus accumulated surplus	14,180	13,076
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	11	–
– Corporate taxation equivalent	118	187
Return on capital %	1.0%	1.8%
Subsidy from Council	1,253	–
Calculation of dividend payable:		
Surplus (deficit) after tax	373	917
Less: capital grants and contributions (excluding developer contributions)	(20)	(386)
Surplus for dividend calculation purposes	353	531
Potential dividend calculated from surplus	177	266

Bellingen Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	715	2,546
Investments	14,284	13,231
Receivables	173	404
Inventories	210	242
Total current assets	15,382	16,423
Non-current assets		
Receivables	5	6
Infrastructure, property, plant and equipment	48,886	39,674
Intangible assets	281	312
Total non-current assets	49,172	39,992
Total assets	64,554	56,415
LIABILITIES		
Current liabilities		
Payables	282	31
Employee benefit provisions	117	132
Total current liabilities	399	163
Non-current liabilities		
Employee benefit provisions	7	7
Total non-current liabilities	7	7
Total liabilities	406	170
Net assets	64,148	56,245
EQUITY		
Accumulated surplus	20,621	21,138
Revaluation reserves	43,527	35,107
Total equity	64,148	56,245

Bellingen Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	444	1,297
Investments	8,874	6,738
Receivables	12	512
Inventories	70	–
Total current assets	9,400	8,547
Non-current assets		
Receivables	30	31
Infrastructure, property, plant and equipment	47,107	39,114
Intangible assets	281	312
Total non-current assets	47,418	39,457
Total assets	56,818	48,004
LIABILITIES		
Current liabilities		
Payables	173	20
Employee benefit provisions	139	156
Total current liabilities	312	176
Non-current liabilities		
Employee benefit provisions	8	9
Total non-current liabilities	8	9
Total liabilities	320	185
Net assets	56,498	47,819
EQUITY		
Accumulated surplus	14,682	14,181
Revaluation reserves	41,816	33,638
Total equity	56,498	47,819

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. Bellingen Shire Council Water Supply

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Bellingen, Urunga, Repton, Mylestom and Dorrigo.

b. Bellingen Shire Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Bellingen, Urunga and Dorrigo.

Category 2 - Business activities with gross operating turnover less than \$2 million

Nil

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%)

Note – Significant Accounting Policies (continued)

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.

In accordance with the Department of Planning, Industry & Environment – 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 relevant 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 30/6/22.

Note – Significant Accounting Policies (continued)

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Planning, Industry and Environment (DPIE) – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 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 required to be submitted to the Department of Planning, Industry and Environment (DPIE) – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bellingen Shire 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:

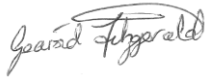
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.

A handwritten signature in cursive script that reads "Gearoid Fitzgerald".

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY

Bellingen Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

Connected, Sustainable, Creative.



Bellingen Shire 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 4

Bellingen Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	8,532	8,999
Plus or minus adjustments ²	b	4	10
Notional general income	c = a + b	8,536	9,009
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	171	225
Sub-total	k = (c + g + h + i + j)	8,707	9,234
Plus (or minus) last year's carry forward total	l	285	(7)
Sub-total	n = (l + m)	285	(7)
Total permissible income	o = k + n	8,992	9,227
Less notional general income yield	p	8,999	9,230
Catch-up or (excess) result	q = o - p	(8)	(3)
Carry forward to next year ⁶	t = q + r + s	(8)	(3)

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)*.
- (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

Bellingen Shire Council

To the Councillors of Bellingen Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bellingen Shire 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:

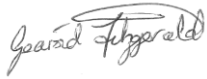
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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.



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	2,380	2,380	580	189	20,767	46,448	1.0%	10.0%	78.0%	9.0%	2.0%
	Sub-total	2,380	2,380	580	189	23,265	46,448	1.0%	10.0%	78.0%	9.0%	2.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	17,713	17,713	1,430	1,213	64,186	101,561	12.0%	31.0%	38.0%	14.0%	5.0%
	Unsealed roads	–	–	598	936	8,717	21,104	7.0%	23.0%	42.0%	18.0%	10.0%
	Bridges	4,200	5,500	390	211	22,767	42,757	28.0%	29.0%	25.0%	13.0%	5.0%
	Footpaths	820	820	60	49	2,587	3,436	20.0%	12.0%	42.0%	24.0%	2.0%
	Bulk earthworks	–	–	–	–	180,084	180,084	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	4,572	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and Gutter	642	642	120	14	6,339	9,232	5.0%	26.0%	56.0%	10.0%	3.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
Sub-total	23,375	24,675	2,598	2,423	289,252	358,174	57.8%	14.4%	18.1%	7.1%	2.7%	
Water supply network	Water supply network	206	206	321	321	45,179	64,890	37.9%	44.0%	17.6%	0.5%	0.0%
	Sub-total	206	206	321	321	45,179	64,890	37.9%	44.0%	17.6%	0.5%	0.0%
Sewerage network	Sewerage network	1,391	1,391	574	574	44,394	61,764	31.2%	45.7%	20.0%	3.1%	0.0%
	Sub-total	1,391	1,391	574	574	44,394	61,764	31.2%	45.7%	20.0%	3.1%	0.0%
Stormwater drainage	Stormwater drainage	1,141	1,141	150	117	14,133	25,154	0.0%	30.0%	39.0%	24.0%	7.0%
	Sub-total	1,141	1,141	150	117	14,133	25,154	0.0%	30.0%	39.0%	24.0%	7.0%
Open space / recreational assets	Swimming pools	1,944	1,944	50	9	5,067	9,235	13.0%	12.0%	70.0%	4.0%	1.0%
	Sub-total	1,944	1,944	50	9	5,067	9,235	13.0%	12.0%	70.0%	4.0%	1.0%
Other infrastructure assets	Other	563	563	40	6	3,113	4,118	30.0%	10.0%	59.0%	1.0%	0.0%
	Sub-total	563	563	40	6	3,113	4,118	30.0%	10.0%	59.0%	1.0%	0.0%
Total – all assets		31,000	32,300	4,313	3,639	424,403	569,783	44.5%	21.4%	25.2%	6.7%	2.2%

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

Bellingen Shire 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

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	15,168					
Depreciation, amortisation and impairment	9,660	157.02%	51.77%	106.04%	127.40%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	31,000					
Net carrying amount of infrastructure assets	440,459	7.04%	8.75%	8.60%	5.85%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	3,639					
Required asset maintenance	4,313	84.37%	85.21%	100.00%	100.00%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	32,300	5.67%	6.31%	6.33%	4.28%	
Gross replacement cost	569,783					

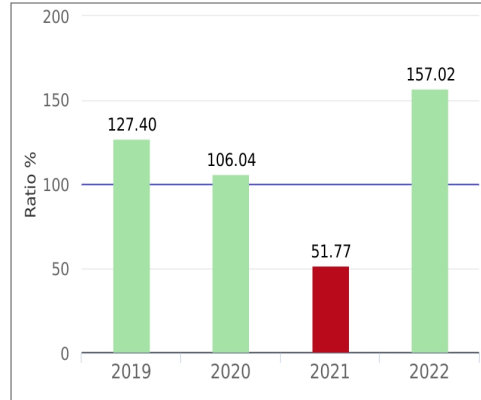
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Bellingen Shire Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
21/22 ratio	157.02%
The ratio result of 157% exceeds the industry benchmark and reflects Council's large investment in renewing roads and bridge infrastructure.	

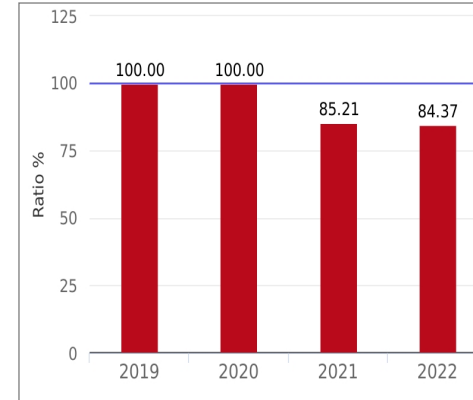
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
21/22 ratio	84.37%
During the year, the required maintenance for selected asset classes was reviewed and updated. The result of the review indicate that additional maintenance is required for a number of asset classes. This resulted in Council not meeting the industry benchmark of 100%.	

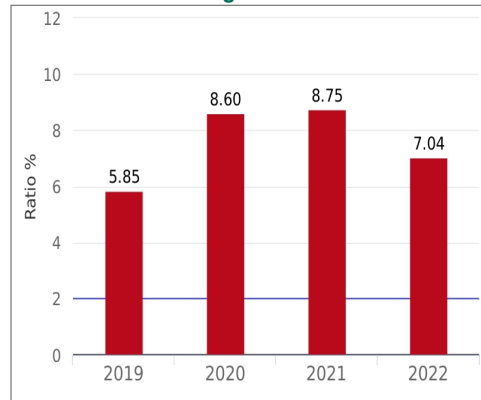
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
21/22 ratio	7.04%
Council's current infrastructure backlog ratio exceeds the acceptable industry benchmark of 2.0%. Council is focused on reducing its backlog by heavily investing in infrastructure during the next 10 years.	

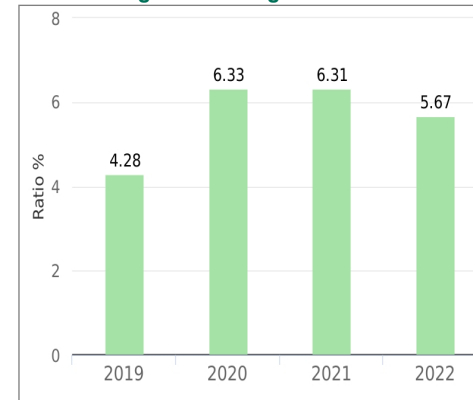
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
21/22 ratio	5.67%
The 2021/22 result of 5.67% is reflective of the current infrastructure backlog. Acceptable levels of service is based on consultation undertaken during the last special rate variation implemented by Council.	

Bellingen Shire 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	183.61%	59.97%	77.79%	24.71%	31.14%	8.99%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	8.38%	8.18%	0.46%	12.17%	3.13%	10.59%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	80.28%	81.09%	100.00%	100.00%	100.00%	100.00%	> 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	6.93%	6.20%	0.32%	7.12%	2.25%	6.25%	

(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.