

Armidale Regional Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

Restore and thrive



Armidale Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Restore and thrive



Armidale Regional Council

General Purpose Financial Statements

for the year ended 30 June 2023

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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 B1-2.

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

Armidale Regional Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

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 2023

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 21 December 2023.




Sam Coupland
Mayor
21 December 2023



James Roncon
General Manager
21 December 2023



Todd Redwood
Deputy Mayor
21 December 2023



Ann Newsome
Responsible Accounting Officer
21 December 2023

Armidale Regional Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Restated Actual 2022 ¹ \$ '000
	Income from continuing operations			
38,804	Rates and annual charges	B2-1	39,371	37,609
28,485	User charges and fees	B2-2	27,729	30,622
4,409	Other revenues	B2-3	4,436	3,593
12,102	Grants and contributions provided for operating purposes	B2-4	34,579	15,782
75,794	Grants and contributions provided for capital purposes	B2-4, G4-1	28,220	20,581
1,534	Interest and investment income	B2-5	4,026	466
–	Other income	B2-6	855	794
–	Net gain from the disposal of assets	B4-1	1,041	230
161,128	Total income from continuing operations ¹		140,257	109,677
	Expenses from continuing operations			
28,846	Employee benefits and on-costs	B3-1	26,638	26,309
32,452	Materials and services	B3-2	47,594	31,146
1,385	Borrowing costs	B3-3	1,704	1,349
21,789	Depreciation, amortisation and impairment of non-financial assets ¹	B3-4, G4-1	34,291	23,262
1,858	Other expenses	B3-5	2,104	1,681
86,330	Total expenses from continuing operations ¹		112,331	83,747
74,798	Operating result from continuing operations ¹		27,926	25,930
74,798	Net operating result for the year attributable to Council ¹		27,926	25,930
(996)	Net operating result for the year before grants and contributions provided for capital purposes ¹		(294)	5,349

(1) Prior years restated, refer note G4-1

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

Armidale Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	Restated 2022 \$ '000
Net operating result for the year – from Income Statement ¹	G4-1	27,926	25,930
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-7	54,512	84,652
Adjustment to correct prior period errors		-	436
Total items which will not be reclassified subsequently to the operating result		54,512	85,088
Total other comprehensive income for the year		54,512	85,088
Total comprehensive income for the year attributable to Council	G4-1	82,438	111,018

(1) Prior years have been restated, refer note G4-1.

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

Armidale Regional Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	Restated 2022 ¹ \$ '000	Restated 1 July 2021 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	32,268	20,283	21,927
Investments	C1-2	97,877	85,987	59,379
Receivables	C1-4	13,655	10,445	11,200
Inventories	C1-5	1,798	2,632	2,235
Contract assets and contract cost assets	C1-6	1,732	4,711	3,338
Other		844	739	697
Total current assets		148,174	124,797	98,776
Non-current assets				
Receivables	C1-4	225	261	284
Inventories	C1-5	700	1,147	1,013
Infrastructure, property, plant and equipment (IPPE) ¹	C1-7	1,124,457	1,062,496	969,616
Right of use assets	C2-1	421	532	240
Non-current assets classified as held for sale		–	–	612
Total non-current assets ¹		1,125,803	1,064,436	971,765
Total assets ¹		1,273,977	1,189,233	1,070,541
LIABILITIES				
Current liabilities				
Payables	C3-1	9,278	11,100	9,038
Contract liabilities	C3-2	8,508	11,794	6,852
Lease liabilities	C2-1	55	143	27
Borrowings	C3-3	3,481	3,169	2,988
Employee benefit provisions	C3-4	6,440	6,749	7,153
Provisions	C3-5	4,059	1,791	–
Total current liabilities		31,821	34,746	26,058
Non-current liabilities				
Contract liabilities	C3-2	8,041	–	–
Lease liabilities	C2-1	288	450	241
Borrowings	C3-3	16,924	20,532	17,944
Employee benefit provisions	C3-4	414	432	350
Provisions	C3-5	11,380	10,402	14,295
Total non-current liabilities		37,047	31,816	32,830
Total liabilities		68,868	66,562	58,888
Net assets ¹		1,205,109	1,122,671	1,011,653
EQUITY				
Accumulated surplus ¹	C4-1,G4-1	958,719	930,793	904,863
IPPE revaluation reserve ¹	C4-1,G4-1	246,390	191,878	106,790
Council equity interest ¹		1,205,109	1,122,671	1,011,653
Total equity ¹		1,205,109	1,122,671	1,011,653

(1) The 2021/22 amount has been restated, refer note G4-1.

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

Armidale Regional Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		926,756	191,442	1,118,198	900,999	106,790	1,007,789
Correction of prior period errors ¹	G4-1	4,037	436	4,473	3,864	–	3,864
Restated opening balance		930,793	191,878	1,122,671	904,863	106,790	1,011,653
Net operating result for the year ¹		27,926	–	27,926	25,757	–	25,757
Correction of prior period errors ¹	G4-1	–	–	–	173	–	173
Net operating result for the period		27,926	–	27,926	25,930	–	25,930
Other comprehensive income							
Correction of prior period errors ¹	G4-1	–	–	–	–	436	436
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	54,512	54,512	–	84,652	84,652
Other comprehensive income		–	54,512	54,512	–	85,088	85,088
Total comprehensive income		27,926	54,512	82,438	25,930	85,088	111,018
Closing balance at 30 June ¹		958,719	246,390	1,205,109	930,793	191,878	1,122,671

(1) Prior years have been restated refer, to note G4-1

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

Armidale Regional Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
38,804	Rates and annual charges		39,525	37,267
28,485	User charges and fees		29,611	35,674
1,534	Interest received		2,747	444
87,896	Grants and contributions		56,849	38,916
–	Bonds, deposits and retentions received		–	53
4,408	Other		10,817	4,122
<i>Payments:</i>				
(28,846)	Payments to employees		(27,223)	(26,552)
(32,452)	Payments for materials and services		(55,187)	(35,126)
(1,260)	Borrowing costs		(1,265)	(1,163)
(1,858)	Other		(1,251)	(1,307)
96,711	Net cash flows from operating activities	G1-1	54,623	52,328
Cash flows from investing activities				
<i>Receipts:</i>				
–	Redemption of term deposits		372,821	47,331
–	Sale of real estate assets		4,673	803
1,215	Proceeds from sale of IPPE		550	518
–	Deferred debtors receipts		36	23
<i>Payments:</i>				
–	Purchase of investments		(376)	–
–	Acquisition of term deposits		(384,335)	(73,939)
(97,921)	Payments for IPPE		(31,960)	(30,460)
–	Payment of Real Estate Development costs		(501)	(924)
(96,706)	Net cash flows from investing activities		(39,092)	(56,648)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings		–	5,770
<i>Payments:</i>				
(3,297)	Repayment of borrowings		(3,296)	(3,001)
(10)	Principal component of lease payments		(250)	(93)
(3,307)	Net cash flows from financing activities		(3,546)	2,676
(3,302)	Net change in cash and cash equivalents		11,985	(1,644)
30,969	Cash and cash equivalents at beginning of year		20,283	21,927
27,667	Cash and cash equivalents at end of year	C1-1	32,268	20,283
59,379	plus: Investments on hand at end of year	C1-2	97,877	85,987
87,046	Total cash, cash equivalents and investments		130,145	106,270

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

Armidale Regional Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 21 December 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW) and Local Government (General) Regulation 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

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

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

and are clearly marked.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

- i. estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- ii. estimated landfill and quarry remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

A1-1 Basis of preparation (continued)

The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)*, 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.

Council is not currently able to reliably estimate the value of this volunteer contribution for the 2023 financial year. The services such as Home Support and the delivery of services via the Visitor Information Centres cannot operate without volunteers but these operations form a minor part of Council activities. These services are not financially viable and without volunteers, the level of service would need to be reduced. An internal Volunteer Management Audit found that there was not any accurate way to measure the contribution of volunteers but Council is currently redeveloping its method of recording volunteer contributions.

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 2023 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023.

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

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022 ¹ Restated	2023	2022 ¹ Restated	2023	2022 ¹ Restated	2023	2022 ¹ Restated	2023	2022 ¹ Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Functions or activities										
Growth, Prosperity, and Economic Development	12,289	65,928	9,642	49,722	2,647	16,206	696	31,372	–	–
People and Community	4,922	5,187	15,821	14,492	(10,899)	(9,305)	5,067	3,826	166,808	146,623
Leadership for the Region	26,681	23,107	5,206	6,751	21,475	16,356	3,935	479	475,639	121,367
Environment and Infrastructure	96,365	15,455	81,662	12,782	14,703	2,673	53,101	686	631,530	921,243
Total functions and activities ¹	140,257	109,677	112,331	83,747	27,926	25,930	62,799	36,363	1,273,977	1,189,233

(1) Prior years restated, refer note G4-1

B1-2 Components of functions or activities

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

Growth, Prosperity, and Economic Development

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

People and Community

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

Leadership for the Region

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

Environment and Infrastructure

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

B2 Sources of income

B2-1 Rates and annual charges

	2023 \$ '000	2022 \$ '000
Ordinary rates		
Residential	11,874	11,500
Farmland	5,137	5,019
Mining	59	62
Business	2,843	2,784
Less: pensioner rebates (mandatory)	(316)	(322)
Rates levied to ratepayers	19,597	19,043
Pensioner rate subsidies received	157	163
Total ordinary rates	19,754	19,206
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	5,920	5,647
Water supply services	3,346	3,134
Sewerage services	7,284	6,690
Drainage	473	470
Waste management services (non-domestic)	2,827	2,683
Less: pensioner rebates (Council policy)	(413)	(409)
Annual charges levied	19,437	18,215
Pensioner annual charges subsidies received:		
– Water	66	69
– Sewerage	62	65
– Domestic waste management	52	54
Total annual charges	19,617	18,403
Total rates and annual charges	39,371	37,609

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

Accounting policy

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

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

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

B2-2 User charges and fees

	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)		
Water supply services	9,397	8,178
Sewerage services	227	161
Drainage services	64	66
Waste management services (non-domestic)	3,892	3,493
Total specific user charges	13,580	11,898
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Inspection services	165	107
Planning and building regulation	320	264
Private works – section 67	403	316
Regulatory/ statutory fees	188	135
Registration fees	48	53
Regulatory fees	133	165
Section 10.7 certificates (EP&A Act)	89	94
Section 603 certificates	120	164
Total fees and charges – statutory/regulatory	1,466	1,298
(ii) Fees and charges – other (incl. general user charges (per s608))		
Aerodrome	1,921	981
Cemeteries	306	264
Child care	645	662
Leaseback fees – Council vehicles	143	101
Quarry revenues	817	483
Transport for NSW works (state roads not controlled by Council)	8,384	14,439
Swimming centres	204	157
Other	263	339
Total fees and charges – other	12,683	17,426
Total other user charges and fees	14,149	18,724
Total user charges and fees	27,729	30,622
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	8,384	12,962
User charges and fees recognised at a point in time	19,345	17,660
Total user charges and fees	27,729	30,622

Accounting policy

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

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

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

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

B2-3 Other revenues

	2023 \$ '000	2022 \$ '000
Fines – parking	368	386
Legal fees recovery – rates and charges (extra charges)	37	67
Commissions and agency fees	–	3
Insurance claims recoveries	83	31
Sales – general	554	510
Items for resale	208	166
Sales – cattle	2,074	1,301
Rebates	717	628
Other	395	501
Total other revenue	4,436	3,593

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	4,436	3,593
Total other revenue	4,436	3,593

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

	Operating 2023	Operating 2022	Capital 2023	Capital 2022 ¹ Restated
	\$ '000	\$ '000	\$ '000	\$ '000
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,371	2,337	–	–
Financial assistance – local roads component	843	1,213	–	–
Payment in advance - future year allocation				
Financial assistance – general component	5,322	3,594	–	–
Financial assistance – local roads component	2,885	1,865	–	–
Amount recognised as income during current year	10,421	9,009	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
– Water	312	–	6,077	–
– Sewerage	–	–	41	–
Aged care	245	29	–	–
Bushfire and emergency services	187	230	–	40
Child care	174	177	–	–
Community care	258	477	58	392
Economic development	112	19	286	200
Employment and training programs	127	7	–	–
Heritage and cultural	10	6	27	–
Library	277	45	109	70
LIRS subsidy	28	42	–	–
NSW rural fire services	341	345	196	–
Recreation and culture	–	153	453	603
Storm/flood damage	14,427	1,000	2,425	7,982
Airport	–	1,160	1,529	343
Waste Management	4	61	–	–
Water supplies	–	–	–	1,617
Street lighting	86	85	–	–
Transport (roads to recovery)	1,430	1,430	–	–
Transport (other roads and bridges funding)	5,709	–	997	3,579
Merger Grant Funding	–	–	–	588
Other specific grants	91	–	–	555
Previously contributions:				
Bushfire services	–	286	–	–
Community services	–	225	–	–
Other councils – joint works/services	–	99	–	–
Recreation and culture	–	39	–	–
Transport for NSW contributions (regional roads, block grant)	81	835	1,113	200
Tourism	259	8	–	–
Total special purpose grants and non-developer contributions – cash	24,158	6,758	13,311	16,169

B2-4 Grants and contributions (continued)

	Operating 2023	Operating 2022	Capital 2023	Capital 2022 ¹ Restated
	\$ '000	\$ '000	\$ '000	\$ '000
Non-cash contributions				
Sewerage (excl. section 64 contributions)	–	–	1,075	–
Water supplies (excl. section 64 contributions)	–	–	763	–
Developer Contributions - Subdivision Assets	–	–	3,579	242
Land & Buildings	–	–	1,600	–
NSW State Government - RFS Assets	–	–	5,011	2,344
Total other contributions – non-cash	–	–	12,028	2,586
Total special purpose grants and non-developer contributions (tied)	24,158	6,758	25,339	18,755
Total grants and non-developer contributions	34,579	15,767	25,339	18,755
Comprising:				
– Commonwealth funding	12,649	10,311	1,528	110
– State funding	21,675	2,284	17,553	9,465
– Other funding	255	3,172	6,258	9,180
	34,579	15,767	25,339	18,755
(1) Prior years have been restated, refer note G4-1				
Developer contributions				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.4 – contributions using planning agreements	–	15	–	–
S 7.11 – contributions towards amenities/services	–	–	126	19
S 7.12 – fixed development consent levies	–	–	603	540
S 64 – water supply contributions	–	–	1,175	684
S 64 – sewerage service contributions	–	–	977	487
Other developer contributions	–	–	–	96
Total developer contributions – cash	–	15	2,881	1,826
Total developer contributions	–	15	2,881	1,826
Total contributions	–	15	2,881	1,826
Total grants and contributions	34,579	15,782	28,220	20,581
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time	24,790	2,658	8,851	7,548
Grants and contributions recognised at a point in time	9,789	13,124	19,369	13,033
Total grants and contributions	34,579	15,782	28,220	20,581

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Unspent grants				
Unspent funds at 1 July	4,350	3,965	10,589	2,936
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	253	144	–	1
Add: Funds received and not recognised as revenue in the current year	90	1,273	4,308	8,686
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(209)	(334)	(391)	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(235)	(698)	(1,311)	(1,034)
Unspent grants at 30 June	4,249	4,350	13,195	10,589
Unspent contributions				
Unspent funds at 1 July	533	343	10,244	8,382
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	218	2,881	1,862
Add: contributions received and not recognised as revenue in the current year	–	55	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	(83)	–	–
Unspent contributions at 30 June	533	533	13,125	10,244

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2023 \$ '000	2022 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	96	105
– Cash and investments	3,383	350
– Deferred debtors	11	11
– Lehman Bros recovery	536	–
Total interest and investment income (losses)	4,026	466
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	–	65
General Council cash and investments	2,310	123
Restricted investments/funds – external:		
Development contributions		
– Section 7.11, Section 7.12	110	39
Water fund operations	863	135
Sewerage fund operations	743	104
Total interest and investment income	4,026	466

Accounting policy

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

B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
Rental income			
Other lease income			
Council owned property		855	794
Total other lease income		855	794
Total rental income	C2-2	855	794
Total other income		855	794

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	19,491	19,940
Employee termination costs	501	362
Travel expenses	96	51
Employee leave entitlements (ELE)	4,081	3,911
Superannuation	2,418	2,383
Workers' compensation insurance	982	773
Fringe benefit tax (FBT)	126	79
Payroll tax	117	61
Training costs (other than salaries and wages)	504	304
Protective clothing	115	113
Other	73	59
Total employee costs	28,504	28,036
Less: capitalised costs	(1,866)	(1,727)
Total employee costs expensed	26,638	26,309
Number of 'full-time equivalent' employees (FTE) at year end	277	278

Accounting policy

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

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

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

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

B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		16,257	16,217
Contractor costs ¹		48,782	34,955
Audit Fees	F2-1	286	198
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	351	345
Advertising		99	97
Bank charges		163	147
Computer software charges		784	586
Election expenses		–	259
Electricity and heating		1,244	810
Insurance		1,362	1,241
Postage		210	206
Printing and stationery		173	168
Street lighting		231	273
Subscriptions and publications		214	450
Telephone and communications		321	356
Valuation fees		107	102
Items for resale - Cattle		1,591	1,280
Items for resale - Other		85	70
Promotion and publicity		623	594
Security		101	63
Licences		312	623
Other expenses		132	119
Council water expenses		994	716
Legal expenses:			
– Legal expenses: planning and development		113	95
– Legal expenses: debt recovery		14	2
– Legal expenses: other		277	109
Total materials and services		74,826	60,081
Less: capitalised costs		(27,232)	(28,935)
Total materials and services		47,594	31,146

Accounting policy

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

(1) Includes Kempsey Road Repairs

B3-3 Borrowing costs

	Notes	2023 \$ '000	2022 \$ '000
(i) Interest bearing liability costs			
Interest on leases	C2-1c	22	32
Interest on loans		1,239	1,155
Total interest bearing liability costs		1,261	1,187
Total interest bearing liability costs expensed		1,261	1,187
(ii) Other borrowing costs			
Amortisation of discount of Landfill & Quarry remediation liabilities	C3-5	443	162
Total other borrowing costs		443	162
Total borrowing costs expensed		1,704	1,349

B3-3 Borrowing costs (continued)

Accounting policy

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

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

		2023	2022 ²
	Notes	\$ '000	Restated \$ '000
Depreciation and amortisation			
Plant and equipment	C1-7	1,780	1,187
Office equipment	C1-7	48	53
Infrastructure:			
– Buildings	C1-7	3,578	2,934
– Other structures		304	130
– Roads ²		6,342	5,716
– Bridges		696	622
– Footpaths ²		310	294
– Stormwater drainage ²		2,229	2,083
– Water supply network		3,899	3,432
– Sewerage network		1,695	1,620
– Airport infrastructure		725	579
Right of use assets	C2-1a	111	126
Other assets:			
– Heritage collections	C1-7	11	9
– Other	C1-7	1,320	1,021
Reinstatement, rehabilitation and restoration assets:			
– Landfill and quarry assets	C1-7	1,209	1,530
Total gross depreciation and amortisation costs ²		24,257	21,336
Total depreciation and amortisation costs ²		24,257	21,336
Impairment / revaluation decrement of IPPE			
Infrastructure:			
– Roads	C1-7	–	169
– Capital work in progress	C1-7	10,034	1,544
– Bulk earthworks (non-depreciable)	C1-7	–	213
Total gross IPPE impairment / revaluation decrement costs		10,034	1,926
Total IPPE impairment / revaluation decrement costs charged to Income Statement		10,034	1,926
Total depreciation, amortisation and impairment for non-financial assets ²		34,291	23,262

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

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

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

(2) Prior years have been restated, refer note G4-1

B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
Impairment of receivables			
Other		18	30
Total impairment of receivables	C1-4	18	30
Other			
Contributions/levies to other levels of government		1,187	806
Donations, contributions and assistance to other organisations (Section 356)		899	845
Total other		2,086	1,651
Total other expenses		2,104	1,681

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2023 \$ '000	2022 \$ '000
Operational Land & Building assets			
Proceeds from disposal – property		–	55
Less: carrying amount of property assets sold/written off		–	(190)
Gain (or loss) on disposal		–	(135)
Plant and equipment assets			
Proceeds from disposal – plant and equipment		550	463
Less: carrying amount of plant and equipment assets sold/written off	C1-7	(350)	(267)
Gain (or loss) on disposal		200	196
Infrastructure assets			
Proceeds of disposal of Infrastructure assets		–	–
Less: carrying amount of infrastructure assets sold/written off	C1-7	(2,014)	(476)
Gain (or loss) on disposal		(2,014)	(476)
Gain (or loss) on disposal of real estate assets held for sale			
Proceeds from disposal – real estate assets	C1-5	4,673	803
Less: carrying amount of real estate assets sold/written off		(1,818)	(158)

continued on next page ...

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal		2,855	645
Gain (or loss) on disposal of term deposits			
Proceeds from disposal/redemptions/maturities – term deposits		372,821	47,331
Less: carrying amount of term deposits sold/redeemed/matured		(372,821)	(47,331)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		1,041	230

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 29 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
User charges and fees	28,485	27,729	(756)	(3)% U
Other revenues	4,409	4,436	27	1% F
Operating grants and contributions	12,102	34,579	22,477	186% F
This variance is mainly due to grants received for the Kempsey road project of \$14.4 million being reallocated to operating grants instead of capital grants. The LRCI contribution of \$2 million was also not budgeted although some of this had been included in capital grants. The Financial Assistance Grant was also \$3.5 million higher than budget, mostly due to the increased advance payment. The Pothole Repair Grant of \$635,000 received during the year together with \$200,000 for housing strategy were not originally budgeted for. Finally, the Water contribution of \$312,000 from DPIE under the IWCM Strategy was not originally accounted for.				
Capital grants and contributions	75,794	28,220	(47,574)	(63)% U
The original budget expected capital grants for the Kempsey Road project of \$62 million but only \$2.4M was received with the remainder, as noted above, being treated as an operating grant due to a change in the treatment of the income. In addition to the above, there was \$2.5 million more in development contributions due to greater development activity, bridge funding of \$1.3 million received during the year had not been budgeted for and remains largely unspent. There was also over \$12 million in non-cash contributions relating to sub-divisions and the vesting of RFS assets that had not been included in the original budget.				
Interest and investment revenue	1,534	4,026	2,492	162% F
As interest rates trended upward during the year an active approach to management of the investment portfolio was taken. Some deposits were redeemed early to take advantage of the favourable rates.				
Net gains from disposal of assets	-	1,041	1,041	∞ F
During the financial year over \$4m Airside land lots were sold with a profit on disposal of \$2.5m. A very conservative approach is taken to budgeting Airside sales as this precinct is strategically developed. This profit on disposal was off set by \$2m of infrastructure written off.				
Other income	-	855	855	∞ F
Other income is represented by Council's rent and lease income for the financial year on various properties.				
Expenses				
Employee benefits and on-costs	28,846	26,638	2,208	8% F
Materials and services	32,452	47,594	(15,142)	(47)% U
Due to the change in treatment of most of the Kempsey Road works, as evidenced by the \$14.4 million of grant income being treated as operating grants, costs for the works have been treated as operating costs rather than capital costs.				
Borrowing costs	1,385	1,704	(319)	(23)% U

B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
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Due to some of Council's borrowing being at variable rates, the recent increase in interest rates has impacted the cost of borrowings.

Depreciation, amortisation and impairment of non-financial assets	21,789	34,291	(12,502)	(57)%	U
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In 2021-22 costs for Kempsey Road natural disaster work were capitalised and shown as capital work in progress. Due to the change in treatment of most of this work, the whole of the carrying work in progress amount of \$10 million was written off as a current year impairment. Depreciation was also higher than budgeted due to the late revaluation of assets at 30 June 2022 which were made after the budgeted depreciation had been calculated. Further variations to budget arise from the recognition of subdivision assets and depreciation on these assets.

Other expenses	1,858	2,104	(246)	(13)%	U
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The increase in other expenses relates to the higher charges for Emergency Service costs from other State Government agencies.

Statement of cash flows

Cash flows from operating activities	96,711	54,623	(42,088)	(44)%	U
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As disclosed above, the reduction in grant income for the Kempsey Road natural disaster works consequently affected the operating income and expenditure of Council. The project expenditure and therefore the receipt of grant income has been delayed and the repair design is developed.

Cash flows from investing activities	(96,706)	(39,092)	57,614	(60)%	F
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Purchases of infrastructure, property, plant & equipment was lower due to the reduced capital works on the Kempsey Road natural disaster works. Kempsey Road natural disaster works are treated as repairs and are shown in operational income and expenses.

Cash flows from financing activities	(3,307)	(3,546)	(239)	7%	U
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C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	32,268	20,283
Total cash and cash equivalents	32,268	20,283

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	32,268	20,283
Balance as per the Statement of Cash Flows	32,268	20,283

Accounting policy

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

C1-2 Financial investments

	2023 Current \$ '000	2022 Current \$ '000
Financial assets at fair value through the profit and loss		
Managed funds	10,327	9,951
Total	10,327	9,951
Debt securities at amortised cost		
Medium term deposits	87,550	76,036
Total	87,550	76,036
Total financial investments	97,877	85,987
Total cash assets, cash equivalents and investments	130,145	106,270

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial investments (continued)

Amortised cost

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

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

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

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	130,145	106,270
Less: Externally restricted cash, cash equivalents and investments	<u>(90,018)</u>	<u>(79,095)</u>
Cash, cash equivalents and investments not subject to external restrictions	40,127	27,175
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	1,658	2,102
NIRW grant from EPA	–	351
Specific purpose unexpended grants – general fund	13,195	11,794
External restrictions – included in liabilities	14,853	14,247
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	4,818	3,968
Developer contributions – water fund	4,633	3,542
Developer contributions – sewer fund	4,003	2,734
Transport for NSW contributions	–	478
Specific purpose unexpended grants (recognised as revenue) – general fund	4,249	3,145
Water fund	25,714	25,468
Sewer fund	25,300	20,416
Domestic waste management	4,895	3,514
Deposits, Retentions & Bonds	1,503	1,528
Other Contributions	50	55
External restrictions – other	75,165	64,848
Total external restrictions	90,018	79,095

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

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

	2023 \$ '000	2022 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	40,127	27,175
Less: Internally restricted cash, cash equivalents and investments	(34,154)	(21,394)
Unrestricted and unallocated cash, cash equivalents and investments	5,973	5,781
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	3,089	3,073
Infrastructure replacement	3,121	4,713
Employees leave entitlement	3,563	3,735
Carry over works	4,000	1,036
Economic Development	5,329	2,468
Waste Management, Landfill & Quarry Rehabilitation	3,799	2,966
Performance Improvement Initiatives	730	1,219
Natural Disasters	700	700
Technology Strategy	594	594
Other	1,022	890
Financial Assistance Grant paid in Advance	8,207	—
Total internal allocations	34,154	21,394

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

C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	2,321	–	2,145	–
Interest and extra charges	72	–	166	–
User charges and fees	2,518	–	2,138	–
Private works	498	–	148	–
Accrued revenues				
– Interest on investments	1,636	–	263	–
– TfNSW Roads Maintenance Council Contract (RMCC) income accruals	1,757	–	2,914	–
Deferred debtors	–	225	–	261
Government grants and subsidies	2,706	–	1,050	–
Net GST receivable	1,701	–	1,326	–
Other debtors	991	–	852	–
Total	14,200	225	11,002	261
Less: provision for impairment				
Rates and annual charges	(444)	–	(300)	–
User charges and fees	(101)	–	(257)	–
Total provision for impairment – receivables	(545)	–	(557)	–
Total net receivables	13,655	225	10,445	261

	2023 \$ '000	2022 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	557	549
Less Debts written off during the year	(18)	(22)
Add additional provision for impairment in the current year	6	30
Balance at the end of the year	545	557

Accounting policy

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

Impairment

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

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

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

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

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

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

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

C1-5 Inventories

		2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
	Notes				
(i) Inventories at cost					
Real estate for resale	(a)	216	700	1,091	1,147
Stores and materials		924	-	600	-
Cattle stock		658	-	941	-
Total inventories		1,798	700	2,632	1,147

	2023 Current \$ '000	2022 Current \$ '000
(a) Details of real estate for resale		
Residential Land	23	66
Airport Business Park Development	193	1,025
Total real estate for resale	216	1,091

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

No borrowings have been taken out for this development.

C1-6 Contract assets and Contract cost assets

	2023 Current \$ '000	2022 Current \$ '000
Contract assets	1,732	4,711
Total contract assets and contract cost assets	1,732	4,711

Contract assets

Contract Asset (AASB 15)	-	2,919
Accrued Income (AASB 1058)	1,732	1,792
Total contract assets	1,732	4,711

Significant changes in contract assets

Prior Year AASB 15 Contract Assets revenue related to a TfNSW Roads Maintenance Council contract amount in that year.

Accounting policy

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

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

	At 1 July 2022			Asset movements during the reporting period												At 30 June 2023 ²		
	Gross carrying amount ²	Accumulated depreciation and impairment ²	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements - RFS Rural Fire-fighting assets	Tfrs from/(to) real estate assets for sale and inventory	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount ²	Accumulated depreciation and impairment ²	Net carrying amount ²	
	Restated	Restated	Restated	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
By aggregated asset class																		
Capital work in progress	30,351	–	30,351	6,971	846	–	–	(10,034)	(18,350)	(7)	–	–	–	–	9,777	–	9,777	
Plant and equipment	31,535	(18,829)	12,706	1,325	85	(350)	(1,780)	–	13	–	–	–	–	–	31,642	(19,643)	11,999	
Office equipment	5,235	(5,159)	76	53	14	–	(48)	–	69	–	–	–	–	–	5,371	(5,207)	164	
Land:																		
– Operational land	28,744	–	28,744	–	23	–	–	–	–	–	–	760	–	(27)	42,921	–	42,921	
– Community land	30,957	–	30,957	–	–	–	–	–	–	–	–	74	–	14,491	45,522	–	45,522	
– Land under roads (post 30/6/08) ²	856	–	856	–	–	–	–	–	–	–	–	1	–	400	1,257	–	1,257	
Infrastructure:																		
– Buildings	141,371	(72,102)	69,269	381	125	(183)	(3,578)	–	1,102	–	5,011	840	–	–	157,690	(80,419)	77,271	
– Other structures	26,541	(5,733)	20,808	762	–	–	(304)	–	204	–	–	–	–	–	29,239	(6,431)	22,808	
– Roads ²	278,349	(58,774)	219,575	4,081	623	(1,520)	(6,342)	–	6,563	–	–	2,424	–	–	307,052	(67,965)	239,087	
– Bridges	55,484	(18,208)	37,276	242	186	(242)	(696)	–	68	–	–	–	(4)	2,257	58,896	(19,807)	39,089	
– Footpaths ²	13,683	(4,718)	8,965	–	–	(61)	(310)	–	92	–	–	51	–	–	14,589	(5,311)	9,278	
– Bulk earthworks (non-depreciable) ²	154,583	–	154,583	–	–	–	–	–	–	–	–	391	–	–	164,586	–	164,586	
– Stormwater drainage ²	185,687	(60,353)	125,334	–	76	–	(2,230)	–	71	–	–	713	–	–	198,111	(66,464)	131,647	
– Water supply network	260,672	(90,876)	169,796	12,048	–	–	(3,899)	–	5,298	–	–	763	–	(5,029)	330,545	(151,568)	178,977	
– Sewerage network	149,088	(45,022)	104,066	344	–	–	(1,695)	–	608	–	–	1,075	(69)	(11,195)	156,173	(63,039)	93,134	
– Airport infrastructure	18,854	(4,172)	14,682	76	17	–	(725)	–	2,547	–	–	–	–	–	22,877	(5,214)	17,663	
– Other infrastructure	–	–	–	–	–	–	1	–	–	–	–	–	–	–	–	–	–	
Other assets:																		
– Heritage collections	167	(119)	48	–	–	–	(11)	–	–	–	–	–	–	–	177	(138)	39	
– Other	40,055	(9,962)	30,093	46	776	(8)	(1,320)	–	1,714	–	–	–	–	–	45,266	(11,995)	33,271	
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																		
– Landfill & quarry assets	11,504	(7,193)	4,311	–	–	–	(1,209)	–	–	2,865	–	–	–	–	14,369	(8,402)	5,967	
Total infrastructure, property, plant and equipment	1,463,716	(401,220)	1,062,496	26,329	2,771	(2,364)	(24,146)	(10,034)	(1)	2,858	5,011	7,018	5	(16,255)	1,636,060	(511,603)	1,124,457	

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

(2) Prior years have been restated, refer note G4-1

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021 ²			Asset movements during the reporting period											At 30 June 2022		
	Gross carrying amount ²	Accumulated depreciation and impairment ²	Net carrying amount ²	Additions renewals ¹	Additions new assets Restated	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	Adjustments and transfers	Other movements recognised in P/L	Other movements Additions Prior Period Error Subdivisions Restated	Other movements Revaluation increments to equity prior period subdivisions Restated	Tf/s from/(to) real estate assets (Note C1-5)	Revaluation increments to equity (ARR)	Gross carrying amount ²	Accumulated depreciation and impairment ²	Net carrying amount Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	23,053	–	23,053	–	8,726	(291)	–	(1,544)	407	–	–	–	–	–	30,351	–	30,351
Plant and equipment	24,018	(13,159)	10,859	153	804	(267)	(1,187)	–	–	2,344	–	–	–	–	31,535	(18,829)	12,706
Office equipment	5,235	(5,111)	124	–	–	–	(53)	–	5	–	–	–	–	–	5,235	(5,159)	76
Land:																	
– Operational land	25,149	–	25,149	–	–	(187)	–	–	(5)	–	–	–	213	3,574	28,744	–	28,744
– Community land	27,108	–	27,108	–	–	–	–	–	–	–	–	–	–	3,849	30,957	–	30,957
– Land under roads (post 30/6/08) ²	730	–	730	–	–	–	–	–	–	–	1	–	–	125	856	–	856
Infrastructure:																	
– Buildings	118,233	(59,616)	58,617	1,153	790	(11)	(2,934)	–	59	–	–	–	399	11,196	141,371	(72,102)	69,269
– Other structures	13,048	(4,423)	8,625	9,871	37	(10)	(130)	–	1	–	–	–	–	2,414	26,541	(5,733)	20,808
– Roads ²	254,844	(49,087)	205,757	3,291	493	–	(5,716)	(169)	(3)	–	–	287	–	15,630	278,349	(58,774)	219,575
– Bridges ²	49,547	(16,378)	33,169	–	2,221	(56)	(622)	–	–	–	–	–	–	2,564	55,484	(18,208)	37,276
– Footpaths ²	12,691	(4,106)	8,585	4	–	–	(294)	–	–	–	7	34	–	628	13,683	(4,718)	8,965
– Bulk earthworks (non-depreciable)	143,681	–	143,681	–	–	–	–	(213)	(1)	–	–	52	–	11,064	154,583	–	154,583
– Stormwater drainage ²	172,036	(54,087)	117,949	–	–	–	(2,083)	–	(1)	–	234	63	–	9,172	185,687	(60,353)	125,334
– Water supply network	244,289	(82,302)	161,987	1,466	493	–	(3,432)	–	–	–	–	–	–	9,282	260,672	(90,876)	169,796
– Sewerage network	140,477	(40,691)	99,786	86	98	–	(1,620)	–	2	–	–	–	–	5,718	149,088	(45,022)	104,066
– Airport infrastructure	15,108	(2,941)	12,167	–	392	–	(579)	–	1	–	–	–	–	2,701	18,854	(4,172)	14,682
Other assets:																	
– Heritage collections	130	(87)	43	–	–	–	(9)	–	2	–	–	–	–	12	167	(119)	48
– Artworks	112	(1)	111	–	–	(111)	–	–	–	–	–	–	–	–	–	–	–
– Other	30,996	(6,985)	24,011	306	74	–	(1,021)	–	–	–	–	–	–	6,723	40,055	(9,962)	30,093
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																	
– Landfill & Quarry assets	13,767	(5,662)	8,105	–	–	–	(1,530)	–	(2,264)	–	–	–	–	–	11,504	(7,193)	4,311
Total infrastructure, property, plant and equipment ²	1,314,252	(344,636)	969,616	16,330	14,128	(933)	(21,210)	(1,926)	(1,797)	2,344	242	436	612	84,652	1,463,716	(401,220)	1,062,496

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

(2) Opening balances at 1 July 2021 have been restated to reflect subdivisions brought to account. Refer to note G4-1.

C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	38
Other plant and equipment	5 to 20	Buildings: other	38
		Stormwater assets	
Water and sewer assets		Drains	80 to 120
Dams and reservoirs	80 to 155	Culverts	50 to 80
Bores	20 to 40	Flood control structures	80 to 120
Reticulation pipes: PVC	70 to 100		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	15 to 30	Swimming pools	43 to 68
Sealed roads: structure	60 to 200	Other open space/recreational assets	10 to 30
Unsealed roads	15 to 20	Other infrastructure	13 to 102
Bridge: concrete	60 to 80		
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	60		

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

Revaluation model

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

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

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

C1-7 Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Infrastructure, property, plant and equipment – current year impairments

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

C1-8 Other

Other assets

	2023 Current \$ '000	2022 Current \$ '000
Prepayments	844	739
Total other assets	844	739

Current other assets not anticipated to be settled within the next 12 months

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

	2023 Current \$ '000	2022 Current \$ '000
Total unrestricted assets	844	739
Total other assets	844	739

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

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

Office and IT equipment

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

(a) Right of use assets

	Photocopier \$ '000	Various Other Property, Plant & Equipment \$ '000	Total \$ '000
2023			
Opening balance at 1 July	202	330	532
Depreciation charge	(70)	(41)	(111)
Other movement	(132)	132	–
Balance at 30 June	–	421	421
2022			
Opening balance at 1 July	–	240	240
Additions to right-of-use assets	272	95	367
Depreciation charge	(70)	(56)	(126)
Other movement	–	51	51
Balance at 30 June	202	330	532

(b) Lease liabilities

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Lease liabilities	55	288	143	450
Total lease liabilities	55	288	143	450

C2-1 Council as a lessee (continued)

(i) Maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2023					
Cash flows	58	68	742	868	343
2022					
Cash flows	150	109	759	1,018	593

(c) Income Statement

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

	2023 \$ '000	2022 \$ '000
Interest on lease liabilities	22	32
Depreciation of right of use assets	111	126
	133	158

(d) Statement of Cash Flows

Total cash outflow for leases	149	150
	149	150

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

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

- community services
- historical purposes

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

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

Accounting policy

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

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

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

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

C2-1 Council as a lessee (continued)

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

	2023 \$ '000	2022 \$ '000
(i) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of achieving improved community service provision outcomes, the amounts below relate to operating leases on assets disclosed in C1-7.		
Lease income (excluding variable lease payments not dependent on an index or rate)	855	794
Total income relating to operating leases for Council assets	855	794

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

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

< 1 year	221	663
1–2 years	199	221
2–3 years	183	199
3–4 years	145	183
4–5 years	140	145
> 5 years	2,513	2,654
Total undiscounted lease payments to be received	3,401	4,065

C2-2 Council as a lessor (continued)

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2023	2022
	Current	Current
	\$ '000	\$ '000
Goods and services – operating expenditure	3,432	3,615
Accrued expenses:		
– Borrowings	129	133
– Salaries and wages	675	843
– Contractors	1,560	2,388
– Other expenditure accruals	916	1,485
Security bonds, deposits and retentions	93	93
NIRW grant from EPA	–	351
Trust	1,530	1,435
Prepaid rates	943	757
Total payables	9,278	11,100

Accounting policy

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

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

C3-2 Contract Liabilities

		2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
	Notes				
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	7,344	2,738	8,593	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	–	–	1,119	–
Unexpended operating grants	(i)	1,164	5,303	2,027	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	–	–	55	–
Total grants received in advance		8,508	8,041	11,794	–
Total contract liabilities		8,508	8,041	11,794	–

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.

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

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

	2023 \$ '000	2022 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	799	3,946
Operating grants (received prior to performance obligation being satisfied)	7,584	1,598
Operating contributions (received prior to performance obligation being satisfied)	26	134
Total revenue recognised that was included in the contract liability balance at the beginning of the period	8,409	5,678

Significant changes in contract liabilities

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

Accounting policy

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

C3-3 Borrowings

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured ¹	3,481	16,924	3,169	20,532
Total borrowings	3,481	16,924	3,169	20,532

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

C3-3 Borrowings (continued)

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

(a) Changes in liabilities arising from financing activities

	2022		Non-cash movements				2023
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	23,701	(3,296)	–	–	–	–	20,405
Lease liability (Note C2-1b)	593	(249)	(1)	–	–	–	343
Total liabilities from financing activities	24,294	(3,545)	(1)	–	–	–	20,748

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

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	210	210
Total financing arrangements	1,210	1,210
Drawn facilities		
– Credit cards/purchase cards	–	3
Total drawn financing arrangements	–	3
Undrawn facilities		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	210	207
Total undrawn financing arrangements	1,210	1,207

Additional financing arrangements information

Breaches and defaults

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

Security over loans

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

Unused limits and facilities

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

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

C3-3 Borrowings (continued)

Accounting policy

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

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

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

C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	2,111	–	2,225	–
Long service leave	4,188	414	4,367	432
Other leave – Accrued leave	141	–	157	–
Total employee benefit provisions	6,440	414	6,749	432

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

	2023 \$ '000	2022 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,815	3,925
	3,815	3,925

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2023				
At beginning of year	2,225	4,799	157	7,181
Leave Taken	(1,774)	(791)	(1,999)	(4,564)
Leave Accrued	1,660	583	1,983	4,226
Other	–	11	–	11
Total ELE provisions at end of year	2,111	4,602	141	6,854
2022				
At beginning of year	2,120	5,196	187	7,503
Leave Taken	(1,806)	(345)	(1,760)	(3,911)
Leave Accrued	1,911	(52)	1,730	3,589
Total ELE provisions at end of year	2,225	4,799	157	7,181

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual

C3-4 Employee benefit provisions (continued)

settlement is expected to occur and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	4,059	11,380	1,791	10,402
Sub-total – asset remediation/restoration	4,059	11,380	1,791	10,402
Total provisions	4,059	11,380	1,791	10,402

Description of and movements in provisions

	Other provisions Asset remediation \$ '000	Total \$ '000
2023		
At beginning of year	12,193	12,193
Unwinding of discount	443	443
Remeasured Provision	2,740	2,740
Used Provision	63	63
Total other provisions at end of year	15,439	15,439
2022		
At beginning of year	14,295	14,295
Unwinding of discount	162	162
Used Provision	(2,264)	(2,264)
Total other provisions at end of year	12,193	12,193

Nature and purpose of provisions

Landfill and Quarry remediation

Council notes that although the phytocap method of rehabilitation could lead to greater cost savings, it is only in testing phase with a limited number of councils in NSW. The EPA have not yet provided approval for Council to use phytocap technology so a full capping methodology is applied in valuing the Landfill Rehabilitation Provision at 30 June 2023. Apart from the impact of inflation for the year ended 30 June 2023, no other significant amendments were made to the Landfill Rehabilitation Provision at 30 June 2023.

For Council's Quarry Rehabilitation Provision only the impact of inflation on costs have been included, no other changes were identified during the annual review of the Quarry Rehabilitation Provision at 30 June 2023.

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

Accounting policy

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

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

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

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

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

C3-5 Provisions (continued)

during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

Refer to the Statement of Changes in Equity for the roll forward of the Accumulated Surplus and Revaluation Reserve from 2022 to 2023 and comparatives for the prior year.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
Income from continuing operations			
Rates and annual charges	28,917	3,255	7,199
User charges and fees	17,826	9,586	317
Interest and investment revenue	2,420	863	743
Other revenues	2,233	49	2,154
Grants and contributions provided for operating purposes	34,267	312	–
Grants and contributions provided for capital purposes	17,731	8,396	2,093
Net gains from disposal of assets	1,041	–	–
Other income	855	–	–
Total income from continuing operations	105,290	22,461	12,506
Expenses from continuing operations			
Employee benefits and on-costs	23,444	1,888	1,306
Materials and services	39,373	4,198	4,023
Borrowing costs	1,159	545	–
Depreciation, amortisation and impairment of non-financial assets	28,410	4,083	1,798
Other expenses	2,082	22	–
Total expenses from continuing operations	94,468	10,736	7,127
Operating result from continuing operations	10,822	11,725	5,379
Net operating result for the year	10,822	11,725	5,379
Net operating result attributable to each council fund	10,822	11,725	5,379
Net operating result for the year before grants and contributions provided for capital purposes	(6,909)	3,329	3,286

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	32,268	–	–
Investments	38,227	30,347	29,303
Receivables	10,799	2,573	283
Inventories	1,140	–	658
Contract assets and contract cost assets	1,732	–	–
Other	844	–	–
Total current assets	85,010	32,920	30,244
Non-current assets			
Receivables	225	–	–
Inventories	700	–	–
Infrastructure, property, plant and equipment	824,799	200,420	99,238
Right of use assets	421	–	–
Total non-current assets	826,145	200,420	99,238
Total assets	911,155	233,340	129,482
LIABILITIES			
Current liabilities			
Payables	9,200	78	–
Income received in advance	(175)	175	–
Contract liabilities	8,082	312	114
Lease liabilities	55	–	–
Borrowings	2,971	510	–
Employee benefit provision	6,440	–	–
Provisions	4,059	–	–
Total current liabilities	30,632	1,075	114
Non-current liabilities			
Contract liabilities	8,041	–	–
Lease liabilities	288	–	–
Borrowings	8,204	8,720	–
Employee benefit provision	414	–	–
Provisions	11,380	–	–
Total non-current liabilities	28,327	8,720	–
Total liabilities	58,959	9,795	114
Net assets	852,196	223,545	129,368
EQUITY			
Accumulated surplus	626,100	205,839	126,780
Revaluation reserves	226,096	17,706	2,588
Council equity interest	852,196	223,545	129,368
Total equity	852,196	223,545	129,368

D2 Interests in other entities

D2-1 Unconsolidated structured entities

Council did not consolidate the following structured entities:

1. New England Weeds Authority

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

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

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

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

Nature of risks relating to the Unconsolidated Structured Entity

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

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

Non-contractual financial support provided

Council did not provide any non contractual support to NEWA.

Current intention to provide financial support

Council will continue to provide a contribution to NEWA in accordance with NEWA's proclamation. Council's contribution for the 2023/2024 year is \$278,690 including GST (2022/2023: \$266,078 including GST).

2. New England Regional Art Museum (NERAM)

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

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

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

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

Nature of risks relating to the Unconsolidated Structured Entity

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

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

Income received by Council relating to the Structured Entity

– Rental Income	12	(11)
Assets in Council's Statement of Financial Position relating to the Structured Entity	7,224	6,310
Net assets in Council's Statement of Financial Position	7,224	6,310

D2-1 Unconsolidated structured entities (continued)

Difference – net asset/(net exposure) relating to the Structured Entity:	7,224	6,310
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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 2023/24 year is estimated at \$388,186 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.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

	Carrying value 2023 \$ '000	Carrying value 2022 \$ '000	Fair value 2023 \$ '000	Fair value 2022 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	32,268	20,283	32,268	20,283
Receivables	13,880	10,706	13,336	7,792
Investments				
– Debt securities at amortised cost	87,550	76,036	87,550	76,036
Fair value through profit and loss				
Investments				
– Held for trading	10,327	9,951	10,327	9,951
Total financial assets	144,025	116,976	143,481	114,062
Financial liabilities				
Payables	9,278	11,100	9,278	10,343
Loans/advances	20,405	23,701	20,405	23,701
Total financial liabilities	29,683	34,801	29,683	34,044

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.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks 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 cash and investments.

(a) Market risk – interest rate and price risk

2023 2022

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

	\$ '000	\$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	978	860
Impact of a 10% movement in price of investments		
– Equity / Income Statement	10,327	8,599

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
2023				
Gross carrying amount	–	2,185	136	2,321
2022				
Gross carrying amount	–	2,051	94	2,145

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2023						
Gross carrying amount	10,433	1,106	339	1,609	349	13,836
Expected loss rate (%)	0.00%	0.00%	4.26%	0.17%	24.44%	0.74%
ECL provision	–	–	14	3	85	102

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2022						
Gross carrying amount	12,793	335	478	5	218	13,829
Expected loss rate (%)	0.00%	0.00%	7.10%	100.00%	100.00%	1.86%
ECL provision	–	–	34	5	218	257

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2023							
Payables	0.00%	93	9,185	–	–	9,278	9,278
Borrowings	5.52%	–	4,543	13,275	8,856	26,674	20,405
Total financial liabilities		93	13,728	13,275	8,856	35,952	29,683
2022							
Payables	0.00%	93	11,007	–	–	11,100	11,100
Borrowings	5.49%	–	4,542	16,284	10,434	31,260	23,701
Total financial liabilities		93	15,549	16,284	10,434	42,360	34,801

Loan agreement breaches

No breaches of any loan agreements occurred during the year.

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

	Fair value measurement hierarchy								
	Date of latest valuation		Level 2 Significant observable inputs ¹		Level 3 Significant unobservable inputs ¹		Total ¹		
	2023	2022	2023	2022	2023	2022	2023	2022	
\$ '000						Restated		Restated	
		Notes							
Recurring fair value measurements									
Infrastructure, property, plant and equipment C1-7									
Plant and equipment	30/06/20	30/06/20	–	–	11,999	12,706	11,999	12,706	
Office equipment	30/06/20	30/06/20	–	–	164	76	164	76	
Operational Land	30/06/19	30/06/19	42,921	28,744	–	–	42,921	28,744	
Community Land	30/06/19	30/06/19	–	–	45,522	30,957	45,522	30,957	
Land Under Roads ¹	30/06/19	30/06/19	–	–	1,257	856	1,257	856	
Buildings (specialised and non-specialised)	30/06/18	30/06/18	77,271	69,269	–	–	77,271	69,269	
Other structures	13/05/16	13/05/16	–	–	22,808	20,808	22,808	20,808	
Roads ¹	30/06/21	30/06/21	–	–	239,087	219,575	239,087	219,575	
Bridges	30/06/21	30/06/21	–	–	39,089	37,276	39,089	37,276	
Footpaths ¹	30/06/21	30/06/21	–	–	9,278	8,965	9,278	8,965	
Bulk earthworks (non-depreciable) ¹	30/06/21	30/06/21	–	–	164,586	154,583	164,586	154,583	
Stormwater drainage ¹	30/06/21	30/06/21	–	–	131,647	125,334	131,647	125,334	
Water supply network	31/12/22	30/06/17	–	–	178,977	169,796	178,977	169,796	
Sewerage network	31/12/22	30/06/17	–	–	93,134	104,066	93,134	104,066	
Airport infrastructure	30/06/17	30/06/17	–	–	17,663	14,682	17,663	14,682	
Heritage collections	13/05/16	13/05/16	–	–	39	48	39	48	
Artworks		13/05/16	–	–	–	–	–	–	
Other	13/05/16	13/05/16	–	–	33,271	30,093	33,271	30,093	
Landfill & quarry assets	30/06/21	30/06/21	–	–	5,967	4,311	5,967	4,311	
Total infrastructure, property, plant and equipment			120,192	98,013	994,488	934,132	1,114,680	1,032,145	

(1) 2021/22 amounts have been restated, refer to note G4-1.

Valuation techniques

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

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

E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

Plant and equipment, and office equipment – Level 3

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

Operational Land – Level 2

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Valuation Techniques – at 30 June 2023 the value of the operational land held by council was indexed at the Valuer General's value increment for the Northern Tablelands Region (46.7%). 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. This value has been indexed to reflect change in value, the indexation rate used for 2022/23 was 46.7% being the published increment for VG land values for the Northern Tablelands Region at 1 July 2022.

Buildings - Level 2

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

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

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

Valuation Techniques – Depreciated Replacement Cost.

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

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

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

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

Water supply network and Sewerage network – Level 3

Valuation Techniques – Cost Approach Method.

Due to the specialised nature of Local Government Assets observable market inputs are often unavailable. The cost approach has been adopted for Council Water and Sewer deemed level 3 and was applied as part of 31 December 2022 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.

E2-1 Fair value measurement (continued)

Water and Sewerage Infrastructure Assets were revalued at 31 December 2022 by an independent, external valuer.

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

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

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

A rehabilitation model has been developed. Council's in-house Waste Engineer performs an annual review of the Rehabilitation Model including a detailed review of input costings.

Heritage collections, artworks and other assets – Level 3

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

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

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

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

Unobservable inputs - Estimates of useful life, and condition.

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

E2-1 Fair value measurement (continued)

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

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

	Operational land		Community land		Buildings		Infrastructure assets		Other assets		Total	
	2023	2022	2023	2022	2023	2022	2023	2022 Restated	2023	2022	2023	2022
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	28,744	25,149	30,957	27,108	69,269	58,617	886,034	816,447	17,141	19,353	1,032,145	946,674
Total gains or losses for the period												
Recognised in other comprehensive income – revaluation surplus	13,395	3,574	14,491	3,849	4,304	11,196	22,320	66,456	2	12	54,512	85,087
Other movements												
Transfers from/(to) another asset class	–	213	74	–	–	399	(66)	(1)	–	–	8	611
Other Movements	(1)	(5)	–	–	1,102	59	17,165	242	2,947	87	21,213	383
Purchases (GBV)	23	–	–	–	506	1,943	19,277	18,834	1,477	957	21,283	21,734
Contribution Additions	760	–	–	–	5,851	–	5,418	–	–	–	12,029	–
Disposals (WDV)	–	(187)	–	–	(183)	(11)	(1,831)	(66)	(350)	(489)	(2,364)	(753)
Depreciation and impairment	–	–	–	–	(3,578)	(2,934)	(17,520)	(15,878)	(3,048)	(2,779)	(24,146)	(21,591)
Closing balance	42,921	28,744	45,522	30,957	77,271	69,269	930,797	886,034	18,169	17,141	1,114,680	1,032,145

E2-1 Fair value measurement (continued)

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For the year ended 30 June 2023, for 180 Point Members, Employers are required to contribute 8% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits. From 1 July 2023, the required contribution rate increases to 8.5% in line with the increase in the Superannuation Guarantee contribution level.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 to 31 December 2021 and \$20 million per annum for 1 January to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. These additional lump sum contributions for past service are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

E3-1 Contingencies (continued)

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme (Active Super) and recognised as an expense for the year ended 30 June 2023 was \$153,090. The last formal valuation of the Fund was undertaken by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2022.

Council's expected contribution to the Scheme for the next annual reporting period is \$156,192.

The estimated employer reserves in the Scheme for the Pooled Employers at 30 June 2023 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

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

The share of this surplus that is broadly attributed to Council is estimated to be in the order of 0.54% as at 30 June 2023.

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6% for FY 22/23 2.5% per annum thereafter

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed by December 2023.

(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 2023 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.

E3-1 Contingencies (continued)

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

(iv) Other guarantees

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

2. Other liabilities

No other liabilities other than those shown elsewhere have been quantified at this time.

(i) Third party claims

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

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

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

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

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

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

3. Contingent liabilities

(i) Contingent Remediation Work

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

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

An amount has been set aside in the forward budget to undertake works on a portion of land, "The Wedge", that may have been affected by the old Armidale Gasworks. It is expected that the cost associated with this work are likely to be approximately \$2.5M. The extent of the remediation required will not be able to be established until the work is carried out.

ASSETS NOT RECOGNISED

(i) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	1,724	1,509
Post-employment benefits	172	104
Other long-term benefits	-	101
Termination benefits	-	31
Total	1,896	1,745

Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

F1-2 Councillor and Mayoral fees and associated expenses

	2023 \$ '000	2022 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	63	57
Councillors' fees	278	211
Interim Administrator fees	-	-
Other Councillors' expenses (including Mayor)	10	37
Temporary Advisor / Financial Controller	-	40
Total	351	345

F2 Other relationships

F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements (NSW Auditor-General) ¹	199	122
Other Assurance services including acquittal audits (other Audit service providers)	87	76
Total audit fees	286	198

(1) Audit Office fees include \$81,000 in fees related to prior years and not accrued in those years

G Other matters

G1-1 Statement of Cash Flows information

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

	2023	2022 ¹
	\$ '000	Restated \$ '000
Net operating result from Income Statement	27,926	25,930
Add / (less) non-cash items:		
Depreciation and amortisation ¹	24,257	21,336
(Gain) / loss on disposal of assets	(1,041)	(230)
Non-cash capital grants and contributions ¹	(12,028)	(2,586)
Other movement	–	145
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	10,034	1,926
Unwinding of discount rates on reinstatement provisions	443	162
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(3,198)	747
Increase / (decrease) in provision for impairment of receivables	(12)	8
(Increase) / decrease of inventories	(41)	(377)
(Increase) / decrease of other current assets	(105)	(42)
(Increase) / decrease of contract asset	2,979	(1,373)
Increase / (decrease) in payables	(183)	(838)
Increase / (decrease) in accrued interest payable	(4)	24
Increase / (decrease) in other accrued expenses payable	(737)	1,275
Increase / (decrease) in other liabilities	(898)	1,601
Increase / (decrease) in contract liabilities	4,755	4,942
Increase / (decrease) in employee benefit provision	(327)	(322)
Increase / (decrease) in other provisions	2,803	–
Net cash flows from operating activities	54,623	52,328

(1) Prior years restated, refer note G4-1

Council does not use Non-cash investing and financing activities.

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	1,005	340
Bridges	6,762	–
Netball Court Lighting	–	169
Kempsey Road Restoration	4,592	14,378
Puddledock Pipeline Project	–	9,281
Dumaresq Dam Wall	–	626
Roads	1,922	2,342
Buildings	44	213
Airport Infrastructure	–	28
Public Works Australia	4,291	–
Oaky River Hydro Scheme ¹	3,978	–
Other	162	–
Total commitments	22,756	27,377
These expenditures are payable as follows:		
Within the next year	22,756	27,377
Total payable	22,756	27,377
Sources for funding of capital commitments:		
Unrestricted general funds	–	1
Externally restricted reserves	21,707	26,695
Internally restricted reserves	1,049	681
Total sources of funding	22,756	27,377

Details of capital commitments

For each of the commitments, tenders have been called and orders placed prior to year end, with an expectation of delivery early in the 2023/24 financial year.

(1) As part of the Integrated Water Cycle Management Strategy a water security assessment was conducted. This assessment found that ARC's water security had a significant shortfall of 2,088 ML/year. It was determined by council resolution on 14/12/2022 to approve the purchase of the Oaky River Hydro Scheme. Settlement date for the property is currently February 2024.

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

Following the comprehensive revaluation of water and sewer infrastructure in December 2022 using GIS data, Council identified that assets associated with new subdivisions had not been capitalised in prior years. The adjustments noted herein relate to the capitalisation of new subdivision assets in the following classes - land under roads, roads, footpaths, bulk earthworks and stormwater drainage.

G4-1 Correction of errors (continued)

Subdivision assets have been broken into two categories - Water and Sewer and Other Infrastructure (land under roads, roads, footpaths, bulk earthworks and stormwater drainage).

Subdivision assets relating to Water and Sewer - These assets were revalued in 2023 using GPS technology to map the location of infrastructure (known as GIS or Geographical Information System data) as the basis for the revalued fixed asset register. Whilst the subdivision assets are included in the revaluation, it was impracticable to calculate the prior period error. These assets have been recognised for the first time in the current year.

Subdivision assets relating to land under roads, roads, footpaths, bulk earthworks and stormwater drainage - The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to either accumulated surplus and/or IPPE Revaluation Reserve at the relevant date.

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

Changes to the opening Statement of Financial Position at 1 July 2021

Statement of Financial Position

	Original Balance 1 July 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July 2021 \$ '000
Infrastructure, property, plant and equipment	965,752	3,864	969,616
Total non-current assets	967,901	3,864	971,765
Total assets	1,066,677	3,864	1,070,541
Net assets	1,007,789	3,864	1,011,653
Accumulated Surplus	900,999	3,864	904,863
Total equity	1,007,789	3,864	1,011,653

G4-1 Correction of errors (continued)

Adjustments to the comparative figures for the year ended 30 June 2022

Statement of Financial Position

	Original Balance 30 June 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2022 \$ '000
Infrastructure, property, plant and equipment	1,058,023	4,473	1,062,496
Total non-current assets	1,059,963	4,473	1,064,436
Total assets	1,184,760	4,473	1,189,233
Net assets	1,118,198	4,473	1,122,671
Accumulated Surplus	926,756	4,037	930,793
IPPE revaluation reserve	191,442	436	191,878
Total equity	1,118,198	4,473	1,122,671

G4-1 Correction of errors (continued)

Income Statement

	Original Balance 30 June 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2022 \$ '000
Grants and contributions provided for capital purposes	20,339	242	20,581
Total income from continuing operations	109,435	242	109,677
Depreciation, amortisation and impairment of non-financial assets	23,193	69	23,262
Total expenses from continuing operations	83,678	69	83,747
Net operating result for the year	25,757	173	25,930

Statement of Comprehensive Income

	Original Balance 30 June 2022 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June 2022 \$ '000
Net operating result for the year	25,757	173	25,930
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	84,652	436	85,088
Total comprehensive income for the year	110,409	609	111,018

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	(Expenditure) & Other Adjustments during year \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Drainage	47	–	–	–	1	–	–	48	–
Roads	996	–	–	–	28	–	–	1,024	–
Traffic facilities	18	–	–	–	1	–	–	19	–
Parking	51	50	–	–	2	–	–	103	–
Open space	340	–	–	–	8	–	–	348	–
Community facilities	54	1	–	–	2	–	–	57	–
Other	8	71	–	–	1	–	–	80	–
Bushfire	1	–	–	–	–	–	–	1	–
Street Trees	94	4	–	–	3	–	–	101	–
S7.11 contributions – under a plan	1,609	126	–	–	46	–	–	1,781	–
S7.12 levies – under a plan	1,948	603	–	–	64	–	–	2,615	–
Total S7.11 and S7.12 revenue under plans	3,557	729	–	–	110	–	–	4,396	–
S7.4 planning agreements	121	–	–	–	2	–	–	123	–
S64 contributions	6,318	2,152	–	–	210	–	–	8,680	–
Contributions not under any plan	248	–	–	–	7	–	–	255	–
Total contributions	10,244	2,881	–	–	329	–	–	13,454	–

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.

G5-2 Developer contributions by plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	(Expenditure) & Other Adjustments during year \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
CONTRIBUTION PLAN									
Drainage	47	-	-	-	1	-	-	48	-
Roads	996	-	-	-	28	-	-	1,024	-
Traffic facilities	18	-	-	-	1	-	-	19	-
Parking	51	50	-	-	2	-	-	103	-
Open space	340	-	-	-	8	-	-	348	-
Community facilities	54	1	-	-	2	-	-	57	-
Bushfire	1	-	-	-	-	-	-	1	-
Street Trees	94	4	-	-	3	-	-	101	-
Other	8	71	-	-	1	-	-	80	-
Total	1,609	126	-	-	46	-	-	1,781	-

S7.12 Levies – under a plan

CONTRIBUTION PLAN									
Other	1,948	603	-	-	64	-	-	2,615	-
Total	1,948	603	-	-	64	-	-	2,615	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	Restated 2021	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	8,717	7.85%	7.96%	6.93%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	110,996				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	76,417	54.89%	66.78%	68.47%	> 60.00%
Total continuing operating revenue ¹	139,216				
3. Unrestricted current ratio					
Current assets less all external restrictions	54,642	3.89x	2.27x	2.41x	> 1.50x
Current liabilities less specific purpose liabilities	14,048				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	34,678	6.61x	6.70x	6.11x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,250				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,949	4.69%	5.07%	4.98%	< 10.00%
Rates and annual charges collectable	41,515				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	119,818	16.25 months	17.19 months	15.50 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	7,373				

(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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	Restated 2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2.43%	4.40%	23.67%	17.16%	31.56%	23.85%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	50.12%	61.15%	61.23%	83.39%	83.26%	94.69%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.89x	2.27x	30.62x	51.24x	265.30x	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4.60x	4.94x	14.60x	15.52x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	6.27%	5.35%	0.00%	5.45%	0.00%	3.71%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.25 months	9.72 months	∞	41.97 months	∞	60.90 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

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

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 7.85%

This ratio has remained relatively constant as a consequence of all funds being profitable after accounting for one-off impairment charges relating to a major project.

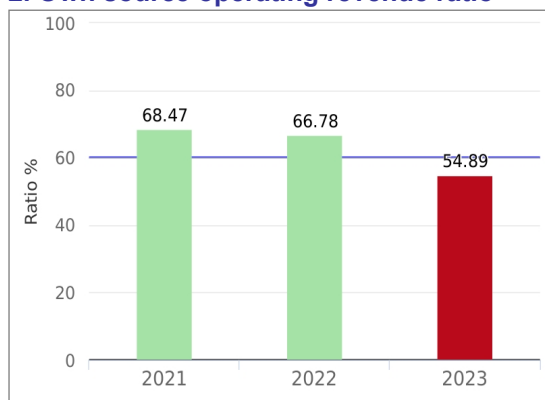
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 54.89%

An increase in grant income, largely a major project, has decreased the proportion of own source revenue by comparison, distorting the ratio unfavourably.

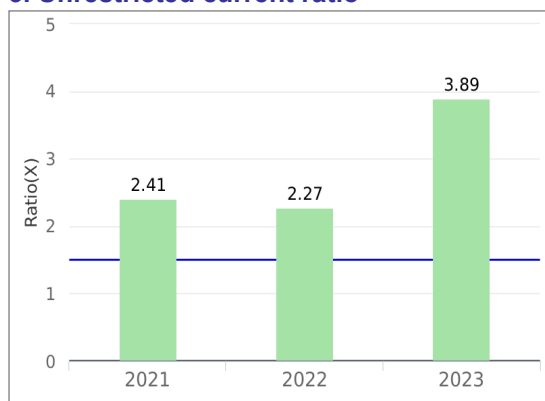
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 3.89x

This ratio has remained above the benchmark and reflects council's ability to pay debts from reserves not restricted for other purposes.

Benchmark: — > 1.50x

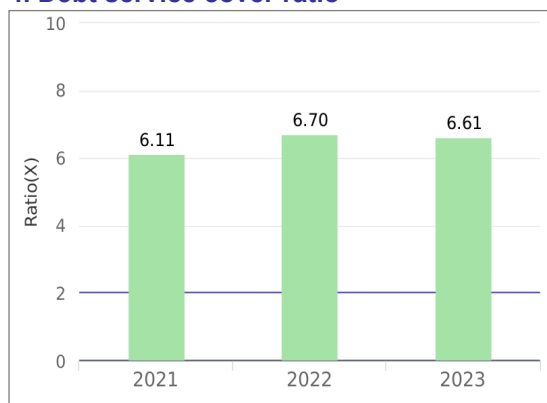
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 6.61x

Ability to service debt remained consistent with previous years.

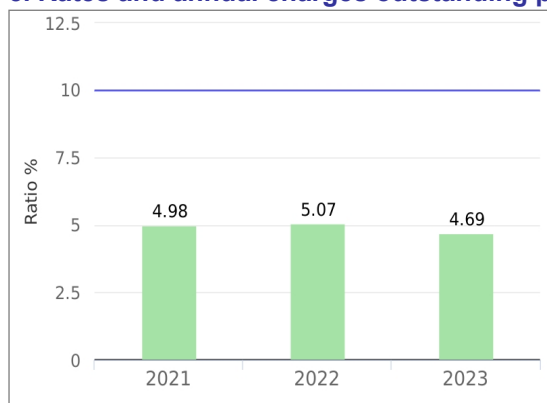
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 4.69%

At below half of the benchmark rate, this ratio provides evidence of the success of both stringent debt recovery procedures employed by Council, in addition to incentivised payment by due date. These efforts minimise the effect of unpaid rates on liquidity.

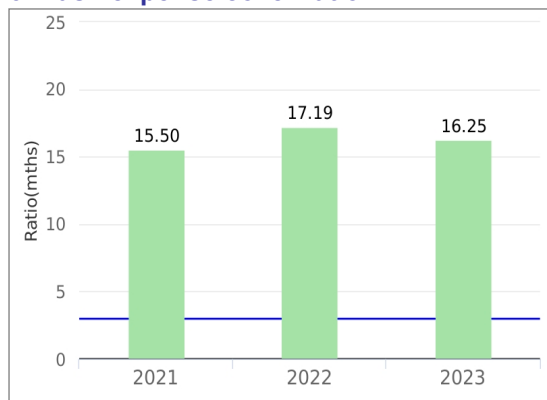
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 16.25 months

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

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

135 Rusden Street
Armidale NSW 2350

Contact details

Mailing Address:

PO Box 75A
Armidale NSW 2350

Telephone: 1300 136 833

Opening hours:

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

Internet: www.armidaleregional.nsw.gov.au

Email: council@armidale.nsw.gov.au

Officers

General Manager

James Roncon

Responsible Accounting Officer

Ann Newsome

Public Officer

Simone Mooketsi

Auditors

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

Elected members

Mayor

Sam Coupland

Councillors

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

Other information

ABN: 39 642 954 203



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Armidale Regional Council

To the Councillors of Armidale Regional Council

Opinion

I have audited the accompanying financial statements of Armidale Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, 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 2023, 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).

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

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 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 December 2023
SYDNEY



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

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: R008-16585809-49605

21 December 2023

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Armidale Regional Council**

I have audited the general purpose financial statements (GPFS) of the Armidale Regional Council (the Council) for the year ended 30 June 2023 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 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Issues identified in accounting for Infrastructure Property, Plant and equipment

During the recent revaluation of water and sewer assets and subsequent audit testing, it was identified there has been ongoing issues with the accuracy of the accounting fixed asset registers in terms of completeness, and tracking and recording of movements. Issues identified include:

- Council had not recorded assets dedicated to Council for the past five years
- there had been no formal reconciliations between the fixed asset registers and the asset management system

This resulted in:

- correction of prior period errors of \$4.5 million to record prior year dedications
- an inability to split a portion of water and sewer valuation adjustments between fair value changes and found or lost assets.

INCOME STATEMENT

Operating result

	2023	2022*	Variance
	\$m	\$m	%
Rates and annual charges revenue	39.4	37.6	↑ 4.8
Grants and contributions revenue	62.8	36.4	↑ 72.5
Operating result from continuing operations	27.9	25.9	↑ 7.7
Net operating result before capital grants and contributions	(0.3)	5.3	↓ 105.7

* The 2022 comparatives have been restated to correct a prior period error. Note G4-1 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations was a surplus of \$27.9 million, which was \$2.0 million higher than the 2021–22 result.

The net operating result before capital grants and contributions (\$294,000 deficit) was \$5.6 million lower than the 2021–22 result. This was mainly due to:

- a net loss on impairment for Kempsey Road work in progress, due to a change in the agreement, of \$10 million arising from a change in underlying agreements with Transport NSW
- an increase in materials and services of \$16.4 million
- these expenditure increases were partially offset by an increase in grants and contributions provided for operating purposes of \$18.8 million

Rates and annual charges revenue (\$39.4 million) increased by \$1.8 million (4.8 per cent) in 2022–23 due to the rate peg increase of 2.0 per cent as well as increases in annual charges.

Grants and contributions revenue increased \$26.4 million (72.5%) and this was mainly due to:

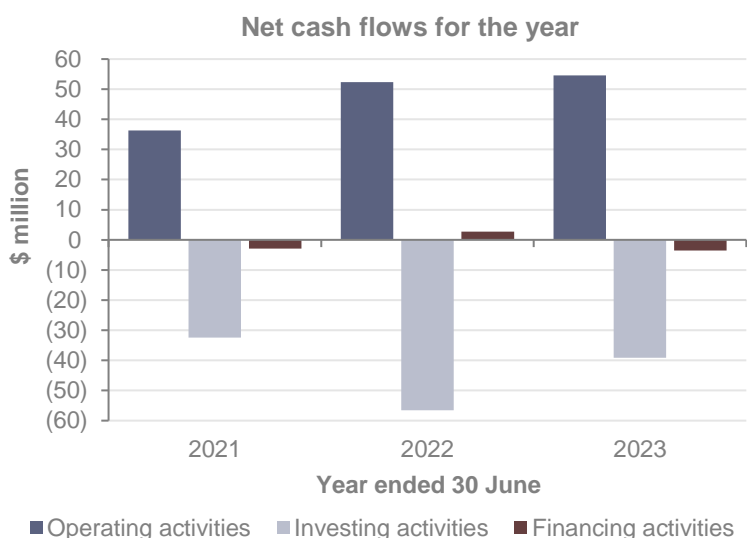
- an increase in financial assistance grant of \$1.4 million as Council received 100 per cent of the full year entitlement for 2023–24 in the current year
- an increase in non-cash infrastructure, plant and equipment contributions of \$9.4 million arising from completed sub-division dedications, transfer of the old court house to Council and Rural Fire Service assets.
- an increase in transport grants of \$3.1 million for other road and bridge repairs
- an increase in grants for storm and flood damage repairs of \$7.9 million, including contributions for Kempsey Road damage works, and capital grants for water asset works of \$6.1 million.

STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$2.3 million due to an increase in grants and contribution and other income cash receipts received in the year, partially offset by an increase in payments for materials and services during the year.

Cash outflows from investing activities decreased by \$17.6 million due proceeds from the sale of real estate and a reduction in net acquisitions of term deposits.

Cash outflows from financing activities increased by \$6.2 million due to no new borrowings in the current year compared to new borrowings in the 2021–22 year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	130.1	106.3	<p>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The main reason for the increase is the increase in developer contributions and sewer funds.</p> <p>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council.</p> <p>At 30 June 2023 Council holds \$6.0 million in unrestricted and unallocated cash, cash equivalents and investments. This is an improvement on 2021–22 (\$5.8 million).</p>
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	90.0	79.1	
• Internal allocations	34.2	21.4	

Debt

At 30 June 2023, Council had:

- \$20.4 million in secured loans (\$23.7 million in 2021–22)
- \$1.0 million in approved overdraft facility with \$Nil drawn down
- \$210,000 in credit card facility with \$Nil used.

PERFORMANCE

Performance measures

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

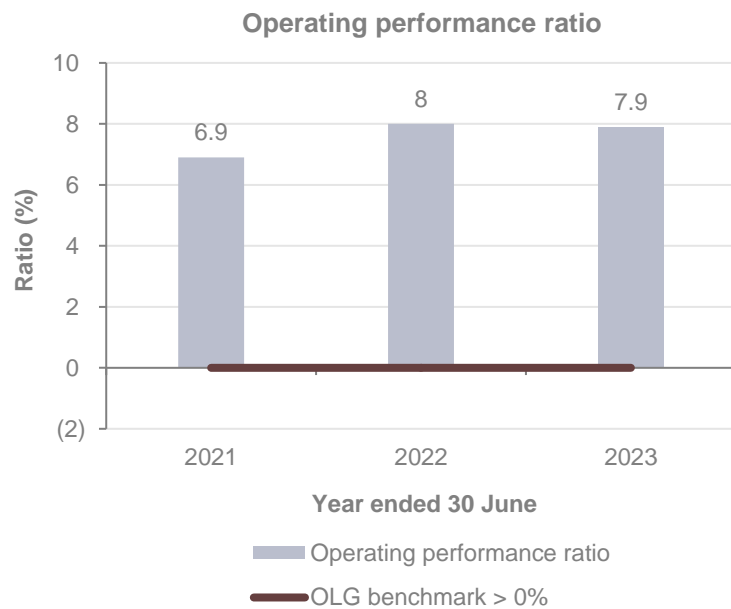
Operating performance ratio

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

The Council's operating performance ratio of 7.9 per cent exceeded the benchmark for the current reporting period.

The ratio remained relatively stable compared to the prior year.

The 2022 ratio was restated to correct a prior period error.



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 benchmark for the current reporting period.

The ratio decreased from prior years and this is mainly attributable to increased grants and contributions.

The 2022 ratio was restated to correct a prior period error.

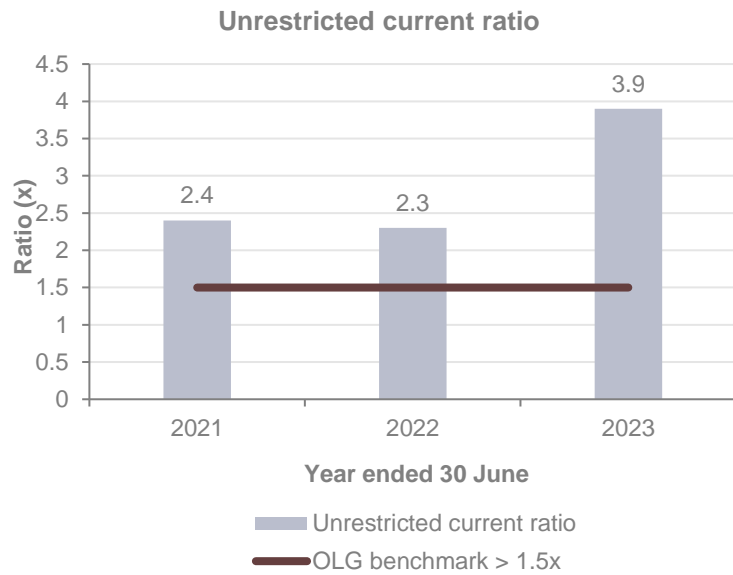


Unrestricted current ratio

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's liquidity ratio of 3.9 times exceeded the benchmark for the current reporting period.

The ratio increased compared to the prior year due to increases in unrestricted cash reserves.

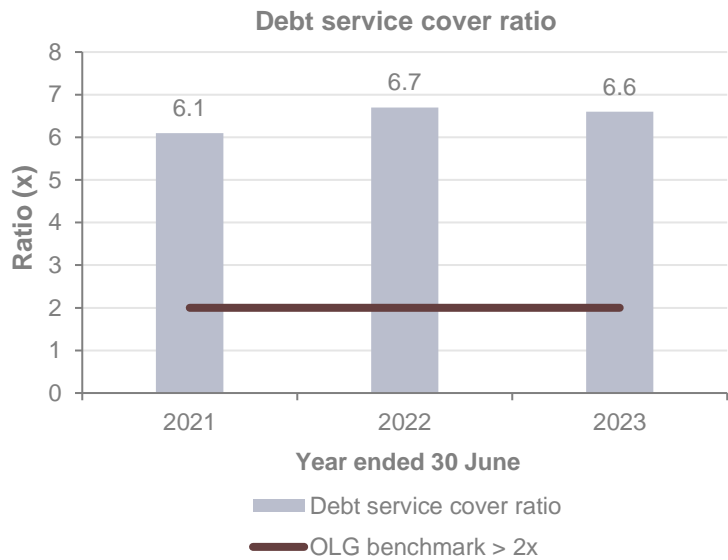


Debt service cover ratio

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's debt service cover ratio of 6.6 times exceeded the benchmark for the current reporting period.

The ratio remained relatively stable compared to the prior year.

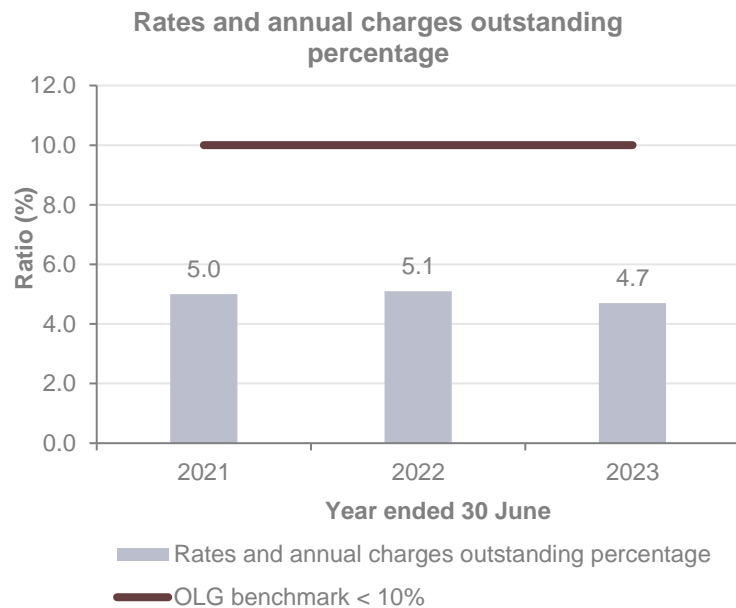


Rates and annual charges outstanding percentage

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

The Council's rates and annual charges outstanding percentage of 4.7 per cent is within the industry benchmark for the current reporting period.

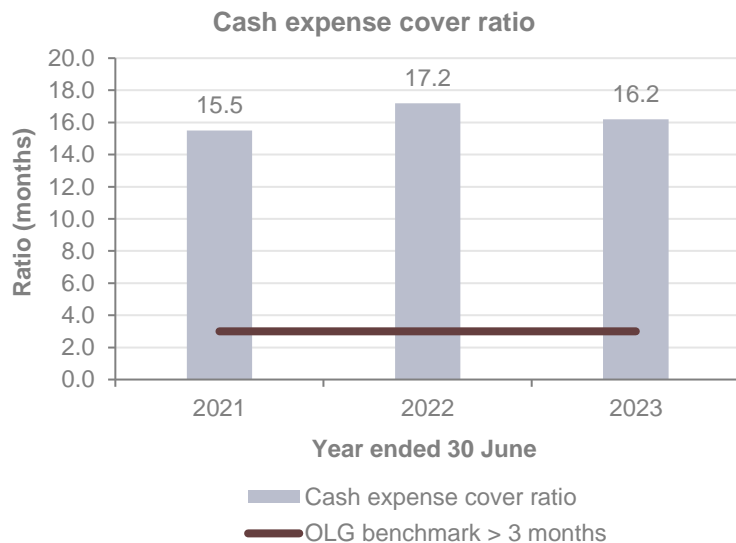
The ratio remained relatively stable compared to the prior year.



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's cash expense cover ratio was 16.2, which exceeded the benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

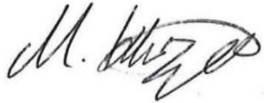
Council renewed \$26.3 million of infrastructure, property, plant and equipment during the 2022–23 financial year (2021–22 \$16.3 million).

OTHER MATTERS

Legislative compliance

The Council's:

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Armidale Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

Restore and thrive



Armidale Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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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 2023

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:

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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

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

Signed in accordance with a resolution of Council made on 21 December 2023.



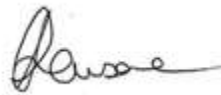
Sam Coupland
Mayor
21 December 2023



James Roncon
General Manager
21 December 2023



Todd Redwood
Deputy Mayor
21 December 2023



Ann Newsome
Responsible Accounting Officer
21 December 2023

Armidale Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	3,255	3,046
User charges	9,376	8,160
Fees	210	177
Interest and investment income	863	135
Grants and contributions provided for operating purposes	312	(5)
Other income	49	38
Total income from continuing operations	14,065	11,551
Expenses from continuing operations		
Employee benefits and on-costs	1,888	1,760
Borrowing costs	545	380
Materials and services	4,198	3,873
Depreciation, amortisation and impairment	4,083	3,534
Other expenses	22	22
Total expenses from continuing operations	10,736	9,569
Surplus (deficit) from continuing operations before capital amounts	3,329	1,982
Grants and contributions provided for capital purposes	8,396	2,307
Surplus (deficit) from continuing operations after capital amounts	11,725	4,289
Surplus (deficit) from all operations before tax	11,725	4,289
Less: corporate taxation equivalent (25%) [based on result before capital]	(832)	(496)
Surplus (deficit) after tax	10,893	3,793
Plus accumulated surplus	194,113	189,824
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	832	496
Closing accumulated surplus	205,838	194,113
Return on capital %	1.9%	1.2%
Subsidy from Council	4,183	4,707
Calculation of dividend payable:		
Surplus (deficit) after tax	10,893	3,793
Less: capital grants and contributions (excluding developer contributions)	(6,458)	(1,623)
Surplus for dividend calculation purposes	4,435	2,170
Potential dividend calculated from surplus	2,217	1,085

Armidale Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	7,199	6,608
User charges	226	161
Liquid trade waste charges	64	66
Fees	27	27
Interest and investment income	743	104
Other income	2,154	1,712
Total income from continuing operations	10,413	8,678
Expenses from continuing operations		
Employee benefits and on-costs	1,306	1,311
Materials and services	4,023	3,593
Depreciation, amortisation and impairment	1,798	1,704
Total expenses from continuing operations	7,127	6,608
Surplus (deficit) from continuing operations before capital amounts	3,286	2,070
Grants and contributions provided for capital purposes	2,093	487
Surplus (deficit) from continuing operations after capital amounts	5,379	2,557
Surplus (deficit) from all operations before tax	5,379	2,557
Less: corporate taxation equivalent (25%) [based on result before capital]	(822)	(518)
Surplus (deficit) after tax	4,557	2,039
Plus accumulated surplus	121,401	118,844
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	822	518
Closing accumulated surplus	126,780	121,401
Return on capital %	3.3%	1.9%
Subsidy from Council	703	1,941
Calculation of dividend payable:		
Surplus (deficit) after tax	4,558	2,039
Less: capital grants and contributions (excluding developer contributions)	(41)	–
Surplus for dividend calculation purposes	4,517	2,039
Potential dividend calculated from surplus	2,258	1,020

Armidale Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	–	244
Investments	30,347	29,010
Receivables	2,573	2,308
Total current assets	32,920	31,562
Non-current assets		
Infrastructure, property, plant and equipment	200,420	193,149
Total non-current assets	200,420	193,149
Total assets	233,340	224,711
LIABILITIES		
Current liabilities		
Contract liabilities	312	104
Payables	78	72
Income received in advance	175	159
Borrowings	510	281
Total current liabilities	1,075	616
Non-current liabilities		
Borrowings	8,720	9,357
Total non-current liabilities	8,720	9,357
Total liabilities	9,795	9,973
Net assets	223,545	214,738
EQUITY		
Accumulated surplus	205,839	194,113
Revaluation reserves	17,706	20,625
Total equity	223,545	214,738

Armidale Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Investments	29,303	23,150
Receivables	283	254
Inventories	658	941
Total current assets	30,244	24,345
Non-current assets		
Infrastructure, property, plant and equipment	99,238	109,595
Total non-current assets	99,238	109,595
Total assets	129,482	133,940
LIABILITIES		
Current liabilities		
Contract liabilities	114	–
Total current liabilities	114	–
Total liabilities	114	–
Net assets	129,368	133,940
EQUITY		
Accumulated surplus	126,780	121,401
Revaluation reserves	2,588	12,539
Total equity	129,368	133,940

Note – Significant Accounting Policies

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

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

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

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2021 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

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

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

Taxation equivalent charges

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

Notional rate applied (%)

Corporate income tax rate – **25%** (21/22 25%)

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

Note – Significant Accounting Policies (continued)

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (21/22 25%).

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with section 4 of DPE – Water’s regulatory and assurance framework and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with section 4 of DPE – Water’s regulatory and assurance framework, statement of compliance and statement of dividend payment, dividend payment form and unqualified independent financial audit report are submitted to DPE – 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 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant Accounting Policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2023 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 December 2023
SYDNEY

Armidale Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

Restore and thrive



Armidale Regional Council

Special Schedules

for the year ended 30 June 2023

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Armidale Regional Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	19,796	20,326
Plus or minus adjustments ²	b	128	187
Notional general income	c = a + b	19,924	20,513
Permissible income calculation			
Or rate peg percentage	e	2.50%	16.67%
Or plus rate peg amount	i = e x (c + g)	498	3,420
Sub-total	k = (c + g + h + i + j)	20,422	23,933
Plus (or minus) last year's carry forward total	l	(6)	91
Less valuation objections claimed in the previous year	m	–	(1)
Sub-total	n = (l + m)	(6)	90
Total permissible income	o = k + n	20,416	24,023
Less notional general income yield	p	20,326	23,811
Catch-up or (excess) result	q = o – p	90	212
Plus income lost due to valuation objections claimed ⁴	r	1	–
Carry forward to next year ⁶	t = q + r + s	91	212

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Armidale Regional Council

To the Councillors of Armidale Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Armidale Regional Council (the Council) for the year ending 30 June 2024.

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 2022–23 (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).

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

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 2023 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 2023'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

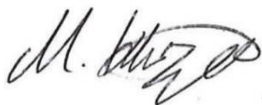
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

21 December 2023
SYDNEY

Armidale Regional Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^c	2022/23 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 ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	14,271	28,384	5,475	4,989	77,271	157,690	29.0%	16.0%	37.0%	17.0%	1.0%	
	Sub-total	14,271	28,384	5,475	4,989	77,271	157,690	29.0%	16.0%	37.0%	17.0%	1.0%	
Other structures	Other structures	762	2	6,801	6,822	22,808	29,239	54.0%	20.0%	26.0%	0.0%	0.0%	
	Sub-total	762	2	6,801	6,822	22,808	29,239	54.0%	20.0%	26.0%	0.0%	0.0%	
Roads	Roads	11,668	24,564	5,476	4,989	239,087	307,051	57.0%	19.0%	16.0%	8.0%	0.0%	
	Bridges	4,020	4,123	111	101	39,089	58,896	8.0%	36.0%	49.0%	7.0%	0.0%	
	Footpaths	1,871	2,772	158	143	9,278	14,589	6.0%	47.0%	28.0%	7.0%	12.0%	
	Other Road Assets (including Bulk earthworks)	–	–	–	–	164,586	164,586	100.0%	0.0%	0.0%	0.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	17,559	31,459	5,745	5,233	452,040	545,122	63.3%	15.8%	15.1%	5.4%	0.4%	
Water supply network	Water supply network	94,701	218,160	3,193	3,199	178,977	330,545	21.0%	29.0%	44.0%	5.0%	1.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	94,701	218,160	3,193	3,199	178,977	330,545	21.0%	29.0%	44.0%	5.0%	1.0%	
Sewerage network	Sewerage network	37,482	74,964	2,259	1,695	93,134	156,173	3.0%	13.0%	36.0%	30.0%	18.0%	
	Sub-total	37,482	74,964	2,259	1,695	93,134	156,173	3.0%	13.0%	36.0%	30.0%	18.0%	
Stormwater drainage	Other	22,436	53,490	606	549	131,647	198,111	35.0%	3.0%	35.0%	26.0%	1.0%	
	Sub-total	22,436	53,490	606	549	131,647	198,111	35.0%	3.0%	35.0%	26.0%	1.0%	
Other infrastructure assets	Airport Infrastructure	46	–	1,504	1,484	17,663	22,877	61.0%	37.0%	2.0%	0.0%	0.0%	
	Sub-total	46	–	1,504	1,484	17,663	22,877	61.0%	37.0%	2.0%	0.0%	0.0%	
Total – all assets		187,257	406,459	25,583	23,971	973,540	1,439,757	39.2%	17.2%	29.1%	11.9%	2.6%	

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

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

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

Armidale Regional Council

Report on infrastructure assets as at 30 June 2023 (continued)

Infrastructure asset condition assessment 'key'

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

Armidale Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Indicators		Benchmark
	2023	2023	Restated 2022	Restated 2021	
\$ '000	2023	2023			
Buildings and infrastructure renewals ratio					
Asset renewals ¹	15,810	74.94%	89.20%	26.31%	> 100.00%
Depreciation, amortisation and impairment	21,098				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	187,257	18.60%	11.67%	1.77%	< 2.00%
Net carrying amount of infrastructure assets	1,006,810				
Asset maintenance ratio					
Actual asset maintenance	23,971	93.70%	104.12%	72.10%	> 100.00%
Required asset maintenance	25,583				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	406,459	28.23%	22.02%	5.74%	
Gross replacement cost	1,439,757				

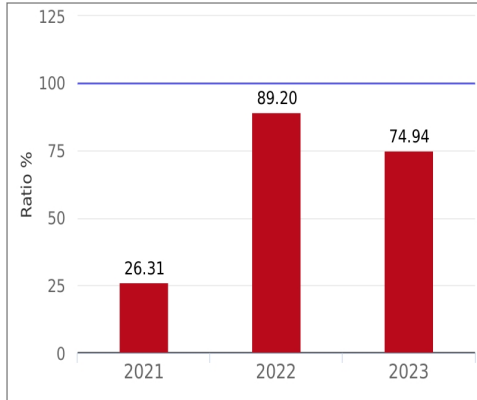
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Armidale Regional Council

Report on infrastructure assets as at 30 June 2023

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	
22/23 ratio	74.94%

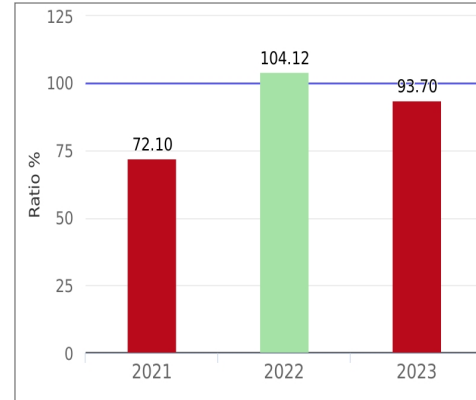
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
22/23 ratio	93.70%

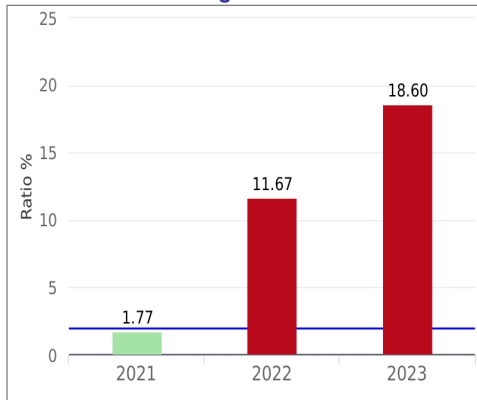
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
22/23 ratio	18.60%

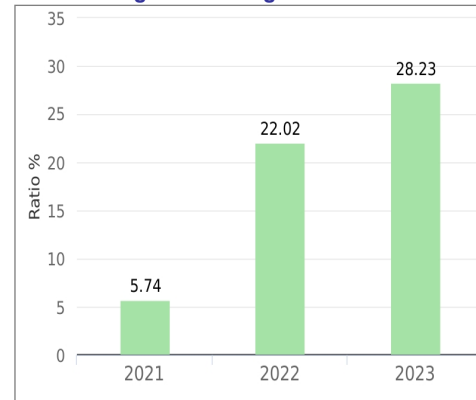
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
22/23 ratio	28.23%

Armidale Regional Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	Restated 2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	101.27%	113.43%	29.34%	41.86%	17.82%	5.16%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	7.94%	11.15%	52.91%	16.86%	40.25%	6.73%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	94.76%	117.03%	100.19%	58.38%	75.03%	92.09%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	11.89%	21.65%	66.00%	28.82%	48.00%	12.47%	

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