



A juxtaposition of the devastating effects of the drought and the resilience and rejuvenation of the landscape after bushfires. Photo: Terry Cooke



Completed roundabout on the New England Highway for access to business park developments adjacent to the Armidale Airport

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# Part A - Community report card



The impact of the sustained drought was felt hardest by our farmers. Photo: Terry Cooke

# Foreword

## 2018–2019 Annual Report

The Annual Report is one of the many ways Armidale Regional Council reports back to its community and stakeholders. It is one of the key components of the Integrated Planning and Reporting Framework legislated by the NSW Government.

The Report focuses on the financial and operational performance of Council and provides a snapshot of Council's achievements throughout the financial year.

The Armidale Regional Council 2018- 2019 Annual Report is presented in three parts:

- Part A – Community Report Card  
A summary of Council, its operations, major projects and achievements.
- Part B – Statutory Information  
A comprehensive report on key indicators and statistics as required by the Office of Local Government.
- Part C – Financial Statements  
Independently audited statements that give a detailed picture of the financial management of Council.

## Acknowledgement of Country

We acknowledge the traditional custodians of this land and pay our respects to elders past and present.

The Armidale regional community pays tribute to their love of land, love of people, and love of culture.

We all share the beauty of this land, the richness of its soil and the uniqueness of its wildlife.

Let us walk together in the footsteps of love and understanding.

While valuing diversity, let us share the same hope for a better future.



Guyra to Malpas Dam pipeline construction. February 2019.

# Integrated Planning & Reporting Framework

All NSW councils are required to develop and report on a set of plans and strategies which assist in identifying and responding to community aspirations and needs.

This framework is known as the Integrated Planning and Reporting Framework and aims to:

- integrate and streamline statutory planning and reporting
- strengthen strategic focus
- align with national sustainability frameworks
- ensure accountability and responsiveness to local communities

Council's Plans and Reports under the Integrated Planning and Reporting Framework are outlined below:

## Community Strategic Plan (CSP) 2017-2027

A 10-year plan outlining the goals and aspirations of the community, captured through extensive community engagement.

## Operational Plan 2018-2019

Operational Plan – annual plan of actions that support the Delivery Program strategies

## Delivery Program 2017 – 2021

Delivery Program – strategies for the term of the elected Council to achieve the goals of the CSP.

## Resourcing Strategy

- Asset Management Strategy
- Workforce Management Plan
- Long-Term Financial Plan

A set of plans and strategies to ensure Council has the necessary resources and assets, and that Council plans for the future accordingly.



# Message from the Acting General Manager

Whilst my term with Council commenced in August 2020, I have gained some understanding of what was a tumultuous year for the community and for the Council.

During 2019/20 the region came out of one of the worst droughts on record, experienced devastating bush fires, the likes of which locals have never seen and these events were followed by the life threatening, restrictive and disruptive Covid-19.

Storm events on a burnt out landscape caused serious damage to the Armidale to Kempsey Road resulting in Council having to commence emergency works to make parts of the road safe and useable for residents and travellers. The road is currently classified as a local road and is the responsibility of the Council; however the emergency and ongoing works required on the road are beyond Council's resources. The State Government has provided ongoing financial and technical support to Council as it continues to restore the road to a satisfactory standard.

In this bizarre year the Council, Councillors and Chief Executive Officer were involved in an extraordinary court case which was perhaps the catalyst to the Minister for Local Government suspending the Council for three months and appointing Mr Viv May, PSM, Interim Administrator.

Through all of the challenges faced by the staff and a far from ideal work environment with a high staff turnover they continued to provide quality services. Unfortunately

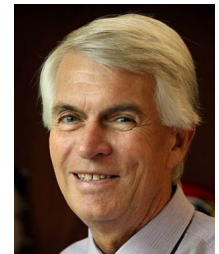
through the turmoil many good employees departed and the organisation lost its focus on good governance and financial management which will have to be recovered in future years.

At the end of the financial year the organisation had many enthusiastic staff looking for guidance to rebuild the Council's performance and reputation.

Following the drought and bush fires and in a bid to strengthen and stimulate the region the State and Federal Governments provided numerous grants to the Council. Whilst the grants have enabled Council to bring forward many worthwhile projects the influx of funds has placed pressure on staff to deliver the funded works.

This Annual Report outlines Council's many achievements during a very difficult year.

Appreciation must go to Federal and State Members of Parliament for their assistance and support to the Council and to the many residents who contributed and volunteered throughout the year



**Acting General Manager  
John Rayner**



Council's new Twilight Food Markets was last major event hosted by Council before the COVID-19 pandemic stopped events across Australia in 2020



# Our Councillors



**Mayor** Simon Murray



**Deputy Mayor** Lib Martin



**Councillor** Peter Bailey



**Councillor** Jonathan Galletly



**Councillor** Diane Gray



**Councillor** Andrew Murat



**Councillor** Debra O'Brien



**Councillor** Margaret O'Connor



**Councillor** Dorothy Robinson



**Councillor** Ian Tiley



**Councillor** Bradley Widders

## Council Administration Period

On 12 June 2020 a notice published in the NSW Government Gazette advised of the order by the Honourable Shelley Hancock MP, Minister for Local Government to suspend Armidale Regional Council for a period of three months. The Minister appointed Mr VHR (Viv) May PSM as Interim Administrator.

## Council meetings

The following Council Meetings were held from July 2019 to June 2020:

- Twelve Ordinary Council Meetings
- Five Extraordinary Meetings

Councillor	Ordinary meetings		Extraordinary meetings	
	Attendances	Absences	Attendances	Absences
Cr Murray	11		5	
Cr Robinson	11		4	1
Cr Bailey	11		5	
Cr Galletly	11		4	1
Cr Gray	10	1	5	
Cr Martin	10	1	5	
Cr Murat	9	2	4	1
Cr O'Brien	10	1	4	1
Cr O'Connor	11		4	1
Cr Tiley	10	1	3	2
Cr Widders	11	1	5	
Interim Administrator	1			

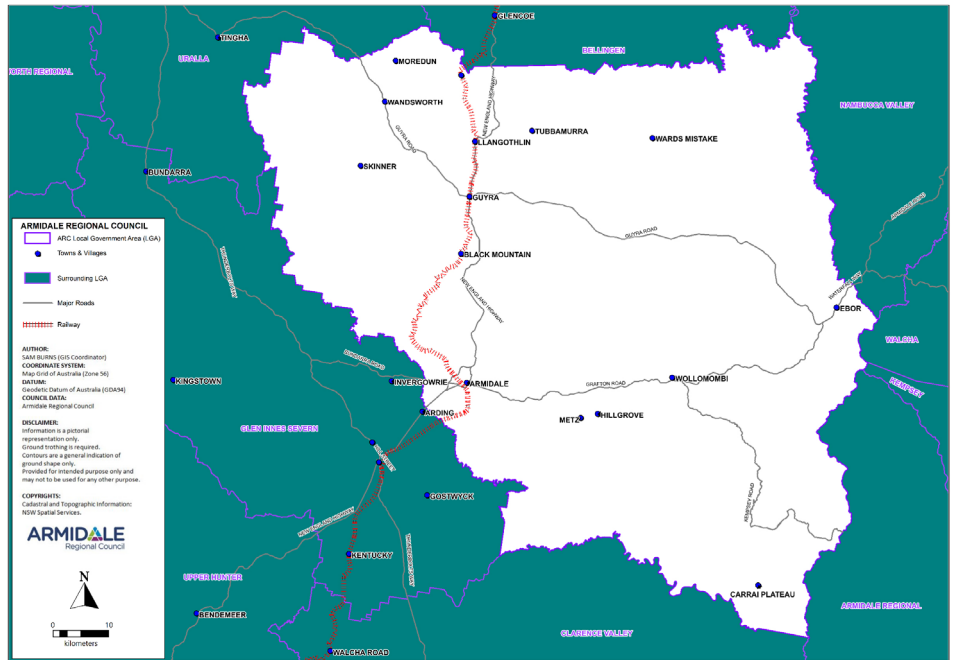
## Committees of Council

Committees of Council provide an opportunity for Councillors to engage directly with community members on key community and Council matters in a regular and inclusive meeting environment. The following list outlines the Councillors who Chair and participate in each of Council's Committees.

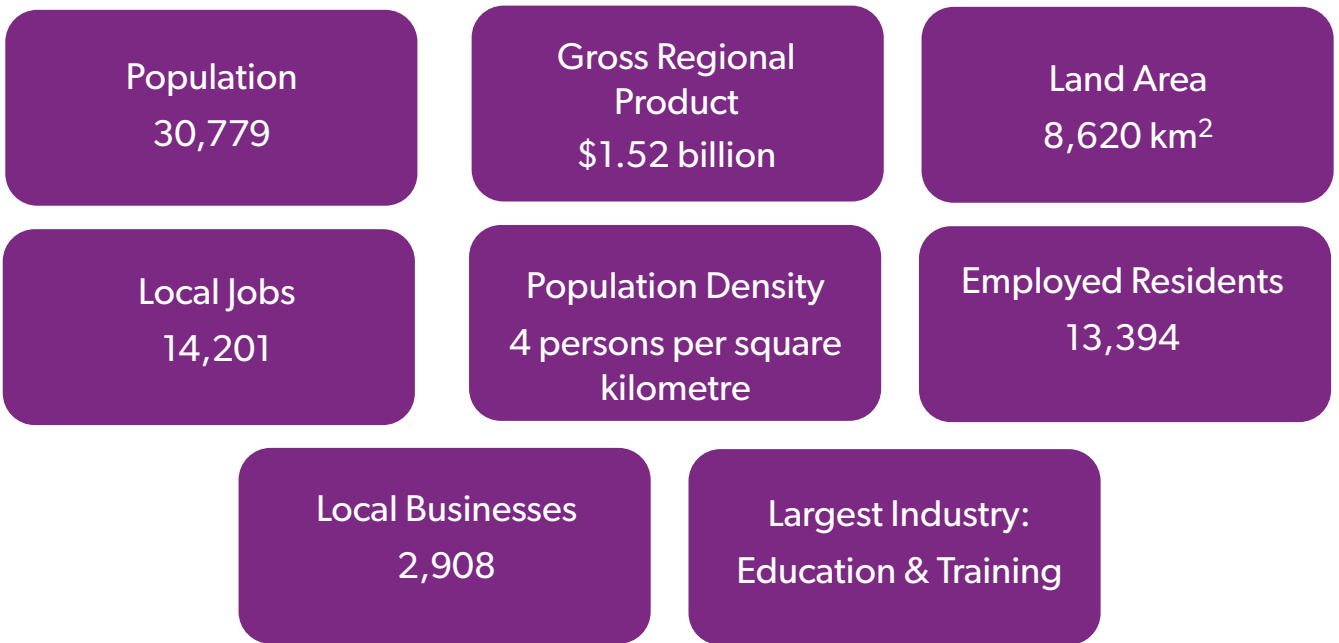
Council Advisory Committees	
Arts, Cultural and Heritage Advisory Committee	Cr O'Connor (Chair), Cr Gray
Armidale Regional Sports Council (S355)	Cr Widders (Chair), Cr Galletly
Armidale Regional Youth Advisory Committee	Cr Widders
Audit, Risk & Improvement Committee	Cr Gray, Cr O'Connor
Business Advisory Committee	Cr Gray (Chair), Cr Martin
Community Wellbeing Advisory Committee	Cr O'Brien (Chair), Cr Robinson, Cr Tiley
Environmental Sustainability Advisory Committee	Cr Robinson (Chair), Cr Gray
Floodplain Management Advisory Committee	Cr Galletly (Chair), Cr Tiley
Gayinyaga Aboriginal Advisory Committee	Cr O'Brien
Regional Growth Advisory Committee	Cr Bailey (Chair), Cr Murat, Cr Gray
Traffic Advisory Committee	Cr Martin (Chair), Cr Robinson

# Our Region & Community

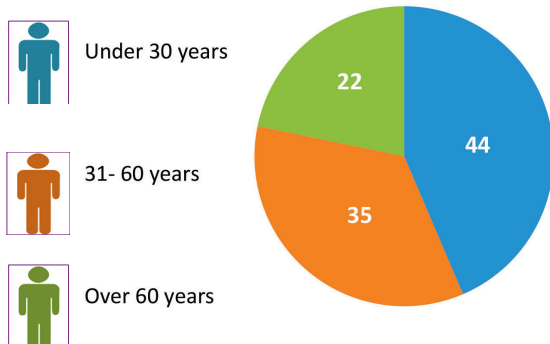
The Armidale Regional Council area is located in the New England Region of New South Wales, approximately 500km north of the Sydney CBD and 500km south of the Brisbane CBD. Its vibrant, innovative and inclusive community enjoys an enviable mix of rural and regional lifestyles, with vast and productive agricultural land, cohesive local towns and villages, and a progressive Armidale city that provides many essential services to the region.



## Armidale Region Key Statistics



## Our population



Population change during past five years

↑ 2.6%

## Our Council

### Our workforce



Total Staff (including casuals) 296

Total Full Time Equivalent 262.7

Female staff 29%

Male staff 71%

Average age of workforce 48 years

Average length of service 9.49 years

## Senior Staff 2019-20

### Chief Executive Officer



### Directors

**Operations**  
Mark Piorkowski



**Businesses**  
Scot MacDonald



**Organisational Development**  
Kim Bryan



## Our performance

The Community Strategic Plan 2017-2027 sets out the goals and aspirations of the regional community, established through an extensive community engagement process. This critical Plan provides the foundation for Council to develop the strategies and actions which it will undertake to create the physical, economic and social environment that the community seeks. This section outlines some of the highlights in working towards the goals of the Community Strategic Plan.

The Community Strategic Plan is organised in the following four categories:

**Growth, Prosperity and Economic Development**

**Leadership for the Region**

**Our People, Our Community**


**Environment and Infrastructure**

# Growth, Prosperity & Economic Development

The growth and development of our region has far-reaching and positive impacts on our social and economic quality of life. Council understands the importance of supporting local business, attracting new residents and industry, and promoting technology, education and skill advancements.

## Community Strategic Plan Outcomes:

 The community experiences the benefits of an increasing population

 The agricultural sector is supported as one of the pillars of growth and to sustain local and national food security

 The visitor economy generates additional revenue and employment to boost the local economy and creates opportunities for more vibrant cultural activities

 Economic development is supported through new initiatives, innovation and additional resources to assist growth of business and industry

## Highlights

### Business Symposiums

During the first half of the financial year, Council led a number of Business Symposiums that brought together Council and business leaders from across the region to drive innovation and cooperation in the economic development space.

The Symposiums sold-out with 80 participants attending the first event in July 2019, and a second event was held in November 2019 with the focus on building on the themes developed in the first event, to identify our region's unique values propositions and to further discuss the potential for the development of a Business Hub.

From how to make grass roots community projects become commercial to what does living and doing business in the Armidale Region look like now and in 2030, anything and everything about



Business symposiums brings business leaders to the table

breeding business success, how that should look and feel and the huge potential of the region were discussed.

The feedback from the Symposiums was welcomed by Council and a number of initiatives, such as incentives for business growth and the finalisation of partnerships with industry, were included in the 2020-2021 corporate planning process.



Official sod turn marking the commencement of construction works on the new business park

## Armidale Business Park

During 2019-2020, construction on the Armidale Business Park began and a marketing plan was launched, projecting a potential 200 new jobs for the region.

The Airport Business Park forms part of the overall Master Plan for the development of the Airport Precinct. The key driver for the development was to provide affordable industrial land for development to generate business activity and grow the economy of Armidale and the broader region.

Tenders were called for the Construction of the Armidale Regional Airport Business Park Stage 1, closing in November 2019.

The NSW Government funded \$6.5 million project broke ground in February and work progressed well with minimal impact from the Coronavirus pandemic. By April, contractors had laid over 60 percent of essential underground services including sewer and stormwater lines and 80 percent of the roadway network had been levelled ready for the first layers of road base.



Construction on the new business park

# Leadership for the Region

Armidale Regional Council provides an important leadership role in our community. It endeavors to be a strong, inclusive and dynamic Council that will deliver the best outcomes and represent our community through responsible decision-making and advocacy.

## Community Strategic Plan Outcomes:

△ The community is engaged and has access to local representation

△ Council exceeds community expectations when managing its budget and operations

△ Council demonstrates sound organisational health and has a culture which promotes action, accountability and transparency

△ Council has the strategic capacity to understand the key issues for the region both now and in the future

## Highlights

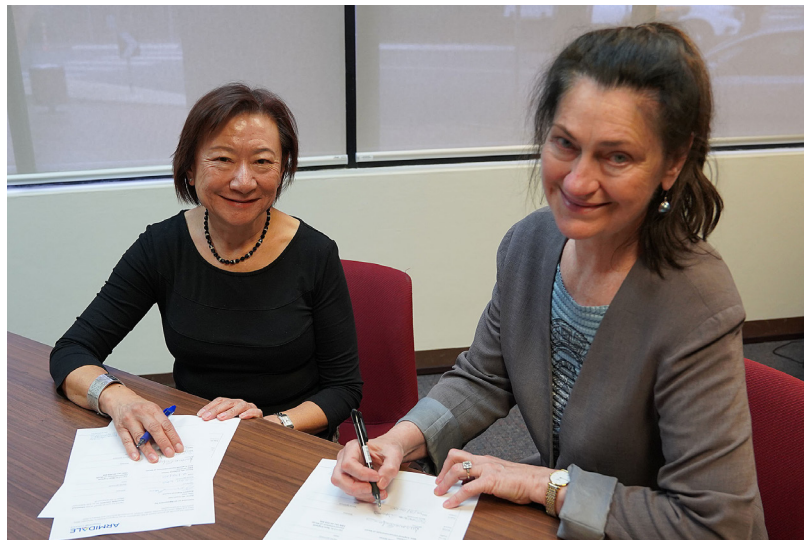
### Support for regional music and performing arts

A new Memorandum of Understanding (MOU) between Armidale Regional Council and New England Conservatorium of Music (NECOM) was signed to further develop the arts industry and exhibit local talent in front of greater audiences.

The two-year arrangement demonstrates Council's support of NECOM initiatives, including the popular New England Sings concerts and a Music Therapy Program.

Council agreed to waive fees for the use of the Town Hall as a concert venue and NECOM will run a series of free community concerts and create more opportunities for locals and visitors to enjoy the region's talented young musicians.

The agreement was signed in the midst of COVID restrictions, with Council pleased to show its support for the challenges facing the arts industry and NECOM.



(MOU) between Armidale Regional Council and (NECOM)



New England Sings choir at the Australia Day Award ceremony in Armidale



## Customer Service Improvements

In 2019-2020, Council implemented a number of initiatives to improve our efficiency, processes and customer service.

Online rates and water rates notices were implemented for participating ratepayers offering added convenience and a boost for the environment, and the Council App was improved to offer more online services.

The Customer Service team averages around 1,070 weekly engagements, including 100 counter enquiries, 500 counter transactions and 300 calls. A switch from a call centre overflow service to a message bank managed by internal staff, reduced telephone outsourcing costs by 90% and considerably reduced the waiting time for customers.

A knowledge-based software program for customer service was also implemented, which has



Customer Service team

transformed the customer experience by improving consistency, accuracy, speed – with the aim to resolving 85% of customer enquiries at first contact.

These improvements assisted Council’s customer service staff to continue to provide a high level of service during the COVID-19 lockdowns.

## Our People, Our Community

Council supports our region to be inclusive, supportive, inspiring, healthy and progressive by providing the services and support which allow our community members to engage in the interests they enjoy, while having access to the services they need.

### Community Strategic Plan Outcomes:



Community programs, services and facilities meet the needs of the community and provide a safe place to live



Events and cultural activities provide the community with an opportunity to celebrate the unique culture and lifestyle of the region



Services are provided to ensure inclusiveness and to support the vulnerable members of our community



Services and activities are provided for all ages and segments of our community to promote life-long learning, healthy living and community well-being

## Highlights

### National Recognition for Refugee Settlement

A national human rights award was presented to Council for its role in a program to settle Ezidi refugees in the region.

Council won the Government category at the Australian Human Rights Commission’s 2019 awards, held in Sydney in December.

Council has been a key partner in a Settlement Services International program to relocate Ezidi refugees from Syria and northern Iraq.

The awards ceremony was held that since mid-2018,



Face painting at Council's annual Day on the Dale celebrations

Armidale has welcomed around 450 Ezidi people who fled their country, fearful of the war with ISIS and the risk of persecution.

Council played a key role in organising a series of social events to welcome the Ezidi, which was headlined by a Refuge Week movie screening at the local cinema and an invitation to the annual Diversity Expo. Council also established a section in the lawn ceremony for the community, and Council staff have been trained to help interact with members of the Ezidi community.



A national human rights award was presented to Council in Sydney

## New Early Learning Centre

Council announced plans to build a new early learning centre for Guyra to be located centrally in the town and that will potentially double the number of current enrollments.

The primary objective of the project is to construct an expanded, modern and financially sustainable Early Childhood Learning Centre.

The new facility, to be located behind Council's Civic Administration Building in Guyra, is looking

to incorporate a before and after school care and a vacation care room and a hubs for the University of New England.

The development will enable Guyra Preschool and Long Day Care Centre to surpass National Quality Standards, which are assessed annually to determine accreditation.

This local infrastructure project has been identified as a key community improvement initiative and is being partly funded with reserves held by Council and partly under Federal grant programs.



Councillors and Council staff joined Member for New England Barnaby Joyce in announcing additional funding for the new early learning centre


# Environment and Infrastructure

The environment we live in has a direct impact on our quality of life and our ability to function as a productive and safe community. Our Council provides the essential services and public amenities that help preserve and maintain our beautiful region, supports a sustainable and healthy lifestyle, and provides safe and essential infrastructure and transport for the community.

## Community Strategic Plan Outcomes:

 The unique climate, landscape and environment of the region is protected, preserved and made accessible

 The community can participate in initiatives which contribute to a sustainable lifestyle

 The community is provided with the essential and resilient infrastructure it requires for daily life, and has access to a prioritised schedule of infrastructure works

 The community has access to transport which enables connectivity both locally and outside of the region

## Highlights

### Guyra Main Street

In September 2019, a reconstruction of the Guyra main street was completed, as a major step to upgrade the town's central business district.

Stage 2 of the upgrades to Guyra Main Street included improvements to the road's profile – reducing the slope from the centre to the road edges – and its alignment with the footpaths, as well as upgrading the road surface. This work improves safety for motorists and pedestrians, while enhancing the appearance and feel of the CBD.

The \$700,000 roadworks included the section of Bradley Street between Nincoola Street and Ollera Street, and built on the preparation works undertaken as part of Stage 1.

The first stage, completed in the previous Financial Year, included main street upgrade designs, identifying and remediating disused fuel tanks beneath the road and footpaths, dealing with soil contamination caused by the fuel tanks, inspecting infrastructure beneath the road and assessing the structural integrity of shop awnings.

Stage 2 also included street scaping and new traffic furniture along the newly reconstructed section

of Bradley Street, as well as liaison with property owners to address any structural and safety issues with shopfront awnings.



Final pavement completed



Street scaping ready for planting

## Waterfall Way Landfill

Development of the Waterfall Way landfill was completed during the year, securing the region's waste requirements for the next 50 years.

The regional landfill, located 12 kms east of Armidale along Waterfall Way will operate alongside Council's existing waste management facilities in Armidale and Guyra and is designed to accept up to 15,000 tonnes per annum of general solid waste.

The new landfill is not open to the public. Waste will continue to be sorted through Armidale and Guyra's waste management facilities to ensure Council maintains a high level of waste diversion from

landfill through organics processing and sorting of recyclables.

The development of a waste facility was necessary as the existing landfill cells in Armidale are at capacity and the Guyra landfill cells are in need of extensive rehabilitation to meet current environmental standards and have not been operational for many years.

Our community expects a high standard of environmental management and Council has delivered a landfill that minimises the impact on the environment and meets current standards rigorously managed by the NSW Government.



The first cell has been constructed and is divided into two sections to minimise leachate



Rainfall within the landfill site but outside of an active landfill cell, contaminated by debris and sediments, is classified as 'dirty' water and is channeled into a sedimentation basin, situated downstream.



The devastation of the 2019 bushfires was felt across the Armidale region. Thousands of kms of fencing was destroyed and important animal habitat decimated. Photo Terry Cooke

# 2019-2020 Challenges

Significant challenges were faced by Council and our residents during 2019-2020. Not only did our region experience one of the worst droughts in history, but also bushfires, flooding and finally the COVID-19 pandemic – all significant individual events that eventuated in one year.

Council worked to continue delivering its essential services, while putting a huge amount of additional resources into water preservation and provision, emergency assistance, service recovery and business support.

Council officers worked hard in dealing with the challenges that have been experienced from natural disasters and the pandemic, and remained focused on providing the services the community needs and expects and delivering projects on the ground.

The financial impact of the natural disasters and pandemic can be found in Part B – ‘Natural Disaster Costs’.



Emergency remediation works on Kempsey Road

## Drought

Unprecedented drought conditions placed enormous pressure on our regional water resources. The emergency water crisis saw Council implement region-wide level 5 water restrictions, some 160 litres per person per day, and a grim but necessary day zero count down on our water supply. The community responded proactively, with many engaging in Council initiatives such as free mulch for gardens, rebates for residential water saving



The airport hosted emergency flights for firefighters battling the bushfires

products, water saving shower heads, and the water saving expo.

Council worked with heavy-use businesses to assist them with strategies to reduce water consumption, as well planning and implementing a bore water network for future drought proofing and providing water stations for drought-affected rural residents to access clean domestic water.

With Guyra’s water storage levels plummeting to less than three weeks supply, the newly completed 18km Malpas Pipeline provided a lifeline for Guyra residents, and ceased the huge costs being incurred through trucking water from Armidale to Guyra. The \$5.7 million pipeline was operational from August 2019 and officially opened in October 2019.

## Flooding / Storm Damage

A storm and flooding event in January 2020 severely impacted the Kempsey Road and Big Hill areas, after the vegetation of these areas were already impacted by bushfires only several months earlier.

Council completed immediate works to remove fallen trees, fire damaged vegetation and other debris from roads, repair and replace fire damaged



A community information hub was established in Ebor to support residents affected by the bushfires

assets and to ensure the safety and convenience of residents and visitors.

Due to the impact of flooding on Kempsey Road, Council is facing a repair bill that is still being estimated but will be in the tens of millions of dollars. Council will be able to claim this expenditure under natural disaster funding arrangements but this is a significant program of work that will need to be managed over at least the next two years.

## Bushfires

Council staff, vehicles, water and infrastructure resources were utilised extensively throughout the devastating bushfires in late 2019.

Impacted parts of our Local Government Area included Ebor Village, Waterfall Way, Point Lookout, Guyra Road, Round Mountain Road, Raspberry Road, Kempsey Road and Big Hill.

Council staff were on the front line helping to operate heavy machinery, clear debris from roads, cart water and fuel, manage traffic and provide information hubs and service referrals for affected residents. The Rural Fire Service also utilised Armidale Airport as a base for fire fighting missions in surrounding Local Government Areas.

## COVID-19

The impact of the COVID-19 pandemic, that escalated in March 2020, was felt across the

community as the unprecedented event closed businesses, schools and community facilities.

The pandemic and resulting economic downturn had an impact on Council's revenue sources including interest, airport user charges and rental income.

Council responded quickly and responsibly to the pandemic by closing down our front counters, libraries, museums and other frontline services. Council offices also closed with all staff working from home between March and July.

Council facilitated support for the business community by providing business support training by way of funding provided to the Business Chamber and establishing a Business Directory for businesses still open or adapting during lockdown.

Council also provided stimulus in the form of:

- Activation programs such as instigating a region wide gift card program and shop local advertising campaigns;
- Planning events to be held once restrictions on mass gatherings are lifted such as a Beer & BBQ festival; and
- Distribution of State grant funding.

A hardship Policy was also endorsed, which contained provisions in relation to payment deferrals for rates and water charges and lease waivers for community groups.



Flights in and out of Armidale Regional Airport ceased at the height of the pandemic.



## Financial overview

In its fourth Financial Year following the merger, Armidale Regional Council's 2019-2020 Audited Financial Statements demonstrate a financial result and financial position that achieves five out of six of the performance ratios reported on by the Audit Office of NSW.

The Armidale Regional Council full audited financial statements for 1 July 2019 to 30 June 2020 can be found in Part C of this report.

### Operating Income and Expenditure

Council achieved a net operating result of \$20.1 million in the 2019-2020 Financial Year, which is a \$4.8 million improvement from the net operating result achieved in the 2018-2019 Financial Year. This \$4.8 million improvement in the net operating result is due to a net increase of \$6.9 million in operating income offset by a net increase of \$2.1 million in operating expenditure. The net increase of \$6.9

million in operating income is due to additional income from rates, annual charges, grants for operating purposes and capital projects and rental income (up \$11.1 million), offset by a reduction in Water Charges and fees, interest income and other revenues (down \$4.2 million). The net increase of \$2.1 million in operating expenditure is due to a combination of a \$4.7 million increase in materials, contracts and impairment of assets due to natural disasters, offset by a \$2.6 million decrease in other expenses, depreciation and employee costs. The Tingha Boundary Adjustment which was effective at 1 July 2019, resulted in the transfer of \$42.9 million of infrastructure assets to Inverell Shire Council at nil consideration. The \$42.9 million transfer of assets represents a loss to Council, so while this transaction is not a normal operating transaction, it results in an overall net deficit result of \$22.8 million to Council for the financial year.

	2020 \$m	2019 \$m	Movement \$m	Movement %
Rates and annual charges revenue	33.4	32.3	+1.1	↑ 3.4%
User charges and fees	18.1	21.3	-3.2	↓ (15.0%)
Grants and contributions revenue	40.0	30.9	+5.2	↑ 16.8%
Total operating income	96.5	89.6	+6.9	↑ 7.7%
Total operating expenses	76.4	74.3	+2.1	↑ 2.8%
Net operating surplus	20.1	15.3	+4.8	↑ 31.4%
Loss on Boundary Adjustment	(42.9)	-	-42.9	↓
Net (deficit)/surplus	(22.8)	15.3	-38.1	↓ 249.0%

Rural Fire Service aerial activities in the area were provided with water from a new bore established in 2019 at Armidale Regional Airport, removing the potential need to source water from town water supplies.



## Statement of Financial Position

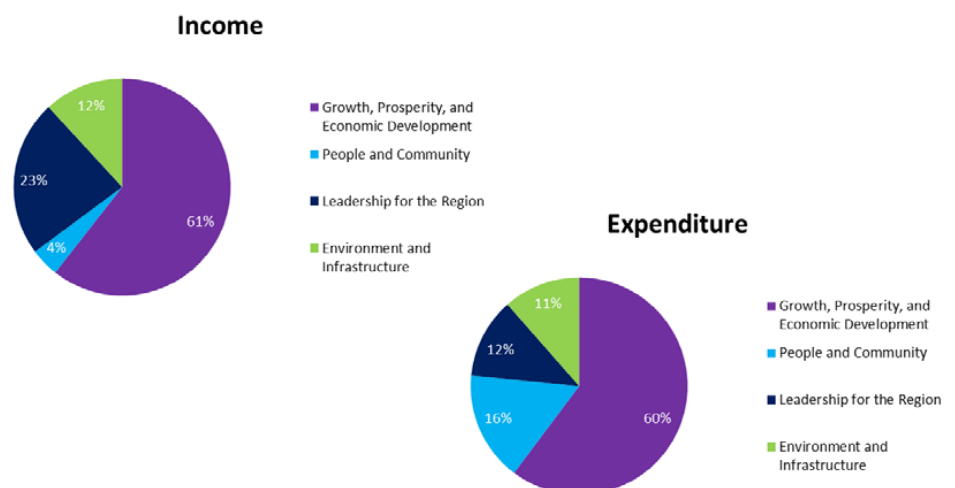
The Balance Sheet shows Council having a solid net asset base of \$874.3 million. While the Net Assets decreased by \$22.9 million from the previous Financial Year, this net decrease is arrived at after a gross increase of \$20.0 million less the \$42.9 million of net assets transferred to Inverell Shire Council in accordance with the Tingha Boundary Adjustment at 1 July 2019. Total assets increased by a net \$1.5 million (up \$44.4 million less \$42.9 million Boundary Adjustment impact), while Total

liabilities increased by \$24.4 million, primarily due to an increase of \$19.4 million in the Landfill and Quarry Rehabilitation Provision. Additional Rehabilitation work was identified for the former Guyra Landfill site (approx. \$2.4 million), the Long Swamp Road Landfill site (approx. \$11.3 million) and Quarry sites (approx. \$0.9m). The new Waterfall Way Regional Landfill commenced in the new financial year, so a Rehabilitation Provision is required to be recognised in accordance with accounting standards (approx. \$4.8 million).

	2020 \$m	2019 \$m	Movement \$m	Movement %
Current Assets	87.4	83.6	+3.8	↑ 4.5%
Non-current Assets	858.0	860.3	-2.3	↓ (0.3%)
<b>TOTAL ASSETS</b>	<b>945.4</b>	<b>943.9</b>	<b>+1.5</b>	<b>↑ 0.2%</b>
Current Liabilities	25.9	18.3	+7.6	↑ 41.5%
Non-current Liabilities	45.2	28.4	+16.8	↑ 59.2%
<b>TOTAL LIABILITIES</b>	<b>71.1</b>	<b>46.7</b>	<b>+24.4</b>	<b>↑ 52.2%</b>
<b>NET ASSETS</b>	<b>874.3</b>	<b>897.2</b>	<b>-22.9</b>	<b>↓ (2.6%)</b>

## Income and Expenses as related to the Community Strategic Plan Functions

The distribution of income and expenses across the four Community Strategic Plan functions is demonstrated below. Growth, Prosperity and Economic Development' represented the largest quota in relation to both income and expenses.



## Part B - Statutory information



The big dry of 2019 had a huge impact on the landscape across the Armidale region. Photo Terry Cooke

## Audited Financial Reports

The audited financial statements are required to be included as part of the Annual Report and are included in *Part C*.

## Environmental Upgrade Agreements

**In accordance with any requirements imposed under s54P**

Not Applicable.

## Special Variation of Rating Income

On 3 June 2014, the Independent Pricing and Regulatory Tribunal (IPART) issued its determination approving a special variation under section 508(2) of the Local Government Act 1993 of 12.30% for Armidale Dumaresq Council commencing in 2014-2015.

The approval was subject to the following conditions:

1. That Council uses the additional income for the purposes of funding the program of asset renewals for roads, storm water drainage, recreation facilities and buildings;
2. Council will reduce its general income for the 2021-2022 rating year by \$1,287,368 plus the equivalent cumulative proportion of this increase from any general variation increases or any special variation increases approved for the 2015-2016 to 2020-2021 rating years;
3. Council reports in its Annual Report for the period 2014-2015 to 2020-2021 information on the total income received, expenditure per project/program and outcomes achieved; and
4. Council reports to the Office of Local Government by 30 November each year on its compliance with the conditions for each rating year from 2014-2015 to 2020-2021.

This rate variation assisted in funding a seven-year program of asset renewal and maintenance in the Armidale Regional Council local government area.

The additional general rate income has been used to manage Council's existing infrastructure. This includes renewal and ongoing maintenance of assets such as buildings, roads, bridges, drainage, parks and facilities. Renewal activities extend the life of the asset, such as re-sheeting a section of road. Maintenance includes repairs, painting, replacement of broken fixtures etc.

The following Table provides information on the total income received and renewal expenditure per asset class in 2019-2020.

Asset Class	Expenditure \$	SRV Income \$	Other Income \$
Cycleways	26,057	33,000	(6,943)
Footpaths	100,099	49,288	50,811
Resurface/Linemark Carpark	122,599	36,000	86,599
Urban Rehab	612,723	100,000	512,723
Rural Rehab	588,952	374,000	214,952
Rural Reseals	426,754	100,000	326,754
Kerb and Gutter	165,084	127,000	38,084
<b>Total Roads</b>	<b>2,042,268</b>	<b>819,288</b>	<b>1,222,980</b>
Stormwater Pipes	1,245,527	229,820	1,015,707
Junction/Manholes	-	42,000	(42,000)
Kerb Inlet Pits	-	20,000	(20,000)
Gross Pollutant Trap (Trash Rack)	-	10,000	(10,000)
GPT Butler Street	-	100,000	(100,000)
GPT Taylor Street	-	80,000	(80,000)
<b>Total Stormwater Drainage</b>	<b>1,245,527</b>	<b>481,820</b>	<b>763,707</b>
Aquatic Centre Facility Renewals	40,266	19,000	21,266
Parks – Refurbish Facilities	83,713	85,000	(1,287)
<b>Total Recreation &amp; Facilities</b>	<b>123,979</b>	<b>104,000</b>	<b>19,979</b>
Public Halls - Upgrades	-	8,000	(8,000)
Rental Property Upgrade	10,886	9,000	1,886
Saleyards - Upgrade	10,246	30,000	(19,754)
<b>Total Buildings</b>	<b>21,132</b>	<b>47,000</b>	<b>(25,868)</b>
<b>Total</b>	<b>3,432,906</b>	<b>1,452,108</b>	<b>1,980,798</b>

If funding from the temporary Special Rate Variation is not replaced, Council's revenue from rates will drop by \$1,468,284 in 2021-22. Council intends to apply to IPART for a Special Rate Variation from 1 July 2021. The following Special Rate Variation options are being considered as part of a community engagement program:

### 1. Continuation of the temporary SRV plus an additional SRV increase

Council will apply for a Special Rate Variation (SRV) of 18.5% plus the 2.0% rate peg (total of 20.5%). This would replace the funding currently provided by the temporary SRV and increase total rate revenue by \$1.8 million per annum.

This option would result in the current level of assets and services maintained and Council would also be able to fund additional asset renewals and reduce medium to long term financial risk.

### 2. Continuation of the temporary SRV

Council will apply for a Special Rate Variation of 8.5% plus the 2.0% rate peg (total of 10.5%). This would replace the loss of the current SRV which is due to stop in 2021.

This option would result in current levels of service maintained in the short term; however the asset renewal backlog will increase. This would increase costs in the medium to long term placing a financial burden on future generations and Council will have limited options to fund new assets as the region grows.

### 3. Discontinuation of the temporary SRV

Council would not apply for a Special Rate Variation and revenue from ordinary rates would drop by \$1.5 million per annum.

This option would see a significant reduction in the services provided and the asset renewal backlog would increase. Roads, buildings and public spaces would deteriorate placing a significant financial burden on future generations and threaten Council's medium and long term financial sustainability.

All three of these options would also be accompanied by a rates harmonisation, which Council is required to implement by 1 July 2021.

## Rates and Charges Written Off

### Local Government (General) Regulation 2005 (Reg), cl 132

Rates abandoned (postponed)	\$17,674
Interest abandoned (postponed)	\$7,034
Mandatory pension rebate	\$624,038
Voluntary pension rebate (*)	\$103,280
<b>Total</b>	<b>\$752,026</b>

(\*) Council has adopted a Pensioner Concession Policy which provides an additional concession of up to \$25 in General Rates, up to \$25 in Water Rates and up to \$25 in Sewerage Rates.

In addition to the above, Council also wrote off \$21,984.49 under the provisions of the Water Account Adjustment Management Policy for undetectable leaks.

## Overseas Travels

### Overseas visits by Councillors, Council Staff and other Council Representatives Clause 217(1)(a1)

No overseas travel was undertaken during the 2019-2020 year by Councillors, Council Staff or Council Representatives.

## Mayor and Councillor Expenses

### Local Government (General) Regulation 2005 Clause 217(1)(a1)

The Mayor and Councillors are paid an annual fee that is within the limit set by the Local Government Remuneration Tribunal.

The Mayor's Fee for 2019-2020 was \$42,038 in addition to the Councillor Fee. The Councillor's Fee for 2019-2020 was \$19,266. The fees payable totalled \$253,569.

All the Councillors are paid for expenses incurred in discharging their functions and responsibilities to the Armidale regional community in accordance with the Councillor Expenses and Facilities Policy adopted on 28 June 2017. The policy is accessible from Council's website.

The policy enables the reasonable and appropriate reimbursement of expenses and provision of facilities to Councillors to help them undertake their civic duties. It ensures accountability and transparency, and seeks to align Councillor expenses and facilities with community expectations. Councillors must not obtain private or political benefit from any expense or facility provided under the policy.

The policy has been prepared in accordance with the Local Government Act 1993 and Local Government (General) Regulation 2005, and complies with the Office of Local Government's Guidelines for the payment of expenses and provision of facilities to Mayors and Councillors in NSW.

The policy sets out the maximum amounts Council will pay for specific expenses and facilities. Expenses not explicitly addressed in this policy will not be paid or reimbursed.

Expense or Facility	Amount \$
Provision of dedicated office equipment allocated to Councillors, telephone calls made by Councillors, other member expenses, subscriptions and publications	\$838
Training of Councillors and provision of skill development	\$12,928
Attendance of Councillors at conferences and seminars, interstate visits by Councillors, including transport, accommodation and other out-of-pocket travelling expenses	\$8,923
Overseas visits by Councillors, including transport, accommodation and other out-of-pocket travelling expenses	0
Expenses of any spouse, partner or other person who accompanied a Councillor in the performance of his or her civic functions, being expenses payable in accordance with the Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors	0
Expenses involved in the provision of care for a child of, or an immediate family member of a Councilor	0
Mayoral vehicle provision	\$12,000
Donations and Contributions	\$5,000
<b>Total amount of money expended on the provision of Councillor facilities and the payment of Councillor expenses</b>	<b>\$39,689</b>

## Contracts awarded greater than \$150,000

In accordance with the Local Government (General) Regulation 2005 Clause 217(1)(a2)

Contractor	Description	Contract \$
FB Drilling Pty Ltd	Emergency Groundwater Investigation	\$500,000
SAFEgroup Automation Pty Ltd	ClearSCADA & Telemetry RTU Upgrade	\$715,990
Detection Services P/L	Armidale Water Network Loss Management	\$194,000
FB Drilling Pty Ltd	Armidale Central - Emergency Groundwater Investigation	\$500,000
Mac Drill Pty Ltd	Armidale Rural - Emergency Groundwater Investigation	\$850,000
Tutt Bryant Hire Pty Ltd	Supply / Disposal - PN 2006 Self Propelled Roller	\$155,100
Thompson's Machinery	Supply / Disposal - PN 3101 & 3008 6 x 4 Tip Truck Super dog trailer combo	\$272,143
Wideland Truck & Machinery	Supply / Disposal - PN 3020 Class 5 Backhoe Loader	\$215,327
Roadwork Industries/BMR	Youmans Pit Guyra Gravel Crushing 2019	\$300,000
Stabilcorp Pty Limited	Hamels Hill Overtaking Lane Segment 4580 -	\$160,354



Contractor	Description	Contract \$
	Reconstruction	
Watchout Traffic	Traffic Control for Armidale Regional Council	\$307,000
Schramm Group Pty Ltd	Safety Barrier - Panton's Gully MR76 segment 4010	\$174,223
Stabilcorp	Panton's Gully Segment 4010 - Pavement Works	\$441,006
Coffs Harbour City Council	Design & Construction Replacement Three Bridges - Pint Pot, Shingle Hut & Dumaresq	\$1,847,934.43
Carter Osborne Electrical	Upgrade Terminal Electrical Services - Generator	\$158,142
Peel Valley Trucks	Supply/Disposal PN 2232 Rego XN-34-BT 6x4 Water Truck LGP (NPN413&NPN115)	\$246,670
Wideland Truck & Machinery	Supply/Disposal PN 2438 Rego XN-35-BT 6x2 Truck LGP (NPN413&NPN115)	\$180,096
Cardno (QLD) Pty Ltd	Design Pipeline – Puddledock Dam to Armidale Water Treatment Plant	\$280,251
JLE Electrical	Solar Lighting to Cycle in Armidale + separable portion	\$337,006
TNI Contracting	Kempsey Road Blackbird Flat to Big Hill (44.68km) , Lower Creek Rd (10km), Raspberry Rd & Williams Road Bridge - Recovery	\$499,500

## Legal Proceedings

In accordance with the Local Government (General) Regulation 2005 Clause 217(1)(a3)

\$724,174 was incurred in relation to legal expenses.

Legal Expenses by Process	
Process Description	
Governance	\$358,094
Environmental Remediation	\$7,639
Economic Development	\$3,282
Land Divestment	\$18,913
State Emergency Service	\$1,306
Asset Planning & Design	\$615
Works Depot	\$4,768
Financial Services	\$138,579
Civic Governance	\$28,703
Risk Management	\$798
HR	\$15,293
Parks & Gardens	\$3,774
Urban Facilities	\$3,044
Development Control Management	\$33,558
Regional Airport	\$24,658
Roads Local Rural Unsealed	\$5,200
Transfer Station	-

Dams & Weirs	\$1,820
Water Mains	\$39,336
<b>TOTAL</b>	<b>\$689,378</b>

Legal settlements costs included:

Legal Settlement Costs	State of Progress	Amount Incurred
Debt Recovery by Tenterden Station	Closed	\$33,000
Governance – Investigation of Code of Conduct Complaints	Closed	\$1,000
Transfer Station – Ridley Mini Skips Deed of Surrender of Lease	Open	\$795
<b>TOTAL</b>		<b>\$34,795</b>

## Resolutions Concerning Work Carried Out on Private Land

**In accordance with the Local Government (General) Regulation Clause 217(1)(a4)**

Council did not resolve to undertake any Private Works during the period 2018-2019.

## Financial Assistance Grants and Contributions

**Total amount granted under section 356 in accordance with the Local Government (General) Regulation Clause 217(1)(a5)**

Council recognises the importance of assisting Not-For-Profit community groups and organisations that are interested in and working towards the enhancement of facilities and improving the community well-being of its residents.

In 2019-2020 Council contributed \$1,053,127 to the following programs and groups.

Type of Contribution	Recipient	Amount
<b>Community Grant Programs</b>	Aboriginal Community Development Grants	\$2,000.00
	- Various individuals (\$500 each)	
	Community Small Grants	\$17,000.00
	- Various groups (\$1,000 each)	
<b>Annual Contributions &amp; Subsidies</b>	Sports Council Small Grants	\$5,000.00
	- Various individuals (\$250-\$500 each)	
	Aboriginal Culture Centre and Keeping Place	\$36,000.00
	Armidale Neighborhood Centre	\$20,000.00
	Arts North West	\$20,607.99
	New England Conservatorium of Music	\$8,500.00
	New England Joint Organisation	\$5,000.00
	New England Regional Art Museum	\$355,209.56
	New England Weeds Authority	\$201,603.00
Southern New England Land Care	\$61,327.61	

Type of Contribution	Recipient	Amount
	Hillgrove Local Area Committee	\$3,500.00
	Lower Creek Local Area Committee	\$3,500.00
	Wards Mistake Local Area Committee	\$3,500.00
	Armidale Business Chamber Sponsorship	\$5,000.00
	Armidale Family Support Services Contribution	\$200.00
	Armidale Show Society Sponsorship	\$2,500.00
	Guyra Central School Seniors Week Donation	\$150.00
	Guyra Junior League Contribution to Grandstand	\$80,000.00
	Koori Kids NAIDOC Schools Initiatives	\$450.00
<b>Community Group Projects or Events</b>	Little Fish Entertainment Production Sponsorship	\$2,000.00
	Narwan Rugby League Club Sponsorship	\$5,000.00
	New England Mountain Bikers Sponsorship	\$2,000.00
	Rotary Donation Bushfire Traumatized Farmers	\$5,000.00
	Southern New England Land Care Sponsorship	\$1,818.18
	St Marys of the Angels School Seniors Week Donation	\$50.00
	University of New England Contribution to CultureFest	\$5,000.00
	University of New England Project Zero Contribution	\$9,000.00
<b>Drought Rebates</b>	Water Saving Tanks, Washing Machines, Toilets	\$170,324.51
<b>Covid-19 Fees Waived/Deferred</b>	Lease Fees Waived – various (ex GST)	\$17,202.95
	Lease Fees Deferred – Various (ex GST)	\$4,683.65
	<b>TOTAL</b>	<b>\$1,053,127.45</b>

## Statement of all entities in which Council held a controlling interest

In accordance with the Local Government (General) Regulation Clause 217(1)(a8)

Council held no controlling interest in any entity for the twelve month period ending 30 June 2020.

## Statement of all entities in which the Council participated during the year

Council participated in the following entities during the year:

- Arts North West
- Australian Airports Association
- Bush Fire Management Committee
- Country Mayors Association
- Mid North Weight of Loads Group
- New England District Emergency Management Committee (DEMC)
- New England Group of Councils (NEGOC)
- New England Joint Organisation (NEJO)

New England Conservatorium of Music (NECOM)  
New England Regional Art Museum (NERAM)  
New England Weeds Authority  
New South Wales Inland Forum  
New South Wales Public Libraries Association  
Northern Inland Regional Waste Group (NIRW)  
Northern Region Joint Regional Planning Panel  
StateCover  
Statewide Mutual

For further financial details on Controlled Entities, Associated Entities and Interests in Joint Ventures, refer to Note 18, of the Armidale Regional Council General Purpose Financial Report 2020.

## Statement of Activities to Implement its EEO Management Plan

**In accordance with the Local Government (General) Regulation Clause 217(1)(a9)**

Key achievements during the 2019-2020 have been:

- Supported and guided all employees into transitioning to remote work during COVID to ensure that all employees had access to Councils systems.
- Provided resources and support and to all staff through COVID crises and develop policies and strategies in place for organisational and employee health.
- Ongoing review of all policies and strategic documents to ensure alignment with contemporary diversity and inclusion principles and legislation.
- Continual review and update of EEO and diversity commitment for inclusion in Position Descriptions and employment arrangements.
- Reviewing and developing a roadmap to review working conditions to encourage skills and professional development, facilitate access to digital tools and modernise ways of working.
- Provided training for ARC Management Team to develop skills and strategies to move forward as a cohesive team.
- Continued observation of days relating to diversity and encouragement of staff and community participation in events.



Council staff participate in an annual Christmas video

## CEO Remuneration

### In accordance with the Local Government (General) Regulation 2005 Clause 217(1)(b)

The total remuneration comprised in the remuneration package of the position of Chief Executive Officer during the year was \$325,544.

## Senior Staff Remuneration

The total remuneration package for Council's senior staff for the year (excluding the CEO position) is broken down in the following components:

Senior Staff Remuneration	Total 2019/20
Salaries & Allowances	634,424
Superannuation	57,325
<b>Total</b>	<b>691,749</b>

## Statement of Stormwater Management Services

### In accordance with the Local government (General) Regulation 2005 Clause 217(1)(e)

A Stormwater Management Service Charge funds additional investigations and activities towards improving stormwater quality, managing stormwater flows and flooding, and harvesting and reusing stormwater.

The charge is levied on rateable urban land that is categorised as Residential or Business (excludes vacant land). During the period 2019-2020 the stormwater management service charge was levied on rateable urban land that is categorised as Residential or Business in the former Guyra Shire Council local government area.

The \$25 charge was levied on 887 Rate Assessments generating income of \$22,175.

The Council stormwater management services provided during the reporting period included:

- maintenance and repair of stormwater pipes, pits and culverts.
- scheduled cleaning of gross pollutant traps, gullies and drains.
- kerb & gutter renewal.
- when required, reactive response to localized flooding.

## Natural Disaster Costs

Council has been impacted by the following Declared Natural Disaster Events during the year ended 30 June 2020.

**NSW Bushfires: 31 August 2019 onwards (Code: AGRN871)** – this fire event impacted several areas of our Local Government Area including areas surrounding Ebor Village, Waterfall Way (State Road MR76), Point Lookout, Guyra Road, Round Mountain Road, Raspberry Road, Kempsey Road and Big Hill. Armidale Airport was used as a base by the RFS for fire fighting missions to surrounding Local Government Areas. Council provided additional support to the RFS during this period.

**NSW Storms and Floods: 15 January 2020 onwards (Code: AGRN898)** – this storm and flood event primarily impacted the Kempsey Road and Big Hill areas, after the vegetation of these areas were already impacted by bushfires only several months earlier.

Council incurred costs for Emergency Works and Immediate Reconstruction Works to remove fallen trees, fire damaged vegetation and other debris from roads, repair and replace fire damaged assets and to ensure the safety and convenience of residents and visitors. The following table shows the costs incurred by Council for Emergency Works and Immediate Reconstruction Works along with the amounts that Council has lodged claims for reimbursement with relevant Government Departments and Agencies. Under the relevant reimbursement provisions, Council may or may not be permitted to claim for 100% reimbursement, so Council must absorb a certain amount of the costs incurred in performing emergency works and reconstruction works.

Declared Disaster	Cost to Council	Amount Claimed	Agency
Bushfires (AGRN871)	\$523,518	\$366,128	Transport for NSW (TfNSW)
Bushfires (AGRN871)	\$363,703	\$363,703	RMS
Bushfires (AGRN871)	\$99,899	\$99,899	RMS
Bushfires (AGRN871) – Section 44 Emergency under the Rural Fires Act 1997	\$67,368	\$67,368	RFS
Bushfires – RFS Items - Water Carting for fire fighting missions, Emergency repairs to Airport Runway, Water bores.	\$186,687	\$186,687	RFS
Bushfires (AGRN871) – BlazeAid Ebor Base-Camp	\$46,880	\$46,880	Resilience NSW
Storms & Floods (AGRN898) – Tree Removal Kempsey Road	\$107,293	\$107,293	Transport for NSW (TfNSW)
Storms & Floods (AGRN898) – Emergency Work Kempsey Road	\$992,066	\$854,544	Transport for NSW (TfNSW)
<b>TOTAL</b>	<b>\$2,387,414</b>	<b>\$2,092,502</b>	

The difference in the Cost to Council and Amount Claimed is \$294,912 and this represents the trigger point values of \$259,606 and ineligible costs of \$35,306. This will be a net cost to Council.

Council has incurred further expenditure in the order of \$735,000 during the financial year ending 30 June 2021 to date, in relation to reconstruction and restoration work resulting from the above Natural Disaster Events.

As a result of the damage sustained to Kempsey Road from the above Natural Disaster Events, Council has recorded an impairment loss (when an asset's fair value is less than its carrying value on the balance sheet) of \$1,893,000 against the Road and Infrastructure assets.

## Statement of Coastal Protection Services

### In accordance with the Local Government (General) Regulation 2005 Clause 217(1)(e1)

Council did not levy services for the provision of coastal protection services, under Section 496B (1) of the Local Government Act 1993, during 2019-2020.

## Companion Animals Act 1998

### In accordance with the provisions of the Companion Animals Act 1988 (CA Act) and the Companion Animal Regulation 2018

- Council has lodged the required report of impounding activities with OLG.
- Over the 2019-20 financial year Council Rangers have received 25 reports of alleged dog attacks which involved 34 attacking dogs. The majority of these alleged attacks have occurred on livestock with 28 animals allegedly attacked - 14 resulting in death - and 12 attacks on humans.
- Council spent \$654,000 on companion animal management and activities during the Financial Year.
- Council conducts education programs through its Companion Animal Shelter, the local vet clinics and the local branch of the RSPCA to assist the community in obtaining discounted desexing for companion animals. Recently Council assisted a local rural land owner in managing a domestic cat problem. Council accepted 64 surrendered cats and kittens that have now been re-housed through the Companion Animals Shelter with the assistance of the RSPCA. Additionally, negotiations with a local vet allowed the cat owner to access discounted desexing for the remaining adult cats to ensure that this type of problem does not reoccur.
- Council offers for sale all suitable unclaimed/surrendered animals from its Companion Animal Shelter. These animals are advertised on Council's Facebook page and through word of mouth from staff and Council's volunteer network. All animals sold are desexed, microchipped, registered, vaccinated and wormed. A number of animal welfare groups such as RSPCA, Greyhound Rescue, Herds to Homes, Death Row to Freedom, Working Dogs Australia and Cattle Dog Rescue are utilised to promote alternatives to euthanasia for unclaimed animals. Council is very proud of the fact it has one of the highest re-housing rates for Companion Animals in rural New South Wales and is continually striving to ensure this remains the case.
- Council provides and maintains five (5) leash-free dog exercise areas within the Armidale City area and one (1) leash-free area in the Guyra township. Additionally, Council is in the early stages of identifying suitable sites for an additional leash-free area for Guyra.

## Capital Expenditure Reviews for Capital Works Projects

No capital expenditure reviews were submitted.

## Carers Recognition Act 2010 Compliance

### **In accordance with Carers Recognition Act 2010 (CR Act), s 8(2)**

Council has a Flexible Working Arrangements Policy in place which provides for flexibility in handling work and family responsibilities. Council also utilises its Consultative Committee as a consulting mechanism with employees during the development of Human Resources operational policies and procedures.

All employees are eligible for Carer's Leave and the Councillors Facilities and Expenses Policy makes provision for carer's and child care expenses.

An Employee Assistance Program is available for staff to access and its use is encouraged. Staff can access this service for personal reasons in complete privacy.

## Disability Inclusion Plan

### **In accordance with the Disability Inclusion Act 2014, s 13(1)**

Under Disability Inclusion Act, 2014, Council is required to develop a plan that acknowledges and promotes that people living with a disability have the same human rights as all other members of the community. In 2017, Council developed and promoted the Disability Inclusion Action Plan (DIAP) which is due for review in 2021. This plan outlines the means by which Council can be expected to ensure those principles are upheld. The DIAP will be reviewed in the lead up to the expiry of the current plan.

## Planning Agreement Compliance

### **Environmental Planning & Assessment Act 1979, section 7.5(5)**

Under the Environment Planning and Assessment Act, 1979, Council is required to report on any planning agreements that were in force during the financial year.

Planning agreements are agreements or other arrangements under the Act between a planning authority (such as Armidale Regional Council) and a person or company (the developer) who has sought a change to an environmental planning instrument, or who has made, or proposes to make, a development application under which the developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards a public purpose.

Armidale Regional Council has entered into a new planning agreement with the Sorenta Pty Ltd and Mr Peter Anthony Maguire (Developer) of 10558 New England Highway and 19 Kia Ora Road.

This planning agreement involved the following payments and actions:

- Roundabout Contribution to Council at a rate of \$5373.75 per lot;
- NBN Contribution to Council at a rate of \$542.50 per lot;
- Open Space Contribution at a rate of \$1954 per lot;
- BioBanking Contribution at a rate of \$1350 per lot plus an upfront payment of \$186,680. Council will be providing Biodiversity offsets at Dumaresq Dam to fulfil the developers offset requirements; and,



- The closure and reconnection of Kia Ora Road and Mills Road with the New England Highway via the new Roundabout.

## Recovery and Threat Abatement Plans

**Fisheries Management Act 1994, section 220ZT (2)**

Council has no recovery or threat abatement plans.

## Swimming Pool Inspections

**Section 22F(2) Swimming Pool Act 1992, section 428 of the Local Government Act 1993 Division 5 of Part 2**

Swimming Pool Regulations	Total Inspections
Number of inspections of tourist and visitor accommodation	1
Number of inspections of premises with more than two dwellings	0
Number of inspections that resulted in the issuing of a certificate of compliance under section 22D of the Act	5
Number of inspections that resulted in the issuing of a certificate of non-compliance under clause 18BA of the Regulation	10

## Government Information (Public Access) Act 2009

**Council has an obligation under the Government Information (Public Access) Act 2009 (GIPA Act) to submit annual reports to the Information and Privacy Commission NSW (IPC) by 31 October each year, in order to meet the requirements under section 125 of the GIPA Act and Clause 7 of the GIPA Regulation.**

### Review of proactive release program

Council continually reviews its proactive release program to identify the kinds of information that we make publicly available. This occurs through extensive publication on Council's website or through inspection and/or provision of information in response to a written application.

### Number of access applications received

During the reporting period, Council received a total of five (5) formal access applications from members of the public. Access was granted in full and the applications were decided within the statutory timeframes. All applications were from members of the public.

### Number of refused applications for Schedule 1 information

During the reporting period, no formal access applications were refused.

## Public Interest Disclosures Act 1994

**Public Interest Disclosures Act 1994, section 31, Public Interest Disclosures Regulation 2011, Clause 4**

No public interest disclosures were made during the year ending 30 June 2020.

# Achievements in Implementing Council’s Community Strategy Plan / Delivery Program / Operational Plan

## Community Strategic Plan Achievements

Highlights of Council’s progress in achieving the goals of the Community Strategic Plan are outlined in the *Annual Report Part A – Community Report Card*.

## Delivery Program and Operational Plan

Armidale Regional Council’s Delivery Program 2017-2021 and Operational Plan 2019-2020 documents were adopted by Council in June 2019.

The Delivery Program outlines the commitment of the Council to work towards the goals of the Community Strategic Plan by setting strategies to undertake through the course of their elected term.

The Operational Plan is an annual plan which sets out the Programs, Projects and Services that Council will deliver in order to achieve the guiding strategies set by the Council in its Delivery Plan and, ultimately, the community in its Community Strategic Plan.

At the end of 2019-2020, there were 21% of Operational Plan projects completed, 18% deferred and 61% of projects incomplete.

The outcomes of the Delivery Program and Operational Plan are demonstrated in the following table:

## Integrated Planning and Reporting - Delivery Program / Operational Plan Action Measures and Progress As at June 2020

	<b>E1.4</b>
DP	Protect and enhance the natural environment to promote and support biodiversity
OP	<b>Review Dumaresq Creek Masterplan and the suite of Council’s spatial plans</b>
Measure	Corporate review of current plans by June 2019
Progress	This action will be addressed as part of the Armidale Masterplan - G1.1.1
	Deferred
	<b>E3.1</b>
DP	Partnerships with all levels of government to support the provision of essential infrastructure for the region
OP	<b>Open Space Plans of Management</b>
Measure	100% of generic POMs completed by 30 June 2020
Progress	Contingent upon development of Property Management Portfolio L3.4.3
	Deferred

DP	<b>E4.2</b> Create partnerships and facilitate discussions with relevant stakeholders to ensure further progress towards the implementation of the Armidale Airport Masterplan
OP	<b>Regional airport competitive dialogue</b>
Measure	* Review operations and options and recommend a way forward by 31 December 2019 * Present options to ELT and councillors in early 2020
Progress	EOI and recommendations complete. Presentation to Councillors complete.
	Completed

DP	<b>E4.3</b> Investigate opportunities for increased bus and rail services from remote areas to Armidale town centre to support people to attend work commitments, partake in activities which mitigate social isolation and carry out regular tasks and errands
OP	<b>Autonomous Vehicle Trial</b>
Measure	* Conduct Phase 2 * Review Phase 1 * Begin review of Phase 2
Progress	All phases completed. The project ended 20 February 2020. A white paper in conjunction with all partners will be completed August. ARDi is currently still stored in Armidale during COVID-19, but will be transported once restrictions ease.
	Completed

DP	<b>G1.1</b> Plan for the needs of the region
OP	<b>Armidale Master Plan 2036</b>
Measure	Master Plan prepared by June 2020
Progress	Data from the Draft Masterplan will be incorporated into the Local Strategic Planning Statement (LSPS) to be placed on public exhibition August 2020
	Incomplete
	51-75%
	On track
	On Budget

OP	<b>Development of Armidale Regional Airport Business Park</b>
Measure	Funding secured & build commenced, with contracts signed for service centre and 10 blocks. Erection of Bill Boards on both sides of the highway
Progress	Contractors are continuing works, with 75% of works completed. Drainage and utilities are completed. Landscaping will commence soon.
	Incomplete
	76-100%
	On track
	Below Budget
DP	<b>G2.3</b> Develop partnerships with operators in the agricultural sector including local agencies and UNE, to encourage careers in agriculture
OP	<b>Develop cluster of industry bodies</b>
Measure	* Conduct 2 round tables in 2019/20 * Pitch or enter into discussions to host at least four agricultural industry forums or conferences in Armidale
Progress	Two Business Symposiums have been held to develop this further. Further development has been restricted by waiting for Hub development and COVID19 engagement restrictions. Branding narratives derived from Symposia will be utilised to shape future Economic and Business Development digital media and programme offerings. A contacts list (ED CRM) is being developed to assist outreach and engagement of regional businesses, based on sector analyses and key needs identified for these groups.
	Incomplete
	51-75%
	On track
	On Budget
DP	<b>G2.4</b> Strive to grow the horticultural industry with new investment attraction strategies throughout the region to reduce the impact of climatic conditions on the produce industry
OP	<b>Stronger industry relationships</b>
Measure	Speak to four potential horticultural investors
Progress	Engagement is ongoing with the horticultural industry to provide infrastructure and support programs where appropriate.
	Incomplete
	1-25%
	On track
	On Budget

DP	<b>G3.1</b> Develop a Tourism Strategy and branding to attract visitors to stay in the Armidale Region longer and also enhance the economic and cultural offerings and attractions of the region
OP	<b>Tourism Strategic Plan</b>
Measure	<ul style="list-style-type: none"> <li>* Winter event established</li> <li>* Night time multicultural food event established in Beardy Street Mall, with at least 20 local business participating.</li> <li>* Four stakeholder workshops held</li> <li>* Events &amp; Festivals calendar built</li> <li>* EduTourism space developed</li> <li>* Assist with grant applications to Destination NSW for Guyra Lamb &amp; Potato Festival, Guyra Troutfest and Colour New England Street Art Festival</li> <li>* 10% increase in visitor numbers to LGA</li> <li>* Increased visitor spend per capita, bed stays per capita, and tourism GDP for the region compared to 2018/19</li> <li>* Increased hospitality and tourism-based employment compared to 2018/19</li> <li>* Increased fee-for-service revenue streams for ARC compared to 2018/19</li> <li>* ForageFest expanded</li> <li>* Tourism eNewsletter established</li> </ul>
Progress	<ul style="list-style-type: none"> <li>- Planned events including Autumn Festival, community music concert and monthly Twilight Food Markets cancelled due to Covid-19 pandemic.</li> <li>- New England High Country projects being planned for roll out Oct 2020 including new visitor guide, motorbike program extension, classic car program and refreshed NEHC website.</li> <li>- Worked with The Australian Travel &amp; Indulgence Editor on article for July publication.</li> <li>- Grant applications completed for 1. Armidale Spring Games and 2. Marketing funding for Beer &amp; BBQ Festival and 3. Sound Trails @ Wollomombi NP</li> <li>- Worked with DNSW to support bid to bring Hayden Quinn Taste of Australia to the region to film.</li> <li>- Prepared proposal to host 2022 Farmers Conference for approximately 250 delegates.</li> <li>- 2022 National Orienteering Championships postponed to 2024.</li> <li>- Grant acquittal for SCCF Round 2 projects</li> </ul>
	Incomplete
	51-75%
	On track
	On Budget

DP	<b>G4.1</b> Provide local businesses with information and access to technology as part of a Digital Economy Strategy, as well as advocating for improved high speed internet access
OP	<b>Business Ecosystem</b>
Measure	
Progress	The Economic Development Webpage will be worked on shortly. Evocities membership has been cancelled. Resources will be redeployed to Business Symposiums and initiatives to directly support businesses through the Business Hub.
	Incomplete
	1-25%
	On track
	On Budget
DP	<b>L1.3</b> Elected representatives are supported to engage with their community and provided a process to share feedback they receive
OP	<b>Villages &amp; Stakeholders Engagement Plan</b>
Measure	Develop and start to implement Villages & Stakeholders Engagement Plan
Progress	This action has been identified as a non-core project and has been deferred.
	Deferred
DP	<b>L2.1</b> Financial sustainability is maintained through effective short, medium, and long term financial management
OP	<b>Harmonisation of water pricing</b>
Measure	* Modelling undertaken to determine water harmonisation impacts * Communications strategy implemented for water harmonisation
Progress	Implementation has been deferred to 2020/21 due to the impacts of drought and other key projects on staff resourcing. Some actions will continue to be undertaken i.e. policy framework finalisation and further modelling.
	Deferred
OP	<b>Special Rate Variation</b>
Measure	* Rates harmonisation impacts modelled and a strategy for implementation determined * Special rate variation business case prepared and community engagement undertaken
Progress	Council determined to extend the rates freeze provisions until 30 June 2021
	Incomplete
	1-25%
	On track
	On Budget

	<b>L2.2</b>	
DP	Council implements a business excellence program across its operations	
OP	<b>Promote availability of Council crews for private / contract works</b>	
Measure	Promote capabilities and availability of Council Crews to undertake private and other contract works: * Generate revenue for reinvestments in region's road network	
Progress	Plant fleet coordination of Internal and external plant hire is being centralised through the Plant Fleet Coordinator.	
		Incomplete
		76-100%
		On track
		On Budget
	<b>L2.3</b>	
DP	Council staff are supported to deliver high quality services to the community through training, sufficient staff resourcing and systems to create a user friendly, customer focused approach	
OP	<b>Greater leadership capacity</b>	
Measure	Leadership Program for Program Leaders determined and implemented by September 2019 Talent and succession plans implemented for all critical roles by September 2019	
Progress	Senior Leaders completed an Executive Development Program, with all participating staff achieving an Advanced Diploma in Leadership and Development.	
		Completed
	<b>L2.4</b>	
DP	Manage operations to ensure delivery of value for money services for our community and customers	
OP	<b>Administration hub</b>	
Measure	* Implement Administration Hub to service whole organisation * Reduced level of administrative duties by non-administration staff	
Progress	- Business Process Mapping documented for 95% of Customer Service business division - Process improvement initiatives are scheduled for improvement including: Funerals, Booking rooms at Kent & Hughes House, Online GIPA Act Applications & digitising services in the website via ePathway	
		Incomplete
		51-75%
		Needs attention
		On Budget

OP	<b>Customer services realignment</b>
Measure	<ul style="list-style-type: none"> <li>* Completed review of Council's Customer Services</li> <li>* Implemented realignment to maximise provision of customer services with available resources</li> </ul>
Progress	<p>- Internal processes have been streamlined and updated in Promapp and content authored in Live Pro Knowledge base software program.</p> <p>- Ongoing, more effective telephone processes are being investigated and tested for Customer Experience delivery impact. We have consistently seen significant savings monthly savings due to voicemail implementation.</p> <p>- Customer Experience Strategy being developed following the testing of LivePro with next directions to explore online website Chat (Once the website has been significantly updated with customer self-serve processes automated and improved)</p> <p>- Staff reviews - Customer Service skills Gap analysis and training needs have been identified.</p>
	Incomplete
	51-75%
	On track
	On Budget
OP	<b>Improved procurement processes</b>
Measure	<ul style="list-style-type: none"> <li>* Procure to Pay business process improvements implemented.</li> <li>* Accounts Payable automation implemented.</li> </ul>
Progress	The Accounts Payable process has been converted to fully electronic and there is no longer any paper-based manual handling in the process. The review by Regional Procurement has occurred and the report recommends appointment of a Procurement resource to assist with organisational compliance and efficiency.
	Incomplete
	1-25%
	On track
	On Budget
OP	<b>Revised organisation structure</b>
Measure	New structure implemented by end of 2019
Progress	Levels 1-4 of the structure have been populated.
	Completed
DP	<b>L3.4</b> Ensure the organisation is well led and managed through implementation of the Good Governance framework
OP	<b>Centralised Compliance Register</b>
Measure	Compliance Register implemented by December 2019 - 100% compliance met
Progress	Compliance information is currently being circulated to relevant staff. A review for the compliance register is currently being undertaken.
	Incomplete
	26-50%
	Needs attention
	On Budget



OP	<b>Internal Audit Plan 2019-2022</b>	
Measure	Number of internal audits completed - as indicated in the Audit Plan 100% of recommendations implemented	
Progress	An Internal Auditor has been appointed. The audit plan has been set and presented to the Audit & Risk Committee.	
		Incomplete
		26-50%
		On track
		On Budget
OP	<b>Property Management Portfolio</b>	
Measure	<ul style="list-style-type: none"> <li>* Compliant Land Register by June 2020</li> <li>* Road closures completed within regulatory timeframes</li> <li>* Reduction in Land Divestment properties</li> </ul>	
Progress	Native Title Manager training was undertaken and a Native Title Manager appointed. Crown Land has been reviewed against Council's asset register and the registers have been updated.	
		Incomplete
		26-50%
		On track
		On Budget
DP	<b>L4.4</b> Develop and implement a robust risk management process across all of Council's operations	
OP	<b>Work, Health &amp; Safety compliance systems</b>	
Measure	Development and implementation of Audit/Inspection program by 30 June 2020	
Progress	Safety Management Plans are being implemented for each area of the business. A Safety Officer will be presenting a sample of these plans to the Audit and Risk Committee in the near future.	
		Incomplete
		51-75%
		On track
		On Budget
DP	<b>P1.2</b> Provide a network of a modern library and learning centres across the region, including a designated library service in Guyra and Armidale town centres which caters for the needs of the community including meeting spaces, accessible internet services and up to date resources	
OP	<b>New library technology and programs</b>	
Measure	<ul style="list-style-type: none"> <li>* Identify and begin implementation of new technology at each library</li> <li>* Start implementing Library Strategic Plan</li> <li>* Regular use of new equipment by community members.</li> <li>* Increased library visitor numbers compared to 2018/19</li> </ul>	
Progress	<ul style="list-style-type: none"> <li>- The Library Strategic Plan draft is almost complete. Will be completed and launched to the public in early 20/21.</li> <li>- Library App is operational and has been launched to the public.</li> <li>- PC Booking software has been installed on all public PCs</li> </ul>	
		Incomplete

76-100%

On track

On Budget

DP	<b>P2.3</b> Develop an Arts and Cultural Program with an emphasis on creating vibrant and attractive public spaces, including the installation of public art in city centres
OP	<b>Local history webpage</b>
Measure	* <a href="#">Local heritage information published on Council's corporate website by June 2020.</a>
Progress	This action will be deferred due to resourcing constraints.
	Deferred

DP	<b>P4.1</b> Facilitate and support the delivery of high quality early childhood and out of school hours services across the region
OP	<b>Pre-school strategic review</b>
Measure	* <a href="#">Strategic review completed by December 2019</a>
Progress	Following an unsuccessful Expression of Interest process which did not result in any organisation or business wishing to take over the Operation and Management of the Preschool. Council reviewed the Business Case of the Pre School and pursued additional grant funding to build and expand the Centre. Additional funding was secured and the decision was made to build a new Centre on Council land adjacent to the Council Office and Library in Guyra. A design and floor layout is currently being refined and it is hoped that a Development Application for the new Centre will be lodged in the first quarter of 20/21 with tenders being called around September/October 2020.
	Completed

DP	<b>E3.4</b> Provide and maintain functional, appropriate, safe and desirable community facilities
OP	<b>Renewal of Community Facilities</b>
Measure	<a href="#">Complete all works as scheduled by 30 June 2020</a>
Progress	Staff and resources have been redirected to water management projects and programs. Essential works on facilities will continue.
	Deferred

	<b>E4.1</b>
DP	Maintain safe and effective traffic facilities on the road network
OP	<b>Cattle Grid policy</b>
Measure	<ul style="list-style-type: none"> <li>* Grid Management Plan endorsed by Council</li> <li>* Condition assessment completed</li> <li>* Start progressively removing unwanted grids - coinciding with programmed scheduled maintenance.</li> </ul>
Progress	DCP funding has made it possible to complete all Cattle grids that were requiring maintenance work. Any further maintenance work that is required will be carried out as described in the Cattle Grid policy.
	Completed
OP	<b>Kempsey Road Upgrade</b>
Measure	<ul style="list-style-type: none"> <li>* Complete design</li> <li>* Begin site preparation</li> <li>* Complete first four projects</li> </ul>
Progress	Of the 12 subcomponents no. 2 & no. 3 are completed and no. 7 has been designed.
	Incomplete
	1-25%
	Needs attention
	On Budget
OP	<b>Smart Parking in Armidale CBD</b>
Measure	Parking within the CBD appropriately enforced
Progress	The replacement of the parking sensors means Rangers are now able to undertake enforcement of CBD parking
	Completed
OP	<b>Bridge and Causeway Renewal</b>
Measure	Replace Timber Bridges as scheduled by 30 June 2020
Progress	Dumaresq Creek (Cooks Road) will be completed by December 2020, Pint Pot Creek (Rockvale Road) and Shingle Hut Creek (Castledoyle Road) are on track to be completed by February 2021.
	Incomplete
	1-25%
	On track
	Below Budget

OP	<b>Road Infrastructure Renewal</b>
Measure	Complete all works as scheduled by 30 June 2020
Progress	Local and Regional roads resealing works have been completed. However water crisis of 2019 has curtailed the local road gravel resheeting program and ongoing uncertainty has resulted in the deferral of the proposed upgrading of the unsealed section of Rockvale Road due to the scarcity of water necessary for roadbase compaction.
	Incomplete
	51-75%
	Needs attention
	Below Budget

OP	<b>Safety Upgrades at blackspot intersections</b>
Measure	Install roundabout at intersection with Elm Avenue & Traffic Calming Niagara & QE Drive
Progress	Elm Avenue roundabout works were completed. Lighting still has to be completed and we are waiting for the approval of easement access.
	Incomplete
	76-100%
	On track
	On Budget

# Part C - Financial Statements



Above average rainfall and storm activity rejuvenated a parched landscape. Photo Terry Cooke

# Armidale Regional Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Unleash the Opportunities*



# Armidale Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Unleash the Opportunities*



## General Purpose Financial Statements

for the year ended 30 June 2020

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### Overview

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

135 Rusden Street  
Armidale NSW 2350

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

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

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

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



## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

#### Who uses the Financial Statements?

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

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

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

# Armidale Regional Council

## General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 December 2020.



Ian Tiley  
Mayor  
22 December 2020



Debra O'Brien  
Deputy Mayor  
22 December 2020



John Rayner  
Acting General Manager  
22 December 2020



Kelly Stidworthy  
Responsible Accounting Officer  
22 December 2020

## Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
32,939	Rates and annual charges	3a	33,409	32,256
20,084	User charges and fees	3b	18,091	21,334
3,005	Other revenues	3c	2,786	3,162
11,216	Grants and contributions provided for operating purposes	3d,3e	16,979	14,691
13,650	Grants and contributions provided for capital purposes	3d,3e	23,025	16,230
2,106	Interest and investment income	4	1,376	1,973
632	Rental income	13e	872	–
<b>83,632</b>	<b>Total income from continuing operations</b>		<b>96,538</b>	<b>89,646</b>
<b>Expenses from continuing operations</b>				
25,332	Employee benefits and on-costs	5a	23,750	24,385
1,469	Borrowing costs	5b	2,000	1,654
14,792	Materials and contracts	5c	21,274	18,750
16,484	Depreciation and amortisation	5d	17,594	18,198
9,865	Other expenses	5e	8,231	9,632
–	Net losses from the disposal of assets	6	1,454	1,102
–	Revaluation decrement / impairment of IPP&E	5d	2,099	608
<b>67,942</b>	<b>Total expenses from continuing operations</b>		<b>76,402</b>	<b>74,329</b>
<b>15,690</b>	<b>Net operating result from continuing operations</b>		<b>20,136</b>	<b>15,317</b>
<b>Loss on boundary adjustment</b>				
–	Loss on boundary adjustment	23	(42,966)	–
<b>15,690</b>	<b>Net result for the year</b>		<b>(22,830)</b>	<b>15,317</b>
15,690	Net result attributable to council		(22,830)	15,317
2,040	Net operating result for the year before grants and contributions provided for capital purposes		(2,889)	(913)

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>(22,830)</b>	<b>15,317</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	7,314	6,082
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>7,314</b>	<b>6,082</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		(32)	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(32)</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>7,282</b>	<b>6,082</b>
<b>Total comprehensive income for the year</b>		<b>(15,548)</b>	<b>21,399</b>
Total comprehensive income attributable to Council		(15,548)	21,399

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

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

Statement of Financial Position  
as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	20,856	11,040
Investments	7(b)	51,295	58,236
Receivables	8	9,175	12,357
Inventories	9a	1,027	846
Contract assets	12a	3,073	–
Non-Current assets classified as 'held for sale'	10	1,359	921
Other	9b	606	171
<b>Total current assets</b>		<u>87,391</u>	<u>83,571</u>
<b>Non-current assets</b>			
Receivables	8	312	327
Infrastructure, property, plant and equipment	11(a)	857,376	859,990
Right of use assets	13a	279	–
<b>Total non-current assets</b>		<u>857,967</u>	<u>860,317</u>
<b>Total assets</b>		<u>945,358</u>	<u>943,888</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	14	8,437	7,431
Income received in advance	14	–	505
Contract liabilities	12b	7,245	–
Lease liabilities	13b	26	–
Borrowings	14	2,831	2,962
Provisions	15	7,329	7,434
<b>Total current liabilities</b>		<u>25,868</u>	<u>18,332</u>
<b>Non-current liabilities</b>			
Lease liabilities	13b	253	–
Borrowings	14	20,946	23,801
Provisions	15	23,987	4,563
<b>Total non-current liabilities</b>		<u>45,186</u>	<u>28,364</u>
<b>Total liabilities</b>		<u>71,054</u>	<u>46,696</u>
<b>Net assets</b>		<u>874,304</u>	<u>897,192</u>
<b>EQUITY</b>			
Accumulated surplus	16	843,221	873,423
Revaluation reserves	16	31,083	23,769
<b>Council equity interest</b>		<u>874,304</u>	<u>897,192</u>
<b>Total equity</b>		<u>874,304</u>	<u>897,192</u>

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

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

Statement of Changes in Equity  
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		873,423	23,769	897,192	858,106	17,687	875,793
Changes due to AASB 1058 and AASB 15 adoption	16	(7,340)	–	(7,340)	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>866,083</b>	<b>23,769</b>	<b>889,852</b>	<b>858,106</b>	<b>17,687</b>	<b>875,793</b>
Net operating result for the year		(22,830)	–	(22,830)	15,317	–	15,317
<b>Restated net operating result for the period</b>		<b>(22,830)</b>	<b>–</b>	<b>(22,830)</b>	<b>15,317</b>	<b>–</b>	<b>15,317</b>
<b>Other comprehensive income</b>							
– Other movement		(32)	–	(32)	–	–	–
– Gain (loss) on revaluation of IPP&E	11(a)	–	7,314	7,314	–	6,082	6,082
<b>Other comprehensive income</b>		<b>(32)</b>	<b>7,314</b>	<b>7,282</b>	<b>–</b>	<b>6,082</b>	<b>6,082</b>
<b>Total comprehensive income</b>		<b>(22,862)</b>	<b>7,314</b>	<b>(15,548)</b>	<b>15,317</b>	<b>6,082</b>	<b>21,399</b>
<b>Equity – balance at end of the reporting period</b>		<b>843,221</b>	<b>31,083</b>	<b>874,304</b>	<b>873,423</b>	<b>23,769</b>	<b>897,192</b>

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

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

Statement of Cash Flows  
for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
32,939	Rates and annual charges		33,429	32,487
20,084	User charges and fees		19,397	21,529
2,106	Investment and interest revenue received		1,944	1,763
24,866	Grants and contributions		31,469	34,096
–	Bonds, deposits and retention amounts received		40	–
3,637	Other		4,991	6,972
<i>Payments:</i>				
(25,332)	Employee benefits and on-costs		(23,001)	(24,478)
(14,792)	Materials and contracts		(25,338)	(21,150)
(1,469)	Borrowing costs		(1,456)	(1,676)
–	Bonds, deposits and retention amounts refunded		–	(2,088)
(9,864)	Other		(9,455)	(13,770)
32,175	<b>Net cash provided (or used in) operating activities</b>	17b	32,020	33,685
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
1,333	Sale of investment securities		79,000	60,000
3,643	Sale of infrastructure, property, plant and equipment		2,870	2,792
–	Deferred debtors receipts		15	39
<i>Payments:</i>				
–	Purchase of investment securities		(72,059)	(70,116)
(38,025)	Purchase of infrastructure, property, plant and equipment		(29,044)	(29,637)
(33,049)	<b>Net cash provided (or used in) investing activities</b>		(19,218)	(36,922)
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(2,952)	Repayment of borrowings and advances		(2,986)	(2,967)
(2,952)	<b>Net cash flow provided (used in) financing activities</b>		(2,986)	(2,967)
(3,826)	<b>Net increase/(decrease) in cash and cash equivalents</b>		9,816	(6,204)
10,390	Plus: cash and cash equivalents – beginning of year	17a	11,040	17,244
–	less: Lost Cash resulting from boundary adjustment		–	–
6,564	<b>Cash and cash equivalents – end of the year</b>	17a	20,856	11,040
40,461	plus: Investments on hand – end of year	7(b)	51,295	58,236
47,025	<b>Total cash, cash equivalents and investments</b>		72,151	69,276

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 22 December 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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

- Income statement
- Statement of cash flows
- Note 22 - Material budget variations

and are clearly marked.

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

#### COVID-19

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

Council operations, in particular the airport, have experienced a significant downturn in revenue due to COVID-19. The assets associated with these operations are not considered to be impaired as they are valued at depreciated replacement cost and not linked to valuation methods dependent on cash flows or income. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2020 financial results. Hence, 30 June 2020 financial statements were prepared on a going concern basis.

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment - refer Note 11;

## Notes to the Financial Statements

for the year ended 30 June 2020

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

- (ii) estimated tip remediation provisions - refer Note 15; and
- (iii) employee benefit provisions - refer Note 15.

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

- (i) Impairment of receivables

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

#### Monies and other assets received by Council

##### (a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

##### (b) The Trust Fund

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

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

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

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

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

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

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

#### **AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128**

#### **AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

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

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate. Council is not currently involved in any Joint Venture operation with any parties.

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

Apart from the standards listed above, there are no other released standards and interpretations (with future effective dates) that are expected to have a material impact on Council.

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

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

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

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

---

- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

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

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Growth, Prosperity, and Economic Development	60,012	52,759	46,032	46,748	13,980	6,011	17,436	17,957	–	–
People and Community	3,959	5,688	12,439	13,744	(8,480)	(8,056)	2,085	3,936	113,522	106,644
Leadership for the Region	21,584	25,607	9,155	4,026	12,429	21,581	2,157	4,332	86,534	81,898
Environment and Infrastructure	10,983	5,592	8,776	9,811	2,207	(4,219)	5,466	1,029	745,302	755,346
<b>Total functions and activities</b>	<b>96,538</b>	<b>89,646</b>	<b>76,402</b>	<b>74,329</b>	<b>20,136</b>	<b>15,317</b>	<b>27,144</b>	<b>27,254</b>	<b>945,358</b>	<b>943,888</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

#### **Growth, Prosperity, and Economic Development**

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

#### **People and Community**

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

#### **Leadership for the Region**

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

#### **Environment and Infrastructure**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	10,895	10,782
Farmland	1058 (1)	4,771	4,793
Mining	1058 (1)	64	65
Business	1058 (1)	2,579	2,540
Less: pensioner rebates (mandatory)	1058 (1)	(328)	(367)
<b>Rates levied to ratepayers</b>		<b>17,981</b>	<b>17,813</b>
Pensioner rate subsidies received	1058 (1)	145	175
<b>Total ordinary rates</b>		<b>18,126</b>	<b>17,988</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	4,289	3,897
Water supply services	1058 (1)	2,335	2,327
Sewerage services	1058 (1)	5,837	5,435
Drainage	1058 (1)	466	463
Waste management services (non-domestic)	1058 (1)	2,568	2,396
Less: pensioner rebates (Council policy)	1058 (1)	(420)	(448)
<b>Annual charges levied</b>		<b>15,075</b>	<b>14,070</b>
Pensioner subsidies received:			
– Water	1058 (1)	78	72
– Sewerage	1058 (1)	81	68
– Domestic waste management	1058 (1)	49	58
<b>Total annual charges</b>		<b>15,283</b>	<b>14,268</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>33,409</b>	<b>32,256</b>

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

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

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

**Accounting policy for rates and charges**

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

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

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

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

**2019 accounting policy**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	5,268	9,197
Sewerage services	15 (1)	98	77
Drainage services	15 (1)	60	65
Waste management services (non-domestic)	15 (1)	2,983	2,854
Other	15 (1)	41	143
<b>Total specific user charges</b>		<b>8,450</b>	<b>12,336</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services	15 (1)	132	116
Planning and building regulation	15 (1)	241	201
Private works – section 67	15 (1)	587	300
Regulatory/ statutory fees	15 (1)	93	40
Registration fees	15 (1)	86	76
Regulatory fees	15 (1)	177	149
Section 10.7 certificates (EP&A Act)	15 (1)	70	76
Section 603 certificates	15 (1)	73	85
<b>Total fees and charges – statutory/regulatory</b>		<b>1,459</b>	<b>1,043</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	1,542	1,789
Aged care	15 (1)	2	3
Cemeteries	15 (1)	227	227
Child care	15 (1)	531	538
Leaseback fees – Council vehicles	15 (1)	103	110
Quarry revenues	15 (1)	381	586
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (2)	5,134	4,037
Saleyards	15 (1)	–	6
Sundry sales	15 (1)	–	191
Swimming centres	15 (1)	198	227
Other	15 (1)	64	241
<b>Total fees and charges – other</b>		<b>8,182</b>	<b>7,955</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>18,091</b>	<b>21,334</b>

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

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

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

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

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

**Accounting policy for user charges and fees**

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

#### **2019 accounting policy**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		23	841
Fines – parking	1058 (1)	344	166
Legal fees recovery – rates and charges (extra charges)	15 (1)	64	91
Commissions and agency fees	15 (1)	34	8
Insurance claims recoveries	1058 (1)	154	28
Sales – general	15 (1)	134	34
Rental income – Kolora aged care		–	21
Items for resale	15 (1)	389	236
Sales – cattle	15 (1)	776	655
Rebates	15 (1)	619	555
Other	15 (1)	249	527
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,786</u></b>	<b><u>3,162</u></b>

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

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

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

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

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

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

Parking fees and fines are a result of Council issuing infringement notices and these are followed up and collected by the Infringement Processing Bureau. Due to the limited information available on status, value and duration of outstanding notices, Council is unable to reliably determine the value of income, so income from parking fees and fines is recognised as revenue on receipt.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	2,118	2,127	–	–
Financial assistance – local roads component	1058 (1)	1,226	1,221	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	2,243	2,205	–	–
Financial assistance – local roads component	1058 (1)	1,302	1,267	–	–
<b>Total general purpose</b>		<b>6,889</b>	<b>6,820</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	1,484	–	2,712	9,700
Aged care		106	223	–	–
Bushfire and emergency services	1058 (2)	40	–	24	8
Child care		137	–	–	–
Community care	1058 (2)	6	153	31	10
Economic development	1058 (2)	–	118	–	–
Employment and training programs	1058 (2)	5	–	–	–
Environmental programs	1058 (2)	11	–	–	–
Heritage and cultural	1058 (2)	9	–	–	–
Library	1058 (2)	142	102	–	–
LIRS subsidy	1058 (2)	67	79	–	–
NSW rural fire services	1058 (2)	1,135	345	6	1,036
Recreation and culture	1058 (2)	557	723	405	602
Street lighting	1058 (2)	85	84	–	–
Transport (roads to recovery)	1058 (1)	2,145	3,364	–	–
Transport (other roads and bridges funding)	1058 (2)	3	898	1,018	2,613
Airport	1058 (2)	–	–	5,945	–
Waste Management	1058 (2)	–	–	75	128
Other	1058 (2)	2,649	38	1,458	210
<b>Total specific purpose</b>		<b>8,581</b>	<b>6,127</b>	<b>11,674</b>	<b>14,307</b>
<b>Total grants</b>		<b>15,470</b>	<b>12,947</b>	<b>11,674</b>	<b>14,307</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		9,153	10,749	1,026	1,487
– State funding		3,945	2,187	9,190	12,820
– Other funding		2,372	–	1,458	–
- Other funding		–	11	–	–
		<b>15,470</b>	<b>12,947</b>	<b>11,674</b>	<b>14,307</b>

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	182	219
S 7.12 – fixed development consent levies		1058 (1)	–	–	315	209
S 64 – water supply contributions		1058 (1)	–	–	352	364
S 64 – sewerage service contributions		1058 (1)	–	–	179	340
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>1,028</b>	<b>1,132</b>
<b>Total developer contributions</b>	27		<b>–</b>	<b>–</b>	<b>1,028</b>	<b>1,132</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Bushfire services		15 (1)	234	209	6	–
Community services		15 (1)	60	59	–	–
Other councils – joint works/services		15 (1)	71	31	–	–
Recreation and culture		15 (1)	25	138	–	–
Roads and bridges		15 (1)	–	18	40	507
RMS contributions (regional roads, block grant)		1058 (1)	960	1,262	184	155
Sewerage (excl. section 64 contributions)		15 (1)	–	–	515	–
Tourism		15 (1)	23	17	–	–
Other		15 (1)	136	10	–	129
<b>Total other contributions – cash</b>			<b>1,509</b>	<b>1,744</b>	<b>745</b>	<b>791</b>
<b>Non-cash contributions</b>						
NSW State Government - Crown Land		1058 (1)	–	–	8,152	–
NSW State Government - RFS Assets		1058 (1)	–	–	1,426	–
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>9,578</b>	<b>–</b>
<b>Total other contributions</b>			<b>1,509</b>	<b>1,744</b>	<b>10,323</b>	<b>791</b>
<b>Total contributions</b>			<b>1,509</b>	<b>1,744</b>	<b>11,351</b>	<b>1,923</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>16,979</b>	<b>14,691</b>	<b>23,025</b>	<b>16,230</b>

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

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

**Accounting policy for grants and contributions**

**Accounting policy from 1 July 2019**

**Grant income under AASB 15**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

#### Grant income

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

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

#### Capital grants

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

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

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

#### Contributions

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

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

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

#### Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

**Operating grants**

Unexpended at the close of the previous reporting period	5,116	9,243
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	1,708	686
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants now spent	(1,681)	(4,813)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	–	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<b>5,143</b>	<b>5,116</b>

Unexpended Operating Grants are grant monies received in relation to Council's Specific Purpose Operating projects and where those grant monies are not fully expended at year end. Several of Council's Specific Purpose Operating projects include transport and NSW Rural Fire Service related projects.

**Capital grants**

Unexpended at the close of the previous reporting period	1,881	115
<b>Add:</b> capital grants recognised as income in the current period but not yet spent (2019 only)	2,131	1,881
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> capital grants now spent	(1,185)	(115)
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	–	–
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<b>2,827</b>	<b>1,881</b>

Unexpended Capital Grants are grant monies received in relation to Council's Specific Purpose Capital projects and where those grant monies are not fully expended at year end. Several of Council's Specific Purpose Capital projects include water supply and transport related projects.

**Contributions**

Unexpended at the close of the previous reporting period	6,301	4,771
<b>Add:</b> contributions recognised as income in the current period but not yet spent	1,265	6,262
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
<b>Less:</b> contributions now spent	(661)	(4,732)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<b>6,905</b>	<b>6,301</b>

Unexpended Contributions are contribution monies received in relation to certain of Council's Operating and Capital projects and where those contribution monies are not fully expended at year end. Several of Council's Operating and Capital projects involving unexpended contributions include water supply and sewer headworks projects.

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

Note 4. Interest and investment income

Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	107	109
– Cash and investments	1,262	1,849
– Deferred debtors	7	15
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<b>1,376</b>	<b>1,973</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	82	70
General Council cash and investments	219	609
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11, Section 7.12	122	130
Water fund operations	586	739
Sewerage fund operations	352	399
Other externally restricted assets	15	26
<b>Total interest and investment revenue</b>	<b>1,376</b>	<b>1,973</b>

**Accounting policy for interest and investment revenue**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	18,333	18,445
Employee termination costs	949	654
Travel expenses	83	159
Employee leave entitlements (ELE)	3,618	3,904
Superannuation	2,241	2,381
Workers' compensation insurance	472	398
Fringe benefit tax (FBT)	23	(1)
Payroll tax	144	147
Training costs (other than salaries and wages)	170	222
Protective clothing	82	86
Other	20	37
<b>Total employee costs</b>	<b>26,135</b>	<b>26,432</b>
Less: capitalised costs	(2,385)	(2,047)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>23,750</b>	<b>24,385</b>
Number of 'full-time equivalent' employees (FTE) at year end	272	277

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

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

*Retirement benefit obligations*

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

*Superannuation plans*

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.



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

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on leases	13	1	–
Interest on loans		1,445	1,613
<b>Total interest bearing liability costs</b>		<u>1,446</u>	<u>1,613</u>
<b>Total interest bearing liability costs expensed</b>		<u>1,446</u>	<u>1,613</u>
<b>(ii) Other borrowing costs</b>			
Amortisation of discount of tip remediation liabilities	15	554	41
<b>Total other borrowing costs</b>		<u>554</u>	<u>41</u>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<u>2,000</u>	<u>1,654</u>

**Accounting policy for borrowing costs**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	14,349	18,388
Contractor and consultancy costs	30,237	27,220
Auditors remuneration <sup>2</sup>	113	103
<b>Legal expenses:</b>		
– Legal expenses: planning and development	36	21
– Legal expenses: debt recovery	35	158
– Legal expenses: other	653	320
Expenses from leases of low value assets (2020 only)	165	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	160
<b>Total materials and contracts</b>	<b>45,588</b>	<b>46,370</b>
Less: capitalised costs	(24,314)	(27,620)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>21,274</b>	<b>18,750</b>

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

Office equipment & other items	–	160
	–	160

**2. Auditor remuneration**

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

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

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

Audit and review of financial statements	100	96
<b>Remuneration for audit and other assurance services</b>	<b>100</b>	<b>96</b>

**Total Auditor-General remuneration**

100	96
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**Non NSW Auditor-General audit firms**

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

Other Assurance services including acquittal audits	13	7
<b>Remuneration for audit and other assurance services</b>	<b>13</b>	<b>7</b>

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

13	7
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**Total Auditor remuneration**

113	103
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**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,965	1,798
Office equipment		183	299
<b>Infrastructure:</b>	11(a)		
– Buildings		2,149	2,476
– Other structures		142	136
– Roads		4,392	4,750
– Bridges		775	778
– Footpaths		262	277
– Stormwater drainage		630	668
– Water supply network		3,163	3,130
– Sewerage network		2,082	2,122
– Airport infrastructure		370	354
<b>Other assets:</b>			
– Heritage collections		9	10
– Other		853	835
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Landfill and quarry assets	11(a)	619	565
<b>Total gross depreciation and amortisation costs</b>		<u>17,594</u>	<u>18,198</u>
<b>Total depreciation and amortisation costs</b>		<u>17,594</u>	<u>18,198</u>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Buildings (relates to write-down of building assets to recoverable amount in preparation for sale)	11(a)	–	608
– Roads	11(a)	215	–
– Capital work in progress	11(a)	730	–
– Bulk earthworks (non-depreciable)	11(a)	948	–
Non-current assets held for sale	10i	206	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<u>2,099</u>	<u>608</u>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<u>2,099</u>	<u>608</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>19,693</u>	<u>18,806</u>

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

**Depreciation and amortisation**

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

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed

## Notes to the Financial Statements

for the year ended 30 June 2020

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

on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	64	103
Training costs (other than salaries and wages)	–	–
Travel expenses	–	–
Bad and doubtful debts	72	448
Bank charges	121	122
Computer software charges	568	827
Contributions/levies to other levels of government	1,436	990
Councillor expenses – mayoral fee	42	43
Councillor expenses – councillors' fees	212	216
Councillors' expenses (incl. mayor) – other (excluding fees above)	122	3
Donations, contributions and assistance to other organisations (Section 356)	416	781
Electricity and heating	1,016	981
Insurance	1,018	1,077
Items for resale	398	537
Postage	183	214
Printing and stationery	113	230
Promotion and publicity	213	287
Street lighting	454	417
Subscriptions and publications	186	170
Telephone and communications	460	452
Valuation fees	98	103
Security	90	125
Licences	178	500
Other	771	1,006
<b>Total other expenses</b>	<b>8,231</b>	<b>9,632</b>
<b>TOTAL OTHER EXPENSES</b>	<b>8,231</b>	<b>9,632</b>

#### Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Operational Land &amp; Building assets</b>			
Proceeds from disposal – property		2,052	1,507
Less: carrying amount of property assets sold/written off		(1,147)	(750)
<b>Net gain/(loss) on disposal</b>		<b>905</b>	<b>757</b>
<b>Plant and equipment assets</b>			
	11(a)		
Proceeds from disposal – plant and equipment		818	1,285
Less: carrying amount of plant and equipment assets sold/written off		(504)	(595)
<b>Net gain/(loss) on disposal</b>		<b>314</b>	<b>690</b>
<b>Infrastructure assets</b>			
	11(a)		
Proceeds of disposal of Infrastructure assets		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,673)	(2,488)
<b>Net gain/(loss) on disposal</b>		<b>(2,673)</b>	<b>(2,488)</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal - Real estate assets held for sale		–	–
Less: balance written off - assessed as non-recoverable		–	(61)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(61)</b>
<b>Investment assets</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		79,000	60,000
Less: carrying amount of investments sold/redeemed/matured		(79,000)	(60,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,454)</b>	<b>(1,102)</b>

**Accounting policy for disposal of assets**

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	20,856	11,040
<b>Total cash and cash equivalents</b>	<u>20,856</u>	<u>11,040</u>

**Accounting policy for cash and cash equivalents**

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
b. 'Financial assets at amortised cost'	51,295	–	58,236	–
<b>Total Investments</b>	<u>51,295</u>	<u>–</u>	<u>58,236</u>	<u>–</u>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<u>72,151</u>	<u>–</u>	<u>69,276</u>	<u>–</u>
<b>Financial assets at amortised cost</b>				
Medium term deposits	51,295	–	58,236	–
<b>Total</b>	<u>51,295</u>	<u>–</u>	<u>58,236</u>	<u>–</u>

**Accounting policy for investments**

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

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at amortised cost.

**Classification**

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

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

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	72,151	–	69,276	–
<b>attributable to:</b>				
External restrictions	59,991	–	59,772	–
Internal restrictions	10,020	–	7,654	–
Unrestricted	2,140	–	1,850	–
	<u>72,151</u>	<u>–</u>	<u>69,276</u>	<u>–</u>

\$ '000	2020	2019
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Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	7,245	–
Specific purpose unexpended loans – general	2,700	3,408
NIRW grant from EPA	1,087	947

**External restrictions – included in liabilities**

	<u>11,032</u>	<u>4,355</u>
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**External restrictions – other**

Developer contributions – general	2,749	2,387
Developer contributions – water fund	2,277	1,885
Developer contributions – sewer fund	1,740	1,530
RMS contributions	76	17
Specific purpose unexpended grants (recognised as revenue) – general fund	725	6,997
Water supplies	22,317	26,185
Sewerage services	16,183	13,927
Domestic waste management	1,362	607
Trust Fund	1,467	1,431
Other Contributions	63	451

**External restrictions – other**

	<u>48,959</u>	<u>55,417</u>
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**Total external restrictions**

	<u>59,991</u>	<u>59,772</u>
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**Internal restrictions**

Plant and vehicle replacement	885	–
Infrastructure replacement	3,317	–
Employees leave entitlement	4,053	3,194
Carry over works	1,136	2,368
Other	629	2,092

**Total internal restrictions**

	<u>10,020</u>	<u>7,654</u>
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**TOTAL RESTRICTIONS**

	<u>70,011</u>	<u>67,426</u>
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Notes to the Financial Statements  
for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	2,006	–	1,752	–
Interest and extra charges	186	–	368	–
User charges and fees	1,327	–	2,282	–
Private works	3,508	–	2,266	–
Accrued revenues				
– Interest on investments	366	–	752	–
Deferred debtors	–	312	–	327
Government grants and subsidies	85	–	4,300	–
Net GST receivable	651	–	975	–
Other debtors	1,438	–	111	–
<b>Total</b>	<b>9,567</b>	<b>312</b>	<b>12,806</b>	<b>327</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(156)	–	(223)	–
User charges and fees	(236)	–	(226)	–
<b>Total provision for impairment – receivables</b>	<b>(392)</b>	<b>–</b>	<b>(449)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>9,175</b>	<b>312</b>	<b>12,357</b>	<b>327</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	449	280
Less Debts written off during the year	(73)	(240)
Add additional provision for impairment in the current year	16	409
<b>Balance at the end of the year</b>	<b>392</b>	<b>449</b>

**Accounting policy for receivables**

**Recognition and measurement**

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

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

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

**Impairment**

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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The Council uses the presumption 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.

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, or when receivables are over 3 years past due, whichever occurs first.

None of the receivables that have been written off are not subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	539	–	537	–
Trading stock	488	–	309	–
<b>Total inventories at cost</b>	<b>1,027</b>	<b>–</b>	<b>846</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,027</u></b>	<b><u>–</u></b>	<b><u>846</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	606	–	171	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>606</u></b>	<b><u>–</u></b>	<b><u>171</u></b>	<b><u>–</u></b>

**(i) Other disclosures**

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(Valued at the lower of cost and net realisable value)					
<b>Movements:</b>					
Real estate assets at beginning of the year		–	–	61	–
– Write off of non-recoverable opening balance	6	–	–	(61)	–
<b>Total real estate for resale</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Accounting policy for inventories and other assets**

**Raw materials and stores, work in progress and finished goods**

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets 'held for sale'

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Land	464	–	–	–
Buildings - Former Kolora Aged Care facility site & buildings	895	–	921	–
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b>1,359</b>	<b>–</b>	<b>921</b>	<b>–</b>

(ii) Details of assets and disposal groups

The property formerly used as the Kolora Aged Care facility in Guyra has been sold with settlement effected in August 2020. At 30 June 2020, the carrying value of the property has been written down to its recoverable amount, indicated by the contract price, less disposal costs. Land parcels are being marketed for sale and are held at cost, as representative of lower of cost or net market value.

(iii) Reconciliation of non-current assets 'held for sale'

\$ '000	2020	2019
	Assets 'held for sale'	Assets 'held for sale'
<b>Opening balance</b>	921	–
Add Land Parcels transferred from Operational Land category	644	1,529
Less Impairment of Old Kolora Property	(206)	(608)
<b>Balance still unsold after 12 months:</b>	<b>1,359</b>	<b>921</b>

**Accounting policy for non-current assets classified as held for sale**

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. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period									as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	26,106	–	26,106	–	23,832	–	–	(730)	(27,467)	–	–	–	21,741	–	21,741
Plant and equipment	19,790	(9,598)	10,192	2,279	1,427	(504)	(1,965)	–	–	–	–	–	24,074	(12,645)	11,429
Office equipment	5,236	(4,891)	345	29	–	–	(183)	–	–	–	–	–	5,235	(5,044)	191
<b>Land:</b>															
– Operational land	21,312	–	21,312	–	–	(695)	–	–	–	(644)	–	4,989	24,962	–	24,962
– Community land	19,882	–	19,882	–	8,152	(460)	–	–	–	–	(59)	–	27,516	–	27,516
– Land under roads (post 30/6/08)	721	–	721	–	–	(64)	–	–	–	–	–	–	657	–	657
<b>Infrastructure:</b>															
– Buildings	120,498	(55,334)	65,164	50	136	(1,652)	(2,149)	–	211	–	–	–	118,483	(56,723)	61,760
– Other structures	10,410	(3,971)	6,439	132	14	(20)	(142)	–	185	–	–	–	10,878	(4,270)	6,608
– Roads	245,337	(68,395)	176,942	1,962	29	(21,383)	(4,392)	(215)	1,652	–	–	–	221,299	(66,703)	154,596
– Bridges	64,734	(22,440)	42,294	313	–	(2,906)	(775)	–	732	–	–	–	60,538	(20,881)	39,657
– Footpaths	14,703	(6,785)	7,918	18	48	(375)	(262)	–	–	–	–	–	14,219	(6,872)	7,347
– Bulk earthworks (non-depreciable)	152,653	–	152,653	–	–	(9,605)	–	(948)	–	–	–	–	142,100	–	142,100
– Stormwater drainage	62,456	(13,441)	49,015	202	–	(3,042)	(630)	–	1,361	–	–	–	60,393	(13,487)	46,906
– Water supply network	230,050	(76,337)	153,713	–	–	(1,782)	(3,163)	–	13,056	–	–	1,443	241,378	(78,110)	163,268
– Sewerage network	141,667	(37,855)	103,812	–	–	(4,731)	(2,082)	–	–	–	–	941	136,138	(38,197)	97,941
– Airport infrastructure	9,334	(1,987)	7,347	–	–	–	(370)	–	–	–	–	–	9,545	(2,568)	6,977
<b>Other assets:</b>															
– Heritage collections	130	(70)	60	–	–	–	(9)	–	–	–	–	–	130	(78)	52
– Artworks	112	–	112	–	–	–	–	–	–	–	–	–	112	–	112
– Other	19,685	(4,775)	14,910	–	–	(72)	(853)	–	10,270	–	–	–	30,174	(5,919)	24,255
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>															
– Landfill & quarry assets	3,984	(2,931)	1,053	–	–	–	(619)	–	–	18,867	–	–	23,343	(4,042)	19,301
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,168,800</b>	<b>(308,810)</b>	<b>859,990</b>	<b>4,985</b>	<b>33,638</b>	<b>(47,291)</b>	<b>(17,594)</b>	<b>(1,893)</b>	<b>–</b>	<b>18,223</b>	<b>(59)</b>	<b>7,373</b>	<b>1,172,915</b>	<b>(315,539)</b>	<b>857,376</b>

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	9,084	–	9,084	–	18,653	(75)	–	–	(1,556)	–	–	26,106	–	26,106
Plant and equipment	19,535	(8,962)	10,573	2,012	–	(595)	(1,798)	–	–	–	–	19,790	(9,598)	10,192
Office equipment	5,258	(4,614)	644	–	–	–	(299)	–	–	–	–	5,236	(4,891)	345
<b>Land:</b>														
– Operational land	21,815	–	21,815	–	–	(503)	–	–	–	–	–	21,312	–	21,312
– Community land	19,913	–	19,913	–	–	(31)	–	–	–	–	–	19,882	–	19,882
– Land under roads (post 30/6/08)	–	–	–	–	–	–	–	–	–	–	721	721	–	721
<b>Infrastructure:</b>														
– Buildings	123,983	(55,588)	68,395	–	948	(316)	(2,476)	(608)	142	(921)	–	120,498	(55,334)	65,164
– Other structures	10,345	(3,835)	6,510	–	234	(173)	(136)	–	4	–	–	10,410	(3,971)	6,439
– Roads	242,609	(63,645)	178,964	3,328	343	(961)	(4,750)	–	18	–	–	245,337	(68,395)	176,942
– Bridges	63,925	(22,420)	41,505	1,583	–	(423)	(778)	–	407	–	–	64,734	(22,440)	42,294
– Footpaths	14,538	(6,508)	8,030	–	24	–	(277)	–	141	–	–	14,703	(6,785)	7,918
– Bulk earthworks (non-depreciable)	152,653	–	152,653	–	–	–	–	–	–	–	–	152,653	–	152,653
– Stormwater drainage	62,414	(12,773)	49,641	53	–	(11)	(668)	–	–	–	–	62,456	(13,441)	49,015
– Water supply network	224,247	(71,702)	152,545	1,217	–	(383)	(3,130)	–	261	–	3,203	230,050	(76,337)	153,713
– Sewerage network	137,747	(34,998)	102,749	1,089	–	(99)	(2,122)	–	37	–	2,158	141,667	(37,855)	103,812
– Airport infrastructure	8,999	(1,633)	7,366	–	–	(211)	(354)	–	546	–	–	9,334	(1,987)	7,347
<b>Other assets:</b>														
– Heritage collections	130	(60)	70	–	–	–	(10)	–	–	–	–	130	(70)	60
– Other	19,584	(3,940)	15,644	–	153	(52)	(835)	–	–	–	–	19,685	(4,775)	14,910
– Artworks	112	–	112	–	–	–	–	–	–	–	–	112	–	112
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Tip assets	2,703	(2,525)	178	–	–	–	(565)	–	–	1,439	–	3,984	(2,931)	1,053
<b>Total Infrastructure, property, plant and equipment</b>	<b>1,139,594</b>	<b>(293,203)</b>	<b>846,391</b>	<b>9,282</b>	<b>20,355</b>	<b>(3,833)</b>	<b>(18,198)</b>	<b>(608)</b>	<b>–</b>	<b>518</b>	<b>6,082</b>	<b>1,168,800</b>	<b>(308,810)</b>	<b>859,990</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11(a). Infrastructure, property, plant and equipment (continued)

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

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

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

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

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

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

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

#### Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11(a). Infrastructure, property, plant and equipment (continued)

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#### **Crown reserves**

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 13.

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

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

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

Rural Fire Service assets are recognised as assets of the Council in these financial statements.

For the year ended 30 June 2020, Council has changed its accounting policy in relation to the recognition of RFS Fleet assets.

Council has recognised the contribution of RFS Fleet assets to its Balance Sheet with a corresponding entry as a capital contribution.

### Note 11(b). Infrastructure, property, plant and equipment – current year impairments

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Council has recognised impairment losses on certain Infrastructure, Property, Plant and Equipment during the reporting period, as disclosed in Note 5 (d).

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

Note 12. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Contract Asset (AASB 15)	441	–
Accrued Income (AASB 1058)	2,632	–
<b>Total Contract assets</b>	<b>3,073</b>	<b>–</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,828	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	4,354	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	63	–
<b>Total grants received in advance</b>		<b>7,245</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>7,245</b>	<b>–</b>

**Notes**

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

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

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	1,681
Operating grants (received prior to performance obligation being satisfied)	98
Capital contributions (to construct Council controlled assets)	1,105
Operating contributions (received prior to performance obligation being satisfied)	378
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>3,262</b>

**Significant changes in contract assets and liabilities**

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



## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Leases

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

#### (i) Council as a lessee

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

#### Terms and conditions of leases

##### Buildings

Council leases land and buildings as part of access arrangements and for the provision of services. The leases are generally between 2 to 99 years and some include a renewal option to allow Council to renew the lease.

The leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

##### Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The current photocopier lease which expired at 30 June 2020, has been extended for 12 months and is pending renewal. Payments are fixed with a variable component based upon usage.

\$ '000	Plant & Equipment	Ready to use	Various Property, Plant & Equipment	Total
<b>Opening balance at 30 June 2019</b>	-	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	-	-	313	313
Other movement	-	-	(34)	(34)
<b><u>RIGHT OF USE ASSETS</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>279</u></b>	<b><u>279</u></b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020 Current	2020 Non-current
<b>(b) Lease liabilities</b>		
Lease liabilities	26	253
<b><u>TOTAL LEASE LIABILITIES</u></b>	<b><u>26</u></b>	<b><u>253</u></b>

**(i) The maturity analysis**

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	27	87	746	860	279

\$ '000	2020 Current	2020 Non-current
<b>(ii) Lease liabilities relating to restricted assets</b>		
Total lease liabilities relating to unrestricted assets	26	253
<b><u>Total lease liabilities</u></b>	<b><u>26</u></b>	<b><u>253</u></b>

\$ '000	2020
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**(c) Income Statement**

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

Interest on lease liabilities	1
Expenses relating to low-value leases	165
	<b><u>166</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Leases (continued)

\$ '000	2020
<b>(d) Statement of Cash Flows</b>	
Total cash outflow for leases	27
	<b>27</b>

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

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

- community services
- historical purposes

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

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

#### Accounting policy

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

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

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

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

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

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

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

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

##### Exceptions to lease accounting

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

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

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

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

Refer to Note 5c and Note 14.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Council owned property	872
<b>Total income relating to operating leases</b>	<b>872</b>

**(iv) Maturity analysis of contractual lease income**

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

< 1 year	695
1–2 years	631
2–3 years	567
3–4 years	155
4–5 years	125
> 5 years	748
<b>Total undiscounted contractual lease income receivable</b>	<b>2,921</b>

**Accounting policy**

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

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

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

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

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

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,987	–	2,920	–
Accrued expenses:				
– Borrowings	120	–	130	–
– Salaries and wages	851	–	–	–
– Other expenditure accruals	1,863	–	1,307	–
Security bonds, deposits and retentions	40	–	–	–
NIRW grant from EPA	1,087	–	947	–
Trust	1,453	–	1,432	–
Prepaid rates	1,036	–	695	–
<b>Total payables</b>	<b>8,437</b>	<b>–</b>	<b>7,431</b>	<b>–</b>
<b>Income received in advance (2019 only)</b>				
Payments received in advance	–	–	505	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>505</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	2,831	20,946	2,962	23,801
<b>Total borrowings</b>	<b>2,831</b>	<b>20,946</b>	<b>2,962</b>	<b>23,801</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>11,268</u></b>	<b><u>20,946</u></b>	<b><u>10,898</u></b>	<b><u>23,801</u></b>

(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 19.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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

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

Other liabilities: Unspent loan	–	1,451
<b>Total payables and borrowings</b>	<b>–</b>	<b>1,451</b>

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

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	26,763	(2,986)	–	–	–	–	23,777
<b>TOTAL</b>	<b>26,763</b>	<b>(2,986)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>23,777</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	29,730	(2,967)	–	–	–	26,763
<b>TOTAL</b>	<b>29,730</b>	<b>(2,967)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,763</b>

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

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

Bank overdraft facilities <sup>1</sup>	1,000	1,000
Credit cards/purchase cards	210	210
<b>Total financing arrangements</b>	<b>1,210</b>	<b>1,210</b>

**Drawn facilities as at balance date:**

– Credit cards/purchase cards	34	–
<b>Total drawn financing arrangements</b>	<b>34</b>	<b>–</b>

**Undrawn facilities as at balance date:**

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	176	210
<b>Total undrawn financing arrangements</b>	<b>1,176</b>	<b>1,210</b>

**Additional financing arrangements information**

**Breaches and defaults**

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

**Security over loans**

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Land, buildings and other property held by Council, along with the general rating income of Council is provided as security for loans.

#### Unused limits and facilities

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

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

#### Accounting policy for payables and borrowings

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

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

#### Payables

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

#### Borrowings

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

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

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

#### Finance leases (2019 only)

Council is not party to any finance leasing arrangements.



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

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	2,247	–	2,159	–
Long service leave	4,910	383	5,120	380
Other leave – Accrued leave	172	–	155	–
<b>Sub-total – aggregate employee benefits</b>	<u>7,329</u>	<u>383</u>	<u>7,434</u>	<u>380</u>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	23,604	–	4,183
<b>Sub-total – asset remediation/restoration</b>	<u>–</u>	<u>23,604</u>	<u>–</u>	<u>4,183</u>
<b><u>TOTAL PROVISIONS</u></b>	<u>7,329</u>	<u>23,987</u>	<u>7,434</u>	<u>4,563</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

Provisions – employees benefits	4,774	4,521
	4,774	4,521

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

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
<b>2020</b>				
At beginning of year	2,159	5,500	155	7,814
Leave Taken	(1,609)	(350)	(1,659)	(3,618)
Leave Accrued	1,697	143	1,676	3,516
Total ELE provisions at end of year	2,247	5,293	172	7,712
<b>2019</b>				
At beginning of year	2,223	5,510	174	7,907
Leave Taken	(1,524)	(795)	(1,678)	(3,997)
Leave Accrued	1,460	786	1,658	3,904
Total ELE provisions at end of year	2,159	5,501	154	7,814

\$ '000	Other provisions	
	Asset remediation	Total
<b>2020</b>		
At beginning of year	4,183	4,183
<b>Changes to provision:</b>		
– Revised discount rate	214	214
Additional provisions	19,761	19,761
Unwinding of discount	(554)	(554)
Total other provisions at end of year	23,604	23,604
<b>2019</b>		
At beginning of year	2,703	2,703
Unwinding of discount	41	41
Additional Provision	1,439	1,439
Total other provisions at end of year	4,183	4,183

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

**Landfill and Quarry remediation**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

Council engaged an external consultant to visit Council's three (3) landfill sites (Long Swamp Road, Guyra and Waterfall Way Regional Landfill). The consultant provided updated rehabilitation costs for all three landfill sites and a rehabilitation model for Council to use to value the Rehabilitation provision in accordance with required Accounting Standards. The comprehensive model resulted in an increase in the Landfill Rehabilitation Provision from \$3.8 million at 30 June 2019 to \$22.4 million at 30 June 2020. At 30 June 2019, an internal review was completed by Council staff based upon using the phytocap rehabilitation method for the Long Swamp Road Landfill only. During 2020, degradation of the capping at the Guyra Landfill site was identified so further rehabilitation is required. The Waterfall Way Regional Landfill site was licensed by the EPA to accept landfill from 1 July 2020, so this is a new addition to the Landfill Rehabilitation Provision.

Council notes that the phytocap method of rehabilitation is only in testing phase with a limited number of councils in NSW.

The EPA have not yet provided approval for Council to use phytocap technology so a full capping methodology has been applied in valuing the Landfill Rehabilitation Provision at 30 June 2020.

Council performed an annual internal review of the Quarry Rehabilitation Provision and determined an additional \$1.0 million is required to rehabilitate the quarry sites, to provide a total Quarry Rehabilitation Provision of \$1.2m at 30 June 2020.

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

#### Accounting policy for provisions

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

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

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

#### Employee benefits

##### Short-term obligations

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

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

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

##### On-costs

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

These amounts include superannuation, 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Provisions (continued)

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

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

##### **Restoration**

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

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

##### **Rehabilitation**

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

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

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

Refer to the Statement of Changes in Equity for the rollforward of the Accumulated Surplus and Revaluation Reserve from 2019 to 2020 and comparatives for the prior year.

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

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

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

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

##### (i) AASB 15 and AASB 1058

Changes in accounting policies due to adoption of AASB 15 and AASB 1058  
The following approach has been applied on transition to AASB 15 and AASB 1058:

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

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

##### **Licences**

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

##### **Prepaid rates**

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

##### **Grants – operating**

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

##### **Grants – capital**

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	138
– Under AASB 1058	<u>7,202</u>
<b>Total Contract liabilities</b>	<u><u>7,340</u></u>

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**
**Comparison of financial statement line items under AASB 15 compared to previous standards for the current year**

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	20,856	–	–	20,856	
Investments	51,295	–	–	51,295	
Receivables	9,175	3,073	–	12,248	
Inventories	1,027	–	–	1,027	
Contract assets	3,073	(3,073)	–	–	
Other	606	–	–	606	
Non-Current assets classified as 'held for sale'	1,359	–	–	1,359	
<b>Total current assets</b>	<b>87,391</b>	<b>–</b>	<b>–</b>	<b>87,391</b>	
<b>Current liabilities</b>					
Payables	8,437	–	–	8,437	
Contract liabilities	7,245	–	(7,245)	–	
Lease liabilities	26	–	–	26	
Borrowings	2,831	–	–	2,831	
Provisions	7,329	–	–	7,329	
<b>Total current liabilities</b>	<b>25,868</b>	<b>–</b>	<b>(7,245)</b>	<b>18,623</b>	
<b>Non-current assets</b>					
Receivables	312	–	–	312	
Infrastructure, property, plant and equipment	857,376	–	–	857,376	
Right of use assets	279	–	–	279	
<b>Total non-current assets</b>	<b>857,967</b>	<b>–</b>	<b>–</b>	<b>857,967</b>	
<b>Non-current liabilities</b>					
Lease liabilities	253	–	–	253	
Borrowings	20,946	–	–	20,946	
Provisions	23,987	–	–	23,987	
<b>Total Non-current liabilities</b>	<b>45,186</b>	<b>–</b>	<b>–</b>	<b>45,186</b>	
<b>Net assets</b>	<b>874,304</b>	<b>–</b>	<b>7,245</b>	<b>881,549</b>	
<b>Equity</b>					
Accumulated surplus	843,221	–	7,245	850,466	
Revaluation reserves	31,083	–	–	31,083	
<b>Council equity interest</b>	<b>874,304</b>	<b>–</b>	<b>7,245</b>	<b>881,549</b>	
<b>Total equity</b>	<b>874,304</b>	<b>–</b>	<b>7,245</b>	<b>881,549</b>	

In compliance with AASB 1058, a Contract Liability of \$7,245,000 is recorded to recognise unexpended grant funds and contributions as at 30 June 2020. A Contract Asset of \$3,072,000 is recorded at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Applying the previous accounting standard AASB 1004, the Contract Liability of \$7,245,000 would be nil and the Accumulated Surplus would increase by \$7,245,000.

**Income Statement**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	33,409	–	–	33,409	
User charges and fees	18,091	–	–	18,091	
Other revenues	2,786	–	–	2,786	
Grants and contributions provided for operating purposes	16,979	–	–	16,979	
Grants and contributions provided for capital purposes	23,025	–	7,245	30,270	
Interest and investment income	1,376	–	–	1,376	
Rental income	872	–	–	872	
<b>Total Income from continuing operations</b>	<b>96,538</b>	<b>–</b>	<b>7,245</b>	<b>103,783</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	23,750	–	–	23,750	
Borrowing costs	2,000	–	–	2,000	
Materials and contracts	21,274	–	–	21,274	
Depreciation and amortisation	17,594	–	–	17,594	
Other expenses	8,231	–	–	8,231	
Net losses from the disposal of assets	1,454	–	–	1,454	
Revaluation decrement / impairment of IPP&E	2,099	–	–	2,099	
<b>Total Expenses from continuing operations</b>	<b>76,402</b>	<b>–</b>	<b>–</b>	<b>76,402</b>	
<b>Total Operating result from continuing operations</b>	<b>20,136</b>	<b>–</b>	<b>7,245</b>	<b>27,381</b>	
Loss on Boundary Adjustment	(42,966)	–	–	(42,966)	
<b>Net operating result for the year</b>	<b>(22,830)</b>	<b>–</b>	<b>7,245</b>	<b>(15,585)</b>	
<b>Total comprehensive income</b>	<b>(15,548)</b>	<b>–</b>	<b>–</b>	<b>(15,548)</b>	

In compliance with new accounting standards AASB 1058 and AASB 15, a Contract Liability of \$7,245,000 is recorded to recognise unexpended grant funds and contributions as at 30 June 2020. A Contract Asset of \$3,072,000 is recorded at 30 June 2020.

Applying the previous accounting standard AASB 1004, the Contract Liability of \$7,245,000 would be nil and the Accumulated Surplus would increase by \$7,245,000.



Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	2,166	2,166
Receivable	12,357	(2,166)	10,191
<b>Total assets</b>	<b>943,888</b>	<b>–</b>	<b>943,888</b>
Contract liabilities	–	7,340	7,340
<b>Total liabilities</b>	<b>46,696</b>	<b>7,340</b>	<b>54,036</b>
Accumulated surplus	873,423	(7,340)	866,083
Revaluation reserves	23,769	–	23,769
<b>Total equity</b>	<b>897,192</b>	<b>(7,340)</b>	<b>889,852</b>

Notes to the Financial Statements

for the year ended 30 June 2020

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

**(iii) AASB 16 Leases**

**Council as a lessee**

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

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

Practical expedients used on transition

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

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

**Financial statement impact of adoption of AASB 16**

Council has recognised right-of-use assets and lease liabilities of \$313,000 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities at 1 July 2019 was 5.71%.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	1,030

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	445
<b>Less:</b>	
Short-term leases included in commitments note	(132)
<b>Lease liabilities recognised at 1 July 2019</b>	<u>313</u>

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	313	313
<b>Total assets</b>	<b>943,888</b>	<b>313</b>	<b>944,201</b>
Leases	–	313	313
<b>Total liabilities</b>	<b>46,696</b>	<b>313</b>	<b>47,009</b>
Accumulated surplus	–	–	–
<b>Total equity</b>	<b>897,192</b>	<b>–</b>	<b>897,192</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	20,856	11,040
<b>Balance as per the Statement of Cash Flows</b>		<b>20,856</b>	<b>11,040</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		(22,830)	15,317
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		17,594	18,198
Net losses/(gains) on disposal of assets		1,454	1,102
Adoption of AASB 15/1058		(7,340)	–
Other movement		(32)	–
Loss on Boundary Adjustment		42,966	–
Crown Land devolved by NSW State Government to Council		(8,152)	–
RFS Fleet assets contributed to Council		(1,427)	–
Increase in Rehabilitation Provision		(19,761)	–
Non-cash adjustment to Landfill asset		891	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Revaluation decrements / impairments of IPP&E direct to P&L		2,099	608
Unwinding of discount rates on reinstatement provisions		(340)	41
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		3,239	227
Increase/(decrease) in provision for impairment of receivables		(57)	169
Decrease/(increase) in inventories		(181)	209
Decrease/(increase) in other current assets		(435)	81
Decrease/(increase) in contract assets		(3,073)	–
Increase/(decrease) in payables		(933)	(686)
Increase/(decrease) in accrued interest payable		(10)	(22)
Increase/(decrease) in other accrued expenses payable		1,407	546
Increase/(decrease) in other liabilities		37	(2,011)
Increase/(decrease) in contract liabilities		7,245	–
Increase/(decrease) in provision for employee benefits		(102)	(93)
Increase/(decrease) in other provisions		19,761	(1)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>32,020</b>	<b>33,685</b>

(c) Non-cash investing and financing activities

The following non-cash investing activities occurred during the year:

1. Council was devolved Crown Land parcels from the NSW State Government. As at 1 July 2019, the NSW Valuer General value assigned to the parcels is \$8,152,000. Council has recognised these parcels of land in the Community Land asset class in Note 11. A corresponding credit as a Capital contribution is recognised in Note 3(e).

2. Council recognised Rural Fire Service (RFS) fleet assets during 2020 based upon capital funding contributions made by the Rural Fire Service. The Cost of the fleet assets recognised at 1 July 2019 is \$4,115,000 less accumulated depreciation of \$2,688,000, giving a written down value of \$1,427,000.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Interests in other entities

#### Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2020	2019
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##### 1. New England Weeds Authority

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

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

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

NEWA leases property from Council for office accommodation, parking and storage of chemicals under a 5 year lease agreement from 1 July 2015 - 30 June 2020. Council also provides servicing of vehicles owned by NEWA at cost. Management assessed the impact of the NEWA's operations to be insignificant to the financial statements of Council.

##### Nature of risks relating to the Unconsolidated Structured Entity

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

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

##### Non-contractual financial support provided

Council did not provide any non contractual support to NEWA.

##### Current intention to provide financial support

Council will continue to provide a contribution to NEWA in accordance with NEWA's proclamation. Council's expected contribution for the 2020/2021 year is approximately \$205,000 including GST (2019: \$220,000 including GST).

##### 2. New England Regional Art Museum (NERAM)

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

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

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

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

##### Nature of risks relating to the Unconsolidated Structured Entity

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
The main assets of NERAM are artworks. The nature of the Hinton and Coventry Trust prevent sale and usage of funds to fund operations. The assets and liabilities of NERAM are not considered significant to the financial statements of Council.		
Income received by Council relating to the Structured Entity		
– Rental Income	(11)	(11)
Assets in Council's Statement of Financial Position relating to the Structured Entity	7,061	7,311
<b>Net assets in Council's Statement of Financial Position</b>	<b>7,061</b>	<b>7,311</b>
<b>Difference – net asset/(net exposure) relating to the Structured Entity:</b>	<b>7,061</b>	<b>7,311</b>

#### Non-contractual financial support provided

Council did not provide any non contractual support to NERAM.

#### Current intention to provide financial support

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

Under the funding agreement, the commencement funding amount is \$265,000 per annum plus GST, increased on each anniversary date by what is commonly referred to as the rate pegging percentage for Council. Council's contribution for the 2020/21 year is estimated at \$355,000 plus GST.

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

### 3. New England Joint Organisation (NEJO)

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

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

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

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

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

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

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

In accordance with the NEJO's Charter, each member is required to contribute annual fees towards the operation of the organisation. In the 2018/2019 year, the contribution made by Council was \$5,000. In the 2019/2020 year, the contribution made by Council was \$7,900. The contribution by Council for the 2020/2021 financial year has been set at \$28,320 in the NEJO Operational Plan for 2020/2021.

The net operating result for the year ended 30 June 2020 was \$46,486 (2019: \$272,563). Council is not entitled to any share or distribution of the NEJO net operating result.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	568	1,523
Bridges	1,680	–
Airport Business Park	1,519	–
Playground equipment	643	–
Parks	250	–
Other	288	2,726
<b>Total commitments</b>	<b>4,948</b>	<b>4,249</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	4,948	4,249
<b>Total payable</b>	<b>4,948</b>	<b>4,249</b>
<b>Sources for funding of capital commitments:</b>		
Externally restricted reserves	4,380	2,726
Internally restricted reserves	568	1,523
<b>Total sources of funding</b>	<b>4,948</b>	<b>4,249</b>

**Details of capital commitments**

For each of the commitments, tenders have been called and orders placed prior to year end, with an expectation of delivery early during the 2019/20 year.

**(b) Finance lease commitments (2019 only)**

Council is not party to any finance lease arrangements.

**(c) Non-cancellable operating lease commitments (2019 only)**

**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	–	165
Later than one year and not later than 5 years	–	99
Later than 5 years	–	766
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>1,030</b>

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

Operating leases exist for:

(1) the provision of all photocopiers throughout all Council offices and facilities; and

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

All operating lease agreements are secured only against the leased asset.

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

Refer to Note 13 for information relating to leases for 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies

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

#### LIABILITIES NOT RECOGNISED

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council contributes to a Defined Benefit Superannuation Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B ("the Scheme"). The Scheme is a defined benefit superannuation plan that has been deemed to be a 'multi-employer fund' for purposes of AASB 119 Employee Benefits for the following reasons:

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

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

###### *Description of the funding arrangements.*

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

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

Division B	1.9 times member contributions for non-180 Point Member; Nil for 181 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

\* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 for 2 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

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

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

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

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



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. 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 ended 30 June 2020 was \$422,023. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2019, and relates to the period ended 30 June 2019.

Council's expected contribution to the Scheme for the next annual reporting period is \$416,605.

The estimated employer reserves in the Scheme for the Pooled Employers at 30 June 2020 is:

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.58% or \$452,400 as at 30 June 2020.

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

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Scheme's Actuary, the final end of year review will be completed around November/December 2020.

#### (ii) Statewide Mutual

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2020 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

#### (iii) StateCover Mutual Limited

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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

#### (iv) Other guarantees

During the 2018/19 year, Council provided a bank guarantee for \$10,000 relating to an easement over an independent party's land. The bank guarantee remains in place as at 30 June 2020.

Since year end, Council has provided a second bank guarantee of \$10,000 relating to another easement over an independent party's land.

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

### 2. Other liabilities

#### (i) Third party claims

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

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

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

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

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

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

### 3. Contingent liabilities

#### (i) Contingent Remediation Work

During 2019, Council identified two sites where future potential remediation work may be required to comply with environmental requirements.

The two sites are:

- (1) the former Armidale Gas Works site, which may require certain land and waterway rehabilitation work; and
- (2) the Guyra recycling centre and waste transfer station, previously used as the Guyra Landfill, which may require certain rehabilitation work to ensure the long term capping of the site.

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

In relation to the Guyra Recycling Centre and Waste Transfer Station (formerly the Guyra Landfill site), during 2020, in consultation with the environmental regulator, Council has determined the site requires remediation work and the costs associated with this work have been recognised as a provision for rehabilitation, as included in Note 15 above.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Contingencies (continued)

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#### **ASSETS NOT RECOGNISED**

##### **(i) Infringement notices/fines**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Financial risk management

#### Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	20,856	11,040	20,856	11,040
Receivables	9,487	12,684	9,487	12,684
Investments				
– 'Financial assets at amortised cost'	51,295	58,236	51,295	58,236
<b>Total financial assets</b>	<b>81,638</b>	<b>81,960</b>	<b>81,638</b>	<b>81,960</b>
<b>Financial liabilities</b>				
Payables	8,437	7,431	7,401	6,736
Loans/advances	23,777	26,763	23,777	26,763
Lease liabilities	279	–	279	–
<b>Total financial liabilities</b>	<b>32,493</b>	<b>34,194</b>	<b>31,457</b>	<b>33,499</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2020</b>				
Possible impact of a 1% movement in interest rates	513	513	(513)	(513)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	582	582	(582)	(582)

## Notes to the Financial Statements

for the year ended 30 June 2020

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

#### (b) Credit risk

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

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

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

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

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

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

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

#### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2020</b>						
Gross carrying amount	–	1,411	230	253	112	2,006
<b>2019</b>						
Gross carrying amount	–	1,115	391	246	–	1,752

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

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2020</b>						
Gross carrying amount	5,601	1,274	246	131	621	7,873
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	38.00%	3.00%
<b>ECL provision</b>	–	–	–	–	236	236
<b>2019</b>						
Gross carrying amount	6,165	2,213	474	1,163	1,366	11,381
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	16.55%	1.99%
<b>ECL provision</b>	–	–	–	–	226	226

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2020</b>							
Trade/other payables	0.00%	40	7,361	–	–	7,401	7,401
Loans and advances	5.71%	–	4,237	19,276	6,900	30,413	23,777
<b>Total financial liabilities</b>		<b>40</b>	<b>11,598</b>	<b>19,276</b>	<b>6,900</b>	<b>37,814</b>	<b>31,178</b>
<b>2019</b>							
Trade/other payables	0.00%	–	6,736	–	–	6,736	6,736
Loans and advances	5.42%	–	4,441	19,051	11,248	34,740	26,763
<b>Total financial liabilities</b>		<b>–</b>	<b>11,177</b>	<b>19,051</b>	<b>11,248</b>	<b>41,476</b>	<b>33,499</b>

**Loan agreement breaches**

No breaches of any loan agreements occurred during the year.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Material budget variations

Council's original financial budget for 2019/20 was adopted by the Council on 29 June 2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	32,939	33,409	470	1%	<b>F</b>
<b>User charges and fees</b>	20,084	18,091	(1,993)	(10)%	<b>U</b>
Ongoing severe drought conditions had a significant impact on water usage charges and this is the major reason for the unfavourable variance.					
<b>Other revenues</b>	3,005	2,786	(219)	(7)%	<b>U</b>
<b>Operating grants and contributions</b>	11,216	16,979	5,763	51%	<b>F</b>
Favourable result relates to grant funding received for drought relief (\$1.4m) and bushfire and drought stimulus (\$1.5m) that was not in the original budget.					
<b>Capital grants and contributions</b>	13,650	23,025	9,375	69%	<b>F</b>
Favourable variance relates to a combination of: (1) additional capital grants and contributions received during the year not budgeted for and (2) the impact of the new revenue accounting standards were not budgeted for. Grant Revenue recorded in FY2019 (in accordance with the accounting standards applicable for that year) was required to be recognised again in the FY2020 year (in accordance with the new revenue accounting standards).					
<b>Interest and investment revenue</b>	2,106	1,376	(730)	(35)%	<b>U</b>
Unfavourable variance relates to the negative impact from a drop in interest rates from when the budget was originally forecast.					
<b>Rental income</b>	632	872	240	38%	<b>F</b>
The reason for the favourable variance is that the facilities lease income was higher than forecast.					
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	25,332	23,750	1,582	6%	<b>F</b>
<b>Borrowing costs</b>	1,469	2,000	(531)	(36)%	<b>U</b>
Unfavourable variance relates to the recognition of discount amortisation associated with landfill remediation. This was not budgeted for.					
<b>Materials and contracts</b>	14,792	21,274	(6,482)	(44)%	<b>U</b>
Unfavourable variance relates to the additional costs associated with the drought response (\$3.6m), RMCC ordered works exceeded budget by \$2m but were claimed back from RMS, additional expenditure relating to bushfire response and cleanup (\$1.2m) was also incurred, most of which has been claimed under section 44 natural disaster funding arrangements. There were around \$0.9m in operational costs incurred that related to grant expenditure where Council was the auspicing body. This was not included in the original budget.					



Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
<b>Depreciation and amortisation</b>	16,484	17,594	(1,110)	(7)% U
Unfavourable variance largely relates to increased depreciation on water and sewerage network assets.				
<b>Other expenses</b>	9,865	8,231	1,634	17% F
Around \$1m of the original budget related to fuel and registration expenses for Council fleet. The actual costs have been reported against materials and contracts, which is the predominant reason for the favourable budget variation.				
<b>Net losses from disposal of assets</b>	-	1,454	(1,454)	∞ U
The net result from disposal of assets was not budgeted for.				
<b>Revaluation decrement / impairment of IPP&amp;E</b>	-	2,099	(2,099)	∞ U
The impact of impairment of the Kempsey Road asset due to natural disaster and impairment of the Old Kolora Property due to a lower sales price were not budgeted for.				
<b>Loss on Boundary Adjustment</b>	-	(42,966)	42,966	∞ F
The loss that arose from the Boundary Adjustment (ie transfer of net assets to Inverell Shire Council for nil consideration) was not budgeted for.				
<b>STATEMENT OF CASH FLOWS</b>				
<b>Cash flows from operating activities</b>	32,175	32,020	(155)	0% U
The unfavourable variance relates to a higher level of cashoutflows relating to materials and contracts and other expenses.				
<b>Cash flows from investing activities</b>	(33,049)	(19,218)	13,831	(42)% F
The favourable variance relates to lower cash outflows relating to purchase of PPE. The original budget included a much higher level of capital expenditure than the end of year budget position.				
<b>Cash flows from financing activities</b>	(2,952)	(2,986)	(34)	1% U

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Boundary adjustments

\$ '000

The Local Government (Armidale and Inverell - Alteration of Boundaries) Proclamation 2019 was effective from 1 July 2019. The object of the Proclamation is to alter the boundaries between the local government areas of Armidale Regional Council and Inverell Shire Council, so that the localities known as Tingha, Bassendean, Howell, Stanborough, Bundarra, Georges Creek, New Valley and The Basin (collectively referred to as Tingha) which comprise approximately 800 square kilometres, and which previously lay within the Armidale Regional Council local government area adjacent to that boundary, became part of the Inverell Shire Council local government area.

The transfer of assets from Armidale Regional Council included roads, land and buildings, water and sewer infrastructure assets and some other minor miscellaneous assets. These assets were transferred to Inverell Shire Council on 1 July 2019 for nil consideration.

	Actual 2020
<b>Loss on boundary adjustment</b>	
Assets transferred to Inverell Shire Council	(42,966)
	<u>(42,966)</u>

The written down value of the assets transferred is as follows:

Asset Category	\$'000
Operational Land	351
Community Land	23
LUR	62
Buildings	1,030
Other Structures	19
Roads	19,096
Bridges	2815
Footpaths	355
Bulk Earthworks	9,605
Stormwater drainage	3,028
Water Supply	1,782
Sewerage	4,731
Other	69
<b>Total Assets</b>	<b>42,966</b>

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer.

The fair value of the net assets transferred has been shown as a loss from boundary adjustments in the Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>\$ '000</b>					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/20	–	–	11,429	11,429
Office equipment	30/06/20	–	–	191	191
Operational Land	30/06/19	–	24,962	–	24,962
Community Land	30/06/19	–	–	27,516	27,516
Land Under Roads	30/06/19	–	–	657	657
Buildings (specialised and non-specialised)	30/06/18	–	61,760	–	61,760
Other structures	13/05/16	–	–	6,608	6,608
Roads	13/05/16	–	–	154,595	154,595
Bridges	13/05/16	–	–	39,658	39,658
Footpaths	13/05/16	–	–	7,347	7,347
Bulk earthworks (non-depreciable)	13/05/16	–	–	142,100	142,100
Stormwater drainage	13/05/16	–	–	46,906	46,906
Water supply network	30/06/17	–	–	163,268	163,268
Sewerage network	30/06/17	–	–	97,941	97,941
Airport infrastructure	30/06/17	–	–	6,977	6,977
Heritage collections	13/05/16	–	–	52	52
Other	13/05/16	–	–	112	112
Artworks	13/05/16	–	–	24,255	24,255
Tip assets	30/06/20	–	–	19,301	19,301
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>86,722</b>	<b>748,913</b>	<b>835,635</b>

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

Note 24. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>\$ '000</b>					
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/6/19	–	–	10,192	10,192
Office equipment	30/6/19	–	–	345	345
Operational Land	30/06/18	–	21,312	–	21,312
Community Land	30/06/18	–	–	19,882	19,882
Land Under Roads	30/06/19	–	–	721	721
Buildings (specialised and non-specialised)	30/06/18	–	65,164	–	65,164
Other structures	13/05/16	–	–	6,439	6,439
Roads	13/05/16	–	–	176,942	176,942
Bridges	13/05/16	–	–	42,294	42,294
Footpaths	13/05/16	–	–	7,918	7,918
Bulk earthworks (non-depreciable)	13/05/16	–	–	152,653	152,653
Stormwater drainage	13/05/16	–	–	49,015	49,015
Water supply network	30/06/17	–	–	153,713	153,713
Sewerage network	30/06/17	–	–	103,812	103,812
Airport infrastructure	30/06/17	–	–	7,347	7,347
Heritage collections	13/05/16	–	–	60	60
Other	13/05/16	–	–	14,910	14,910
Artworks	13/05/16	–	–	112	112
Tip assets	30/06/19	–	–	1,053	1,053
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>86,476</b>	<b>747,408</b>	<b>833,884</b>

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

(2) Transfers between level 1 and level 2 fair value hierarchies

Council identifies at the end of the reporting period if any transfers between the different levels of the hierarchies have occurred. During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurement.

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

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

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

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

**Plant and equipment, and office equipment – Level 3**

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

**Operational Land – Level 2**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

Observable inputs - Valuation information obtained from the NSW Valuer-General and sales evidence of price per square metre of land.

#### Community Land and Land under roads – Level 3

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

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

#### Buildings - Level 3

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

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

#### Roads, bridges, footpaths, bulk earthworks, stormwater drainage assets – Level 3

Valuation Techniques – Depreciated Replacement Cost.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Roads and deemed level 3 and were last valued at 13 May 2016. This involves the following process:

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

Observable inputs - Construction costs used to assess the replacement cost of the asset. For example Seal cost per m<sup>2</sup>, Pavement construction per m<sup>2</sup>, gravel cost

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

Transport Assets (Roads, Bridges, Footpaths, Bulk Earthworks and Stormwater Drainage) were last revalued by merged councils using internal and credible external valuers at 30 June 2015. In bringing in these assets into the Council, the assets underwent additional desk revaluation with the help of the independent, external valuer at 13 May 2016.

#### Water supply network and Sewerage network – Level 3

Valuation Techniques – Cost Approach Method.

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

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#### **Landfill/Tip assets – reinstatement, rehabilitation and restoration – Level 3**

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

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

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

#### **Heritage collections, artworks and other assets – Level 3**

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

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

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

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

Unobservable inputs - Estimates of useful life, and condition.

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

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

Note 24. Fair Value Measurement (continued)

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

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

\$ '000	Operational land	Community land	Buildings	Infrastructure assets	Other assets	Total
<b>2019</b>						
<b>Opening balance</b>	21,815	19,913	68,395	715,607	11,577	837,307
Transfers from/(to) another asset class	–	–	(779)	1,414	–	635
Purchases (GBV)	–	–	948	8,024	3,452	12,424
Disposals (WDV)	(503)	(31)	(316)	(2,313)	(595)	(3,758)
Depreciation and impairment	–	–	(3,084)	(13,050)	(2,672)	(18,806)
FV gains – other comprehensive income	–	–	–	6,082	–	6,082
<b>Closing balance</b>	<b>21,312</b>	<b>19,882</b>	<b>65,164</b>	<b>715,764</b>	<b>11,762</b>	<b>833,884</b>
<b>2020</b>						
<b>Opening balance</b>	21,312	19,882	65,164	715,764	11,762	833,884
Transfers from/(to) another asset class	(644)	–	211	27,256	–	26,823
Purchases (GBV)	–	8,152	186	2,720	22,603	33,661
Disposals (WDV)	(695)	(460)	(1,652)	(43,980)	(504)	(47,291)
Depreciation and impairment	–	–	(2,149)	(13,832)	(2,776)	(18,757)
FV gains – other comprehensive income	4,989	(58)	–	2,384	–	7,315
<b>Closing balance</b>	<b>24,962</b>	<b>27,516</b>	<b>61,760</b>	<b>690,312</b>	<b>31,085</b>	<b>835,635</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Fair Value Measurement (continued)

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#### (5) Highest and best use

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



Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
<b>Compensation:</b>		
Short-term benefits	1,311	1,104
Post-employment benefits	84	69
Other long-term benefits	36	31
<b>Total</b>	<b>1,431</b>	<b>1,204</b>

(b) Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

Note 26. Events occurring after the reporting date

Council is not aware of any material or significant 'non-adjusting events' that should be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			Interest earned in year	(Expenditure) & Other Adjustments during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
Drainage	45	–	–	1	–	–	46	–
Roads	786	179	–	17	–	–	982	–
Traffic facilities	18	–	–	–	–	–	18	–
Parking	32	–	–	1	–	–	33	–
Open space	329	–	–	6	–	–	335	–
Community facilities	52	–	–	1	–	–	53	–
Other	8	–	–	–	–	–	8	–
Bushfire	1	–	–	–	–	–	1	–
Street Trees	81	3	–	2	–	–	86	–
<b>S7.11 contributions – under a plan</b>	<b>1,352</b>	<b>182</b>	<b>–</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>1,562</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>977</b>	<b>315</b>	<b>–</b>	<b>20</b>	<b>(174)</b>	<b>–</b>	<b>1,138</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>2,329</b>	<b>497</b>	<b>–</b>	<b>48</b>	<b>(174)</b>	<b>–</b>	<b>2,700</b>	<b>–</b>
S7.4 planning agreements	54	–	–	1	–	–	55	–
S64 contributions	3,419	531	–	73	(12)	–	4,011	–
<b>Total contributions</b>	<b>5,802</b>	<b>1,028</b>	<b>–</b>	<b>122</b>	<b>(186)</b>	<b>–</b>	<b>6,766</b>	<b>–</b>

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

Note 27. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	(Expenditure) & Other Adjustments during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
<b>CONTRIBUTION PLAN</b>									
Drainage	45	–	–	1	–	–	46	–	
Roads	786	179	–	17	–	–	982	–	
Traffic facilities	18	–	–	–	–	–	18	–	
Bridges	32	–	–	1	–	–	33	–	
Open space	329	–	–	6	–	–	335	–	
Community facilities	52	–	–	1	–	–	53	–	
Bushfire	1	–	–	–	–	–	1	–	
Street Trees	81	3	–	2	–	–	86	–	
Other	8	–	–	–	–	–	8	–	
<b>Total</b>	<b>1,352</b>	<b>182</b>	<b>–</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>1,562</b>	<b>–</b>	

S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN</b>								
Other	977	315	–	20	(174)	–	1,138	–
<b>Total</b>	<b>977</b>	<b>315</b>	<b>–</b>	<b>20</b>	<b>(174)</b>	<b>–</b>	<b>1,138</b>	<b>–</b>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	25,390	2,252	5,767
User charges and fees	12,526	5,378	187
Interest and investment revenue	438	586	352
Other revenues	1,826	71	889
Grants and contributions provided for operating purposes	15,495	1,484	–
Grants and contributions provided for capital purposes	19,304	3,027	694
Rental income	872	–	–
<b>Total income from continuing operations</b>	<b>75,851</b>	<b>12,798</b>	<b>7,889</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	20,169	2,293	1,288
Borrowing costs	1,672	328	–
Materials and contracts	11,767	7,403	2,104
Depreciation and amortisation	12,201	3,233	2,160
Other expenses	7,008	598	625
Net losses from the disposal of assets	1,454	–	–
Revaluation decrement /impairment of IPPE	2,099	–	–
<b>Total expenses from continuing operations</b>	<b>56,370</b>	<b>13,855</b>	<b>6,177</b>
<b>Operating result from continuing operations</b>	<b>19,481</b>	<b>(1,057)</b>	<b>1,712</b>
<b>Loss on boundary adjustment</b>			
Loss on boundary adjustment	(36,453)	(1,782)	(4,731)
<b>Net operating result for the year</b>	<b>(16,972)</b>	<b>(2,839)</b>	<b>(3,019)</b>
<b>Net operating result attributable to each council fund</b>	<b>(16,972)</b>	<b>(2,839)</b>	<b>(3,019)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(36,276)</b>	<b>(5,866)</b>	<b>(3,713)</b>

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	20,856	–	–
Investments	8,778	24,594	17,923
Receivables	7,505	1,382	288
Inventories	539	–	488
Contract assets	3,073	–	–
Other	606	–	–
Non-current assets classified as 'held for sale'	1,359	–	–
<b>Total current assets</b>	<b>42,716</b>	<b>25,976</b>	<b>18,699</b>
<b>Non-current assets</b>			
Receivables	312	–	–
Infrastructure, property, plant and equipment	578,410	174,723	104,243
Right of use assets	279	–	–
<b>Total non-current assets</b>	<b>579,001</b>	<b>174,723</b>	<b>104,243</b>
<b>TOTAL ASSETS</b>	<b>621,717</b>	<b>200,699</b>	<b>122,942</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8,428	9	–
Income received in advance	(170)	170	–
Contract liabilities	7,245	–	–
Lease liabilities	26	–	–
Borrowings	2,568	263	–
Provisions	7,329	–	–
<b>Total current liabilities</b>	<b>25,426</b>	<b>442</b>	<b>–</b>
<b>Non-current liabilities</b>			
Lease liabilities	253	–	–
Borrowings	16,719	4,227	–
Provisions	23,987	–	–
<b>Total non-current liabilities</b>	<b>40,959</b>	<b>4,227</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>66,385</b>	<b>4,669</b>	<b>–</b>
<b>Net assets</b>	<b>555,332</b>	<b>196,030</b>	<b>122,942</b>
<b>EQUITY</b>			
Accumulated surplus	538,067	187,638	117,516
Revaluation reserves	17,265	8,392	5,426
<b>Council equity interest</b>	<b>555,332</b>	<b>196,030</b>	<b>122,942</b>
<b>Total equity</b>	<b>555,332</b>	<b>196,030</b>	<b>122,942</b>

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>664</b>	<b>0.90%</b>	1.09%	(8.73)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>73,513</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>56,534</b>	<b>58.56%</b>	65.51%	71.27%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>96,538</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>25,059</b>	<b>2.64x</b>	2.40x	1.53x	>1.50x
Current liabilities less specific purpose liabilities	<b>9,482</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>20,258</b>	<b>4.06x</b>	4.47x	2.81x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,986</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>2,036</b>	<b>5.74%</b>	5.46%	6.86%	<10.00%
Rates, annual and extra charges collectible	<b>35,477</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>72,151</b>	<b>13.91</b>	12.57	13.37	>3.00
Monthly payments from cash flow of operating and financing activities	<b>5,186</b>	<b>mths</b>	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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>6.60%</b>	(1.02)%	<b>(41.80)%</b>	11.41%	<b>14.15%</b>	(0.86)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>54.12%</b>	66.10%	<b>64.75%</b>	55.10%	<b>91.20%</b>	93.39%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.64x</b>	2.40x	∞	74.50x	∞	760.30x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>4.06x</b>	3.53x	<b>(1.11)x</b>	7.59x	<b>158.90x</b>	102.75x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>6.36%</b>	2.87%	<b>3.32%</b>	6.97%	<b>4.24%</b>	15.34%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>6.30</b>	5.34	<b>142.45</b>	61.31	<b>57.61</b>	56.86	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

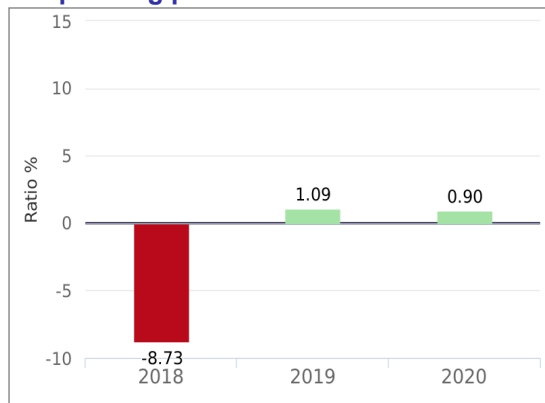
(1) - (2) Refer to Notes at Note 31a above.

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

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

Note 29(c). 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.

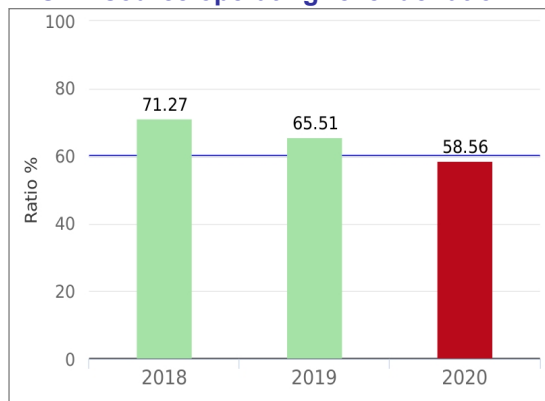
Commentary on 2019/20 result	
2019/20 ratio	0.90%
The 2020 operating result has deteriorated from the previous year predominantly due to the impact of drought on water usage charges and the creation of additional costs. The drought is estimated to have cost Council \$6.3 million in the 2019/20 financial year and this has had a significant negative impact on the level of Council's water reserve. Negative impacts on the operating result were also created by COVID-19 and this is estimated to have cost Council around \$0.7 million in 2019/20.	

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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.

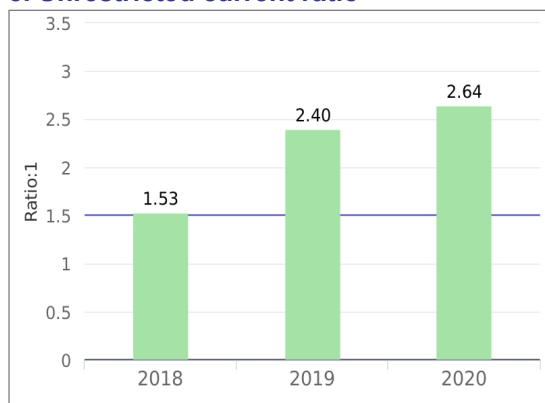
Commentary on 2019/20 result	
2019/20 ratio	58.56%
This ratio is impacted by the level of grants and contributions received and is slightly lower in 2020 than the previous year due to a higher level of capital contributions recognised as revenue. This ratio is also impacted by new accounting standards, which have changed how Council must recognise grant revenues.	

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)

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 2019/20 result	
2019/20 ratio	2.64x
This ratio has improved slightly from the previous year. Gradual improvement is as a result of strategies introduced in 2018/19 to improve the operating result and cash position, which occurred to avoid Council falling below the minimum level recommended by the Office of Local Government.	

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

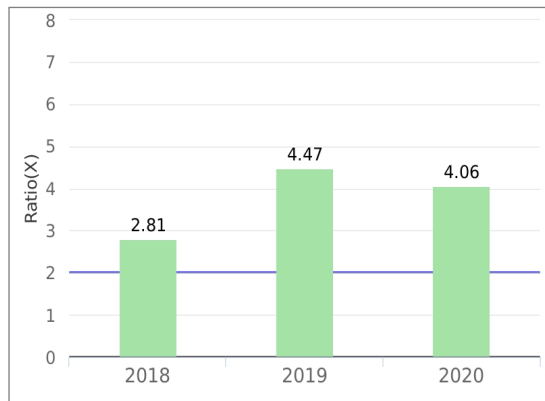
Ratio achieves benchmark (green)  
Ratio is outside benchmark (red)



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

Note 29(c). Statement of performance measures – consolidated results (graphs)

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 2019/20 result**

2019/20 ratio 4.06x

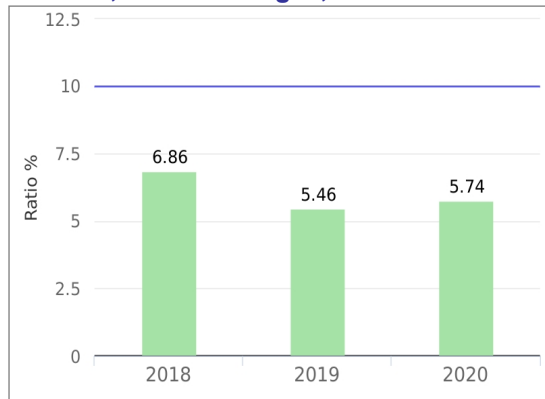
This ratio has deteriorated from the previous year due to the operating result position worsening.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark  
Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



**Purpose of rates, annual charges, interest and extra charges outstanding**

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

**Commentary on 2019/20 result**

2019/20 ratio 5.74%

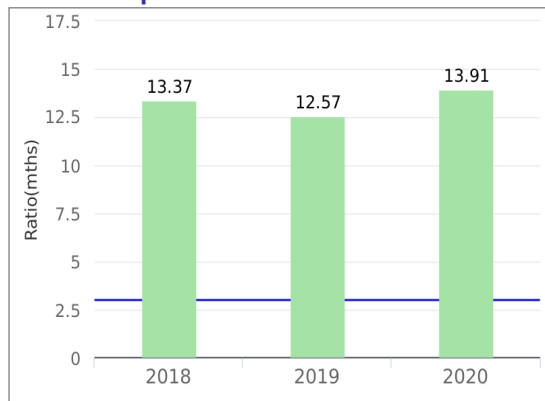
This ratio has worsened slightly from the previous year although this is not unexpected with the impact of COVID-19 impacting on ratepayers' ability to pay. In response to COVID-19 Council has also ceased external debt recovery action and has permitted payment deferrals and arrangements to be put in place.

Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result**

2019/20 ratio 13.91 mths

This ratio has improved from the previous year primarily due to increased cash holdings at year end compared with the prior year end. It reflects the consolidated result including the General, Water and Sewerage funds. Council retains funds in the Water and Sewerage reserves for the purposes of infrastructure replacement, which is important as they are essential community services.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark  
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 30. Council information and contact details

### Note 30. Council information and contact details

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**Principal place of business:**

135 Rusden Street  
Armidale NSW 2350

**Contact details**

**Mailing Address:**

PO Box 75A  
Armidale NSW 2350

**Telephone:** 1300 136 833

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

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

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

**Officers**

**Acting General Manager**

John Rayner

**Responsible Accounting Officer**

Kelly Stidworthy

**Public Officer**

Marissa Racomelara

**Auditors**

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

**Elected members**

**Mayor**

Ian Tiley

**Councillors**

Debra O'Brien (Deputy Mayor)  
Andrew Murat  
Dorothy Robinson  
Jon Galletly  
Margaret O'Connor  
Peter Bailey

**Other information**

**ABN:** 39 642 954 203



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Armidale Regional Council

To the Councillors of Armidale Regional Council

### Opinion

I have audited the accompanying financial statements of Armidale Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## **Basis for Opinion**

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 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](http://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 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

23 December 2020  
SYDNEY

# Armidale Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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*Unleash the Opportunities*



## Special Purpose Financial Statements

for the year ended 30 June 2020

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### Background

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

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

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

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

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

## Armidale Regional Council

### Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 December 2020.



Ian Tiley  
Mayor

22 December 2020



Debra O'Brien  
Deputy Mayor

22 December 2020



John Rayner  
Acting General Manager

22 December 2020



Kelly Stidworthy  
Responsible Accounting Officer

22 December 2020



**Income Statement – Water Supply Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	2,252	2,227
User charges	5,296	9,307
Fees	82	13
Interest	586	739
Grants and contributions provided for non-capital purposes	1,484	–
Other income	71	64
<b>Total income from continuing operations</b>	<b>9,771</b>	<b>12,350</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,293	1,968
Borrowing costs	328	334
Materials and contracts	7,403	4,856
Depreciation, amortisation and impairment	3,233	3,201
Loss on sale of assets	–	383
Debt guarantee fee (if applicable)	135	143
Other expenses	598	582
<b>Total expenses from continuing operations</b>	<b>13,990</b>	<b>11,467</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(4,219)</b>	<b>883</b>
Grants and contributions provided for capital purposes	3,027	10,064
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,192)</b>	<b>10,947</b>
Loss on boundary adjustment	(1,782)	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(2,974)</b>	<b>10,947</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(243)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(2,974)</b>	<b>10,704</b>
<b>Plus accumulated surplus</b>	<b>190,477</b>	<b>179,387</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Debt guarantee fees	135	143
– Corporate taxation equivalent	–	243
<b>Closing accumulated surplus</b>	<b>187,638</b>	<b>190,477</b>
<b>Return on capital %</b>	<b>(2.2)%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>5,429</b>	<b>1,039</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(2,974)	10,704
Less: capital grants and contributions (excluding developer contributions)	(3,027)	(9,700)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>1,004</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>502</b>

**Income Statement – Sewerage Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	5,767	5,340
User charges	98	77
Liquid trade waste charges	60	65
Fees	29	25
Interest	352	399
Other income	889	736
<b>Total income from continuing operations</b>	<b>7,195</b>	<b>6,642</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,288	1,400
Borrowing costs	–	3
Materials and contracts	2,104	2,390
Depreciation, amortisation and impairment	2,160	2,208
Loss on sale of assets	–	85
Other expenses	625	698
<b>Total expenses from continuing operations</b>	<b>6,177</b>	<b>6,784</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,018</b>	<b>(142)</b>
Grants and contributions provided for capital purposes	694	469
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,712</b>	<b>327</b>
Loss on boundary adjustment	(4,731)	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(3,019)</b>	<b>327</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(280)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(3,299)</b>	<b>327</b>
<b>Plus accumulated surplus</b>	<b>120,535</b>	<b>120,208</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	280	–
<b>Closing accumulated surplus</b>	<b>117,516</b>	<b>120,535</b>
<b>Return on capital %</b>	<b>1.0%</b>	<b>(0.1)%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>1,565</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(3,299)	327
Less: capital grants and contributions (excluding developer contributions)	(694)	(129)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>198</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>99</b>

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	24,594	28,305
Receivables	1,382	2,423
<b>Total current assets</b>	<b>25,976</b>	<b>30,728</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	174,723	170,885
<b>Total non-current assets</b>	<b>174,723</b>	<b>170,885</b>
<b>TOTAL ASSETS</b>	<b>200,699</b>	<b>201,613</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	9	118
Income received in advance	170	–
Borrowings	263	266
<b>Total current liabilities</b>	<b>442</b>	<b>384</b>
<b>Non-current liabilities</b>		
Borrowings	4,227	4,493
<b>Total non-current liabilities</b>	<b>4,227</b>	<b>4,493</b>
<b>TOTAL LIABILITIES</b>	<b>4,669</b>	<b>4,877</b>
<b>NET ASSETS</b>	<b>196,030</b>	<b>196,736</b>
<b>EQUITY</b>		
Accumulated surplus	187,638	190,477
Revaluation reserves	8,392	6,259
<b>TOTAL EQUITY</b>	<b>196,030</b>	<b>196,736</b>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	17,923	15,457
Receivables	288	974
Inventories	488	305
<b>Total current assets</b>	<b>18,699</b>	<b>16,736</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	104,243	108,057
<b>Total non-current assets</b>	<b>104,243</b>	<b>108,057</b>
<b>TOTAL ASSETS</b>	<b>122,942</b>	<b>124,793</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Borrowings	–	20
<b>Total current liabilities</b>	<b>–</b>	<b>20</b>
<b>Non-current liabilities</b>		
Borrowings	–	3
<b>Total non-current liabilities</b>	<b>–</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>23</b>
<b>NET ASSETS</b>	<b>122,942</b>	<b>124,770</b>
<b>EQUITY</b>		
Accumulated surplus	117,516	120,535
Revaluation reserves	5,426	4,235
<b>TOTAL EQUITY</b>	<b>122,942</b>	<b>124,770</b>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### 1. Water Supplies

Comprising the whole of the operations and assets of water supply systems. As the total annual operating revenues are greater than \$2,000,000 is defined as a category 1 "Business Unit".

##### 2. Sewerage Service

Comprising the whole of the operations and assets of the sewer reticulation and treatment system. As the total annual operating revenues are greater than \$2,000,000 is defined as a category 1 "Business Unit".

#### Monetary amounts

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

#### (i) Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

#### Income tax

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

#### (iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Armidale Regional Council**

To the Councillors of Armidale Regional Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Armidale Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 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 2020 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 Note 1 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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



Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

23 December 2020  
SYDNEY

# Armidale Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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*Unleash the Opportunities*



**Special Schedules**

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	2020/21 Armidale Dumaresq Council	2020/21 Guyra Shire Council	2020/21 Armidale Regional Council	2019/20 Armidale Dumaresq Council	2019/20 Guyra Shire Council	2019/20 Armidale Regional Council
<b>Notional general income calculation <sup>1</sup></b>							
Last year notional general income yield	a	16,156	2,630	18,786	15,695	2,909	18,604
Plus or minus adjustments <sup>2</sup>	b	17	4	21	91	(344)	(253)
<b>Notional general income</b>	c = a + b	<b>16,173</b>	<b>2,634</b>	<b>18,807</b>	<b>15,786</b>	<b>2,565</b>	<b>18,351</b>
<b>Permissible income calculation</b>							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	420	68	488	426	69	495
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>16,593</b>	<b>2,702</b>	<b>19,295</b>	<b>16,212</b>	<b>2,634</b>	<b>18,846</b>
Plus (or minus) last year's carry forward total	l	57	5	62	19	-	19
<b>Sub-total</b>	n = (l + m)	<b>57</b>	<b>5</b>	<b>62</b>	<b>19</b>	<b>-</b>	<b>19</b>
<b>Total permissible income</b>	o = k + n	<b>16,650</b>	<b>2,707</b>	<b>19,357</b>	<b>16,231</b>	<b>2,634</b>	<b>18,865</b>
Less notional general income yield	p	16,567	2,700	19,267	16,156	2,630	18,786
<b>Catch-up or (excess) result</b>	q = o - p	<b>84</b>	<b>8</b>	<b>92</b>	<b>75</b>	<b>5</b>	<b>80</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>84</b>	<b>8</b>	<b>92</b>	<b>75</b>	<b>5</b>	<b>80</b>

Notes

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



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Armidale Regional Council**

To the Councillors of Armidale Regional Council

### **Opinion**

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Armidale Regional Council (the Council) for the year ending 30 June 2021.

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 – update number 28 (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 2020 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 2020.

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](http://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.

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

23 December 2020  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>(a) Report on Infrastructure Assets - Values</b>													
<b>Buildings</b>	Buildings	4,765	23,571	2,500	1,783	61,760	118,483	18.0%	12.0%	50.0%	19.0%	1.0%	
	<b>Sub-total</b>	<b>4,765</b>	<b>23,571</b>	<b>2,500</b>	<b>1,783</b>	<b>61,760</b>	<b>118,483</b>	<b>18.0%</b>	<b>12.0%</b>	<b>50.0%</b>	<b>19.0%</b>	<b>1.0%</b>	
<b>Other structures</b>	Other Structures & Other Infrastructure Assets	884	5,053	4,330	3,799	30,864	41,052	50.0%	36.0%	2.0%	12.0%	0.0%	
	<b>Sub-total</b>	<b>884</b>	<b>5,053</b>	<b>4,330</b>	<b>3,799</b>	<b>30,864</b>	<b>41,052</b>	<b>50.0%</b>	<b>36.0%</b>	<b>2.0%</b>	<b>12.0%</b>	<b>0.0%</b>	
<b>Roads</b>	Sealed roads	730	2,897	2,300	2,037	115,968	158,031	49.0%	35.0%	15.0%	1.0%	0.0%	
	Unsealed roads	1,232	3,684	2,520	2,581	18,077	31,133	46.0%	16.0%	27.0%	7.0%	4.0%	
	Bridges	141	805	150	203	39,658	60,538	35.0%	41.0%	23.0%	1.0%	0.0%	
	Footpaths	829	2,413	210	59	7,347	14,219	53.0%	20.0%	10.0%	10.0%	7.0%	
	Other Road Assets (including Bulk earthworks)	1,775	4,257	470	223	162,650	174,234	90.0%	6.0%	1.0%	1.0%	2.0%	
	<b>Sub-total</b>	<b>4,707</b>	<b>14,056</b>	<b>5,650</b>	<b>5,103</b>	<b>343,700</b>	<b>438,155</b>	<b>63.3%</b>	<b>22.5%</b>	<b>11.2%</b>	<b>1.7%</b>	<b>1.3%</b>	
<b>Water supply network</b>	Water supply network	1,482	8,048	4,060	3,947	163,268	241,378	10.0%	52.0%	35.0%	3.0%	0.0%	
	<b>Sub-total</b>	<b>1,482</b>	<b>8,048</b>	<b>4,060</b>	<b>3,947</b>	<b>163,268</b>	<b>241,378</b>	<b>10.0%</b>	<b>52.0%</b>	<b>35.0%</b>	<b>3.0%</b>	<b>0.0%</b>	
<b>Sewerage network</b>	Sewerage network	2,237	12,782	2,230	2,224	97,941	136,138	20.0%	48.0%	23.0%	9.0%	0.0%	
	<b>Sub-total</b>	<b>2,237</b>	<b>12,782</b>	<b>2,230</b>	<b>2,224</b>	<b>97,941</b>	<b>136,138</b>	<b>20.0%</b>	<b>48.0%</b>	<b>23.0%</b>	<b>9.0%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Stormwater drainage	67	383	570	563	46,906	60,393	55.0%	37.0%	7.0%	1.0%	0.0%	
	<b>Sub-total</b>	<b>67</b>	<b>383</b>	<b>570</b>	<b>563</b>	<b>46,906</b>	<b>60,393</b>	<b>55.0%</b>	<b>37.0%</b>	<b>7.0%</b>	<b>1.0%</b>	<b>0.0%</b>	
<b>Other infrastructure assets</b>	Airport Infrastructure	–	–	1,210	775	6,977	9,545	92.0%	8.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,210</b>	<b>775</b>	<b>6,977</b>	<b>9,545</b>	<b>92.0%</b>	<b>8.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>14,142</b>	<b>63,893</b>	<b>20,550</b>	<b>18,194</b>	<b>751,416</b>	<b>1,045,144</b>	<b>39.5%</b>	<b>32.7%</b>	<b>21.9%</b>	<b>5.3%</b>	<b>0.7%</b>	

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

Infrastructure asset condition assessment 'key'



## Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

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1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>2,678</b>	<b>17.81%</b>	45.06%	43.74%	>=100.00%
Depreciation, amortisation and impairment	<b>15,033</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>14,142</b>	<b>1.88%</b>	5.41%	8.24%	<2.00%
Net carrying amount of infrastructure assets	<b>751,416</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>18,194</b>	<b>88.54%</b>	87.00%	96.27%	>100.00%
Required asset maintenance	<b>20,550</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>63,893</b>	<b>6.11%</b>	3.94%	4.19%	
Gross replacement cost	<b>1,045,144</b>				

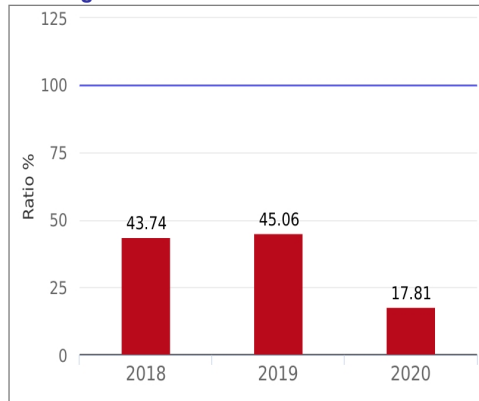
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(2) 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.

Report on Infrastructure Assets (continued)  
as at 30 June 2020

**Buildings and infrastructure renewals ratio**



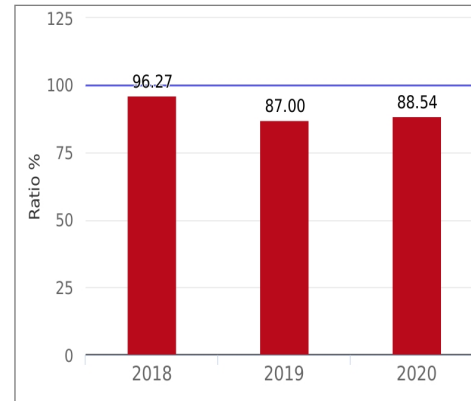
**Buildings and infrastructure renewals ratio**

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

Commentary on result	
19/20 ratio	17.81%

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Asset maintenance ratio**



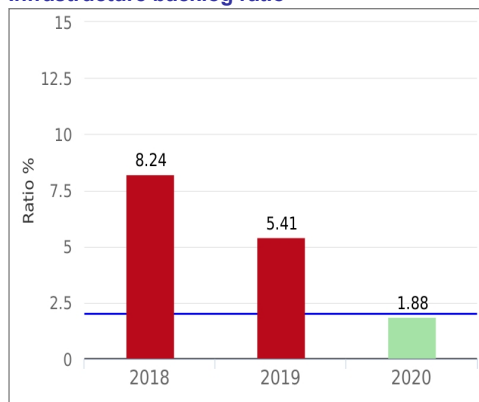
**Asset maintenance ratio**

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	
19/20 ratio	88.54%

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



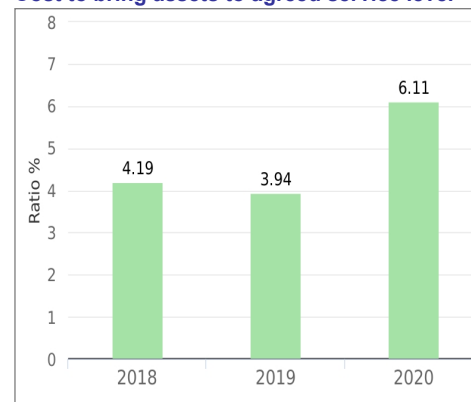
**Infrastructure backlog ratio**

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

Commentary on result	
19/20 ratio	1.88%

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ 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	
19/20 ratio	6.11%

Report on Infrastructure Assets (continued)  
as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>27.36%</b>	42.88%	<b>0.00%</b>	47.22%	<b>0.00%</b>	53.06%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>2.13%</b>	4.23%	<b>0.91%</b>	10.50%	<b>2.28%</b>	4.16%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>84.31%</b>	87.52%	<b>97.22%</b>	87.51%	<b>99.73%</b>	83.57%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>6.45%</b>	3.11%	<b>3.33%</b>	7.02%	<b>9.39%</b>	3.05%	

(1) Excludes Work In Progress (WIP)

(2) 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.



Dr Ian Tiley  
Mayor  
Armidale Regional Council  
PO Box 75A  
ARMIDALE NSW 2350

Contact: Chris Harper  
Phone no: 02 925 7374  
Our ref: D2030294/1685

23 December 2020

Dear Dr Tiley

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
Armidale Regional Council**

I have audited the general purpose financial statements (GPFS) of Armidale Regional Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## **INCOME STATEMENT**

### **Operating result**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	33.4	32.3	↑ 3.4
Grants and contributions revenue	40.0	30.9	↑ 29.4
Net result for the year	(22.8)	15.3	↓ 249

Net operating result before capital grants and contributions	(2.9)	(0.9)	222.2
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The Council's net result for the year (a deficit of \$22.8 million, including depreciation and amortisation expense of \$17.6 million) was \$38.1 million lower than the 2018–19 result. The major reasons for the decrease, include:

- a loss on disposal of assets as part of the Tingha boundary adjustment as at 1 July 2019 (\$43.0 million)
- decreased user charges and fees (\$3.2 million) due to the impact of the drought and water restrictions on water user charges and the impact of the COVID-19 pandemic on specific revenue streams including the airport
- impairment of infrastructure assets (\$1.5 million) due to storm damage to Kempsey Road.

These increases were offset by:

- increased grants and contributions (\$9.1 million) due mainly to the implementation of new revenue accounting standards and the recognition of Crown land and Rural Fire Service assets.

The net operating result before capital grants and contributions (a deficit of \$2.9 million) was \$2.0 million lower than the 2018–19 result. This is mainly due to the net decrease arising from factors above (excluding capital grants and contributions).

Rates and annual charges revenue (\$33.4 million) increased by \$1.1 million (3.4 per cent) in 2019–20 mainly due to the normal rate peg allowance increases in the year.

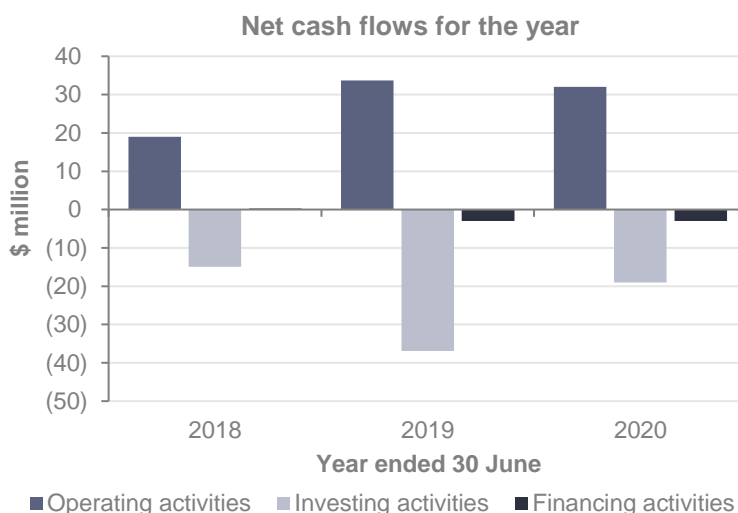
Grants and contributions revenue (\$40.0 million) increased by \$9.1 million (29.4 per cent) in 2019–20 due mainly from the recognition of Crown land and Rural Fire Service assets.

## STATEMENT OF CASH FLOWS

Cash inflows from operations remained stable compared to 2018–19.

Cash outflows from investing decreased by \$17.7 million due to a net cash inflow from sales of investment securities in 2020 (\$7 million) compared to a net cash outflow from purchase of investment securities in 2019 (\$10.1 million).

Cash outflows from financing activities (relating to the repayment of debt) remained comparable to the prior year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	60.0	59.8	• Major external restrictions include water, sewer, developer contributions, domestic waste management as well as grants for specific purposes.
Internal restrictions	10.0	7.7	
Unrestricted	2.1	1.8	
<b>Cash and investments</b>	<b>72.1</b>	<b>69.3</b>	• External restrictions remained stable but included a reduction in 'water supply' externally restricted cash of \$3.9 million. This was partially offset by an increase in 'sewerage' externally restricted cash of \$2.3 million.

## PERFORMANCE

### Performance measures

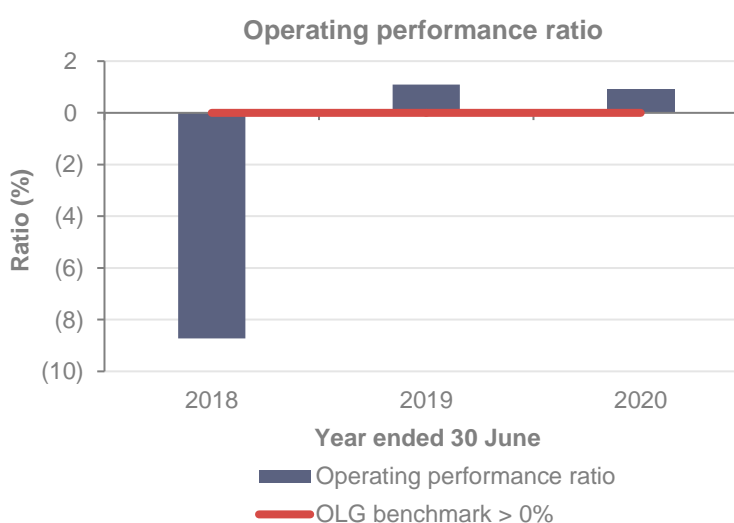
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### 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.

The decrease in the 2019–20 operating performance ratio arose due to a lower net operating result. This was caused by increases in operating expenses and a reduction in overall income, excluding capital grants, compared to 2018–19.

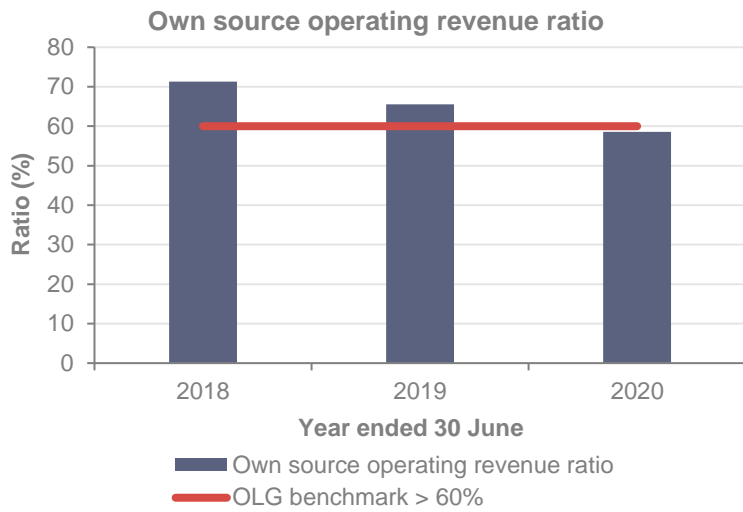


### Own source operating revenue ratio

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.

The own source revenue ratio decreased compared to 2018-19 due to increases in grants and contributions in the current year.

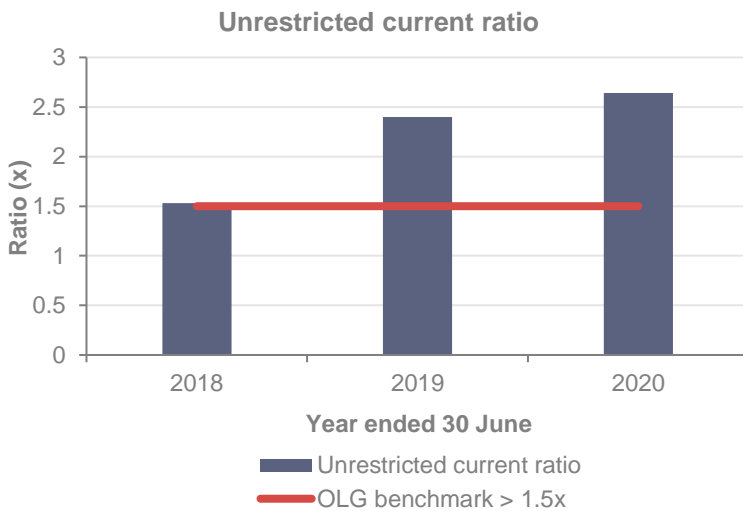


### Unrestricted current ratio

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 exceeded the OLG benchmark for the current reporting period.

The unrestricted ratio improved compared to 2018-19 due to an improvement of \$3.8 million in current assets in 2019-20.

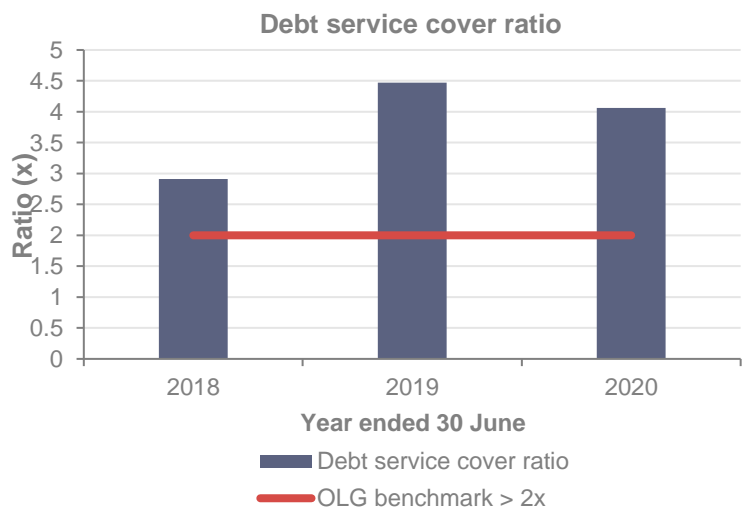


### Debt service cover ratio

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 exceeded the OLG benchmark for the current reporting period.

The reduction in the debt service cover ratio was due to the lower operating result, excluding capital grants in 2019-20.



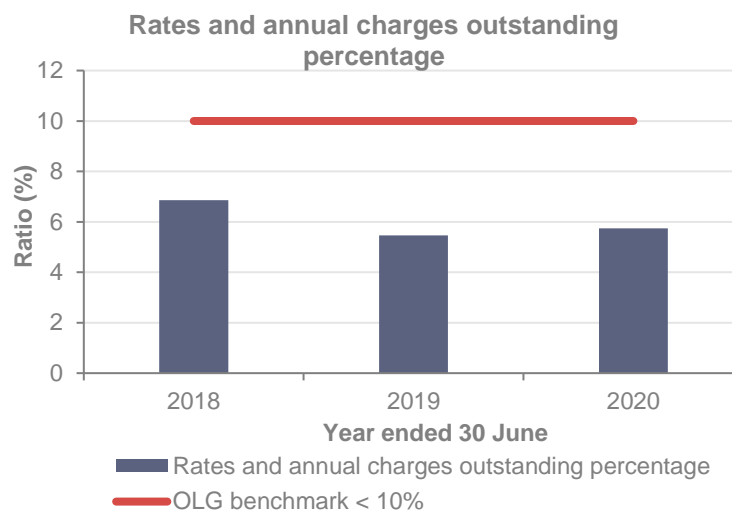


## Rates and annual charges outstanding percentage

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.

Council met the OLG benchmark for the current reporting period.

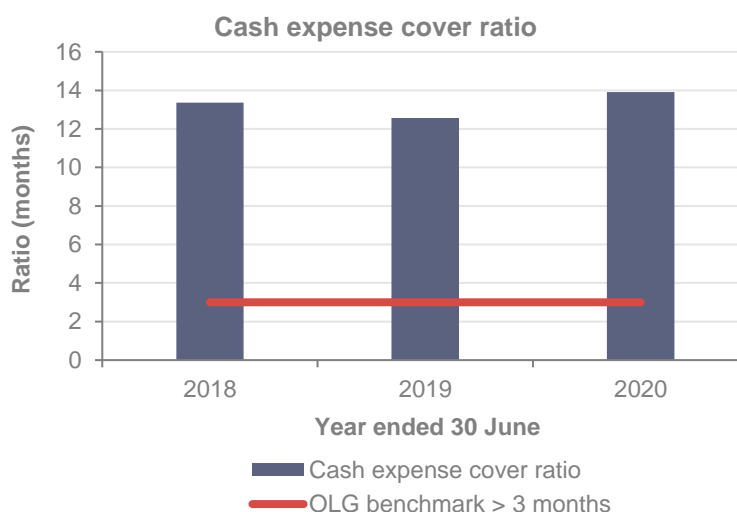
The rates and annual charges ratio increased in 2019-20 due to economic hardship factors in the region, including drought and COVID-19.



## 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 exceeded the OLG benchmark for the current reporting period.



## Infrastructure, Property, Plant and Equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$5.0 million. This decreased by \$4.3 million compared to 2018-19 due to lower renewal works. Renewal expenditure was below depreciation for the year by \$12.6 million.

## OTHER MATTERS

### Impact of new accounting standards

#### AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019-20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$7.3 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards, being recognition of contract liabilities.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

### **AASB 16 'Leases'**

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$313,000 and lease liabilities of \$313,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16

### **Legislative compliance**

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

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



Chris Harper  
Director, Financial Audit  
Delegate of the Auditor-General for New South Wales

cc: Mr John Rayner, Acting General Manager  
Ms Carolyn Cooper, Chair of the Audit, Risk and Improvement Committee  
Mrs Kelly Stidworthy, Manager Financial Services  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment