

# Armidale Regional Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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*rich heritage vibrant future*



# Armidale Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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*rich heritage vibrant future*



# Armidale Regional Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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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](http://www.armidale.nsw.gov.au).

# Armidale Regional Council

## General Purpose Financial Statements

for the year ended 30 June 2021

### Understanding Council's Financial Statements

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#### 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 2021.

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 2021

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Statement by Councillors and Management made pursuant to Section 413(2)(c) 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 24 November 2021.**



Cr Ian Tiley  
**Mayor**  
24 November 2021



Cr Debra O'Brien  
**Deputy Mayor**  
24 November 2021



James Roncon  
**General Manager**  
24 November 2021



Kelly Stidworthy  
**Responsible Accounting Officer**  
24 November 2021

## Armidale Regional Council

### Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
	<b>Income from continuing operations</b>			
34,859	Rates and annual charges	B2-1	35,117	33,409
20,856	User charges and fees	B2-2	24,991	18,091
3,214	Other revenue	B2-3	3,181	2,786
13,326	Grants and contributions provided for operating purposes	B2-4	15,780	16,979
18,661	Grants and contributions provided for capital purposes	B2-4	13,984	23,025
959	Interest and investment income	B2-5	628	1,376
–	Other income	B2-6	726	872
91,875	<b>Total income from continuing operations</b>		<b>94,407</b>	<b>96,538</b>
	<b>Expenses from continuing operations</b>			
25,480	Employee benefits and on-costs	B3-1	24,549	23,750
18,703	Materials and services	B3-2	26,277	27,581
1,302	Borrowing costs	B3-3	1,562	2,000
18,079	Depreciation, amortisation and impairment for non-financial assets	B3-4	21,956	19,693
11,933	Other expenses	B3-5	2,814	1,924
–	Net losses from the disposal of assets	B4-1	1,731	1,454
75,497	<b>Total expenses from continuing operations</b>		<b>78,889</b>	<b>76,402</b>
16,378	<b>Net operating result from continuing operations</b>		<b>15,518</b>	<b>20,136</b>
	<b>Loss on boundary adjustment</b>			
–	Loss on boundary adjustment	D3-1	–	(42,966)
16,378	<b>Net result for the year</b>		<b>15,518</b>	<b>(22,830)</b>
(2,283)	Net operating result for the year before grants and contributions provided for capital purposes		1,534	(2,889)

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 2021

	Notes	2021 \$ '000	2020 \$ '000
<b>Net operating result for the year – from Income Statement</b>		<b>15,518</b>	<b>(22,830)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	<b>75,707</b>	7,314
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>75,707</b>	7,314
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		–	(32)
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>–</b>	<b>(32)</b>
<b>Total other comprehensive income for the year</b>		<b>75,707</b>	<b>7,282</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>91,225</b>	<b>(15,548)</b>

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 2021

	Notes	2021 \$ '000	Restated 2020 <sup>1</sup> \$ '000	Restated 1 July 2019 <sup>1</sup> \$ '000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	C1-1	21,927	20,856	11,040
Investments	C1-2	59,379	51,295	58,236
Receivables	C1-4	11,200	9,175	12,357
Inventories	C1-5	2,235	1,027	846
Contract assets and contract cost assets	C1-6	3,338	3,073	–
Other		697	606	171
Non-Current assets classified as 'held for sale'	C1-7	–	1,359	921
<b>Total current assets</b>		<b>98,776</b>	<b>87,391</b>	<b>83,571</b>
<b>Non-current assets</b>				
Receivables	C1-4	284	312	327
Inventories	C1-5	1,013	–	–
Infrastructure, property, plant and equipment <sup>1</sup>	C1-8	965,752	899,636	902,250
Right of use assets	C2-1	240	279	–
Non-current assets classified as 'held for sale'	C1-7	612	–	–
<b>Total non-current assets</b> <sup>1</sup>		<b>967,901</b>	<b>900,227</b>	<b>902,577</b>
<b>Total assets</b> <sup>1</sup>		<b>1,066,677</b>	<b>987,618</b>	<b>986,148</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	C3-1	9,038	8,437	7,431
Income received in advance	C3-1	–	–	505
Contract liabilities	C3-2	6,852	7,245	–
Lease liabilities	C2-1	27	26	–
Borrowings	C3-3	2,988	2,831	2,962
Employee benefit provisions	C3-4	7,153	7,329	7,434
<b>Total current liabilities</b>		<b>26,058</b>	<b>25,868</b>	<b>18,332</b>
<b>Non-current liabilities</b>				
Lease liabilities	C2-1	241	253	–
Borrowings	C3-3	17,944	20,946	23,801
Employee benefit provisions	C3-4	350	383	380
Provisions	C3-5	14,295	23,604	4,183
<b>Total non-current liabilities</b>		<b>32,830</b>	<b>45,186</b>	<b>28,364</b>
<b>Total liabilities</b>		<b>58,888</b>	<b>71,054</b>	<b>46,696</b>
<b>Net assets</b> <sup>1</sup>		<b>1,007,789</b>	<b>916,564</b>	<b>939,452</b>
<b>EQUITY</b>				
Accumulated surplus <sup>1</sup>	C4-1	900,999	885,481	915,683
IPPE revaluation reserve	C4-1	106,790	31,083	23,769
<b>Council equity interest</b> <sup>1</sup>		<b>1,007,789</b>	<b>916,564</b>	<b>939,452</b>
<b>Total equity</b> <sup>1</sup>		<b>1,007,789</b>	<b>916,564</b>	<b>939,452</b>

(1) Restated - Refer to 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 2021

	Notes	as at 30/06/21			as at 30/06/20		
		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		843,221	31,083	874,304	873,423	23,769	897,192
Correction of prior period errors	G4.1	42,260	–	42,260	42,260	–	42,260
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(7,340)	–	(7,340)
<b>Restated opening balance</b>		<b>885,481</b>	<b>31,083</b>	<b>916,564</b>	<b>908,343</b>	<b>23,769</b>	<b>932,112</b>
Net operating result for the year		15,518	–	15,518	(22,830)	–	(22,830)
<b>Net operating result for the period</b>		<b>15,518</b>	<b>–</b>	<b>15,518</b>	<b>(22,830)</b>	<b>–</b>	<b>(22,830)</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	75,707	75,707	–	7,314	7,314
Other movement		–	–	–	(32)	–	(32)
<b>Other comprehensive income</b>		<b>–</b>	<b>75,707</b>	<b>75,707</b>	<b>(32)</b>	<b>7,314</b>	<b>7,282</b>
<b>Total comprehensive income</b>		<b>15,518</b>	<b>75,707</b>	<b>91,225</b>	<b>(22,862)</b>	<b>7,314</b>	<b>(15,548)</b>
<b>Closing balance at 30 June <sup>1</sup></b>		<b>900,999</b>	<b>106,790</b>	<b>1,007,789</b>	<b>885,481</b>	<b>31,083</b>	<b>916,564</b>

(1) 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 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
34,859	Rates and annual charges		35,185	33,429
20,856	User charges and fees		26,503	19,397
959	Investment and interest revenue received		773	1,944
31,987	Grants and contributions		29,191	31,469
–	Bonds, deposits and retention amounts received		–	40
3,214	Other		4,738	4,991
<i>Payments:</i>				
(25,480)	Employee benefits and on-costs		(24,956)	(23,001)
(18,703)	Materials and services		(28,619)	(25,338)
(1,302)	Borrowing costs		(1,971)	(1,456)
(11,933)	Other		(4,556)	(9,455)
34,457	<b>Net cash flows from operating activities</b>	G1-1a	<b>36,288</b>	<b>32,020</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
3,225	Sale of investment securities		–	–
–	Redemption of term deposits		46,000	79,000
1,268	Sale of infrastructure, property, plant and equipment		1,874	2,870
–	Deferred debtors receipts		28	15
<i>Payments:</i>				
–	Purchase of investment securities		(12,069)	(59)
–	Acquisition of term deposits		(42,042)	(72,000)
(40,048)	Purchase of infrastructure, property, plant and equipment		(23,819)	(29,044)
–	Payment of Real Estate Development costs		(2,333)	–
(35,555)	<b>Net cash flows from investing activities</b>		<b>(32,361)</b>	<b>(19,218)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(2,830)	Repayment of borrowings		(2,845)	(2,986)
–	Principal component of lease payments		(11)	–
(2,830)	<b>Net cash flows from financing activities</b>		<b>(2,856)</b>	<b>(2,986)</b>
(3,928)	<b>Net change in cash and cash equivalents</b>		<b>1,071</b>	<b>9,816</b>
12,585	Cash and cash equivalents at beginning of year		20,856	11,040
8,657	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>21,927</b>	<b>20,856</b>
49,760	plus: Investments on hand at end of year	C1-2	59,379	51,295
58,417	<b>Total cash, cash equivalents and investments</b>		<b>81,306</b>	<b>72,151</b>

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

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These financial statements were authorised for issue by Council on 24 November 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Council is a not for-profit entity.

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

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

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

and are clearly marked.

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

#### COVID-19

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

Council operations, in particular the airport, have experienced a downturn in revenue due to COVID-19. The assets associated with these operations are not considered to be impaired as they are valued at depreciated replacement cost and not linked to valuation methods dependent on cash flows or income. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2021 financial results. Hence, 30 June 2021 financial statements were prepared on a going concern basis.

#### Historical cost convention

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

#### Significant accounting estimates and judgements

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

## A1-1 Basis of preparation (continued)

### 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

#### The Consolidated Fund

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

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

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

- General purpose operations
- Water service
- Sewerage service

#### The Trust Fund

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

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

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

### Goods and Services Tax (GST)

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

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

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

### Volunteer services

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

### New accounting standards and interpretations issued 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 2021 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.

## A1-1 Basis of preparation (continued)

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

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia
- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

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



## B Financial Performance

### B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets <sup>1</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
<b>Functions or activities</b>										
Growth, Prosperity, and Economic Development	47,037	60,012	44,805	46,032	2,232	13,980	13,549	25,997	-	-
People and Community	5,603	3,959	13,360	12,439	(7,757)	(8,480)	4,329	2,477	112,006	113,522
Leadership for the Region	25,404	21,584	8,897	9,155	16,507	12,429	5,247	6,026	99,483	86,534
Environment and Infrastructure	16,363	10,983	11,827	8,776	4,536	2,207	6,639	5,504	855,188	787,562
<b>Total functions and activities</b>	<b>94,407</b>	<b>96,538</b>	<b>78,889</b>	<b>76,402</b>	<b>15,518</b>	<b>20,136</b>	<b>29,764</b>	<b>40,004</b>	<b>1,066,677</b>	<b>987,618</b>

(1) Restated - Refer to Note G4-1.

## B1-2 Components of functions or activities

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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

	2021 \$ '000	2020 \$ '000
<b>Ordinary rates</b>		
Residential	11,167	10,895
Farmland	4,853	4,771
Mining	62	64
Business	2,653	2,579
Less: pensioner rebates (mandatory)	(328)	(328)
<b>Rates levied to ratepayers</b>	<b>18,407</b>	<b>17,981</b>
Pensioner rate subsidies received	160	145
<b>Total ordinary rates</b>	<b>18,567</b>	<b>18,126</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	5,226	4,289
Water supply services	2,595	2,335
Sewerage services	5,841	5,837
Drainage	466	466
Waste management services (non-domestic)	2,659	2,568
Less: pensioner rebates (Council policy)	(420)	(420)
<b>Annual charges levied</b>	<b>16,367</b>	<b>15,075</b>
Pensioner subsidies received:		
– Water	67	78
– Sewerage	63	81
– Domestic waste management	53	49
<b>Total annual charges</b>	<b>16,550</b>	<b>15,283</b>
<b>Total rates and annual charges</b>	<b>35,117</b>	<b>33,409</b>

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

	2021 \$ '000	2020 \$ '000
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	7,664	5,268
Sewerage services	109	98
Drainage services	67	60
Waste management services (non-domestic)	4,132	2,983
Other	–	41
<b>Total specific user charges</b>	<b>11,972</b>	<b>8,450</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	156	132
Planning and building regulation	233	241
Private works – section 67	370	587
Regulatory/ statutory fees	130	93
Registration fees	75	86
Regulatory fees	162	177
Section 10.7 certificates (EP&A Act)	110	70
Section 603 certificates	145	73
<b>Total fees and charges – statutory/regulatory</b>	<b>1,381</b>	<b>1,459</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	524	1,542
Aged care	–	2
Cemeteries	227	227
Child care	610	531
Leaseback fees – Council vehicles	100	103
Quarry revenues	440	381
Transport for NSW works (state roads not controlled by Council)	9,406	5,134
Swimming centres	158	198
Other	173	64
<b>Total fees and charges – other</b>	<b>11,638</b>	<b>8,182</b>
<b>Total user charges and fees</b>	<b>24,991</b>	<b>18,091</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised over time	9,406	5,134
User charges and fees recognised at a point in time	15,585	7,823
<b>Total user charges and fees</b>	<b>24,991</b>	<b>12,957</b>

### 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 revenue**

	<b>2021</b>	2020
	<b>\$ '000</b>	\$ '000
Fines – parking	271	344
Legal fees recovery – rates and charges (extra charges)	37	64
Commissions and agency fees	6	34
Insurance claims recoveries	89	154
Sales – general	412	134
Items for resale	205	389
Sales – cattle	1,216	776
Rebates	747	619
Other	198	272
<b>Total other revenue</b>	<b>3,181</b>	<b>2,786</b>

**Timing of revenue recognition for other revenue**

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	3,181	2,786
<b>Total other revenue</b>	<b>3,181</b>	<b>2,786</b>

**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 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,106	2,118	–	–
Financial assistance – local roads component	1,227	1,226	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,253	2,243	–	–
Financial assistance – local roads component	1,317	1,302	–	–
<b>Amount recognised as income during current year</b>	<b>6,903</b>	<b>6,889</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
<b>Previously specific grants:</b>				
<b>Pensioners' rates subsidies:</b>				
Water supplies	77	1,484	1,403	2,712
Sewerage services	55	–	–	–
Aged care	210	106	–	–
Bushfire and emergency services	485	40	–	24
Child care	199	137	–	–
Community care	4	6	385	31
Economic development	415	–	–	–
Employment and training programs	23	5	–	–
Environmental programs	–	11	–	–
Heritage and cultural	6	9	–	–
Library	138	142	–	–
LIRS subsidy	55	67	–	–
Noxious weeds	411	–	–	–
NSW rural fire services	345	1,135	–	6
Recreation and culture	264	557	1,389	405
Storm/flood damage	43	–	4,491	–
Airport	–	–	3,340	5,945
Waste Management	4	–	49	75
Street lighting	85	85	–	–
Transport (roads to recovery)	2,145	2,145	–	–
Transport (other roads and bridges funding)	32	3	817	1,018
Other specific grants	2,249	2,649	–	1,458
<b>Previously contributions:</b>				
Bushfire services	220	234	–	6
Community services	245	60	–	–
Other councils – joint works/services	111	71	–	–
Recreation and culture	–	25	–	–
Roads and bridges	–	–	–	40
Transport for NSW contributions (regional roads, block grant)	1,036	960	184	184
Sewerage (excl. section 64 contributions)	–	–	–	515
Tourism	16	23	–	–
Other contributions	–	136	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>8,873</b>	<b>10,090</b>	<b>12,058</b>	<b>12,419</b>

## B2-4 Grants and contributions (continued)

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
<b>Non-cash contributions</b>				
Land	-	-	39	-
NSW State Government - Crown Land	-	-	227	8,152
NSW State Government - RFS Assets	-	-	-	1,426
<b>Total other contributions – non-cash</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>9,578</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>8,873</b>	<b>10,090</b>	<b>12,324</b>	<b>21,997</b>
<b>Total grants and non-developer contributions</b>	<b>15,776</b>	<b>16,979</b>	<b>12,324</b>	<b>21,997</b>
<b>Comprising:</b>				
– Commonwealth funding	10,690	9,153	1,799	1,026
– State funding	4,493	3,945	10,486	9,190
– Other funding	593	3,881	39	11,781
	<b>15,776</b>	<b>16,979</b>	<b>12,324</b>	<b>21,997</b>

## Developer contributions

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Notes				
<b>Developer contributions:</b>				
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>				
<b>Cash contributions</b>				
S 7.4 – contributions using planning agreements	4	-	28	-
S 7.11 – contributions towards amenities/services	-	-	6	182
S 7.12 – fixed development consent levies	-	-	344	315
S 64 – water supply contributions	-	-	569	352
S 64 – sewerage service contributions	-	-	498	179
Other developer contributions	-	-	215	-
<b>Total developer contributions – cash</b>	<b>4</b>	<b>-</b>	<b>1,660</b>	<b>1,028</b>
<b>Total developer contributions</b>	<b>4</b>	<b>-</b>	<b>1,660</b>	<b>1,028</b>
<b>Total contributions</b>	<b>4</b>	<b>-</b>	<b>1,660</b>	<b>1,028</b>
<b>Total grants and contributions</b>	<b>15,780</b>	<b>16,979</b>	<b>13,984</b>	<b>23,025</b>
<b>Timing of revenue recognition for grants and contributions</b>				
Grants and contributions recognised over time	3,647	4,691	5,068	11,722
Grants and contributions recognised at a point in time	12,133	12,288	8,916	11,303
<b>Total grants and contributions</b>	<b>15,780</b>	<b>16,979</b>	<b>13,984</b>	<b>23,025</b>

## 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 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
<b>Unspent grants</b>				
Unspent funds at 1 July	5,143	5,116	2,827	1,881
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6	1,023	8	105
<b>Add:</b> Funds received and not recognised as revenue in the current year	1,396	685	2,412	2,026
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(349)	–	–	–
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(2,231)	(1,681)	(2,311)	(1,185)
<b>Unspent grants at 30 June</b>	<b>3,965</b>	<b>5,143</b>	<b>2,936</b>	<b>2,827</b>
<b>Unspent contributions</b>				
Unspent funds at 1 July	139	111	6,766	6,190
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	154	76	1,706	1,139
<b>Add:</b> contributions received and not recognised as revenue in the current year	189	50	–	–
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	(76)	(79)	(90)	(185)
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(63)	(19)	–	(378)
<b>Unspent contributions at 30 June</b>	<b>343</b>	<b>139</b>	<b>8,382</b>	<b>6,766</b>

### 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.

#### Capital grants



## B2-4 Grants and contributions (continued)

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

	2021 \$ '000	2020 \$ '000
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	28	107
– Cash and investments	581	1,262
– Deferred debtors	19	7
<b>Total interest and investment income (losses)</b>	<b>628</b>	<b>1,376</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	25	82
General Council cash and investments	92	219
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11, Section 7.12	74	122
Water fund operations	253	586
Sewerage fund operations	184	352
Other externally restricted assets	–	15
<b>Total interest and investment income</b>	<b>628</b>	<b>1,376</b>

### Accounting policy

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

## B2-6 Other income

	Notes	2021 \$ '000	2020 \$ '000
<b>Rental income</b>			
<b>Other lease income</b>			
Council owned property		726	872
<b>Total Other lease income</b>		<b>726</b>	<b>872</b>
<b>Total rental income</b>	C2-2	<b>726</b>	<b>872</b>
<b>Total other income</b>		<b>726</b>	<b>872</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	18,882	18,333
Employee termination costs	710	949
Travel expenses	85	83
Employee leave entitlements (ELE)	3,604	3,618
Superannuation	2,230	2,241
Workers' compensation insurance	612	472
Fringe benefit tax (FBT)	20	23
Payroll tax	69	144
Training costs (other than salaries and wages)	172	170
Protective clothing	103	82
Other	30	20
<b>Total employee costs</b>	<b>26,517</b>	<b>26,135</b>
Less: capitalised costs	(1,968)	(2,385)
<b>Total employee costs expensed</b>	<b>24,549</b>	<b>23,750</b>
Number of 'full-time equivalent' employees (FTE) at year end	269	272

#### Accounting policy

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

#### *Retirement benefit obligations*

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

#### *Superannuation plans*

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

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

## B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		17,006	14,349
Contractor and consultancy costs		25,625	30,237
Audit Fees	F2-1	150	113
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	352	376
Advertising		115	64
Bank charges		137	121
Computer software charges		725	568
Electricity and heating		873	1,016
Insurance		1,153	1,018
Postage		166	183
Printing and stationery		226	113
Street lighting		602	454
Subscriptions and publications		108	186
Telephone and communications		432	460
Valuation fees		110	98
Travel expenses		–	–
Items for resale		848	398
Promotion and publicity		241	213
Security		129	90
Licences		334	178
Training costs (other than salaries and wages)		–	–
Other expenses		1,358	771
<b>Legal expenses:</b>			
– Legal expenses: planning and development		22	36
– Legal expenses: debt recovery		11	35
– Legal expenses: other		132	653
Expenses from leases of low value assets		–	165
<b>Total materials and services</b>		<b>50,855</b>	<b>51,895</b>
Less: capitalised costs		(24,578)	(24,314)
<b>Total materials and services</b>		<b>26,277</b>	<b>27,581</b>

### Accounting policy

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

### B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
<b>(i) Interest bearing liability costs</b>			
Interest on leases	C2-1c	16	1
Interest on loans		1,279	1,445
<b>Total interest bearing liability costs</b>		<b>1,295</b>	<b>1,446</b>
<b>Total interest bearing liability costs expensed</b>		<b>1,295</b>	<b>1,446</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discount of Landfill & Quarry remediation liabilities	C3-5	267	554
<b>Total other borrowing costs</b>		<b>267</b>	<b>554</b>
<b>Total borrowing costs expensed</b>		<b>1,562</b>	<b>2,000</b>

#### Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
<b>Depreciation and amortisation</b>			
Plant and equipment	C1-8	2,015	1,965
Office equipment	C1-8	83	183
<b>Infrastructure:</b>			
– Buildings	C1-8	3,194	2,149
– Other structures		153	142
– Roads		4,165	4,392
– Bridges		681	775
– Footpaths		258	262
– Stormwater drainage		646	630
– Water supply network		3,422	3,163
– Sewerage network		2,112	2,082
– Airport infrastructure		373	370
Right of use assets	C2-1a	39	–
<b>Other assets:</b>			
– Heritage collections	C1-8	9	9
– Other	C1-8	1,065	853
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Landfill and quarry assets	C1-8	1,620	619
<b>Total gross depreciation and amortisation costs</b>		<b>19,835</b>	<b>17,594</b>
<b>Total depreciation and amortisation costs</b>		<b>19,835</b>	<b>17,594</b>
<b>Impairment / revaluation decrement of IPPE</b>			
<b>Infrastructure:</b>			
– Roads	C1-8	27	215
– Capital work in progress	C1-8	1,461	730
– Bulk earthworks (non-depreciable)	C1-8	443	948
Non-current assets held for sale		–	206
Inventory - Land held for resale		190	–
<b>Total gross IPPE impairment / revaluation decrement costs</b>		<b>2,121</b>	<b>2,099</b>
<b>Total IPPE impairment / revaluation decrement costs charged to Income Statement</b>		<b>2,121</b>	<b>2,099</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>21,956</b>	<b>19,693</b>

### 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. An impairment loss would be captured during this assessment.

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

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

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

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

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

## B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
<b>Impairment of receivables</b>			
Other		191	72
<b>Total impairment of receivables</b>	C1-4	<b>191</b>	<b>72</b>
<b>Other</b>			
Contributions/levies to other levels of government		1,938	1,436
Donations, contributions and assistance to other organisations (Section 356)		685	416
<b>Total other</b>		<b>2,623</b>	<b>1,852</b>
<b>Total other expenses</b>		<b>2,814</b>	<b>1,924</b>

### 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	2021 \$ '000	2020 \$ '000
<b>Operational Land &amp; Building assets</b>			
Proceeds from disposal – property		1,174	2,052
Less: carrying amount of property assets sold/written off		<u>(1,136)</u>	<u>(1,147)</u>
<b>Gain (or loss) on disposal</b>		<u>38</u>	<u>905</u>
<b>Plant and equipment assets</b>			
Proceeds from disposal – plant and equipment		700	818
Less: carrying amount of plant and equipment assets sold/written off	C1-8	<u>(684)</u>	<u>(504)</u>
<b>Gain (or loss) on disposal</b>		<u>16</u>	<u>314</u>
<b>Infrastructure assets</b>			
Proceeds of disposal of Infrastructure assets		–	–
Less: carrying amount of infrastructure assets sold/written off	C1-8	<u>(1,785)</u>	<u>(2,673)</u>
<b>Gain (or loss) on disposal</b>		<u>(1,785)</u>	<u>(2,673)</u>
<b>Gain (or loss) on disposal of term deposits</b>			
Proceeds from disposal/redemptions/maturities – term deposits		46,000	79,000
Less: carrying amount of term deposits sold/redeemed/matured		<u>(46,000)</u>	<u>(79,000)</u>
<b>Gain (or loss) on disposal</b>		<u>–</u>	<u>–</u>
<b>Net gain (or loss) on disposal of assets</b>		<u>(1,731)</u>	<u>(1,454)</u>

**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 July 2020 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	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	34,859	35,117	258	1% <b>F</b>
<b>User charges and fees</b>	20,856	24,991	4,135	20% <b>F</b>
Positive material variations to budget have occurred for state government contracted roadwork and waste operations revenue. These have been offset by negative material variations for airport operations and water usage charges.				
<b>Other revenues</b>	3,214	3,181	(33)	(1)% <b>U</b>
<b>Operating grants and contributions</b>	13,326	15,780	2,454	18% <b>F</b>
Council received additional grant funding for local roads and community infrastructure and a range of other programs during the year. There has also been recognition of previously received merger grant revenue resulting from the application of new revenue accounting standards.				
<b>Capital grants and contributions</b>	18,661	13,984	(4,677)	(25)% <b>U</b>
Council deferred the Kempsey Road Big Hill grant funded project (\$2.8m) due to extensive storm and flood damage and several other grant funded projects did not progress as far as anticipated as when the original budget was determined.				
<b>Interest and investment revenue</b>	959	628	(331)	(35)% <b>U</b>
Revenue from interest on investments has been negatively impacted by the economic downturn resulting from the pandemic and other factors.				
<b>Other income</b>	-	726	726	∞ <b>F</b>
Other income represents lease revenues that were budgeted for as other revenues.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	25,480	24,549	931	4% <b>F</b>
<b>Materials and services</b>	18,703	26,277	(7,574)	(40)% <b>U</b>
The unfavourable variation is largely explained by a favourable variance against other expenses. The change in the local government accounting code has resulted in a large amount of previously recognised 'other expenses' now shown as 'materials and services'. The combined impact of these 2 categories is an overall favourable budget variation of 12%. Predominantly, this has arisen in waste operations with surplus funds transferred to waste reserves for the purpose of funding future landfill rehabilitation.				
<b>Borrowing costs</b>	1,302	1,562	(260)	(20)% <b>U</b>
The variation relates to landfill rehabilitation discount amortisation, which has previously not been budgeted for.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	18,079	21,956	(3,877)	(21)% <b>U</b>
Major budget variances are caused by actual depreciation for unsealed roads higher than budget by \$1.6m and depreciation				

**B5-1 Material budget variations (continued)**

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
associated with landfill remediation higher than budget by \$1m.				
<b>Other expenses</b>	11,933	2,814	9,119	76% <b>F</b>
Refer to commentary for 'materials and services'.				
<b>Net losses from disposal of assets</b>	-	1,731	(1,731)	∞ <b>U</b>
Loss from disposal of assets was not budgeted for.				

**STATEMENT OF CASH FLOWS**

<b>Cash flows from operating activities</b>	34,457	36,288	1,831	5% <b>F</b>
The favourable variance relates to user charges and fee income exceeding budget, partly offset by lower than budgeted grant income and higher than budgeted operating expenditure.				
<b>Cash flows from investing activities</b>	(35,555)	(32,361)	3,194	(9)% <b>F</b>
The favourable variance reflects a lower than originally forecast progression of some capital projects due to a range of factors including storm and flood damage impacting planned works.				
<b>Cash flows from financing activities</b>	(2,830)	(2,856)	(26)	1% <b>U</b>

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	21,927	20,856
<b>Total cash and cash equivalents</b>	<b>21,927</b>	<b>20,856</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	21,927	20,856
<b>Balance as per the Statement of Cash Flows</b>	<b>21,927</b>	<b>20,856</b>

#### 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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Debt securities at amortised cost</b>				
Medium term deposits	59,379	-	51,295	-
<b>Total</b>	<b>59,379</b>	<b>-</b>	<b>51,295</b>	<b>-</b>
<b>Total financial investments</b>	<b>59,379</b>	<b>-</b>	<b>51,295</b>	<b>-</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>81,306</b>	<b>-</b>	<b>72,151</b>	<b>-</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

#### Amortised cost

Assets measured at amortised cost are financial assets where:

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

## C1-2 Financial investments (continued)

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

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

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

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

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

	2021 Current \$ '000	2020 Current \$ '000
<b>Total cash, cash equivalents and investments</b>	<b>81,306</b>	<b>72,151</b>
<b>attributable to:</b>		
External restrictions	61,086	59,991
Internal restrictions	16,813	10,020
Unrestricted	3,407	2,140
	<b>81,306</b>	<b>72,151</b>

	2021 \$ '000	2020 \$ '000
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### Details of restrictions

#### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	6,852	7,245
Specific purpose unexpended loans – general	2,228	2,700
NIRW grant from EPA	726	1,087
<b>External restrictions – included in liabilities</b>	<b>9,806</b>	<b>11,032</b>

#### External restrictions – other

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

Developer contributions – general	3,253	2,749
Developer contributions – water fund	2,871	2,277
Developer contributions – sewer fund	2,258	1,740
Transport for NSW contributions	154	76
Specific purpose unexpended grants (recognised as revenue) – general fund	1,058	725
Water fund	20,375	22,317
Sewer fund	17,253	16,183
Domestic waste management	2,377	1,362
Deposits, Retentions & Bonds	1,492	–
Trust Fund	–	1,467
Other Contributions	189	63
<b>External restrictions – other</b>	<b>51,280</b>	<b>48,959</b>

#### Total external restrictions

<b>61,086</b>	<b>59,991</b>
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#### Internal restrictions

Council has internally restricted cash, cash equivalents and investments as follows:

Plant and vehicle replacement	2,302	885
Infrastructure replacement	5,349	3,317
Employees leave entitlement	3,904	4,053
Carry over works	1,400	1,136
Economic Development	1,131	–
Other	2,727	629
<b>Total internal restrictions</b>	<b>16,813</b>	<b>10,020</b>

#### Total restrictions

<b>77,899</b>	<b>70,011</b>
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Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

## C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Purpose</b>				
Rates and annual charges	1,945	–	2,006	–
Interest and extra charges	166	–	186	–
User charges and fees	2,276	–	1,327	–
Private works	2,707	–	3,508	–
Accrued revenues				
– Interest on investments	241	–	366	–
Deferred debtors	–	284	–	312
Government grants and subsidies	–	–	85	–
Net GST receivable	815	–	651	–
Other debtors	3,599	–	1,438	–
<b>Total</b>	<b>11,749</b>	<b>284</b>	<b>9,567</b>	<b>312</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(258)	–	(156)	–
User charges and fees	(291)	–	(236)	–
<b>Total provision for impairment – receivables</b>	<b>(549)</b>	<b>–</b>	<b>(392)</b>	<b>–</b>
<b>Total net receivables</b>	<b>11,200</b>	<b>284</b>	<b>9,175</b>	<b>312</b>

	2021 \$ '000	2020 \$ '000
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	392	449
Less Debts written off during the year	(191)	(72)
Add additional provision for impairment in the current year	348	15
<b>Balance at the end of the year</b>	<b>549</b>	<b>392</b>

### 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

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>(i) Inventories at cost</b>					
Real estate for resale	(a)	1,071	1,013	–	–
Stores and materials		561	–	539	–
Cattle stock		603	–	488	–
<b>Total inventories</b>		<b>2,235</b>	<b>1,013</b>	<b>1,027</b>	<b>–</b>

		2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>(a) Details of real estate for resale</b>					
Residential Land		–	194	–	–
Airport Business Park Development		1,071	819	–	–
<b>Total real estate for resale</b>		<b>1,071</b>	<b>1,013</b>	<b>–</b>	<b>–</b>

### 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

	Notes	2021 \$ '000	2020 \$ '000
Contract assets	C1-6	3,338	3,073
<b>Total contract assets and contract cost assets</b>		<b>3,338</b>	<b>3,073</b>

### Contract assets

	2021 Current \$ '000	2020 Current \$ '000
Contract Asset (AASB 15)	2,918	441
Accrued Income (AASB 1058)	420	2,632
<b>Total contract assets</b>	<b>3,338</b>	<b>3,073</b>

#### Significant changes in contract assets

While the overall movement in contract assets is not significant, the increase in AASB15 Contract Assets relates to accrued revenue recognised for NSW Rural Fires Services Act 1997 Section 44 and other natural disaster claims. The decrease in AASB1058 Contract Assets relates to accrued revenue recognised for the Airport Business Park project in the prior period.

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Land & Buildings	–	612	1,359	–
<b>Total non-current assets classified as held for sale</b>	<b>–</b>	<b>612</b>	<b>1,359</b>	<b>–</b>

### Details of assets and disposal groups

The property formerly used as the Kolora Aged Care facility in Guyra was sold with settlement effected in August 2020. At 30 June 2020, the carrying value of the property was written down to its recoverable amount, indicated by the contract price, less disposal costs. Additional Land and Building assets (The Croft property and associated buildings, adjacent to the Airport Business Park Development) have been marked as available for sale. The property is recorded at cost, as representative of lower of cost or net market value.

### Reconciliation of non-current assets 'held for sale'

	2021 Assets 'held for sale' \$ '000	2020 Assets 'held for sale' \$ '000
<b>Opening balance</b>	<b>1,359</b>	921
Add Land & Buildings transferred from Operational Land & Building category	612	644
Less Transfer to Inventories - Real estate for resale	(464)	–
Less Properties Sold	(895)	–
Less Impairment	–	(206)
<b>Balance still unsold after 12 months:</b>	<b>612</b>	1,359
<b>Closing balance of held for sale non-current assets and operations</b>	<b>612</b>	1,359

### Accounting policy

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

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



## C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period									At 30 June 2021 <sup>2</sup>		
	Gross carrying amount <sup>2</sup> Restated \$ '000	Accumulated depreciation and impairment <sup>2</sup> Restated \$ '000	Net carrying amount Restated \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	Adjustments and transfers \$ '000	Tfrs from/(to) real estate assets for sale and inventory \$ '000	Revaluation to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount <sup>2</sup> \$ '000	Accumulated depreciation and impairment <sup>2</sup> \$ '000	Net carrying amount <sup>2</sup> \$ '000
Capital work in progress	21,741	–	21,741	–	4,707	(65)	–	(1,461)	1	(1,870)	–	–	23,053	–	23,053
Plant and equipment	24,074	(12,645)	11,429	–	2,114	(684)	(2,015)	–	15	–	–	–	24,018	(13,159)	10,859
Office equipment	5,235	(5,044)	191	–	–	–	(83)	–	16	–	–	–	5,235	(5,111)	124
<b>Land:</b>															
– Operational land	24,962	–	24,962	–	30	(150)	–	–	39	(245)	–	513	25,149	–	25,149
– Community land	27,516	–	27,516	–	–	–	–	–	227	–	(635)	–	27,108	–	27,108
– Land under roads (post 30/6/08)	657	–	657	–	–	–	–	–	1	–	–	67	725	–	725
<b>Infrastructure:</b>															
– Buildings	118,483	(56,723)	61,760	544	19	(85)	(3,194)	–	(28)	(399)	–	–	118,233	(59,616)	58,617
– Other structures	10,878	(4,270)	6,608	278	1,892	–	(153)	–	–	–	–	–	13,048	(4,423)	8,625
– Roads <sup>2</sup>	225,440	(68,482)	156,958	70	4,662	–	(4,165)	(27)	(1)	–	–	44,706	251,171	(48,968)	202,203
– Bridges <sup>2</sup>	55,217	(20,274)	34,943	121	729	(1,634)	(681)	–	(8,636)	–	–	8,327	49,547	(16,378)	33,169
– Footpaths	14,219	(6,872)	7,347	–	109	–	(258)	–	–	–	–	927	12,200	(4,075)	8,125
– Bulk earthworks (non-depreciable)	142,100	–	142,100	–	–	–	–	(443)	1	–	–	1,469	143,127	–	143,127
– Stormwater drainage <sup>2</sup>	139,866	(48,348)	91,518	–	1,218	–	(646)	–	8,638	–	–	17,930	172,756	(54,098)	118,658
– Water supply network	241,378	(78,110)	163,268	65	574	–	(3,422)	–	–	–	–	1,502	244,289	(82,302)	161,987
– Sewerage network	136,138	(38,197)	97,941	2,535	521	–	(2,112)	–	–	–	–	901	140,477	(40,691)	99,786
– Airport infrastructure	9,545	(2,568)	6,977	–	5,563	–	(373)	–	–	–	–	–	15,108	(2,941)	12,167
<b>Other assets:</b>															
– Heritage collections	130	(78)	52	–	–	–	(9)	–	–	–	–	–	130	(87)	43
– Artworks	112	–	112	–	–	–	–	–	(1)	–	–	–	112	(1)	111
– Other	30,174	(5,919)	24,255	342	480	–	(1,065)	–	(1)	–	–	–	30,996	(6,985)	24,011
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>															
– Landfill & quarry assets	23,343	(4,042)	19,301	–	–	–	(1,620)	–	(9,576)	–	–	–	13,767	(5,662)	8,105
<b>Total infrastructure, property, plant and equipment <sup>2</sup></b>	<b>1,251,208</b>	<b>(351,572)</b>	<b>899,636</b>	<b>3,955</b>	<b>22,618</b>	<b>(2,618)</b>	<b>(19,796)</b>	<b>(1,931)</b>	<b>(9,305)</b>	<b>(2,514)</b>	<b>(635)</b>	<b>76,342</b>	<b>1,310,249</b>	<b>(344,497)</b>	<b>965,752</b>

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

(2) Restated - Refer Note G4-1

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period									At 30 June 2020 <sup>2</sup>		
	Gross carrying amount <sup>2</sup> Restated \$ '000	Accumulated depreciation and impairment <sup>2</sup> Restated \$ '000	Net carrying amount Restated \$ '000	Additions renewals <sup>1</sup> \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements (recognised in P/L) \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount <sup>2</sup> Restated \$ '000	Accumulated depreciation and impairment <sup>2</sup> Restated \$ '000	Net carrying amount <sup>2</sup> Restated \$ '000
Capital work in progress	26,106	–	26,106	–	23,832	–	–	(730)	(27,467)	–	–	–	21,741	–	21,741
Plant and equipment	19,790	(9,598)	10,192	2,279	1,427	(504)	(1,965)	–	–	–	–	–	24,074	(12,645)	11,429
Office equipment	5,236	(4,891)	345	29	–	–	(183)	–	–	–	–	–	5,235	(5,044)	191
<b>Land:</b>															
– Operational land	21,312	–	21,312	–	–	(695)	–	–	–	(644)	–	4,989	24,962	–	24,962
– Community land	19,882	–	19,882	–	8,152	(460)	–	–	–	–	(59)	–	27,516	–	27,516
– Land under roads (post 30/6/08)	721	–	721	–	–	(64)	–	–	–	–	–	–	657	–	657
<b>Infrastructure:</b>															
– Buildings	120,498	(55,334)	65,164	50	136	(1,652)	(2,149)	–	211	–	–	–	118,483	(56,723)	61,760
– Other structures	10,410	(3,971)	6,439	132	14	(20)	(142)	–	185	–	–	–	10,878	(4,270)	6,608
– Roads <sup>2</sup>	249,479	(70,173)	179,306	1,962	29	(21,383)	(4,392)	(215)	1,652	–	–	–	225,440	(68,482)	156,958
– Bridges <sup>2</sup>	59,412	(21,833)	37,579	313	–	(2,906)	(775)	–	732	–	–	–	55,217	(20,274)	34,943
– Footpaths	14,703	(6,785)	7,918	18	48	(375)	(262)	–	–	–	–	–	14,219	(6,872)	7,347
– Bulk earthworks (non-depreciable)	152,653	–	152,653	–	–	(9,605)	–	(948)	–	–	–	–	142,100	–	142,100
– Stormwater drainage <sup>2</sup>	141,929	(48,302)	93,627	202	–	(3,042)	(630)	–	1,361	–	–	–	139,866	(48,348)	91,518
– Water supply network	230,050	(76,337)	153,713	–	–	(1,782)	(3,163)	–	13,056	–	–	1,443	241,378	(78,110)	163,268
– Sewerage network	141,667	(37,855)	103,812	–	–	(4,731)	(2,082)	–	–	–	–	941	136,138	(38,197)	97,941
– Airport infrastructure	9,334	(1,987)	7,347	–	–	–	(370)	–	–	–	–	–	9,545	(2,568)	6,977
<b>Other assets:</b>															
– Heritage collections	130	(70)	60	–	–	–	(9)	–	–	–	–	–	130	(78)	52
– Artworks	112	–	112	–	–	–	–	–	–	–	–	–	112	–	112
– Other	19,685	(4,775)	14,910	–	–	(72)	(853)	–	10,270	–	–	–	30,174	(5,919)	24,255
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>															
– Tip assets	3,984	(2,931)	1,053	–	–	–	(619)	–	–	18,867	–	–	23,343	(4,042)	19,301
<b>Total infrastructure, property, plant and equipment <sup>2</sup></b>	<b>1,247,093</b>	<b>(344,842)</b>	<b>902,251</b>	<b>4,985</b>	<b>33,638</b>	<b>(47,291)</b>	<b>(17,594)</b>	<b>(1,893)</b>	<b>–</b>	<b>18,223</b>	<b>(59)</b>	<b>7,373</b>	<b>1,251,208</b>	<b>(351,572)</b>	<b>899,636</b>

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

(2) Restated - Refer to Note G4-1.

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

### Accounting policy

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

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

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

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

#### Useful lives of IPPE

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

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

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

#### Revaluation model

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

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

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

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

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### Land under roads

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

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

### Crown reserves

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

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

### Rural Fire Service assets

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

For the year ended 30 June 2020, Council amended its accounting policy and recognised the Rural Fire Service fleet assets as assets of the Council in these financial statements.

However, pursuant to the Council's Rural Fire District Agreement with the Commissioner of the NSW Rural Fire Service, the Council has transferred substantially all of the rights and obligations in respect to all fire fighting equipment vested in the Council to the Commissioner for the foreseeable future. In accordance with the requirements of the Australian Accounting Standards and the Code of Accounting Practice, Council has not recognised any new rural firefighting plant and equipment assets that have been "vested" in Council during the 2021 financial year, in these financial statements .

The Council has however continued to recognise Rural Fire Service land and buildings in this set of financial statements with a view to adjusting them next year consistent with the treatment of rural fire fighting equipment.

#### *Council's accounting policy in relation to the recognition of RFS Fleet assets*

For the year ended 30 June 2020, Council has recognised the contribution of RFS Fleet assets to its Balance Sheet with a corresponding entry as a capital contribution. No new Rural Fire Service fleet assets for the 2021 financial year have been recognised.

## Infrastructure, property, plant and equipment – current year impairments

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

## C2 Leasing activities

### C2-1 Council as a lessee

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

#### Terms and conditions of leases

##### Buildings

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

##### Office and IT equipment

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

#### (a) Right of use assets

	Plant & Equipment \$ '000	Ready to use \$ '000	Various Property, Plant & Equipment \$ '000	Total \$ '000
<b>2021</b>				
Opening balance at 1 July	–	–	279	279
Depreciation/Other movement	–	–	(39)	(39)
<b>Balance at 30 June</b>	<b>–</b>	<b>–</b>	<b>240</b>	<b>240</b>
<b>2020</b>				
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	–	–	313	313
Depreciation/Other movement	–	–	(34)	(34)
<b>Balance at 30 June</b>	<b>–</b>	<b>–</b>	<b>279</b>	<b>279</b>

## C2-1 Council as a lessee (continued)

### (b) Lease liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	27	241	26	253
<b>Total lease liabilities</b>	<b>27</b>	<b>241</b>	<b>26</b>	<b>253</b>

### (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
<b>2021</b>					
Cash flows	27	74	730	831	268
<b>2020</b>					
Cash flows	27	87	746	860	279

### (c) Income Statement

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

	2021 \$ '000	2020 \$ '000
Interest on lease liabilities	16	1
Depreciation of right of use assets	39	–
Expenses relating to low-value leases	–	165
	<b>55</b>	<b>166</b>

### (d) Statement of Cash Flows

Total cash outflow for leases	28	27
	<b>28</b>	<b>27</b>

### (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.

## C2-1 Council as a lessee (continued)

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### Accounting policy

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

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

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

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

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

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

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

### Exceptions to lease accounting

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

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

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

## C2-2 Council as a lessor

### Operating leases

	2021 \$ '000	2020 \$ '000
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#### (i) Assets held as property, plant and equipment

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

Lease income (excluding variable lease payments not dependent on an index or rate)	726	872
<b>Total income relating to operating leases for Council assets</b>	<b>726</b>	<b>872</b>

#### (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	683	695
1–2 years	645	631
2–3 years	213	567
3–4 years	191	155
4–5 years	175	125
> 5 years	2,345	748
<b>Total undiscounted lease payments to be received</b>	<b>4,252</b>	<b>2,921</b>

### Accounting policy

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

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

If the lease contains lease and non-lease components, 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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Payables</b>				
Goods and services – operating expenditure	4,453	–	1,987	–
Accrued expenses:				
– Borrowings	109	–	120	–
– Salaries and wages	653	–	851	–
– Other expenditure accruals	661	–	1,863	–
Security bonds, deposits and retentions	40	–	40	–
NIRW grant from EPA	726	–	1,087	–
Trust	1,455	–	1,453	–
Prepaid rates	941	–	1,036	–
<b>Total payables</b>	<b>9,038</b>	<b>–</b>	<b>8,437</b>	<b>–</b>
<b>Total payables</b>	<b>9,038</b>	<b>–</b>	<b>8,437</b>	<b>–</b>

#### Accounting policy

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

#### Payables

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

### C3-2 Contract Liabilities

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,946	–	2,828	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,717	–	4,354	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	189	–	63	–
<b>Total grants received in advance</b>		<b>6,852</b>	<b>–</b>	<b>7,245</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>6,852</b>	<b>–</b>	<b>7,245</b>	<b>–</b>

#### Notes

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

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

## C3-2 Contract Liabilities (continued)

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

	2021 \$ '000	2020 \$ '000
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	2,312	1,681
Operating grants (received prior to performance obligation being satisfied)	2,232	98
Capital contributions (to construct Council controlled assets)	–	1,105
Operating contributions (received prior to performance obligation being satisfied)	63	378
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>4,607</b>	<b>3,262</b>

### Significant changes in contract liabilities

The decrease in unexpended operating grants predominantly relates to the expenditure of merger funding during the reporting period and 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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured <sup>1</sup>	2,988	17,944	2,831	20,946
<b>Total borrowings</b>	<b>2,988</b>	<b>17,944</b>	<b>2,831</b>	<b>20,946</b>

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

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

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

	2019		Non-cash movements				2020
	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	26,763	(2,986)	–	–	–	–	23,777
Lease liability (Note C2-1b)	–	279	–	–	–	–	279
<b>Total liabilities from financing activities</b>	<b>26,763</b>	<b>(2,707)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24,056</b>

### C3-3 Borrowings (continued)

#### (b) Financing arrangements

	2021 \$ '000	2020 \$ '000
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	1,000	1,000
Credit cards/purchase cards	210	210
<b>Total financing arrangements</b>	<b>1,210</b>	<b>1,210</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	22	34
<b>Total drawn financing arrangements</b>	<b>22</b>	<b>34</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	188	176
<b>Total undrawn financing arrangements</b>	<b>1,188</b>	<b>1,176</b>

#### Additional financing arrangements information

##### Breaches and defaults

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

##### Security over loans

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

##### Unused limits and facilities

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

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

##### Accounting policy

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	2,120	–	2,247	–
Long service leave	4,846	350	4,910	383
Other leave – Accrued leave	187	–	172	–
<b>Total employee benefit provisions</b>	<b>7,153</b>	<b>350</b>	<b>7,329</b>	<b>383</b>

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

	2021 \$ '000	2020 \$ '000

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

Provisions – employees benefits	4,518	4,774
	<b>4,518</b>	<b>4,774</b>

### Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
<b>2021</b>				
At beginning of year	2,247	5,293	172	7,712
Leave Taken	(1,671)	(612)	(1,564)	(3,847)
Leave Accrued	1,544	515	1,579	3,638
Total ELE provisions at end of year	2,120	5,196	187	7,503
<b>2020</b>				
At beginning of year	2,159	5,500	155	7,814
Leave Taken	(1,609)	(350)	(1,659)	(3,618)
Leave Accrued	1,697	143	1,676	3,516
Total ELE provisions at end of year	2,247	5,293	172	7,712

### Accounting policy

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

### Short-term obligations

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

### Other long-term employee benefit obligations

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

### On-costs

## C3-4 Employee benefit provisions (continued)

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

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	14,295	–	23,604
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>14,295</b>	<b>–</b>	<b>23,604</b>
<b>Total provisions</b>	<b>–</b>	<b>14,295</b>	<b>–</b>	<b>23,604</b>

## Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Net carrying amount \$ '000
<b>2021</b>		
At beginning of year	23,604	23,604
Changes to provision:		
– Revised discount rate	(665)	(665)
Unwinding of discount	267	267
Rehabilitation performed	(90)	(90)
Reduction in Provision	(8,821)	(8,821)
Total other provisions at end of year	<b>14,295</b>	<b>14,295</b>
<b>2020</b>		
At beginning of year	4,183	4,183
– Revised discount rate	214	214
Unwinding of discount	(554)	(554)
Additional provisions	19,761	19,761
Reduction in Provision	–	–
Total other provisions at end of year	<b>23,604</b>	<b>23,604</b>

## Nature and purpose of provisions

### Landfill and Quarry remediation

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

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

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

## C3-5 Provisions (continued)

Council notes that the phytocap method of rehabilitation is only in testing phase with a limited number of councils in NSW. The EPA have not yet provided approval for Council to use phytocap technology so a full capping methodology was applied in valuing the Landfill Rehabilitation Provision at 30 June 2020.

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

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

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

### Accounting policy

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

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

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

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

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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

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

Refer to the Statement of Changes in Equity for the rollforward of the Accumulated Surplus and Revaluation Reserve from 2020 to 2021 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

	<b>General 2021 \$ '000</b>	<b>Water 2021 \$ '000</b>	<b>Sewer 2021 \$ '000</b>
<b>Income from continuing operations</b>			
Rates and annual charges	26,862	2,502	5,753
User charges and fees	17,000	7,787	204
Interest and investment revenue	191	253	184
Other revenues	1,890	36	1,255
Grants and contributions provided for operating purposes	15,648	77	55
Grants and contributions provided for capital purposes	11,514	1,972	498
Other income	726	–	–
<b>Total income from continuing operations</b>	<b>73,831</b>	<b>12,627</b>	<b>7,949</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	21,338	1,980	1,231
Materials and services	18,476	4,610	3,191
Borrowing costs	1,249	313	–
Depreciation, amortisation and impairment of non-financial assets	16,240	3,517	2,199
Other expenses	2,793	21	–
Net losses from the disposal of assets	1,731	–	–
<b>Total expenses from continuing operations</b>	<b>61,827</b>	<b>10,441</b>	<b>6,621</b>
<b>Operating result from continuing operations</b>	<b>12,004</b>	<b>2,186</b>	<b>1,328</b>
<b>Net operating result for the year</b>	<b>12,004</b>	<b>2,186</b>	<b>1,328</b>
<b>Net operating result attributable to each council fund</b>	<b>12,004</b>	<b>2,186</b>	<b>1,328</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>490</b>	<b>214</b>	<b>830</b>



## D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	21,927	–	–
Investments	16,622	23,246	19,511
Receivables	8,650	2,321	229
Inventories	1,632	–	603
Contract assets and contract cost assets	3,028	310	–
Other	697	–	–
<b>Total current assets</b>	<b>52,556</b>	<b>25,877</b>	<b>20,343</b>
<b>Non-current assets</b>			
Receivables	284	–	–
Inventories	1,013	–	–
Infrastructure, property, plant and equipment	682,659	178,265	104,828
Right of use assets	240	–	–
Non-current assets classified as held for sale	612	–	–
<b>Total non-current assets</b>	<b>684,808</b>	<b>178,265</b>	<b>104,828</b>
<b>TOTAL ASSETS</b>	<b>737,364</b>	<b>204,142</b>	<b>125,171</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8,841	197	–
Contract liabilities	6,852	–	–
Lease liabilities	27	–	–
Borrowings	2,707	281	–
Employee benefit provision	7,153	–	–
<b>Total current liabilities</b>	<b>25,580</b>	<b>478</b>	<b>–</b>
<b>Non-current liabilities</b>			
Lease liabilities	241	–	–
Borrowings	13,999	3,945	–
Employee benefit provision	350	–	–
Provisions	14,295	–	–
<b>Total non-current liabilities</b>	<b>28,885</b>	<b>3,945</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>54,465</b>	<b>4,423</b>	<b>–</b>
<b>Net assets</b>	<b>682,899</b>	<b>199,719</b>	<b>125,171</b>
<b>EQUITY</b>			
Accumulated surplus	592,331	189,824	118,844
Revaluation reserves	90,568	9,895	6,327
<b>Council equity interest</b>	<b>682,899</b>	<b>199,719</b>	<b>125,171</b>
<b>Total equity</b>	<b>682,899</b>	<b>199,719</b>	<b>125,171</b>

## D2 Interests in other entities

### D2-1 Unconsolidated structured entities

Council did not consolidate the following structured entities:

	2021 \$ '000	2020 \$ '000
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#### 1. New England Weeds Authority

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

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

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

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

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

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

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

#### Non-contractual financial support provided

Council did not provide any non contractual support to NEWA.

#### Current intention to provide financial support

Council will continue to provide a contribution to NEWA in accordance with NEWA's proclamation. Council's contribution for the 2021/2022 year is \$239,575 including GST (2020/2021: \$205,000 including GST).

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

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

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

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

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

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

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

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

## D2-1 Unconsolidated structured entities (continued)

	2021 \$ '000	2020 \$ '000
– Rental Income	(11)	(11)
Assets in Council's Statement of Financial Position relating to the Structured Entity	6,711	7,061
<b>Net assets in Council's Statement of Financial Position</b>	<b>6,711</b>	<b>7,061</b>
<b>Difference – net asset/(net exposure) relating to the Structured Entity:</b>	<b>6,711</b>	<b>7,061</b>

### Non-contractual financial support provided

Council did not provide any non contractual support to NERAM.

### Current intention to provide financial support

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

Under the funding agreement, the commencement funding amount is \$265,000 per annum plus GST, increased on each anniversary date by what is commonly referred to as the rate pegging percentage for Council. Council's contribution for the 2021/22 year is estimated at \$371,734 plus GST.

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

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

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

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

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

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

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

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

Armidale Regional Council, as a member of the NEJO, has a one-seventh voting right in respect to the decisions of the Board.

Decision making is based on majority votes, so Council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the NEJO's Charter, each member is required to contribute annual fees towards the operation of the organisation. In the 2020/2021 year, the contribution made by Council was \$31,152 (2019/2020 \$7,900). The contribution by Council for the 2021/2022 financial year has been set at \$28,886 in the 2021/2022 NEJO Operational Plan.

The net operating result for the year ended 30 June 2021 was \$81,000 (2020: \$46,486). Council is not entitled to any share or distribution of the NEJO net operating result.

## D3 Discontinued operations

### D3-1 Boundary adjustment

	2021 \$ '000	2020 \$ '000
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The Local Government (Armidale and Inverell - Alteration of Boundaries) Proclamation 2019 was effective from 1 July 2019. The object of the Proclamation is to alter the boundaries between the local government areas of Armidale Regional Council and Inverell Shire Council, so that the localities known as Tingha, Bassendean, Howell, Stanborough, Bundarra, Georges Creek, New Valley and The Basin (collectively referred to as Tingha) which comprise approximately 800 square kilometres, and which previously lay within the Armidale Regional Council local government area adjacent to that boundary, became part of the Inverell Shire Council local government area.

The transfer of assets from Armidale Regional Council included roads, land and buildings, water and sewer infrastructure assets and some other minor miscellaneous assets. These assets were transferred to Inverell Shire Council on 1 July 2019 for nil consideration.

The written down value of the assets transferred is as follows:

Asset Category	\$'000
Operational Land	351
Community Land	23
Land Under Roads	62
Buildings	1,030
Other Structures	19
Roads	19,096
Bridges	2,815
Footpaths	355
Bulk Earthworks	9,605
Stormwater Drainage	3,028
Water Supply	1,782
Sewerage	4,731
Other	69
<b>Total Assets</b>	<b>42,966</b>

Assets transferred to Inverell Shire Council	-	(42,966)
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#### **Boundary adjustment**

Expenses	-	-
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## 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 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	21,927	20,856	21,927	20,856
Receivables	11,484	9,487	11,484	9,487
Investments				
– Debt securities at amortised cost	59,379	51,295	59,379	51,295
<b>Total financial assets</b>	<b>92,790</b>	<b>81,638</b>	<b>92,790</b>	<b>81,638</b>
<b>Financial liabilities</b>				
Payables	9,038	8,437	8,097	7,401
Loans/advances	20,932	23,777	20,932	23,777
<b>Total financial liabilities</b>	<b>29,970</b>	<b>32,214</b>	<b>29,029</b>	<b>31,178</b>

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

### (a) Market risk – interest rate and price risk

	<b>2021</b>	2020
	<b>\$ '000</b>	\$ '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	<b>594</b>	513
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Impact of a 10% movement in price of investments

– Equity / Income Statement	<b>5,938</b>	5,130
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## E1-1 Risks relating to financial instruments held (continued)

### (b) Credit risk

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

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

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

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

The level of outstanding receivables is reported to Council 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	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
<b>2021</b>						
Gross carrying amount	–	1,336	284	258	67	1,945
<b>2020</b>						
Gross carrying amount	–	1,411	230	253	112	2,006

#### 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 overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2021</b>						
Gross carrying amount	7,376	1,895	80	51	686	10,088
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	42.40%	2.88%
<b>ECL provision</b>	–	–	–	–	291	291
<b>2020</b>						
Gross carrying amount	5,601	1,274	246	131	621	7,873
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	38.00%	3.00%
<b>ECL provision</b>	–	–	–	–	236	236

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

### (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		
<b>2021</b>							
Trade/other payables	0.00%	40	8,057	–	–	8,097	8,097
Loans and advances	5.57%	–	4,138	16,565	5,491	26,194	20,932
<b>Total financial liabilities</b>		<b>40</b>	<b>12,195</b>	<b>16,565</b>	<b>5,491</b>	<b>34,291</b>	<b>29,029</b>
<b>2020</b>							
Trade/other payables	0.00%	40	7,361	–	–	7,401	7,401
Loans and advances	5.71%	–	4,237	19,276	6,900	30,413	23,777
<b>Total financial liabilities</b>		<b>40</b>	<b>11,598</b>	<b>19,276</b>	<b>6,900</b>	<b>37,814</b>	<b>31,178</b>

### 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).

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs <sup>1</sup>		Level 3 Significant unobservable inputs <sup>1</sup>		Total <sup>1</sup>	
		2021	2020	2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>									
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-8</span>									
Plant and equipment		30/06/20	30/06/20	–	–	10,859	11,429	10,859	11,429
Office equipment		30/06/20	30/06/20	–	–	124	191	124	191
Operational Land		30/06/19	30/06/19	25,149	24,962	–	–	25,149	24,962
Community Land		30/06/19	30/06/19	–	–	27,108	27,516	27,108	27,516
Land Under Roads		30/06/19	30/06/19	–	–	725	657	725	657
Buildings (specialised and non-specialised)		30/06/18	30/06/18	58,617	61,760	–	–	58,617	61,760
Other structures		13/05/16	13/05/16	–	–	8,625	6,608	8,625	6,608
Roads <sup>1</sup>		30/06/21	13/05/16	–	–	202,203	156,958	202,203	156,958
Bridges <sup>1</sup>		30/06/21	13/05/16	–	–	33,169	34,943	33,169	34,943
Footpaths		30/06/21	13/05/16	–	–	8,125	7,347	8,125	7,347
Bulk earthworks (non-depreciable)		30/06/21	13/05/16	–	–	143,127	142,100	143,127	142,100
Stormwater drainage <sup>1</sup>		30/06/21	13/05/16	–	–	118,658	91,518	118,658	91,518
Water supply network		30/06/17	30/06/17	–	–	161,987	163,268	161,987	163,268
Sewerage network		30/06/17	30/06/17	–	–	99,786	97,941	99,786	97,941
Airport infrastructure		30/06/17	30/06/17	–	–	12,167	6,977	12,167	6,977
Heritage collections		13/05/16	13/05/16	–	–	43	52	43	52
Other		13/05/16	13/05/16	–	–	111	112	111	112
Artworks		13/05/16	13/05/16	–	–	24,011	24,255	24,011	24,255
Tip assets		30/06/21	30/06/20	–	–	8,105	19,301	8,105	19,301
<b>Total infrastructure, property, plant and equipment <sup>1</sup></b>				<b>83,766</b>	<b>86,722</b>	<b>858,933</b>	<b>791,173</b>	<b>942,699</b>	<b>877,895</b>

(1) 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:

#### Infrastructure, property, plant and equipment (IPPE)

##### Plant and equipment, and office equipment – Level 3

## E2-1 Fair value measurement (continued)

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

### Operational Land – Level 2

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

Observable inputs - Valuation information obtained from the NSW Valuer-General and sales evidence of price per square metre of land.

### Community Land and Land under roads – Level 3

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

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

### Buildings - Level 3

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

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

### 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 with the previous valuation at 13 May 2016. 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 m<sup>2</sup>, Pavement construction per m<sup>2</sup>, gravel cost.

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

Transport Assets were last revalued by councils prior to merger using internal and credible external valuers at 30 June 2015. In bringing in these assets into the Merged Armidale Regional Council, the assets underwent additional desk revaluation with the help of the independent, external valuer at 13 May 2016.

### Water supply network and Sewerage network – Level 3

Valuation Techniques – Cost Approach Method.

## E2-1 Fair value measurement (continued)

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

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

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

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

### Landfill/Tip assets – reinstatement, rehabilitation and restoration – Level 3

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

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

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

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

### Heritage collections, artworks and other assets – Level 3

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

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

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

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

Unobservable inputs - Estimates of useful life, and condition.

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

## E2-1 Fair value measurement (continued)

### Fair value measurements using significant unobservable inputs (level 3)

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

	Operational land		Community land		Buildings		Infrastructure assets <sup>1</sup>		Other assets		Total	
	2021	2020	2021	2020	2021	2020	2021	2020 Restated	2021	2020	2021	2020 Restated
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>Opening balance</b>	<b>24,962</b>	21,312	<b>27,516</b>	19,882	<b>61,760</b>	65,164	<b>732,572</b>	758,024	<b>31,085</b>	11,762	<b>877,895</b>	876,144
<b>Total gains or losses for the period</b>												
Recognised in other comprehensive income – revaluation surplus	<b>513</b>	4,989	<b>(635)</b>	(58)	–	–	<b>75,829</b>	2,384	–	–	<b>75,707</b>	7,315
<b>Other movements</b>												
Transfers from/(to) another asset class	<b>(206)</b>	(644)	<b>227</b>	–	<b>(427)</b>	211	<b>2</b>	27,256	–	–	<b>(404)</b>	26,823
Other Movements	–	–	–	–	–	–	–	–	<b>(9,546)</b>	–	<b>(9,546)</b>	–
Purchases (GBV)	<b>30</b>	–	–	8,152	<b>563</b>	186	<b>19,159</b>	2,720	<b>2,114</b>	22,603	<b>21,866</b>	33,661
Disposals (WDV)	<b>(150)</b>	(695)	–	(460)	<b>(85)</b>	(1,652)	<b>(1,634)</b>	(43,980)	<b>(684)</b>	(504)	<b>(2,553)</b>	(47,291)
Depreciation and impairment	–	–	–	–	<b>(3,194)</b>	(2,149)	<b>(13,345)</b>	(13,832)	<b>(3,727)</b>	(2,776)	<b>(20,266)</b>	(18,757)
<b>Closing balance</b>	<b>25,149</b>	24,962	<b>27,108</b>	27,516	<b>58,617</b>	61,760	<b>812,583</b>	732,572	<b>19,242</b>	31,085	<b>942,699</b>	877,895

(1) Restated - Refer to Note G4-1.

## E2-1 Fair value measurement (continued)

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### 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 2021, for 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits. From 1 July 2021, the required contribution rate increases to 7.5% 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 for 2 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions 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 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 2021 was \$383,469. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2020, and relates to the period ended 30 June 2020.

## E3-1 Contingencies (continued)

Council's expected contribution to the Scheme for the next annual reporting period is \$322,139.

The estimated employer reserves in the Scheme for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

\* 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 0.60% as at 30 June 2021.

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

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

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

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Scheme's Actuary, the final end of year review will be completed by December 2021.

### (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 2021 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

### (iii) StateCover Mutual Limited

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

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

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

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

### (iv) Other guarantees

During the 2018/19 year, Council provided two bank guarantees for \$10,000 each relating to easements over an independent party's land. The bank guarantees remain in place as at 30 June 2021.

In May 2021, Council resolved to act as Guarantor for the Armidale City Gymnastics Club Incorporated, for a \$150,000 loan from an independent lender. The borrowings are planned to expand the facilities of the Club and the application is supported by a business case including financial projections.

## E3-1 Contingencies (continued)

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

### 2. Other liabilities

#### (i) Third party claims

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

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

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

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

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

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

### 3. Contingent liabilities

#### (i) Contingent Remediation Work

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

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

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

## ASSETS NOT RECOGNISED

#### (i) Infringement notices/fines

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

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

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

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



## F People and relationships

### F1 Related party disclosures

#### F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
<b>Compensation:</b>		
Short-term benefits	1,213	1,311
Post-employment benefits	66	84
Other long-term benefits	53	36
Termination benefits	631	–
<b>Total</b>	<b>1,963</b>	<b>1,431</b>

#### Other transactions with KMP and their related parties

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

There are no other disclosures to be made by KMP.

## F1-2 Councillor and Mayoral fees and associated expenses

	2021 \$ '000	2020 \$ '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	46	42
Councillors' fees	80	212
Interim Administrator fees	110	–
Other Councillors' expenses (including Mayor)	37	122
Temporary Advisor / Financial Controller	79	–
<b>Total</b>	<b>352</b>	<b>376</b>

## F2 Other relationships

### F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements (NSW Auditor-General)	128	100
Other Assurance services including acquittal audits (other Audit service providers)	22	13
<b>Total audit fees</b>	<b>150</b>	<b>113</b>

## G Other matters

### G1-1 Statement of Cash Flows information

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

	2021 \$ '000	2020 \$ '000
<b>Net operating result from Income Statement</b>	<b>15,518</b>	<b>(22,830)</b>
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	19,835	17,594
Net losses/(gains) on disposal of assets	1,731	1,454
Adoption of AASB 15/1058	-	(7,340)
Other movement	-	(32)
Loss on Boundary Adjustment	-	42,966
Crown Land devolved by NSW State Government to Council	-	(8,152)
RFS Fleet assets contributed to Council	-	(1,427)
Non-cash adjustment to Landfill asset	-	891
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	2,121	2,099
Unwinding of discount rates on reinstatement provisions	(398)	(340)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	(2,182)	3,239
Increase/(decrease) in provision for impairment of receivables	157	(57)
Decrease/(increase) in inventories	(137)	(181)
Decrease/(increase) in other current assets	(91)	(435)
Decrease/(increase) in contract assets	(265)	(3,073)
Increase/(decrease) in payables	2,466	(933)
Increase/(decrease) in accrued interest payable	(11)	(10)
Increase/(decrease) in other accrued expenses payable	(1,400)	1,407
Increase/(decrease) in other liabilities	(454)	37
Increase/(decrease) in contract liabilities	(393)	7,245
Increase/(decrease) in provision for employee benefits	(209)	(102)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>36,288</b>	<b>32,020</b>

#### (b) Non-cash investing and financing activities

The following non-cash investing activities occurred:

1. During the 2020/21 financial year, Council was devolved one Crown Land parcel from the NSW State Government. Council has attributed the 2019 Valuer General value of \$227,000 (2020: \$8,152,000). The NSW Valuer General conducts valuations each 3 years with the last valuation conducted as at 1 July 2019. Council has recognised the parcel of land in the Community Land asset class in Note C1-8. A corresponding credit as a Non-cash Capital contribution is recognised in Note B2-4. Consistent accounting treatment has been applied from financial year 2019/20.

2. During the 2019/20 financial year, Council recognised Rural Fire Service (RFS) fleet assets based upon capital funding contributions made by the Rural Fire Service. The cost of the fleet assets recognised at 1 July 2019 is \$4,115,000 less accumulated depreciation of \$2,688,000, giving a written down value of \$1,427,000. Due to a change in accounting policy, no new RFS fleet assets were recognised during the 2020/21 financial year.

## G2-1 Commitments

### Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	316	568
Bridges	695	1,680
Airport Business Park	-	1,519
Playground equipment	-	643
Parks	-	250
Swimming Pools	343	-
Other	-	288
Dumaresq Dam Wall	3,209	-
Roads	2,308	-
Buildings	69	-
Airport Infrastructure	1,106	-
Landfill	108	-
<b>Total commitments</b>	<b>8,154</b>	<b>4,948</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	8,154	4,948
<b>Total payable</b>	<b>8,154</b>	<b>4,948</b>
<b>Sources for funding of capital commitments:</b>		
Externally restricted reserves	7,177	4,380
Internally restricted reserves	977	568
<b>Total sources of funding</b>	<b>8,154</b>	<b>4,948</b>

#### Details of capital commitments

For each of the commitments, tenders have been called and orders placed prior to year end, with an expectation of delivery early during the 2021/22 financial year.

## G3-1 Events occurring after the reporting date

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

## G4 Changes from prior year statements

### G4-1 Correction of errors

During 2020-21, Council engaged a qualified external valuer to value Council's Transport Infrastructure Assets (roads, bridges, footpaths, bulk earthworks and stormwater drainage assets). The valuation process identified existing assets not previously recognised in the financial asset registers, and assets historically recognised which were not controlled by council or no longer existed. In correcting these omissions, adjustments totalling \$42.26 million have been made to the Infrastructure, property, plant and equipment and Accumulated Surplus line items in the Statement of Financial Position.

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

##### Statement of Financial Position

	Original Balance 1 July, 2019 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2019 \$ '000
Infrastructure, property, plant and equipment	859,990	42,260	902,250
<b>Total assets</b>	<b>943,888</b>	<b>42,260</b>	<b>986,148</b>
<b>Net Assets</b>	<b>897,192</b>	<b>42,260</b>	<b>939,452</b>
Accumulated Surplus	873,423	42,260	915,683
<b>Total equity</b>	<b>897,192</b>	<b>42,260</b>	<b>939,452</b>

#### Adjustments to the comparative figures for the year ended 30 June 2020

##### Statement of Financial Position

	Original Balance 30 June, 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2020 \$ '000
Infrastructure, property, plant and equipment	857,376	42,260	899,636
<b>Total assets</b>	<b>945,358</b>	<b>42,260</b>	<b>987,618</b>
<b>Net Assets</b>	<b>874,304</b>	<b>42,260</b>	<b>916,564</b>
Accumulated Surplus	843,221	42,260	885,481
<b>Total equity</b>	<b>874,304</b>	<b>42,260</b>	<b>916,564</b>

## G5 Statement of developer contributions as at 30 June 2021

### G5-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '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 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	46	-	-	1	-	-	47	-
Roads	982	-	-	10	-	-	992	-
Traffic facilities	18	-	-	-	-	-	18	-
Parking	33	-	-	-	-	-	33	-
Open space	335	-	-	3	-	-	338	-
Community facilities	53	-	-	1	-	-	54	-
Other	8	-	-	-	-	-	8	-
Bushfire	1	-	-	-	-	-	1	-
Street Trees	86	6	-	1	-	-	93	-
<b>S7.11 contributions – under a plan</b>	<b>1,562</b>	<b>6</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>1,584</b>	<b>-</b>
<b>S7.12 levies – under a plan</b>	<b>1,138</b>	<b>344</b>	<b>-</b>	<b>12</b>	<b>(91)</b>	<b>-</b>	<b>1,403</b>	<b>-</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>2,700</b>	<b>350</b>	<b>-</b>	<b>28</b>	<b>(91)</b>	<b>-</b>	<b>2,987</b>	<b>-</b>
S7.4 planning agreements	55	31	-	-	(31)	-	55	-
S64 contributions	4,011	1,067	-	45	-	-	5,123	-
Contributions not under any plan	-	216	-	1	-	-	217	-
<b>Total contributions</b>	<b>6,766</b>	<b>1,664</b>	<b>-</b>	<b>74</b>	<b>(122)</b>	<b>-</b>	<b>8,382</b>	<b>-</b>

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 2020 \$ '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 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
<b>CONTRIBUTION PLAN</b>								
Drainage	46	-	-	1	-	-	47	-
Roads	982	-	-	10	-	-	992	-
Traffic facilities	18	-	-	-	-	-	18	-
Bridges	33	-	-	-	-	-	33	-
Open space	335	-	-	3	-	-	338	-
Community facilities	53	-	-	1	-	-	54	-
Bushfire	1	-	-	-	-	-	1	-
Street Trees	86	6	-	1	-	-	93	-
Other	8	-	-	-	-	-	8	-
<b>Total</b>	<b>1,562</b>	<b>6</b>	<b>-</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>1,584</b>	<b>-</b>

## S7.12 Levies – under a plan

<b>CONTRIBUTION PLAN</b>								
Other	1,138	344	-	12	(91)	-	1,403	-
<b>Total</b>	<b>1,138</b>	<b>344</b>	<b>-</b>	<b>12</b>	<b>(91)</b>	<b>-</b>	<b>1,403</b>	<b>-</b>



## G6 Statement of performance measures

### G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020      2019		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>5,577</b>	<b>6.93%</b>	1.00%	1.09%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>80,423</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>64,643</b>	<b>68.47%</b>	58.56%	65.51%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>94,407</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>34,227</b>	<b>2.41x</b>	2.64x	2.40x	> 1.50x
Current liabilities less specific purpose liabilities	<b>14,210</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>26,974</b>	<b>6.11x</b>	4.08x	4.47x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,418</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>1,853</b>	<b>4.98%</b>	5.74%	5.46%	< 10.00%
Rates and annual charges collectable	<b>37,218</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>81,306</b>	<b>15.50</b>	13.91	12.57	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>5,246</b>	<b>mths</b>	mths	mths	mths

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

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

## G6-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>7.27%</b>	6.72%	<b>2.01%</b>	(41.80)%	<b>11.14%</b>	14.15%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>63.21%</b>	54.12%	<b>83.77%</b>	64.75%	<b>93.04%</b>	91.20%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.41x</b>	2.64x	<b>48.13x</b>	∞	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>5.18x</b>	4.07x	<b>7.01x</b>	(1.11)x	∞	158.90x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>5.51%</b>	6.36%	<b>1.81%</b>	3.32%	<b>3.80%</b>	4.24%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>8.83</b>	6.30	<b>44.71</b>	142.45	<b>53.87</b>	57.61	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

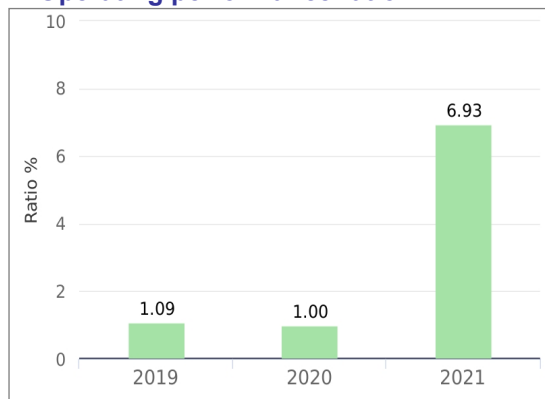
(1) - (2) Refer to Notes at Note G6-1 above.

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

## 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 2020/21 result

2020/21 ratio 6.93%

This ratio is positively impacted by the recognition of once off operational grant revenue and previously received merger grant revenue due to the change in revenue accounting standards.

Council has also introduced stringent budget management controls and reduced non-essential operational expenditure in order to improve its financial position.

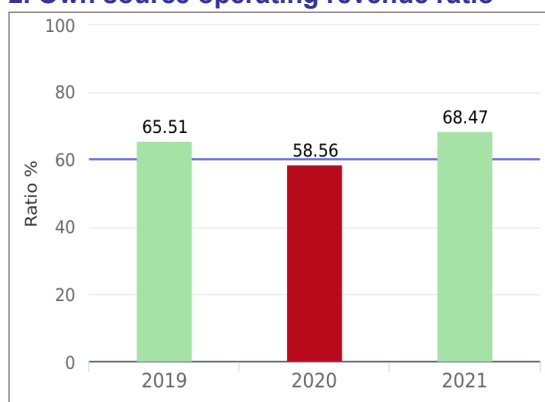
Benchmark: — > 0.00%

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 2020/21 result

2020/21 ratio 68.47%

This ratio is positively impacted by an increase in revenue associated with user charges and fees.

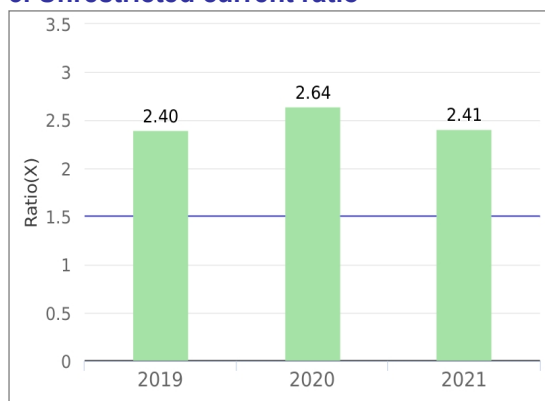
Benchmark: — > 60.00%

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 2020/21 result

2020/21 ratio 2.41x

Taking into account restricted assets and liabilities, this ratio is at an approximately similar level to the previous year and reflects Council's efforts to maintain its financial position.

Benchmark: — > 1.50x

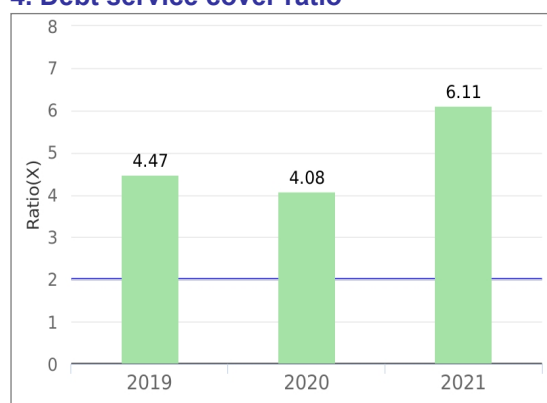
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 6.11x

This ratio has been positively impacted by the operating result and reflects improved operating cash capacity. The large infrastructure backlog and range of liabilities, such as landfill and quarry rehabilitation, will see this capacity utilised in future years to provide funding to address these critical issues.

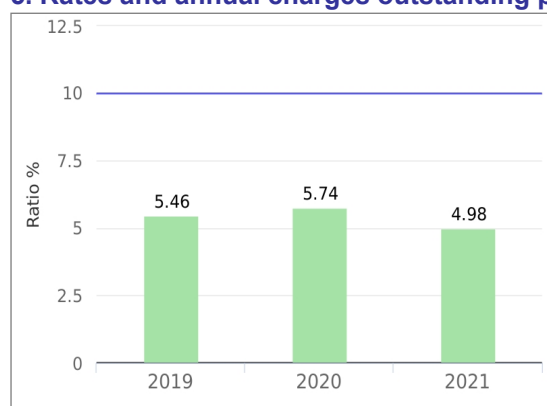
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 4.98%

This ratio has improved from the previous year and has been historically impacted by amended debt recovery policy positions implemented to respond to the Covid-19 pandemic impact on ratepayers.

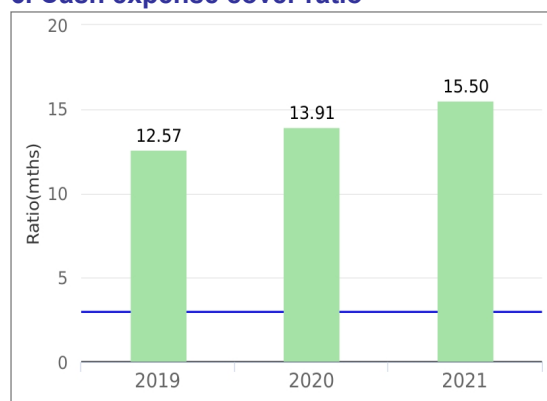
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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 2020/21 result

2020/21 ratio 15.50 mths

The consolidated cash expense cover ratio includes water and sewerage funds and, as a result, reflects a higher than benchmark ratio due to the requirement to hold significant capital cash reserves to support the essential infrastructure-based services supported by those funds.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

## H1-2 Council information and contact details

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**Principal place of business:**

135 Rusden Street  
Armidale NSW 2350

### Contact details

**Mailing Address:**

PO Box 75A  
Armidale NSW 2350

**Telephone:** 1300 136 833

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Internet:** [www.armidaleregional.nsw.gov.au](http://www.armidaleregional.nsw.gov.au)

**Email:** [council@armidale.nsw.gov.au](mailto:council@armidale.nsw.gov.au)

### Officers

**General Manager**

James Roncon

**Responsible Accounting Officer**

Kelly Stidworthy

**Public Officer**

Simone Mooketsi

**Auditors**

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

### Elected members

**Mayor**

Ian Tiley

**Councillors**

Debra O'Brien (Deputy Mayor)  
Andrew Murat  
Dorothy Robinson  
Jon Galletly  
Margaret O'Connor  
Peter Bailey

### Other information

**ABN:** 39 642 954 203



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Armidale Regional Council**

To the Councillors of Armidale Regional Council

## Opinion

I have audited the accompanying financial statements of Armidale Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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

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

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

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

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



Chris Harper  
Director, Financial Audit

Delegate of the Auditor General for New South Wales

23 December 2021  
SYDNEY





Mr James Roncon  
General Manager  
Armidale Regional Council  
PO Box 75A  
ARMIDALE NSW 2350

Contact: Chris Harper  
Phone no: 02 9275 7374  
Our ref: D2126337/1685

23 December 2021

Dear Mr Roncon

## **Report on the Conduct of the Audit for the year ended 30 June 2021 Armidale Regional Council**

I have audited the general purpose financial statements (GPFS) of Armidale Regional Council (the Council) for the year ended 30 June 2021 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 2021 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.

#### **Rural fire-fighting equipment not recognised in the financial statements**

Council did not record all rural fire-fighting equipment in the financial statements.

Rural fire-fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the NSW Rural Fire Service (RFS).

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural fire-fighting equipment is not controlled by the RFS.

#### **Council's preparedness for the audit**

The following issues with Council's audit workpapers impacted the timely and efficient completion of the audit:

- key supporting documentation and accounting position papers were provided to the audit team after the commencement of the audit. This included the treatment of a material prior period error relating to the revaluation of Council's transport network infrastructure assets
- audit workpapers not prepared to the standard expected by audit, including:

- financial statement balances not reconciling to initial workpapers provided to the audit team
- variances in the reconciliation between the financial statements and the fixed asset register for several asset classes
- an error in the contract liability workpaper
- errors and omissions in financial statement balances and disclosures.

## INCOME STATEMENT

### Operating result

	2021	2020*	Variance
	\$m	\$m	%
Rates and annual charges revenue	35.1	33.4	↑ 5.1
Grants and contributions revenue	29.8	40.0	↓ 25.5
Operating result from continuing operations	15.5	20.1	↓ 22.9
Net operating result before capital grants and contributions	1.5	(2.9)	↑ 151.7

\* The 2020 comparatives have been restated to correct a prior period error as a result of identified errors in the fixed asset register. Note G4-1 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$15.5 million including depreciation and amortisation expense of \$22.0 million) was \$4.6 million lower than the 2019–20 result. This is mainly due to:

- \$9.0 million decrease in grants and contributions received for capital purposes related to Council recognising non-cash contributions in 2019-20 of \$9.6 million for Crown land and rural fire-fighting equipment assets
- \$2.3 million increase in depreciation and amortisation expense due to the revaluation of landfill assets in 2019-20.

Offset by:

- \$6.9 million increase in user charges and fees revenue due mainly to increased works undertaken for Transport for NSW of \$4.0 million on a state-controlled road (Waterfall Way) and increases in water supply charges of \$2.4 million
- \$1.7 million increase in rates and annual charges revenue due mainly to the normal rate peg allowance increases and waste management charges
- \$1.3 million decrease in materials and service expenses due to a decrease in contractor and consultancy costs from 2019-20.

The net operating result before capital grants and contributions of \$1.5 million was \$4.4 million higher than the 2019-20 result. This is mainly due to the increase in user charges and fees offset by an increase in depreciation and amortisation expense as discussed above.

Rates and annual charges revenue (\$35.1 million) increased by \$1.7 million (5.1 per cent) in 2020–21 due mainly to the normal rate peg allowance increases and domestic waste management charges relating to the new Waterfall Way landfill operation.

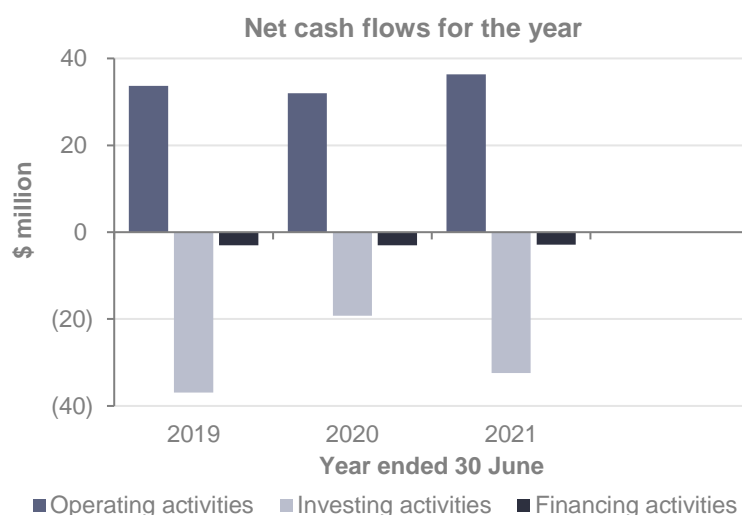
Grants and contributions revenue (\$29.8 million) decreased by \$10.2 million (25.5 per cent) in 2020–21 due to the recognition of rural fire-fighting equipment assets and Crown land non-cash capital contributions in 2019-20.

## STATEMENT OF CASH FLOWS

Cashflows from operating activities increased by \$4.3 million mainly due to increased cash inflows for user fees and charges.

Cash outflows from investing increased by \$13.1 million due to a net increase in investments and lower capital expenditure on Infrastructure, Property, Plant and Equipment (IPPE).

Cash from financing activities remained consistent with the prior year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>81.3</b>	<b>72.1</b>	<ul style="list-style-type: none"> <li>Major external restrictions include water, sewer and domestic waste operations, as well as grants for specific purposes, unexpended loans and developer contributions.</li> </ul>
Restricted cash and investments:			<ul style="list-style-type: none"> <li>Major internal restrictions include employee provisions, infrastructure replacement and plant and equipment replacement reserves. The main increase related to an increase in the infrastructure replacement, plant and equipment replacement reserve and other reserves.</li> </ul>
• External restrictions	61.1	60.0	
• Internal restrictions and unrestricted	20.2	12.1	

## PERFORMANCE

### Performance measures

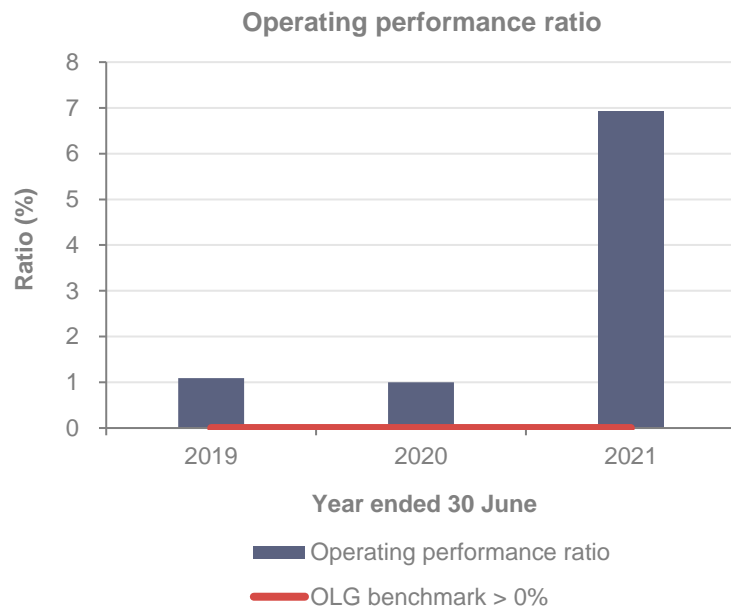
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### Operating performance ratio

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

Council exceeded the OLG benchmark for the current reporting period.

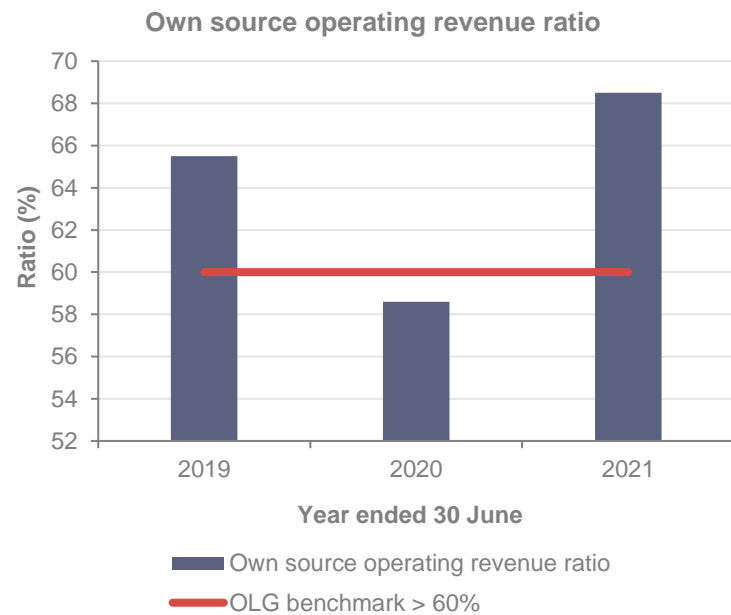
In response to the Performance Improvement Order, Council reviewed its costs and performed more capital works to meet funding agreement requirements.



### 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.

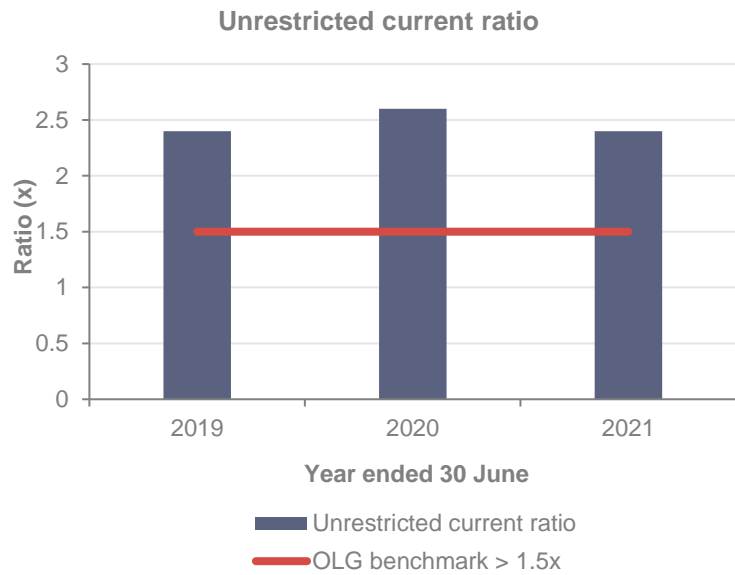
Council exceeded the OLG benchmark for the current reporting period. This is an improvement on prior year where Crown land and rural fire-fighting equipment assets were recognised as capital contributions in 2019-20.



### Unrestricted current ratio

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

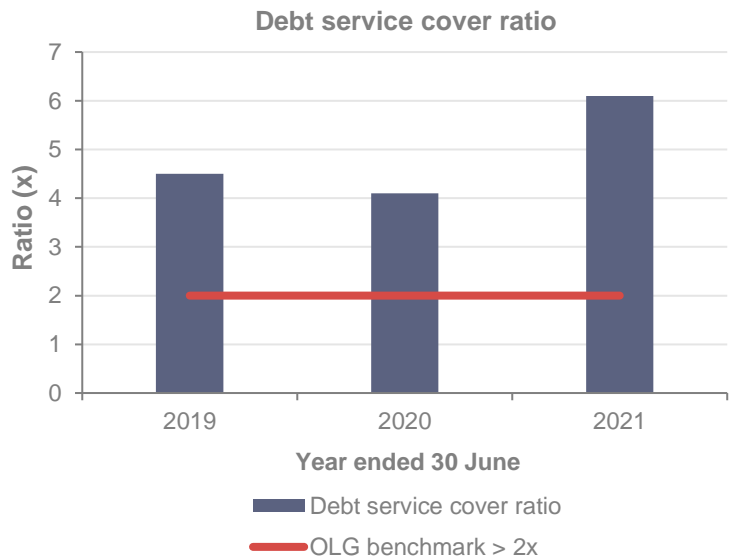
The Council exceeded the OLG benchmark for the current reporting period. The ratio is consistent with prior years.



### Debt service cover ratio

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

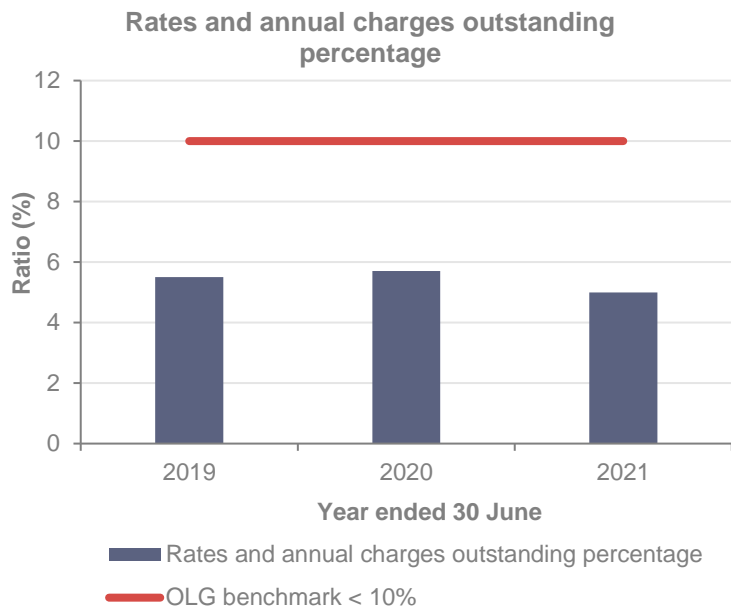
The Council exceeded the OLG benchmark for the current reporting period. The ratio improved due to lower capital grants and contributions this year.



## 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.

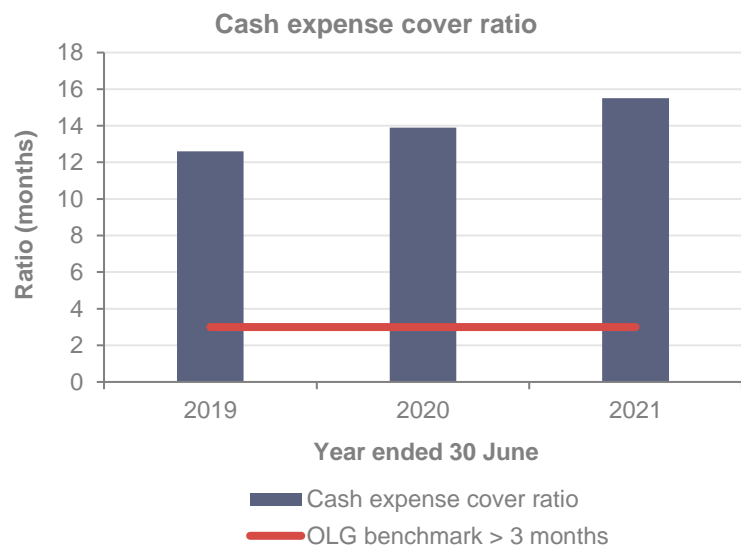
The Council exceeded the OLG benchmark for the current reporting period. The ratio is consistent with prior years.



## Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period. The ratio is consistent with prior years.



## Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$4.0 million. This decreased by \$1.0 million compared to 2019–20 due to Council decreasing its renewal works to focus on additions in accordance with its infrastructure management plans and funding agreements. Renewal expenditure was below depreciation for the year by \$14.2 million.

## OTHER MATTERS

### Impact of new accounting standards

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

The Council did not identify any service concession arrangements as part of adopting this standard.

### Legislative compliance

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

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



Chris Harper  
Director, Financial Audit

Delegate of the Auditor General for New South Wales

cc: Mr Phil Thomas, Chair of the Audit, Risk and Improvement Committee  
Mr Damien Connor, Chief Officer Corporate and Strategy  
Ms Kelly Stidworthy, Manager Financial Services  
Mr Geoff Allen, Principal, Forsyths  
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

# Armidale Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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*rich heritage vibrant future*





# Armidale Regional Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

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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 2021

---

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

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

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

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

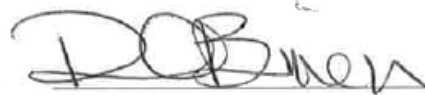
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

**Signed in accordance with a resolution of Council made on 24 November 2021.**



Cr Ian Tiley  
**Mayor**  
24 November 2021



Cr Debra O'Brien  
**Deputy Mayor**  
24 November 2021



James Ronbon  
**General Manager**  
24 November 2021



Kelly Stidworthy  
**Responsible Accounting Officer**  
24 November 2021

## Armidale Regional Council

### Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>Income from continuing operations</b>		
Access charges	2,502	2,252
User charges	7,650	5,296
Fees	137	82
Interest	253	586
Grants and contributions provided for non-capital purposes	77	1,484
Other income	36	71
<b>Total income from continuing operations</b>	<b>10,655</b>	<b>9,771</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,980	2,293
Borrowing costs	313	328
Materials and services	4,610	7,980
Depreciation, amortisation and impairment	3,517	3,233
Debt guarantee fee (if applicable)	-	135
Other expenses	21	21
<b>Total expenses from continuing operations</b>	<b>10,441</b>	<b>13,990</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>214</b>	<b>(4,219)</b>
Grants and contributions provided for capital purposes	1,972	3,027
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,186</b>	<b>(1,192)</b>
Loss on boundary adjustment	-	(1,782)
<b>Surplus (deficit) from all operations before tax</b>	<b>2,186</b>	<b>(2,974)</b>
Less: corporate taxation equivalent [based on result before capital]	(56)	-
<b>Surplus (deficit) after tax</b>	<b>2,130</b>	<b>(2,974)</b>
<b>Plus accumulated surplus</b>	<b>187,638</b>	<b>190,477</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Debt guarantee fees	-	135
- Corporate taxation equivalent	56	-
<b>Closing accumulated surplus</b>	<b>189,824</b>	<b>187,638</b>
<b>Return on capital %</b>	<b>0.3%</b>	<b>(2.2)%</b>
<b>Subsidy from Council</b>	<b>2,129</b>	<b>5,429</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,130	(2,974)
Less: capital grants and contributions (excluding developer contributions)	(1,403)	(3,027)
<b>Surplus for dividend calculation purposes</b>	<b>727</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>364</b>	<b>-</b>

## Armidale Regional Council

### Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>Income from continuing operations</b>		
Access charges	5,753	5,767
User charges	109	98
Liquid trade waste charges	67	60
Fees	28	29
Interest	184	352
Grants and contributions provided for non-capital purposes	55	–
Other income	1,255	889
<b>Total income from continuing operations</b>	<b>7,451</b>	<b>7,195</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,231	1,288
Materials and services	3,191	2,729
Depreciation, amortisation and impairment	2,199	2,160
<b>Total expenses from continuing operations</b>	<b>6,621</b>	<b>6,177</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>830</b>	<b>1,018</b>
Grants and contributions provided for capital purposes	498	694
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,328</b>	<b>1,712</b>
Loss on boundary adjustment	–	(4,731)
<b>Surplus (deficit) from all operations before tax</b>	<b>1,328</b>	<b>(3,019)</b>
Less: corporate taxation equivalent [based on result before capital]	(216)	(280)
<b>Surplus (deficit) after tax</b>	<b>1,112</b>	<b>(3,299)</b>
<b>Plus accumulated surplus</b>	<b>117,516</b>	<b>120,535</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	216	280
<b>Closing accumulated surplus</b>	<b>118,844</b>	<b>117,516</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>1.0%</b>
<b>Subsidy from Council</b>	<b>732</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,112	(3,299)
Less: capital grants and contributions (excluding developer contributions)	–	(694)
<b>Surplus for dividend calculation purposes</b>	<b>1,112</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>556</b>	<b>–</b>

## Armidale Regional Council

### Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets and contract cost assets	310	–
Investments	23,246	24,594
Receivables	2,321	1,382
<b>Total current assets</b>	<b>25,877</b>	<b>25,976</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	178,265	174,723
<b>Total non-current assets</b>	<b>178,265</b>	<b>174,723</b>
<b>Total assets</b>	<b>204,142</b>	<b>200,699</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	47	9
Income received in advance	150	170
Borrowings	281	263
<b>Total current liabilities</b>	<b>478</b>	<b>442</b>
<b>Non-current liabilities</b>		
Borrowings	3,945	4,227
<b>Total non-current liabilities</b>	<b>3,945</b>	<b>4,227</b>
<b>Total liabilities</b>	<b>4,423</b>	<b>4,669</b>
<b>Net assets</b>	<b>199,719</b>	<b>196,030</b>
<b>EQUITY</b>		
Accumulated surplus	189,824	187,638
Revaluation reserves	9,895	8,392
<b>Total equity</b>	<b>199,719</b>	<b>196,030</b>

## Armidale Regional Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Investments	19,511	17,923
Receivables	229	288
Inventories	603	488
<b>Total current assets</b>	<b>20,343</b>	<b>18,699</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	104,828	104,243
<b>Total non-current assets</b>	<b>104,828</b>	<b>104,243</b>
<b>Total assets</b>	<b>125,171</b>	<b>122,942</b>
<b>Net assets</b>	<b>125,171</b>	<b>122,942</b>
<b>EQUITY</b>		
Accumulated surplus	118,844	117,516
Revaluation reserves	6,327	5,426
<b>Total equity</b>	<b>125,171</b>	<b>122,942</b>

## Note – Significant Accounting Policies

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

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

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

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

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

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

### National Competition Policy

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

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

### Declared business activities

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

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

<b>a. Water Supplies</b>	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>b. Sewerage Service</b>	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):

	<b>Notional rate applied</b> %
Corporate tax rate	<b>26%</b> (19/20 27.5%)
Land tax	the first \$755,000 of combined land values attracts <b>0%</b> . For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is <b>\$100 + 1.6%</b> . For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of <b>2.0%</b> applies.
Payroll tax	<b>4.85%</b> on the value of taxable salaries and wages in excess of \$1,200,000.

## Note – Significant Accounting Policies (continued)

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

The payment of taxation equivalent charges, referred to in the DPIE – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Local Government Act, 1993.

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

### Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

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 26% 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.

#### (iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines 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 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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





**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Armidale Regional Council**

To the Councillors of Armidale Regional Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Armidale Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, 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 2020–21 (LG Code).

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

## **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

The Council's annual report for the year ended 30 June 2021 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper  
Director, Financial Audit

Delegate of the Auditor General for New South Wales

23 December 2021  
SYDNEY

# Armidale Regional Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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*rich heritage vibrant future*



# Armidale Regional Council

## Special Schedules

for the year ended 30 June 2021

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## Armidale Regional Council

### Permissible income for general rates (Merger Councils)

	Notes	2020/21 Armidale Dumaresq Council \$ '000	2020/21 Guyra Shire Council \$ '000	2020/21 Armidale Regional Council \$ '000	2021/22 Armidale Regional Council \$ '000
<b>Notional general income calculation <sup>1</sup></b>					
Last year notional general income yield	a	16,156	2,630	18,786	19,267
Plus or minus adjustments <sup>2</sup>	b	17	4	21	30
<b>Notional general income</b>	c = a + b	<b>16,173</b>	<b>2,634</b>	<b>18,807</b>	<b>19,297</b>
<b>Permissible income calculation</b>					
Special variation percentage	d	0.00%	0.00%		10.50%
Or rate peg percentage	e	2.60%	2.60%		0%
Less expiring special variation amount	g	–	–	–	(1,468)
Plus special variation amount	h = d x (c + g)	–	–	–	1,872
Or plus rate peg amount	i = e x (c + g)	421	68	489	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>16,594</b>	<b>2,702</b>	<b>19,296</b>	<b>19,701</b>
Plus (or minus) last year's carry forward total	l	55	5	60	89
<b>Sub-total</b>	n = (l + m)	<b>55</b>	<b>5</b>	<b>60</b>	<b>89</b>
<b>Total permissible income</b>	o = k + n	<b>16,649</b>	<b>2,707</b>	<b>19,356</b>	<b>19,790</b>
Less notional general income yield	p	16,567	2,700	19,267	19,796
<b>Catch-up or (excess) result</b>	q = o – p	<b>81</b>	<b>8</b>	<b>89</b>	<b>(6)</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>81</b>	<b>8</b>	<b>89</b>	<b>(5)</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Armidale Regional Council

To the Councillors of Armidale Regional Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Armidale Regional Council (the Council) for the year ending 30 June 2022.

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 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

## Other Information

The Council's annual report for the year ended 30 June 2021 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 2021'.

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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



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

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

A handwritten signature in black ink, appearing to read 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper  
Director, Financial Audit

Delegate of the Auditor General for New South Wales

23 December 2021  
SYDNEY

## Armidale Regional Council

### Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance <sup>a</sup> \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
<b>Buildings</b>	Buildings	4,755	23,521	2,490	1,265	58,617	118,233	18.0%	12.0%	50.0%	19.0%	1.0%
	<b>Sub-total</b>	<b>4,755</b>	<b>23,521</b>	<b>2,490</b>	<b>1,265</b>	<b>58,617</b>	<b>118,233</b>	<b>18.0%</b>	<b>12.0%</b>	<b>50.0%</b>	<b>19.0%</b>	<b>1.0%</b>
<b>Other structures</b>	Other Infrastructure Assets	1,053	6,018	4,530	4,292	32,636	44,044	50.0%	36.0%	2.0%	12.0%	0.0%
	<b>Sub-total</b>	<b>1,053</b>	<b>6,018</b>	<b>4,530</b>	<b>4,292</b>	<b>32,636</b>	<b>44,044</b>	<b>50.0%</b>	<b>36.0%</b>	<b>2.0%</b>	<b>12.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	852	3,399	2,650	1,816	148,226	182,321	45.0%	22.0%	9.0%	20.0%	4.0%
	Unsealed roads	1,385	4,143	2,590	1,865	24,392	35,016	22.0%	9.0%	27.0%	35.0%	7.0%
	Bridges	107	614	120	181	33,169	49,547	27.0%	49.0%	23.0%	1.0%	0.0%
	Footpaths	711	2,070	180	124	8,125	12,200	62.0%	30.0%	5.0%	2.0%	1.0%
	Other Road Assets (including Bulk earthworks)	2,553	6,119	490	216	172,714	176,962	92.0%	2.0%	2.0%	2.0%	2.0%
	<b>Sub-total</b>	<b>5,608</b>	<b>16,345</b>	<b>6,030</b>	<b>4,202</b>	<b>386,626</b>	<b>456,046</b>	<b>60.0%</b>	<b>16.4%</b>	<b>9.1%</b>	<b>11.6%</b>	<b>2.9%</b>
<b>Water supply network</b>	Water supply network	1,500	8,145	4,110	3,282	161,987	244,289	10.0%	52.0%	35.0%	3.0%	0.0%
	<b>Sub-total</b>	<b>1,500</b>	<b>8,145</b>	<b>4,110</b>	<b>3,282</b>	<b>161,987</b>	<b>244,289</b>	<b>10.0%</b>	<b>52.0%</b>	<b>35.0%</b>	<b>3.0%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network	2,308	13,190	2,300	2,104	99,786	140,477	20.0%	48.0%	23.0%	9.0%	0.0%
	<b>Sub-total</b>	<b>2,308</b>	<b>13,190</b>	<b>2,300</b>	<b>2,104</b>	<b>99,786</b>	<b>140,477</b>	<b>20.0%</b>	<b>48.0%</b>	<b>23.0%</b>	<b>9.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>	Stormwater drainage	192	1,096	1,620	744	118,658	172,756	39.0%	42.0%	19.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>192</b>	<b>1,096</b>	<b>1,620</b>	<b>744</b>	<b>118,658</b>	<b>172,756</b>	<b>39.0%</b>	<b>42.0%</b>	<b>19.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other infrastructure assets</b>	Airport Infrastructure	–	–	1,920	693	12,167	15,108	92.0%	8.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,920</b>	<b>693</b>	<b>12,167</b>	<b>15,108</b>	<b>92.0%</b>	<b>8.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>15,416</b>	<b>68,315</b>	<b>23,000</b>	<b>16,582</b>	<b>870,477</b>	<b>1,190,953</b>	<b>37.8%</b>	<b>31.3%</b>	<b>21.2%</b>	<b>8.5%</b>	<b>1.2%</b>

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

#### Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)

## Armidale Regional Council

### Report on infrastructure assets as at 30 June 2021 (continued)

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2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Armidale Regional Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>3,955</b>	<b>26.98%</b>	17.81%	45.06%	>= 100.00%
Depreciation, amortisation and impairment	<b>14,658</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>15,416</b>	<b>1.80%</b>	1.73%	5.41%	< 2.00%
Net carrying amount of infrastructure assets	<b>857,350</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>16,582</b>	<b>72.10%</b>	88.54%	87.00%	> 100.00%
Required asset maintenance	<b>23,000</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>68,315</b>	<b>5.74%</b>	6.11%	3.94%	
Gross replacement cost	<b>1,190,953</b>				

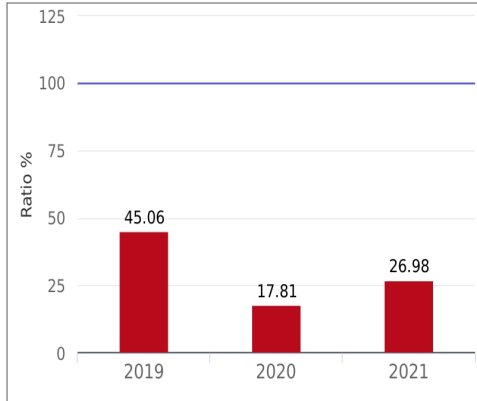
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2021

### 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	
20/21 ratio	26.98%

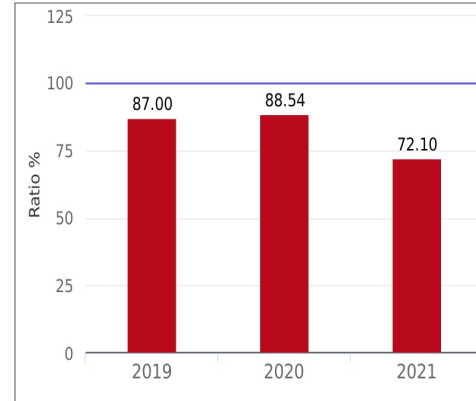
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

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

Commentary on result	
20/21 ratio	72.10%

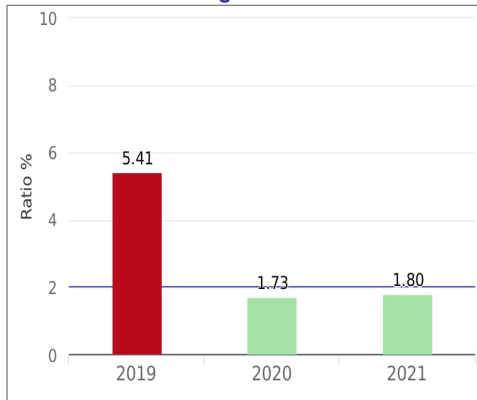
Benchmark: —  $> 100.00\%$

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	
20/21 ratio	1.80%

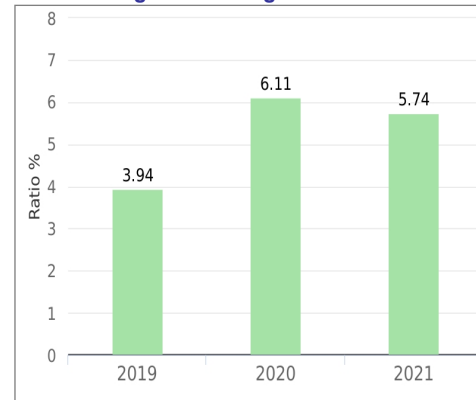
Benchmark: —  $< 2.00\%$

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	
20/21 ratio	5.74%

## Armidale Regional Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>43.35%</b>	27.36%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	>= 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.95%</b>	1.88%	<b>0.93%</b>	0.91%	<b>2.31%</b>	2.28%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>67.49%</b>	84.31%	<b>79.85%</b>	97.22%	<b>91.48%</b>	99.73%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>5.83%</b>	6.45%	<b>3.33%</b>	3.33%	<b>9.39%</b>	9.39%	

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