

Walcha Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



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Walcha Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

2W Hamilton Street
Walcha NSW 2354

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.walcha.nsw.gov.au.

Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2022

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2022

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 31 August 2022.

Eric Noakes
Mayor
31 August 2022

Scott Kermod
Deputy Mayor
31 August 2022

Barry Omundson
General Manager
31 August 2022

Christian Martin
Responsible Accounting Officer
31 August 2022

Walcha Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
	Income from continuing operations			
5,279	Rates and annual charges	B2-1	5,279	5,184
1,626	User charges and fees	B2-2	4,572	5,884
266	Other revenues	B2-3	530	955
4,489	Grants and contributions provided for operating purposes	B2-4	8,753	6,704
11,812	Grants and contributions provided for capital purposes	B2-4	6,801	9,737
25	Interest and investment income	B2-5	53	43
84	Other income	B2-6	72	177
23,581	Total income from continuing operations		26,060	28,684
	Expenses from continuing operations			
5,736	Employee benefits and on-costs	B3-1	6,524	6,046
3,648	Materials and services	B3-2	7,880	9,079
113	Borrowing costs	B3-3	81	26
3,844	Depreciation, amortisation and impairment of non-financial assets	B3-4	4,092	3,858
311	Other expenses	B3-5	356	538
48	Net loss from the disposal of assets	B4-1	602	500
13,700	Total expenses from continuing operations		19,535	20,047
9,881	Operating result from continuing operations		6,525	8,637
9,881	Net operating result for the year attributable to Council		6,525	8,637
(1,921)	Net operating result for the year before grants and contributions provided for capital purposes		(276)	(1,100)

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

Walcha Council

Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Net operating result for the year – from Income Statement		6,525	8,637
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>634</u>	<u>1,405</u>
Total items which will not be reclassified subsequently to the operating result		634	1,405
Total other comprehensive income for the year		634	1,405
Total comprehensive income for the year attributable to Council		7,159	10,042

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

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Walcha Council

Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$ '000	Restated 2021 ¹ \$ '000	Restated 1 July 2020 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	5,016	1,729	5,225
Investments	C1-2	8,506	3,847	2,326
Receivables	C1-4	2,276	3,409	1,241
Inventories	C1-5	274	360	652
Contract assets and contract cost assets	C1-6	3,032	5,401	3,058
Total current assets		19,104	14,746	12,502
Non-current assets				
Receivables	C1-4	7	–	–
Infrastructure, property, plant and equipment (IPPE)	C1-7	437,230	425,609	414,527
Right of use assets	C2-1	55	28	80
Total non-current assets		437,292	425,637	414,607
Total assets		456,396	440,383	427,109
LIABILITIES				
Current liabilities				
Payables	C3-1	1,841	3,055	1,698
Contract liabilities	C3-2	6,735	2,508	1,148
Lease liabilities	C2-1	16	18	59
Borrowings	C3-3	79	89	84
Employee benefit provisions	C3-4	2,040	2,112	2,166
Provisions	C3-5	177	166	110
Total current liabilities		10,888	7,948	5,265
Non-current liabilities				
Payables	C3-1	10	38	59
Lease liabilities	C2-1	31	2	14
Borrowings	C3-3	58	137	225
Employee benefit provisions	C3-4	67	72	74
Provisions	C3-5	9,139	3,142	2,470
Total non-current liabilities		9,305	3,391	2,842
Total liabilities		20,193	11,339	8,107
Net assets		436,203	429,044	419,002
EQUITY				
Accumulated surplus		176,851	170,326	161,689
IPPE revaluation reserve	C4-1	259,352	258,718	257,313
Council equity interest		436,203	429,044	419,002
Total equity		436,203	429,044	419,002

(1) Restated - see Note G4-1

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

Walcha Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	as at 30/06/22			as at 30/06/21		
		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		169,497	259,553	429,050	160,860	258,148	419,008
Correction of prior period errors	G4-1	829	(835)	(6)	829	(835)	(6)
Restated opening balance		170,326	258,718	429,044	161,689	257,313	419,002
Net operating result for the year		6,525	–	6,525	8,637	–	8,637
Restated net operating result for the period		6,525	–	6,525	8,637	–	8,637
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	634	634	–	1,405	1,405
Other comprehensive income		–	634	634	–	1,405	1,405
Total comprehensive income		6,525	634	7,159	8,637	1,405	10,042
Closing balance at 30 June		176,851	259,352	436,203	170,326	258,718	429,044

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

Walcha Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022 \$ '000		Notes	Actual 2022 \$ '000	Actual 2021 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
5,279	Rates and annual charges		5,233	5,120
1,611	User charges and fees		5,020	6,293
25	Investment revenue and interest		54	42
16,301	Grants and contributions		22,290	15,511
325	Other		2,659	615
<i>Payments:</i>				
(5,736)	Payments to employees		(6,623)	(6,122)
(3,608)	Payments for materials and services		(10,590)	(9,821)
(113)	Borrowing costs		(15)	(21)
(311)	Other		(349)	(300)
13,773	Net cash flows from operating activities	G1-1	17,679	11,317
Cash flows from investing activities				
<i>Receipts:</i>				
150	Proceeds from sale of IPPE		91	250
<i>Payments:</i>				
–	Acquisition of term deposits		(4,659)	(1,521)
(15,711)	Payments for IPPE		(9,716)	(13,399)
(15,561)	Net cash flows from investing activities		(14,284)	(14,670)
Cash flows from financing activities				
<i>Receipts:</i>				
1,630	Borrowings and advances		–	–
<i>Payments:</i>				
(97)	Borrowings and advances		(89)	(83)
–	Principal component of lease payments		(19)	(60)
1,533	Net cash flows from financing activities		(108)	(143)
(255)	Net change in cash and cash equivalents		3,287	(3,496)
1,729	Cash and cash equivalents – beginning of year		1,729	5,225
1,474	Cash and cash equivalents at end of year	C1-1	5,016	1,729
6,505	plus: Investments on hand at end of year	C1-2	8,506	3,847
7,979	Total cash, cash equivalents and investments		13,522	5,576

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

Walcha Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 31 August 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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 did not identify any potential material adjustments required to be done as a result of the pandemic. Even though the pandemic had a widespread effect on slowing down economies around the world, as at 30 June 2022 it is hard to predict any significant future implications on Council's business. Council's operations remain on the same pattern. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2022 financial results. Hence, 30 June 2022 financial statements were prepared on a going concern basis.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

A1-1 Basis of preparation (continued)

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.

Cash and other assets of the following entities or activities 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.

Council currently has no monies held in Trust.

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 does not recognise services provided by volunteers in its income statement due to the immateriality and unjustifiable cost of trying to reliably capture and assign a value to the many services that volunteers in our community provide.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current; and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

Standard AASB 2020-1 amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

This standard has an effective date for the 30 June 2024 reporting period.

A1-1 Basis of preparation (continued)

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 - 2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making, and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]

This Standard amends a number of standards as follows:

AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;

AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;

AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;

AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and

AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Above amendments might result in reductions in quantum of accounting policies disclosures to focus on key decision areas and material policies only. Council does not expect any material impact on reported financial performance or position.

This standard has an effective date for the 30 June 2024 reporting period.

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

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

New accounting standards adopted during the year

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

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

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021 ¹
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Administration	242	183	1,122	1,250	(880)	(1,067)	6	–	18,398	18,349
Public Order & Safety	80	67	426	347	(346)	(280)	76	62	1,067	334
Health	–	–	20	25	(20)	(25)	–	–	–	–
Environment	1,745	1,522	1,969	1,617	(224)	(95)	660	423	11,773	10,039
Community Services & Education	1,251	1,122	1,236	1,220	15	(98)	1,099	974	1,972	2,052
Housing & Community Amenities	222	216	506	434	(284)	(218)	80	128	1,392	1,381
Recreation & Culture	1,127	1,886	1,689	1,682	(562)	204	1,040	1,853	10,025	9,672
Mining, Manufacturing & Construction	17	122	114	305	(97)	(183)	–	–	4,867	860
Transport & Communication	9,780	13,715	9,879	10,110	(99)	3,605	6,307	8,761	371,195	366,957
Economic Affairs	1,748	1,295	976	1,662	772	(367)	1,499	543	1,462	979
General Purpose Revenues	7,219	6,183	–	–	7,219	6,183	3,546	2,565	–	–
Water Supplies	2,136	1,840	1,005	886	1,131	954	1,224	1,064	24,648	18,807
Sewerage Services	493	533	593	509	(100)	24	17	68	9,597	10,124
Other	–	–	–	–	–	–	–	–	–	829
Total functions and activities	26,060	28,684	19,535	20,047	6,525	8,637	15,554	16,441	456,396	440,383

(1) Restated - refer to Note G4-1

B1-2 Components of functions or activities

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

Administration

Includes corporate support and other support services, engineering works and council policy compliance. Also incorporates governance costs including election expenses, members fees and expenses, subscriptions to local authority associations, meetings of Council and policy making committees, public disclosure (GIPA) and legislative compliance

Public Order & Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control, health services.

Environment

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

Community Services & Education

Includes administration and education; social protection (welfare); Aboriginal and other community services (excluding accommodation - as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including preschool; and other family and children's services. Also includes Community Transport.

Housing & Community Amenities

Includes public cemeteries; public conveniences; town planning; streetscaping; Council owned houses and other community amenities.

Recreation & Culture

Includes public libraries; open air art gallery; parks and reserves; sporting grounds and facilities; swimming pool and other sporting and recreational facilities.

Mining, Manufacturing & Construction

Includes building control, quarries and pits.

Transport & Communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, street lighting, road safety, works depot and aerodromes; RMS works and other.

Economic Affairs

Includes tourism and area promotion, industrial development promotion, private works, truck wash bay and other business undertakings.

General Purpose Revenues

Revenue from rates, untied grant funding, interest from investments.

Water Supplies

Water treatment services

Sewerage Services

Sewerage services

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2022 \$ '000	2021 \$ '000
Ordinary rates			
Residential	2	488	480
Farmland	2	3,051	2,998
Business	2	120	120
Less: pensioner rebates (mandatory)	2	(31)	(31)
Rates levied to ratepayers		3,628	3,567
Pensioner rate subsidies received	2	10	16
Total ordinary rates		3,638	3,583
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	2	536	533
Water supply services	2	408	375
Sewerage services	2	338	330
Waste management services (non-domestic)	2	400	393
Less: pensioner rebates (mandatory)	2	(62)	(64)
Annual charges levied		1,620	1,567
Pensioner subsidies received:			
– Water	2	5	9
– Sewerage	2	6	9
– Domestic waste management	2	10	16
Total annual charges		1,641	1,601
Total rates and annual charges		5,279	5,184
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised over time (1)		–	–
Rates and annual charges recognised at a point in time (2)		5,279	5,184
Total rates and annual charges		5,279	5,184

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

	Timing	2022 \$ '000	2021 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	482	383
Sewerage services	1	130	120
Waste management services (non-domestic)	1	50	59
Other	2	12	–
Total specific user charges		674	562
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	56	49
Private works – section 67	2	174	123
Section 10.7 certificates (EP&A Act)	2	21	24
Section 603 certificates	2	7	6
Animal control	2	4	5
Total fees and charges – statutory/regulatory		262	207
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care	2	57	62
Cemeteries	2	69	36
Child care	2	95	79
Transport for NSW works (state roads not controlled by Council)	1	3,313	4,919
Swimming centres	2	24	–
Tourism	2	44	–
Walcha Gym	2	34	19
Total fees and charges – other		3,636	5,115
Total other user charges and fees		3,898	5,322
Total user charges and fees		4,572	5,884
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		2,904	5,481
User charges and fees recognised at a point in time (2)		1,668	403
Total user charges and fees		4,572	5,884

Accounting policy

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

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

B2-3 Other revenues

	Timing	2022 \$ '000	2021 \$ '000
Commissions and agency fees	2	75	75
Diesel rebate	2	76	29
Insurance claims recoveries	2	58	–
Recycling income (non-domestic)	2	114	117
Sales – general	2	19	11
Other	2	89	93
Other - natural disaster costs reimbursement	2	–	630
Workers compensation wages reimbursement	2	99	–
Total other revenue		530	955

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	530	955
Total other revenue	530	955

Accounting policy for other revenue

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

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B2-4 Grants and contributions

		Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	1,397	1,238	-	-
Payment in advance - future year allocation					
Financial assistance	2	2,149	1,327	-	-
Amount recognised as income during current year					
		3,546	2,565	-	-
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies	1, 2	-	-	1,224	1,064
Sewerage services	1	-	-	17	68
Bushfire and emergency services	2	1,014	62	-	-
Community care	2	-	110	-	-
Economic development	1,2	9	238	607	73
Library – per capita	2	67	66	-	-
LIRS subsidy	2	7	10	-	-
Noxious weeds	1	654	414	-	-
Recreation and culture	1,2	342	509	456	1,479
Town Planning	2	80	50	-	-
Preschool	2	624	536	-	13
Waste	2	5	-	-	9
WCCC (formerly HACC)	2	324	302	-	-
Street lighting	2	11	22	-	-
Disaster Recovery	2	-	-	-	-
Other specific grants	2	22	34	-	-
Transport (roads to recovery)	2	1,013	888	-	-
Transport (other roads and bridges funding)	1	-	-	4,402	6,997
Transport for NSW contributions (regional roads, block grant)	2	771	771	-	-
Tourism	2	264	127	-	-
Total special purpose grants and non-developer contributions – cash					
		5,207	4,139	6,706	9,703

B2-4 Grants and contributions (continued)

	Timing	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Non-cash contributions					
Business development	2	–	–	–	34
Recreation and culture		–	–	95	–
Total other contributions – non-cash		–	–	95	34
Total special purpose grants and non-developer contributions (tied)		5,207	4,139	6,801	9,737
Total grants and non-developer contributions		8,753	6,704	6,801	9,737
Comprising:					
– Commonwealth funding		5,578	5,495	1,327	703
– State funding		3,175	1,209	5,474	9,034
		8,753	6,704	6,801	9,737
Developer contributions					
Total grants and contributions		8,753	6,704	6,801	9,737
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		654	1,161	4,419	9,269
Grants and contributions recognised at a point in time (2)		8,099	5,543	2,382	468
Total grants and contributions		8,753	6,704	6,801	9,737

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	1,390	1,905	1,729	773
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	863	603	-	8
Add: Funds received and not recognised as revenue in the current year	91	925	6,805	1,629
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(925)	(1,537)	(1,629)	(40)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(603)	(506)	-	(641)
Unspent funds at 30 June	816	1,390	6,905	1,729
Contributions				
Unspent funds at 1 July	-	-	43	43
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	(43)	-
Unspent contributions at 30 June	-	-	-	43

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. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

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B2-5 Interest and investment income

	2022 \$ '000	2021 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	18	9
– Cash and investments	35	34
Total interest and investment income (losses)	53	43
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	12	6
General Council cash and investments	35	30
Restricted investments/funds – external:		
Water fund operations	4	3
Sewerage fund operations	2	4
Total interest and investment income	53	43

Accounting policy

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

B2-6 Other income

	2022 \$ '000	2021 \$ '000
Rental income		
Other lease income		
Room/Facility Hire	49	47
Leaseback fees - council vehicles	23	26
Total other lease income	72	73
Total rental income	72	73
Other		
Effect from derecognition of remediation provision	–	104
Total other	–	104
Total other income	72	177

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	5,442	5,335
Employee leave entitlements (ELE)	1,175	1,225
Superannuation – defined contribution plans	568	491
Superannuation – defined benefit plans	41	173
Workers' compensation insurance	215	197
Fringe benefit tax (FBT)	38	65
Total employee costs	7,479	7,486
Less: capitalised costs	(955)	(1,440)
Total employee costs expensed	6,524	6,046
Number of 'full-time equivalent' employees (FTE) at year end	79	82

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	2022 \$ '000	2021 \$ '000
Raw materials and consumables		6,650	5,986
Contractor and consultancy costs		10,337	10,187
Audit Fees	F2-1	57	82
Councillor and Mayoral fees and associated expenses	F1-2	203	208
Bank charges		11	10
Election expenses		23	–
Electricity and heating		163	158
Insurance		353	312
Postage		4	6
Printing and stationery		27	11
Street lighting		27	24
Telephone and communications		52	52
Valuation fees		15	15
Noxious weeds		723	497
Rates and charges		208	167
Training costs (other than salaries and wages)		107	93
Other expenses		15	5
Legal expenses		14	12
Variable lease expense relating to usage		7	47
Total materials and services		18,996	17,872
Less: capitalised costs		(11,116)	(8,793)
Total materials and services		7,880	9,079

Accounting policy

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

B3-3 Borrowing costs

	Notes	2022 \$ '000	2021 \$ '000
(i) Interest bearing liability costs			
Interest on leases		–	1
Interest on loans		15	20
Total interest bearing liability costs		15	21
Total interest bearing liability costs expensed		15	21
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)		–	–
– Remediation liabilities	C3-5	66	5
Total other borrowing costs		66	5
Total borrowing costs expensed		81	26

Accounting policy

Borrowing costs are expensed as they are incurred.

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

	Notes	2022 \$ '000	2021 \$ '000
Depreciation and amortisation			
Plant and equipment		482	463
Office equipment		51	31
Furniture and fittings		9	7
Infrastructure:			
	C1-7		
– Buildings – specialised		400	379
– Other structures		86	54
– Roads		1,499	1,392
– Bridges		688	684
– Footpaths		68	65
– Stormwater drainage		64	64
– Water supply network		312	318
– Sewerage network		129	129
Right of use assets	C2-1	19	59
Other assets:			
– Heritage collections		3	2
– Other		167	116
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	96	76
– Quarry assets	C3-5,C1-7	19	19
Total gross depreciation and amortisation costs		4,092	3,858
Total depreciation and amortisation costs		4,092	3,858
Total depreciation, amortisation and impairment for non-financial assets		4,092	3,858

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

B3-5 Other expenses

	2022 \$ '000	2021 \$ '000
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	4	6
– NSW fire brigade levy	16	17
– NSW rural fire service levy	187	187
– Library	66	66
– Sundry	23	24
Write-down of inventories	7	238
Unspent grants refunds	53	–
Total other	356	538
Total other expenses	356	538

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

	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of plant and equipment		
Proceeds from disposal – plant and equipment	91	250
Less: carrying amount of plant and equipment assets sold/written off	(98)	(275)
Gain (or loss) on disposal	(7)	(25)
Gain (or loss) on disposal of infrastructure		
Less: carrying amount of infrastructure assets sold/written off	(595)	(475)
Gain (or loss) on disposal	(595)	(475)
Net gain (or loss) from disposal of assets	(602)	(500)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 30/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	5,279	5,279	-	0% F
User charges and fees	1,626	4,572	2,946	181% F
<ul style="list-style-type: none"> • Income from State Roads maintenance and ordered works was \$2.7M higher than budgeted. This is because maintenance income was missed from the budget and major contract works was undertaken. The budget was revised in the quarterly review. • Private works income was \$42k higher than budget due to major storm clean up costs of \$71k. Other private work was a little less than budgeted due to prioritising contract works and capital projects. • Preschool & Early Intervention fees were \$27k higher than budgeted. A conservative budget was set due to fluctuating enrolments and COVID uncertainty. • The Motorcycle Rally admission fees was \$44k. This was not in the budget due to uncertainty of the event taking place. • Cemetery fees were \$33k higher than expected. The budget was revised in the quarterly review. • Walcha Gym fees income was \$34k better than budget. This was slightly offset by a \$6k drop in swimming pool admissions. The budget was revised in the quarterly review. • Water usage charges were \$73k higher than budgeted and sewer usage was \$4k higher - all due to increased water consumption. 				
Other revenues	266	530	264	99% F
<ul style="list-style-type: none"> • Workers compensation reimbursements of \$94k was not included in the budget. Statecover Incentive \$21K and Regional Procurement \$5k also not included in the budget due to uncertainty of amounts and timing of payments. • \$84k other revenue related to Motorcycle Rally was not realised due to funding for the event being made available. • Sales of recyclables is \$30k better than expected. • Insurance recoupments of \$16k for public amenities and \$42k for plant. • Trainee salary subsidies of \$37k were not included in the budget. • Diesel fuel rebate was \$35k higher than budget, this is due to the correction of calculation errors in the 2021 financial year. 				
Operating grants and contributions	4,489	8,753	4,264	95% F
<ul style="list-style-type: none"> • 2022 FAG funding was paid 50% in advance in the 2021. 75% of FY 2023 funding was received in May. The result is \$1M higher than budget. • Community Recover Officer funding of \$135k was not in original budget. Budget was revised in the quarterly review. • Preschool received \$133k Start Strong funding and \$8 Community Grants that were not budgeted. Disability Inclusion Funding was \$7 less than budget. • \$14k funding received for School Holiday activities were not budgeted. Budget was revised in the quarterly review. • \$264k funding was received for Tourism activities including New England High Country Soundtrails project, \$131k, Motorcycle Rally \$38k and COVID assistance \$90k. Budget was revised in the quarterly review. • EPA funding \$724k to clean up green waste generated by the 2019 bushfires was not in the budget. Budget was revised in the quarterly review. • \$654k for construction of the Moona-Winterbourne barrier fence was carried over from previous year and not in original budget. • \$80k was received for NSW Planning Portal API implementation. Was not in the budget. • Stronger Country Communities Funding \$319k was received for relocation of the Walcha Men's Shed. Budget was revised in the quarterly review. 				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<ul style="list-style-type: none"> \$79k funding from Black Summer Bushfire Recovery was received for the Nowendoc Hall Amenities upgrade. This was not in the budget. Roads to Recovery Funding was \$780k higher than budgeted due to completion of a number of projects. The budget was revised in the quarterly review. 				
Capital grants and contributions	11,812	6,801	(5,011)	(42)% U
<ul style="list-style-type: none"> Completion of the Truck Wash Bay earned \$251k from Restart NSW and \$252k from Local Roads & Community Infrastructure (LRCI) funding that were not in the original budget. The budget was revised in the quarterly review. Bushfire Local Economic Recovery Funding (BLER) of \$205k was received for Lions Park Upgrade, Skate Park Construction and Swimming Pool Upgrade. The budget was revised in the quarterly review. Local Roads & Community Infrastructure (LRCI) funding for the Walcha Gym and other building electrical works & gym equipment of \$225k was received. The budget was revised in the quarterly review. Non cash contribution of \$95k was recognised for donated art works installed during the year. This was not in the budget. Stronger Country Communities Funding (SCCF) \$131k was received for Levee Bank Lighting. Bridges Renewal Program (BRP) funding of \$851k was received. The budget was revised in the quarterly review. \$514k was not received from Fixing Country Roads due to extension of time for completion of the Thunderbolts Way Corridor Strategy. This will carry forward to next year. \$135k was received on completion of Old Brookmount Road timber bridge replacement. Fixing Country Bridges funding \$170k was not in the budget. Budget was revised in the quarterly review. Priority Cycleways funding \$87k was received on completion of Shared Pathways Project. The budget was revised in the quarterly review. Water Fund received \$6.9M less than budgeted due to the length of the project. The budget was revised in the quarterly review. 				
Interest and investment revenue	25	53	28	112% F
<ul style="list-style-type: none"> Interest rates have improved and Council has placed an additional \$4.6M on term deposit, yielding an additional \$21k in interest revenue. Interest earned on rates & charges are \$7k higher than budgeted. 				
Other income	84	72	(12)	(14)% U
<ul style="list-style-type: none"> FBT staff contributions were \$5k less than budget due to staff resignations. Rental income was \$6k less than budget. Sporting facilities was \$2k less than budget. Income from Aerodrome and RTA Inspection bay was \$2 better than budget. 				
Expenses				
Employee benefits and on-costs	5,736	6,524	(788)	(14)% U
<ul style="list-style-type: none"> Administration wages were \$420k over budget, due mainly to insufficient budget allocation Community Recovery Officer costs were not included in the budget, \$115k (funded) Private works wages were \$38k higher than budget Wages savings in Health Inspections of \$23k and \$17k Plant Operations Parks & Reserves wages was \$121k over budget, due to this item being missed in the original budget Wages for State Roads maintenance was also missed in the budget giving variance of \$690k Transport had wages savings of \$64k in other transport, \$123k Sealed Rural Roads, \$338k in Unsealed Rural Roads Total leave costs were also \$130k less than budget 				
Materials and services	3,648	7,880	(4,232)	(116)% U
Materials & Services costs were \$4.2M over budget.				
Administration - there were savings of \$180k in the administration area, \$140k from training due to availability of funded training.				
Community Services & Education - \$68k over budget in Preschool, WCCC and Community Recovery, all funded costs.				
Economic Affairs - \$186k over budget due to \$50k additional costs in private works, funded tourism costs - Motorcycle Rally and NEHC Soundtrails Project \$106k, funded BCRRF costs \$18k and \$15k operating costs for the newly opened truck wash bay.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
<p>Environment - \$638k for Moona-Winterbourne Fence which was fully funded. This was offset by cost savings of \$25k in Stormwater Drainage and \$32k in Waste Management.</p>				
<p>Housing & Community Amenities - \$116k over budget. Public amenities over budget by \$39k covered partially by an insurance reimbursement for vandalism; Cemetery was \$17k over budget - \$13k was a funded project (Aboriginal Graves Restoration); Town Planning contractors was \$60k higher than budgeted.</p>				
<p>Internal Plant - increased fuel costs pushed operating expenses \$52k over budget.</p>				
<p>Recreation & Culture - \$214k over budget. Completion of the Mens' Shed Relocation (fully funded) \$330k was not budgeted. This was offset by savings in Parks & Reserves and Sporting Facilities \$140k. Pool and Gym costs were \$22k over budget (combined).</p>				
<p>Transport - materials expense was \$2.9M over budget due mainly to errors in the original budget. State Roads Maintenance costs were \$2.1 over budget and were fully funded. Other roads were \$837k over budget due to budget costs being underestimated and set against wages expense.</p>				
<p>Sewer - Sewer Treatment costs were \$63k over budget.</p>				
<p>Water - \$27k over budget</p>				
Borrowing costs	113	81	32	28% F
<ul style="list-style-type: none"> • Lease Interest \$26k less than budget. The printers lease expired in July 2021 and a new lease did not start until March 2022. • Unwinding of PV Premium (remediation provision) and loan interest expense was \$7k less than budgeted. 				
Depreciation, amortisation and impairment of non-financial assets	3,844	4,092	(248)	(6)% U
Other expenses	311	356	(45)	(14)% U
<ul style="list-style-type: none"> • Gravel stock revaluation expense \$7k, not budgeted. • Return of grant funding \$53k from Water & Sewer funds for trainee program that was not completed. • Offset by \$14k savings across a number of business units. 				
Net losses from disposal of assets	48	602	(554)	(1,154)% U
<ul style="list-style-type: none"> • Disposal of plant realised a loss of \$7k against a budgeted loss of \$41k • Timber bridges decommissioned to be replaced with concrete bridges \$79k • Road assets write off as part of rehabilitation works totalled \$492k with \$355k of that on Thunderbolts Way • Water mains asset write off \$25k incurred on Blue Hogan Bridge upgrade 				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	13,773	17,679	3,906	28% F
\$2.7M income from State Roads Maintenance was not in the original budget.				
Prepayment of FY 2023 FAGs grant - FAG funding \$1M higher than budget.				
Additional operating and capital grants received that were not budgeted.				
Cash flows from investing activities	(15,561)	(14,284)	1,277	(8)% F
Cash flows from financing activities	1,533	(108)	(1,641)	(107)% U
Budgeted borrowings of \$1.6M did not proceed due to top up funding from the Federal Government for the Water Fund Off Stream Storage project.				

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C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2022 \$ '000	2021 \$ '000
Cash assets		
Cash on hand and at bank	5,016	1,729
Total cash and cash equivalents	5,016	1,729

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	5,016	1,729
Balance as per the Statement of Cash Flows	5,016	1,729

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.

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C1-2 Financial investments

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Debt securities at amortised cost				
Term deposits	8,506	–	3,847	–
Total	8,506	–	3,847	–
Total financial investments	8,506	–	3,847	–
Total cash assets, cash equivalents and investments	13,522	–	5,576	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

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

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

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

	2022 \$ '000	2021 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	13,522	5,576
Less: Externally restricted cash, cash equivalents and investments	8,925	3,783
Cash, cash equivalents and investments not subject to external restrictions	4,597	1,793
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	3,026	2,508
Specific purpose unexpended grants – water fund	3,709	–
External restrictions – included in liabilities	6,735	2,508
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	–	21
Specific purpose unexpended grants (recognised as revenue) – general fund	986	611
Water fund	702	58
Sewer fund	502	563
Public Art Donations	–	22
External restrictions – other	2,190	1,275
Total external restrictions	8,925	3,783

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

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

	2022 \$ '000	2021 \$ '000
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	4,597	1,793
Less: Internally restricted cash, cash equivalents and investments	6,684	4,252
Unrestricted and unallocated cash, cash equivalents and investments	(2,087)	(2,459)

Internal allocations

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

Plant and vehicle replacement	1,182	899
Infrastructure replacement	2,044	2,044
Employees leave entitlement	647	647
Quarries remediation	301	301
Tip site remediation	296	296
Project Development	65	65
Financial Assistance Grant - Advance Payment	2,149	-
Total internal allocations	6,684	4,252

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

	2022 \$ '000	2021 \$ '000
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(c) Unrestricted and unallocated

Unrestricted and unallocated cash, cash equivalents and investments	(2,087)	(2,459)
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C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	325	–	251	–
Interest and extra charges	12	–	13	–
User charges and fees	40	–	38	–
Other income accruals	151	–	62	–
General debtors	1,621	–	2,504	–
Loans to non-profit organisations	3	7	–	–
Net GST receivable	104	–	525	–
Prepayments	30	–	26	–
Total	2,286	7	3,419	–
Less: provision for impairment				
Other debtors	(10)	–	(10)	–
Total provision for impairment – receivables	(10)	–	(10)	–
Total net receivables	2,276	7	3,409	–
Externally restricted receivables				
Water supply				
– Rates and availability charges	43	–	31	–
– Other	35	–	27	–
Sewerage services				
– Rates and availability charges	38	–	39	–
– Other	6	–	5	–
Total external restrictions	122	–	102	–
Unrestricted receivables	2,154	7	3,307	–
Total net receivables	2,276	7	3,409	–

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	10	10
Balance at the end of the year	10	10

Accounting policy

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

Impairment

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

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

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

C1-4 Receivables (continued)

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 5 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
(i) Inventories at cost				
Stores and materials	235	-	243	-
Trading stock	39	-	117	-
Total inventories at cost	274	-	360	-
Total inventories	274	-	360	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Contract assets	3,032	-	5,401	-
Total contract assets	3,032	-	5,401	-

Contract assets

Contract Assets under AASB 15	1,149	-	3,933	-
Grant Contract Assets under AASB 1058	1,712	-	846	-
Accrued Income under AASB 1058	171	-	622	-
Total contract assets	3,032	-	5,401	-

Significant changes in contract assets

Contract Assets relating to work for external parties (AASB 15)

Drop was mostly caused by receipt of money in 2022 for works accrued last year under RMCC contracts.

Grant Contract Assets - work related to infrastructure grants (AASB 1058 - Asset Exemption)

Increase is due to accrual for works done in 2022 financial year not yet reimbursed under multiple infrastructure projects.

Accrued Income - not specific or not enforceable grants (AASB 1058)

Drop due to receipt of reimbursement of emergency works accrued last year.

C1-6 Contract assets (continued)

(i) Externally restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	–	–	483	–
Sewer	93	–	76	–
Total externally restricted assets	93	–	559	–
Total restricted assets	93	–	559	–
Total unrestricted assets	2,939	–	4,842	–
Total contract assets	3,032	–	5,401	–

Accounting policy

Contract assets

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

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

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

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C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021 ¹			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount Restated \$ '000	Accumulated depreciation and impairment Restated \$ '000	Net carrying amount Restated \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Increase / Decrease Rehabilitation Provision \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	5,658	–	5,658	1,188	850	–	–	(3,468)	–	–	–	4,227	–	4,227
Plant and equipment	7,676	(3,161)	4,515	72	53	(98)	(482)	–	–	–	–	7,481	(3,421)	4,060
Office equipment	292	(139)	153	–	104	–	(51)	–	–	–	–	396	(190)	206
Furniture and fittings	147	(93)	54	–	80	–	(9)	–	–	–	–	227	(102)	125
Land:														
– Operational land	2,522	–	2,522	–	351	–	–	2	–	–	–	2,874	–	2,874
– Community land	2,204	–	2,204	–	–	–	–	–	–	–	–	2,204	–	2,204
Infrastructure:														
– Buildings – specialised	12,564	(4,358)	8,206	111	26	–	(400)	56	–	–	–	12,758	(4,758)	8,000
– Other structures	2,905	(1,385)	1,520	–	521	–	(86)	652	–	–	–	4,077	(1,471)	2,606
– Roads	116,236	(22,137)	94,099	3,982	92	(492)	(1,499)	1,357	–	–	–	120,983	(23,443)	97,540
– Bridges	65,095	(29,566)	35,529	–	1,956	(78)	(688)	689	–	–	–	67,630	(30,222)	37,408
– Footpaths and other road assets	6,415	(1,850)	4,565	–	88	–	(68)	386	–	–	–	6,998	(2,027)	4,971
– Bulk earthworks (non-depreciable)	227,460	–	227,460	63	–	–	–	–	–	–	–	227,522	–	227,522
– Stormwater drainage	10,341	(2,392)	7,949	–	–	–	(64)	–	–	–	–	10,341	(2,456)	7,885
– Water supply network	22,820	(6,358)	16,462	64	–	(25)	(312)	–	–	–	1,024	23,362	(6,149)	17,213
– Sewerage network	11,529	(2,730)	8,799	40	–	–	(129)	297	–	(390)	–	11,726	(3,109)	8,617
Other assets:														
– Heritage collections	263	(69)	194	–	–	–	(3)	–	–	–	–	264	(72)	192
– Other	5,135	(1,570)	3,565	16	154	–	(167)	29	–	–	–	5,334	(1,737)	3,597
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	1,569	(274)	1,295	–	–	–	(96)	–	1,917	–	–	3,486	(370)	3,116
– Quarry assets	1,208	(348)	860	–	–	–	(19)	–	4,025	–	–	5,234	(367)	4,867
Total infrastructure, property, plant and equipment	502,039	(76,430)	425,609	5,536	4,275	(693)	(4,073)	–	5,942	(390)	1,024	517,124	(79,894)	437,230

(1) Restated - see Note G4-1

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

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

By aggregated asset class	At 1 July 2020 ²			Asset movements during the reporting period							At 30 June 2021 ²		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Increase rehabilitation provision	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	Restated \$ '000	Restated \$ '000	Restated \$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	2,504	–	2,504	4,355	–	–	–	(1,201)	–	–	5,658	–	5,658
Plant and equipment	8,177	(3,282)	4,895	206	132	(275)	(463)	20	–	–	7,676	(3,161)	4,515
Office equipment	155	(127)	28	–	156	–	(31)	–	–	–	292	(139)	153
Furniture and fittings	100	(86)	14	–	48	–	(7)	–	–	–	147	(93)	54
Land:													
– Operational land	2,520	–	2,520	–	–	–	–	–	–	–	2,522	–	2,522
– Community land	2,162	–	2,162	–	–	–	–	–	–	42	2,204	–	2,204
Infrastructure:													
– Buildings – specialised	11,521	(3,979)	7,542	219	736	–	(379)	88	–	–	12,564	(4,358)	8,206
– Other structures	2,576	(1,220)	1,356	40	–	–	(54)	1	–	177	2,905	(1,385)	1,520
– Roads	109,883	(20,727)	89,156	5,949	–	(205)	(1,392)	593	–	–	116,236	(22,137)	94,099
– Bridges	65,125	(29,003)	36,122	114	–	(182)	(684)	160	–	–	65,095	(29,566)	35,529
– Footpaths	6,372	(1,828)	4,544	60	12	–	(65)	14	–	–	6,415	(1,850)	4,565
– Bulk earthworks (non-depreciable)	227,104	–	227,104	444	–	(88)	–	–	–	–	227,460	–	227,460
– Stormwater drainage	10,310	(2,329)	7,981	–	32	–	(64)	–	–	–	10,341	(2,392)	7,949
– Water supply network	22,404	(5,982)	16,422	–	208	–	(318)	–	–	148	22,820	(6,358)	16,462
– Sewerage network	11,416	(2,576)	8,840	–	–	–	(129)	–	–	88	11,529	(2,730)	8,799
Other assets:													
– Heritage collections	237	(57)	180	–	–	–	(2)	–	–	17	263	(69)	194
– Other	3,155	(1,407)	1,748	540	135	–	(116)	325	–	933	5,135	(1,570)	3,565
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	1,092	(228)	864	–	–	–	(76)	–	506	–	1,569	(274)	1,295
– Quarry assets	887	(342)	545	–	–	–	(19)	–	332	–	1,208	(348)	860
Total infrastructure, property, plant and equipment	487,700	(73,173)	414,527	11,927	1,459	(750)	(3,799)	–	838	1,405	502,039	(76,430)	425,609

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

(2) Restated - see Note G4-1

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

Accounting policy

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	10 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	3 to 5	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
		Stormwater assets	
Water and sewer assets		Drains	80 to 100
Dams and reservoirs	100	Culverts	50 to 80
Bores	20 to 40	Flood control structures	80 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	75		
Pumps and telemetry	15 to 30		
Water Meters	10		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	15 to 70	Swimming pools	60
Sealed roads: structure	50 to 120		
Unsealed roads	20 to 50		
Bridge: concrete	100		
Bridge: other	60		
Road pavements	60		
Kerb, gutter and footpaths	100		

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included on the income statement.

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

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

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 Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer 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".

Rural Fire Service assets comprising land, buildings and vehicles are recognised as assets of the Council in these financial statements.

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C2 Leasing activities

C2-1 Council as a lessee

Terms and conditions of leases

Buildings

Council leases office space for Community Care (WCCC); the lease is generally between 1 and 2 years and includes a renewal option to allow Council to renew for up to 12 months. The previous lease for the Visitor Information Centre has expired and the building is now subject to monthly rental.

The building leases contains 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 IT equipment are generally for low value assets, except for significant items such as printers. A new lease for printers was entered into during the year for a four year term, the payments are fixed, however the lease includes a variable payment based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

(a) Right of use assets

	Plant & Equipment \$ '000	Total \$ '000
2022		
Opening balance at 1 July	28	28
Additions to right-of-use assets	45	45
Adjustments to right-of-use assets due to re-measurement of lease liability	1	1
Depreciation charge	(19)	(19)
Balance at 30 June	55	55
2021		
Opening balance at 1 July	80	80
Adjustments to right-of-use assets due to re-measurement of lease liability	6	6
Depreciation charge	(59)	(59)
Other movement	1	1
Balance at 30 June	28	28

(b) Lease liabilities

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Lease liabilities	16	31	18	2
Total lease liabilities	16	31	18	2

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2022					
Cash flows	18	31	–	49	47
2021					
Cash flows	18	2	–	20	20

(d) Income Statement

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

	2022 \$ '000	2021 \$ '000
Interest on lease liabilities	–	1
Variable lease payments based on usage not included in the measurement of lease liabilities	7	47
Depreciation of right of use assets	19	59
	26	107

(e) Statement of Cash Flows

Total cash outflow for leases	47	20
	47	20

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

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).

C2-1 Council as a lessee (continued)

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (i) below) in the Statement of Financial Position.

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

	2022 \$ '000	2021 \$ '000
(i) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	72	73
Total income relating to operating leases for Council assets	72	73
Other leased assets expenses		
Other	203	216
Total expenses relating to other leases assets	203	216

C3 Liabilities of Council

C3-1 Payables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Goods and services – operating expenditure	934	10	2,162	38
Accrued expenses:				
– Other expenditure accruals	833	–	827	–
Prepaid rates	74	–	66	–
Total payables	1,841	10	3,055	38

Payables relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	116	–	238	–
Sewer	8	–	41	–
Payables relating to externally restricted assets	124	–	279	–
Total payables relating to restricted assets	124	–	279	–
Total payables relating to unrestricted assets	1,717	10	2,776	38
Total payables	1,841	10	3,055	38

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	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Grants and contributions received in advance:				
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii) 91	-	755	-
Unexpended capital grants (to construct Council controlled assets)	(i) 6,644	-	1,753	-
Total grants received in advance	6,735	-	2,508	-
Total contract liabilities	6,735	-	2,508	-

Notes

(i) Council has received funding to construct or upgrade assets including sporting facilities, roadworks 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 being satisfied since the performance obligations are ongoing.

Contract liabilities relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	3,710	-	-	-
Unspent grants held as contract liabilities (excl. Water & Sewer)	3,025	-	2,508	-
Contract liabilities relating to externally restricted assets	6,735	-	2,508	-
Total contract liabilities relating to restricted assets	6,735	-	2,508	-
Total contract liabilities	6,735	-	2,508	-

C3-2 Contract Liabilities (continued)

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

	2022 \$ '000	2021 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	755	1,048
Operating grants (received prior to performance obligation being satisfied)	1,753	100
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,508	1,148

Significant changes in contract liabilities

Contract Liabilities related to works for external parties (private works, etc) (AASB 15)

Drop is mostly caused by delivering works in 2022 financial year under Moona-Winterbourne Linear Fence project.

Grant Contract Liabilities - funds to construct council controlled assets (AASB 1058 - Asset Exemption)

Increase is mostly caused by the advance receipt of a grant for Construction of a 300ML off-stream storage to provide water security to Walcha. Amount of unspent funds as at 30 June 2022 was \$3.8M.

Accounting policy

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

C3-3 Borrowings

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Loans – secured ¹	79	58	89	137
Total borrowings	79	58	89	137

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

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

Borrowings relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	10	46	10	56
Borrowings relating to externally restricted assets	10	46	10	56
Total borrowings relating to restricted assets	10	46	10	56
Total borrowings relating to unrestricted assets	69	12	79	81
Total borrowings	79	58	89	137

C3-3 Borrowings (continued)
(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	226	(89)	–	–	–	–	137
Lease liability (Note C2-1b)	20	27	–	–	–	–	47
Total liabilities from financing activities	246	(62)	–	–	–	–	184

	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	309	(83)	–	–	–	–	226
Lease liability (Note C2-1b)	73	(53)	–	–	–	–	20
Total liabilities from financing activities	382	(136)	–	–	–	–	246

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C3-3 Borrowings (continued)

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	48	48
Total financing arrangements	248	248
Undrawn facilities		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	48	48
Total undrawn financing arrangements	248	248

Additional financing arrangements information**Breaches and defaults**

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

(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

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Annual leave	726	–	709	–
Long service leave	1,193	67	1,284	72
Time in lieu	94	–	105	–
Rostered day off	27	–	14	–
Total employee benefit provisions	2,040	67	2,112	72

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

	2022 \$ '000	2021 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,272	1,320
	1,272	1,320

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2022				
At beginning of year	709	1,356	119	2,184
Additional provisions	474	52	33	559
Amounts used (payments)	(457)	(148)	(31)	(636)
Total ELE provisions at end of year	726	1,260	121	2,107
2021				
At beginning of year	694	1,404	142	2,240
Additional provisions	513	140	–	653
Amounts used (payments)	(498)	(188)	(23)	(709)
Total ELE provisions at end of year	709	1,356	119	2,184

Accounting policy

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.

C3-4 Employee benefit provisions (continued)

On-costs

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

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

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

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C3-5 Provisions

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	177	9,139	166	3,142
Sub-total – asset remediation/restoration	177	9,139	166	3,142
Total provisions	177	9,139	166	3,142

Description of and movements in provisions

	Asset remediation \$ '000	Other provisions Net carrying amount \$ '000
2022		
At beginning of year	3,308	3,308
Unwinding of discount	66	66
Re-measurement effects through P&L (Note B2-6)	–	–
Remeasurement effects through asset (Note C1-7)	5,942	5,942
Total other provisions at end of year	9,316	9,316
2021		
At beginning of year	2,580	2,580
Unwinding of discount	5	5
Re-measurement effects through P&L (Note B2-6)	(104)	(104)
Remeasurement effects through asset (Note C1-7)	838	838
Amounts used (payments)	(11)	(11)
Total other provisions at end of year	3,308	3,308

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

C3-5 Provisions (continued)

Rehabilitation

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

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

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

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

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

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

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C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

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D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
Income from continuing operations			
Rates and annual charges	4,554	397	328
User charges and fees	3,930	497	145
Interest and investment revenue	39	11	3
Other revenues	523	7	–
Grants and contributions provided for operating purposes	8,753	–	–
Grants and contributions provided for capital purposes	5,560	1,224	17
Other income	72	–	–
Total income from continuing operations	23,431	2,136	493
Expenses from continuing operations			
Employee benefits and on-costs	6,066	288	170
Materials and services	7,449	208	223
Borrowing costs	78	3	–
Depreciation, amortisation and impairment of non-financial assets	3,643	316	133
Other expenses	94	190	72
Net losses from the disposal of assets	602	–	–
Total expenses from continuing operations	17,932	1,005	598
Operating result from continuing operations	5,499	1,131	(105)
Net operating result for the year	5,499	1,131	(105)
Net operating result attributable to each council fund	5,499	1,131	(105)
Net operating result for the year before grants and contributions provided for capital purposes	(61)	(93)	(122)

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	103	4,411	502
Investments	8,506	–	–
Receivables	2,154	78	44
Inventories	274	–	–
Contract assets and contract cost assets	2,939	–	93
Total current assets	13,976	4,489	639
Non-current assets			
Receivables	7	–	–
Infrastructure, property, plant and equipment	408,220	20,052	8,958
Right of use assets	55	–	–
Total non-current assets	408,282	20,052	8,958
Total assets	422,258	24,541	9,597
LIABILITIES			
Current liabilities			
Payables	1,717	116	8
Contract liabilities	3,025	3,710	–
Lease liabilities	16	–	–
Borrowings	69	10	–
Employee benefit provision	2,040	–	–
Provisions	177	–	–
Total current liabilities	7,044	3,836	8
Non-current liabilities			
Payables	10	–	–
Lease liabilities	31	–	–
Borrowings	12	46	–
Employee benefit provision	67	–	–
Provisions	9,139	–	–
Total non-current liabilities	9,259	46	–
Total liabilities	16,303	3,882	8
Net assets	405,955	20,659	9,589
EQUITY			
Accumulated surplus	165,395	8,121	3,335
Revaluation reserves	240,560	12,538	6,254
Council equity interest	405,955	20,659	9,589
Total equity	405,955	20,659	9,589

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

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 Uralla Shire Council, Armidale Regional Council, Walcha Council, and Glen Innes Severn Council (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.

Council does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

NAMOI

Walcha Council is a member of Namoi Unlimited - Joint Organisation of Councils (JO). The interest in the Joint Organisation of Councils is to progress the strategic objectives of the region and lobby on their behalf.

There are 4 members of the JO, being Gunnedah Shire Council, Tamworth Regional Council, Liverpool Plains Shire Council and Walcha Council. All councils pay an annual membership. There are no material assets of the Council other than unspent membership payments. There is no material liability or debt of the Council.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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 Council.

Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy which complies with s625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Walcha Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of receivables, loans, investments and financial liabilities approximates the carrying amount. The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

	2022 \$ '000	2021 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	85	38

(b) Credit risk

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

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

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

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

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

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

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

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

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.

	overdue rates and annual charges			Total \$ '000
	Not yet overdue \$ '000	< 5 years \$ '000	≥ 5 years \$ '000	
2022				
Gross carrying amount	325	–	–	325
2021				
Gross carrying amount	235	16	–	251

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	Overdue debts				Total \$ '000
		0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2022						
Gross carrying amount	4,412	268	–	2	318	5,000
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	3.20%	0.20%
ECL provision	–	–	–	–	10	10
2021						
Gross carrying amount	6,906	1,089	–	263	311	8,569
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	3.20%	0.12%
ECL provision	–	–	–	–	10	10

(1) 2021 figures were adjusted to include contract asset balances

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

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	≤ 1 Year 1 \$ '000	payable in: 1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2022							
Payables	0.00%	–	3,045	10	–	3,055	1,851
Borrowings	5.70%	–	85	60	–	145	137
Total financial liabilities		–	3,130	70	–	3,200	1,988
2021							
Payables	0.00%	–	3,055	38	–	3,093	3,093
Borrowings	5.70%	–	100	144	–	244	226
Total financial liabilities		–	3,155	182	–	3,337	3,319

(1) 2021 figures have been adjusted to include prepaid rates.

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		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Infrastructure, property, plant and equipment C1-7									
Plant & equipment				–	–	4,060	4,516	4,060	4,516
Office equipment				–	–	206	153	206	153
Furniture & fittings				–	–	125	54	125	54
Operational land		30/06/18	30/06/18	2,874	2,521	–	–	2,874	2,521
Community land		30/06/21	30/06/21	–	–	2,204	2,204	2,204	2,204
Buildings specialised		30/06/18	30/06/18	–	–	8,000	8,206	8,000	8,206
Other structures		30/06/21	30/06/21	–	–	2,606	1,520	2,606	1,520
Roads		30/06/20	30/06/20	–	–	97,540	94,099	97,540	94,099
Bridges		30/06/19	30/06/19	–	–	37,408	35,529	37,408	35,529
Footpaths & other road assets		30/06/19	30/06/19	–	–	4,971	4,565	4,971	4,565
Bulk earth works		30/06/19	30/06/19	–	–	227,522	227,460	227,522	227,460
Stormwater		30/06/20	30/06/20	–	–	7,885	7,949	7,885	7,949
Water		30/06/22	30/06/17	–	–	17,213	16,462	17,213	16,462
Sewer		30/06/22	30/06/17	–	–	8,617	8,799	8,617	8,799
Heritage		30/06/21	30/06/21	–	–	192	194	192	194
Other assets		30/06/21	30/06/21	–	–	3,597	3,565	3,597	3,565
Tip		30/06/20	30/06/20	–	–	3,116	1,295	3,116	1,295
Quarry		30/06/18	30/06/18	–	–	4,867	860	4,867	860
Work in progress				–	–	4,227	5,658	4,227	5,658
Total infrastructure, property, plant and equipment				2,874	2,521	434,356	423,088	437,230	425,609

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 & Equipment, Office Equipment & Furniture & Fittings

These assets are valued at cost, but are disclosed at fair value in the notes; the carrying amount of these assets is assumed to be approximate Fair Value due to the nature of the assets. Examples of assets within these classes are as follows:

E2-1 Fair value measurement (continued)

- Plant & equipment: Graders, Trucks, Rollers, Tractors and Motor Vehicles.
- Office Equipment: Computers, Photocopiers etc.
- Furniture & Fittings: Chairs, Desks etc.

There has been no change to the valuation process during the reporting period.

Community and Crown Land

Community Land and Crown Land valuation is based on the land value provided by the Valuer General. Last revaluation was performed on 30 June 2021 using the Valuer General valuation data as at 1 July 2019.

Operational Land

Operational Land assets were valued by professionally qualified Registered Valuers - Scott Fullarton Valuations. Level 2 inputs were used to value land held in freehold title and those with special use, which are restricted under the zoning objectives. Sale prices of comparable land parcels in close proximity were adjusted for differences in key attributes such as size and configuration. The most significant inputs into this valuation approach are price per square metre. There are also parks, reserves and other special use parcels where there was no observable market evidence. This land was valued utilising Level 2 inputs, with the valuer using professional judgement to adjust the rate per square metre from the sales evidence available.

Buildings - Non Specialised

Specialised assets were valued utilising the cost approach by professionally qualified Registered Valuers - Scott Fullarton Valuations. The approach estimated the replacement cost of each building/other structure and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

Other Structures

Other Structures are assets that do not fit the definition of buildings. They include swimming pools, fencing and playgrounds. Other Structures have been revalued externally by AssetVal (Marsh) as at 30 June 2021. As these values were not considered to contain observable market evidence they have been classified as Level 3 and have been valued using the current replacement cost approach.

Roads

Council engaged Australis Asset Advisory Group, professionally qualified registered valuers, to review road unit rates. All unit rates are assessed by way of the Cost Approach, being Level 3 on the Fair Value Hierarchy. To determine a fair value for an asset a number of inputs are required, including Componentisation, Gross Replacement Cost and Useful Life.

Condition assessment has been completed in two phases, through intentional physical inspection taking photographic evidence of a portion of the network for valuation. Thereby a representative sample was chosen based on the Engineering Department's experience and knowledge of the road network. Additionally limitations exist in the sporadic nature of unsealed roads condition as such council has condition assessed these roads using an aged based approach.

Useful lives has been set using Council's knowledge of how the road network behaves with consideration given to the quality of inputs used including gravel and bitumen and the specific weather and traffic conditions that impact upon the Council area.

Bulk Earthworks

Bulk Earthworks consist of cuttings, fill and levelling of earth and rocks. The valuation was completed internally and based replacement cost on Rawlinsons Reference Rates. As there had been no earthwork construction since the previous revaluation in 2014, the 2019 revaluation indexed the data already available by the IPWEA indices to come up with a replacement cost.

Council has determined that bulk earthworks have infinite useful lives.

Footpaths & Other road Assets

Footpaths and other road assets includes footpaths, kerb & guttering, roundabouts and other minor road furniture assets. They have been valued internally by Council's Engineering Department. Given the small size of the network, all footpaths, kerb & guttering and other road assets were physically inspected and photographic evidence was obtained. This formed the basis of the condition assessment. Useful lives were determined with consideration to the previous revaluation and based on Council's knowledge of the behaviour of other concrete assets.

E2-1 Fair value measurement (continued)

Bridges

Bridges have been valued internally by Council's Engineering Department and have been componentised into girder, corbel, deck, headstock, pile, abutment, kerb log and hand rail.

To ensure completeness of data the Authority Asset Management software was utilised as a starting point for conducting the revaluation. Council staff physically inspected all bridges to ensure the accuracy of data that was input into the Asset Management System. Condition was determined based on these inspections. Each bridge was given a condition rating in accordance with the methodology in the IPWEA (NSW) Bridge Guide, 2009. Replacement costs were based upon recently completed bridge projects in the Council area. Council determined timber bridges replacement cost based upon the cost to replace with their modern equivalent, judgementally determined to be either a concrete bridge or concrete culvert.

Useful lives for timber bridges were based on research by Peter J Yttrup (1996) contained in the IPWEA Bridge Guide. Condition ratings for concrete bridges were set based upon Council's own knowledge and experience of the bridge network and in conjunction with the Local Government Assets Accounting Manual.

Stormwater Drainage

Drainage assets comprise pits, culverts, open channels, headwalls and various types of quality devices used to collect store and remove stormwater. The cost approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. First principles estimating accompanied by actual Council costs were utilised in determining the current stormwater assets value. These values were deemed to be in line with the Rawlinson Reference Rates.

The Levee Bank represents a large portion of the total value of the asset class. This asset was revalued by Australis Asset Advisory Group, a professionally qualified valuer. The asset was assessed by way of the Cost Approach, being Level 3 on the Fair Value Hierarchy.

Water & Sewer Networks

Comprehensive valuation of on-the-ground (active) Water and Sewer network assets was performed on 30 June 2022 by an independent valuation firm (AssetVal). Underground (passive) assets were revalued by using market based independent unit rates provided by AssetVal adjusted on obsolescence determined by internal council staff.

Other Assets

The valuation process involved current replacement cost approach. Unobservable inputs such as replacement cost, asset condition and useful life required extensive professional judgement. The unobservable inputs place this class of asset at Level 3. Last valuation was undertaken on 30 June 2021 by independent valuer AssetVal (Marsh).

Remediation Assets for Tips and Quarries

Restoration, cell capping, leachate collection and site closures have been recognised as significant costs for the remediation assets. In particular, the closing of a landfill site will include preparation, final cell capping, site re-vegetation and leachate management. The key unobservable inputs are discount rate, estimated costs, legislative requirements, and timing of remediation and indexation of labour costs.

Council engaged external firm (GHD) to perform valuation of the costs to remediate landfill site as at 30 June 2020. Council reviewed estimates for the year ended 30 June 2021 internally with no change to the approach compared to previous year.

Quarries remediation costs were last comprehensively valued in 2018. Council reviewed estimates for the year ended 30 June 2021 internally with no change to the approach compared to previous year.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Fair value (30/6/22) 2022 \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	4,060	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life - Residual value
Office equipment	206	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Furniture and fittings	125	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Operational Land	2,874	Market approach	- Similar local property prices - Alternative use
Community Land	2,204	Land values from NSW Valuer-General	- Unimproved capital value based on land value and land area
Buildings specialised	8,000	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Other structures	2,606	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Roads	97,540	Unit rates per square metre	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Bridges	37,408	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Footpaths & other road assets	4,971	Cost approach - (depreciated replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Bulk earthworks	227,522	Unit rates per square metre	- Current replacement cost of modern equivalent asset
Stormwater	7,885	Unit rates per square metre	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Water	17,213	Cost approach - (replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Sewer	8,617	Cost approach - (replacement cost)	- Current replacement cost of modern equivalent asset - Asset condition - Remaining useful life
Heritage	192	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life

E2-1 Fair value measurement (continued)

	Fair value (30/6/22) 2022 \$ '000	Valuation technique/s	Unobservable inputs
Other	3,597	Cost approach	- Current replacement cost of modern equivalent asset - Remaining useful life
Tips	3,116	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes
Quarry	4,867	Cost approach	Unit cost assumptions for rehab rates, discount rates, CPI and regulation changes

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

	Plant and Equipment		Office equipment		Furniture and fittings		Operational Land	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	4,515	4,894	153	28	54	14	2,521	2,521
Total gains or losses for the period								
Other movements								
Purchases (GBV)	125	359	104	156	80	47	353	-
Disposals (WDV)	(98)	(275)	-	-	-	-	-	-
Depreciation and impairment	(482)	(463)	(51)	(31)	(9)	(7)	-	-
	Community Land		Buildings specialised		Other structures		Roads	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	2,204	2,162	8,206	7,542	1,520	1,356	94,099	89,156
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	-	194	1,043	1,172	41	5,342	6,540
Disposals (WDV)	-	-	-	-	-	-	(492)	(205)
Depreciation and impairment	-	-	(400)	(379)	(86)	(54)	(1,499)	(1,392)
Revaluation	-	42	-	-	-	177	-	-
	Bridges		Footpaths and other		Bulk earthworks		Stormwater	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	35,529	36,122	4,565	4,544	227,460	227,104	7,949	7,981
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,645	273	474	86	62	444	-	32
Disposals (WDV)	(78)	(182)	-	-	-	(88)	-	-
Depreciation and impairment	(688)	(684)	(68)	(65)	-	-	(64)	(64)
	Water		Sewer		Heritage		Other	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	16,462	16,422	8,799	8,840	194	180	3,565	1,748
Total gains or losses for the period								

continued on next page ...

E2-1 Fair value measurement (continued)

	Water		Sewer		Heritage		Other	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Other movements								
Purchases (GBV)	64	210	337	–	–	–	199	1,000
Disposals (WDV)	(25)	–	–	–	–	–	–	–
Depreciation and impairment	(312)	(318)	(129)	(129)	(2)	(3)	(167)	(116)
Revaluation	1,024	148	(390)	88	–	17	–	933

	WIP		Tip		Quarry		Total	
	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000	2022 \$ '000	2021 \$ '000
Opening balance	5,658	2,504	1,295	864	860	545	425,608	414,527
Purchases (GBV)	–	4,355	–	–	–	–	11,151	14,586
Disposals (WDV)	–	–	–	–	–	–	(693)	(750)
Depreciation and impairment	–	–	(96)	(75)	(19)	(17)	(4,072)	(3,797)
Revaluation	–	–	–	506	–	332	634	2,243
Increase rehabilitation provision	–	–	1,917	–	4,026	–	5,943	–

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits. This increases to 8.0% in line with the increase in Superannuation Guarantee.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$42,227.37. The last valuation of the Scheme was performed by Richard Boyfield and covers the period ended 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$37,657.68. Council's expected contribution to the plan for the next annual reporting period is \$61,938.36.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2022 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.5	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

The share of this deficit that is broadly attributed to Council is 0.19%.

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

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

Investment return	5.75% 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

E3-1 Contingencies (continued)

(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.

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F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2022 \$ '000	2021 \$ '000
Compensation:		
Short-term benefits	949	779
Post-employment benefits	76	81
Termination benefits	-	169
Total	1,025	1,029

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

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Ref	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2022						
Rent for office space	1	11	–	7 days	–	–
Landscaping works	2	18	–	7 days	–	–
Employee expenses relating to close family members	3	70	–	7 days	–	–
Minor building works	4	–	–		–	–
2021						
Rent for office space	1	12	–	7 days	–	–
Landscaping works	2	53	–	7 days	–	–
Employee expenses relating to close family members	3	102	–	7 days	–	–
Minor building works	4	2	–		–	–

Detail here extra information relating to KMP items above that have a reference number

- 1 Council pays rent to a local real estate agent for office space. The principal is a related party to a KMP. The office is owned by an interstate company.
- 2 Council contracts to a local company for tree lopping and other services. The company has a KMP as a director. All transactions are at arms length and major jobs are quoted on.
- 3 Close family members are employed by Council under the Local Government Award. All were employed on an arms length basis. There are two close family members currently employed by Council, one of which is included in Key Management Personnel.
- 4 Council contracts minor building works to a local builder. The company is owned by the spouse of KMP

F1-2 Councillor and Mayoral fees and associated expenses

	2022 \$ '000	2021 \$ '000
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	27
Councillors' fees	96	92
Other Councillors' expenses (including Mayor)	80	89
Total	203	208

F2 Other relationships

F2-1 Audit fees

	2022 \$ '000	2021 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	57	82
Remuneration for audit and other assurance services	57	82
Total Auditor-General remuneration	57	82
Non NSW Auditor-General audit firms		
Total audit fees	57	82

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2022 \$ '000	2021 \$ '000
Net operating result from Income Statement	6,525	8,637
Add / (less) non-cash items:		
Depreciation and amortisation	4,092	3,858
(Gain) / loss on disposal of assets	602	500
Non-cash capital grants and contributions	(95)	–
P/L effect of de-recognised remediation provisions	–	(104)
Unwinding of discount rates on reinstatement provisions	66	5
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	1,126	(2,168)
(Increase) / decrease of inventories	86	292
(Increase) / decrease of contract asset	2,369	(2,343)
Increase / (decrease) in payables	(1,256)	851
Increase / (decrease) in other accrued expenses payable	6	480
Increase / (decrease) in other liabilities	8	5
Increase / (decrease) in contract liabilities	4,227	1,360
Increase / (decrease) in employee benefit provision	(77)	(56)
Net cash flows from operating activities	17,679	11,317

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G2-1 Commitments

Capital commitments (exclusive of GST)

	2022 \$ '000	2021 \$ '000
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings and Other Structures	–	3
Plant and equipment	22	–
Other Structures	237	96
Roads	58	1,808
Other Assets	142	21
Water Services	947	18
Sewer Services	–	37
Total commitments	1,406	1,983

These expenditures are payable as follows:

Within the next year	1,406	1,983
Total payable	1,406	1,983

Sources for funding of capital commitments:

Unrestricted general funds	–	39
Future grants and contributions	185	1,820
Externally restricted reserves	1,199	124
Internally restricted reserves	22	–
Total sources of funding	1,406	1,983

Details of capital commitments

To fund plant purchases and capital works in progress as at 30 June 2022.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed. 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

Nature of prior-period error

1. Sewer network valuation

Council overstated the valuation of manholes by \$835k as part of the revaluation of sewerage network assets in the 2017 financial year. This has been retrospectively adjusted in 2022 financial statements.

2. RFS Red Fleet

Council did not recognise Rural Fire Service Red Fleet assets in the past. The carrying amount of the assets is \$829k which is a material amount and was treated as an error under *AASB108 Accounting Policies, Changes in Accounting Estimates and Errors* in the current year financial statements.

The net amount of prior period errors is therefore -\$6k.

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

	Original Balance 1 July, 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2020 \$ '000
Total current assets	12,502	–	12,502
Infrastructure, property, plant and equipment	414,533	(6)	414,527
Total non-current assets	414,613	(6)	414,607
Total assets	427,115	(6)	427,109
Total current liabilities	5,265	–	5,265
Total non-current liabilities	2,842	–	2,842
Total liabilities	8,107	–	8,107
Net assets	419,008	(6)	419,002
Accumulated surplus	160,860	829	161,689
IPPE revaluation reserve	258,148	(835)	257,313
Total equity	419,008	(6)	419,002

G4-1 Correction of errors (continued)

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

	Original Balance 30 June, 2021 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2021 \$ '000
Total current assets	14,746	–	14,746
Infrastructure, property, plant and equipment	425,615	(6)	425,609
Total non-current assets	425,643	(6)	425,637
Total assets	440,389	(6)	440,383
Total current liabilities	7,948	–	7,948
Total non-current liabilities	3,391	–	3,391
Total liabilities	11,339	–	11,339
Net assets	429,050	(6)	429,044
Accumulated surplus	169,497	829	170,326
IPPE revaluation reserve	259,553	(835)	258,718
Total equity	429,050	(6)	429,044

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G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

	Opening balance at 1 July 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Roads	21	-	-	-	(21)	-	-	-
S7.11 contributions – under a plan	21	-	-	-	(21)	-	-	-
Total S7.11 and S7.12 revenue under plans	21	-	-	-	(21)	-	-	-
Total contributions	21	-	-	-	(21)	-	-	-

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 2021 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2022 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN NUMBER 1								
Roads	21	-	-	-	(21)	-	-	-
Total	21	-	-	-	(21)	-	-	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	326	1.69%	(3.17)%	1.37%	(4.41)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	19,259					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	10,506	40.31%	42.68%	53.04%	52.77%	> 60.00%
Total continuing operating revenue	26,060					
3. Unrestricted current ratio						
Current assets less all external restrictions	9,964	3.63x	2.69x	3.28x	3.96x	> 1.50x
Current liabilities less specific purpose liabilities	2,747					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	4,499	23.80x	19.43x	19.04x	17.97x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	189					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	337	6.06%	4.90%	3.80%	3.54%	< 10.00%
Rates and annual charges collectable	5,561					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	13,522	9.18 mths	4.08 mths	6.00 mths	7.25 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	1,474					

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2.89%	(2.51)%	(7.46)%	(14.19)%	(25.63)%	(9.68)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	38.91%	41.82%	42.70%	42.14%	96.55%	87.24%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.63x	2.69x	1.17x	2.42x	79.88x	16.66x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	24.07x	18.06x	19.31x	54.00x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	4.55%	5.62%	16.99%	0.00%	11.76%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.76	3.85	67.96	1.23	(57.37)	17.92	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

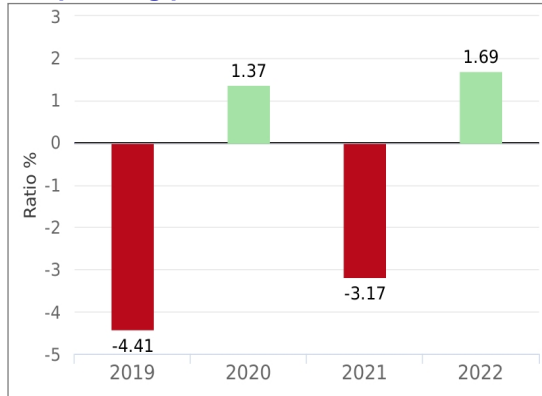
End of the audited financial statements

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H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 1.69%

The advance payment of Financial Assistance Grant relating to the 2023 Financial year, paid prior to 30 June 2022, increased revenue by \$1M. The ratio would be -3.5% if the prepayment had not increased to 75% from a previous 50% in 2021. This has resulted in a more favorable ratio.

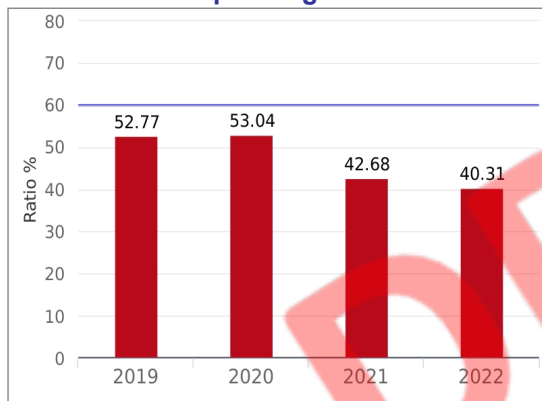
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2021/22 result

2021/22 ratio 40.31%

Own source revenue is falling relative to expenditure with this trend expected to continue without any substantial increase in own source revenue.

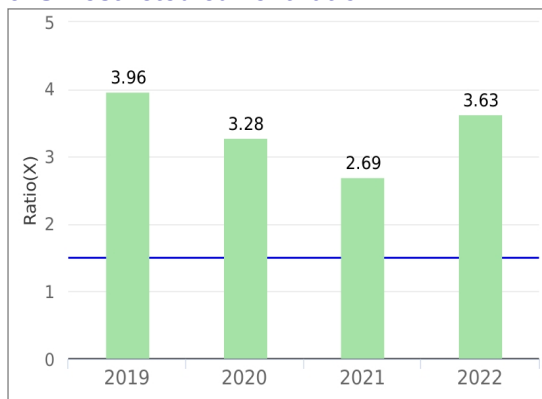
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2021/22 result

2021/22 ratio 3.63x

Improvement of ratio due to a reduction in unrestricted current liabilities (creditors and employee leave provisions)

Benchmark: — > 1.50x

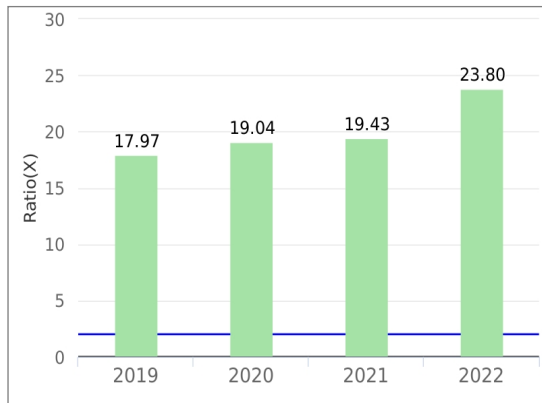
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 23.80x

Higher prepayment of Financial Assistant Grant and funding in advance for the Water Fund project, Off Stream Storage has increased this ratio.

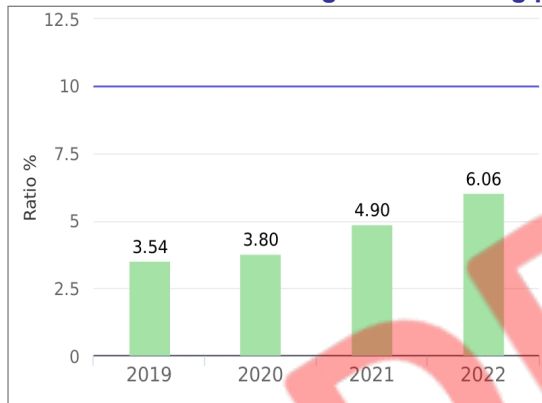
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 6.06%

Increase due to no debt collection occurring in 2022. Debt collection now in progress starting July 2022.

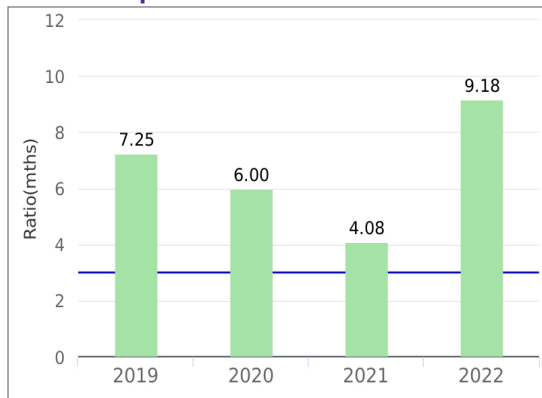
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio 9.18 mths

Improvement in ratio due to significant increase in funding received.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

2W Hamilton Street
Walcha NSW 2354

Contact details

Mailing Address:

PO Box 2
Walcha NSW 2354

Telephone: 02 6774 2500

Facsimile: 02 6777 1181

Opening hours:

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

Internet: www.walcha.nsw.gov.au

Email: council@walcha.nsw.gov.au

Officers

General Manager

Barry Omundson

Responsible Accounting Officer

Christian Martin

Auditors

Audit Office NSW
Level 19, Darling Park Tower 2
201 Sussex St
Sydney NSW 2000

Elected members

Mayor

Eric Noakes

Councillors

Clr Scott Kermode
Clr Mark Berry
Clr Kevin Ferrier
Clr Nena Hicks
Clr Anne-Marie Pointing
Clr Aurora Reilly
Clr Gregory Schaefer

Other information

ABN: 24 780 320 847

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Walcha Council

General Purpose Financial Statements

for the year ended 30 June 2022

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen).

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Walcha Council

General Purpose Financial Statements for the year ended 30 June 2022

Independent Auditor's Reports: (continued)

On the Financial Statements (Sect 417 [3])

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPFS report (via the Home screen).

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Walcha Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



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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).

Walcha Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 31 August 2022.

Eric Noakes
Mayor
31 August 2022

Scott Kermod
Deputy Mayor
31 August 2022

Barry Omundson
General Manager
31 August 2022

Christian Martin
Responsible Accounting Officer
31 August 2022

Walcha Council

Income Statement of water supply business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	397	367
User charges	482	383
Fees	15	15
Interest and investment income	11	3
Other income	7	7
Total income from continuing operations	912	775
Expenses from continuing operations		
Employee benefits and on-costs	288	226
Borrowing costs	3	4
Materials and services	208	214
Depreciation, amortisation and impairment	316	322
Other expenses	190	119
Total expenses from continuing operations	1,005	885
Surplus (deficit) from continuing operations before capital amounts	(93)	(110)
Grants and contributions provided for capital purposes	1,224	1,064
Surplus (deficit) from continuing operations after capital amounts	1,131	954
Surplus (deficit) from all operations before tax	1,131	954
Surplus (deficit) after tax	1,131	954
Plus accumulated surplus	6,989	6,035
Closing accumulated surplus	8,120	6,989
Return on capital %	(0.4)%	(0.6)%
Subsidy from Council	824	377
Calculation of dividend payable:		
Surplus (deficit) after tax	1,131	954
Less: capital grants and contributions (excluding developer contributions)	(1,224)	(1,064)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Walcha Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	328	322
Liquid trade waste charges	130	120
Fees	15	15
Interest and investment income	3	4
Other income	-	4
Total income from continuing operations	476	465
Expenses from continuing operations		
Employee benefits and on-costs	170	148
Materials and services	223	186
Depreciation, amortisation and impairment	133	133
Other expenses	72	43
Total expenses from continuing operations	598	510
Surplus (deficit) from continuing operations before capital amounts	(122)	(45)
Grants and contributions provided for capital purposes	17	68
Surplus (deficit) from continuing operations after capital amounts	(105)	23
Surplus (deficit) from all operations before tax	(105)	23
Surplus (deficit) after tax	(105)	23
Plus accumulated surplus	3,439	3,416
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	3,334	3,439
Return on capital %	(1.4)%	(0.5)%
Subsidy from Council	450	198
Calculation of dividend payable:		
Surplus (deficit) after tax	(105)	23
Less: capital grants and contributions (excluding developer contributions)	(17)	(68)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Walcha Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	–	483
Cash and cash equivalents	4,411	58
Receivables	78	58
Total current assets	4,489	599
Non-current assets		
Infrastructure, property, plant and equipment	20,052	18,208
Total non-current assets	20,052	18,208
Total assets	24,541	18,807
LIABILITIES		
Current liabilities		
Contract liabilities	3,710	–
Payables	116	238
Borrowings	10	10
Total current liabilities	3,836	248
Non-current liabilities		
Borrowings	46	56
Total non-current liabilities	46	56
Total liabilities	3,882	304
Net assets	20,659	18,503
EQUITY		
Accumulated surplus	8,121	6,989
Revaluation reserves	12,538	11,514
Total equity	20,659	18,503

Walcha Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022	2021
	\$ '000	Restated \$ '000
ASSETS		
Current assets		
Contract assets and contract cost assets	93	76
Cash and cash equivalents	502	563
Receivables	44	44
Total current assets	639	683
Non-current assets		
Infrastructure, property, plant and equipment ¹	8,958	9,441
Total non-current assets	8,958	9,441
Total assets	9,597	10,124
LIABILITIES		
Current liabilities		
Payables	8	41
Total current liabilities	8	41
Total liabilities	8	41
Net assets	9,589	10,083
EQUITY		
Accumulated surplus	3,335	3,439
Revaluation reserves	6,254	6,644
Total equity	9,589	10,083

(1) Opening balances were adjusted by \$835 thousand due to overstated value of manholes from previous revaluation.

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

(where gross operating turnover is over \$2 million)

Nil

Category 2

(where gross operating turnover is less than \$2 million)

1. Walcha Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the town of Walcha.

2. Walcha Council Sewerage Service

Comprising the operations and net assets of the sewer reticulation and treatment system servicing the town of Walcha.

Taxation equivalent charges

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

Notional rate applied (%)

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

Note – Significant Accounting Policies (continued)

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

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,210,000.

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

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

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

Income tax

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

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

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is/is not 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

Note – Significant Accounting Policies (continued)

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

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

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Walcha Council

Special Purpose Financial Statements
for the year ended 30 June 2022

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Walcha Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Walcha Council

Special Schedules

for the year ended 30 June 2022

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Walcha Council

Permissible income for general rates

	Notes	Calculation 2021/22 \$ '000	Calculation 2022/23 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	3,598	3,658
Plus or minus adjustments ²	b	1	23
Notional general income	c = a + b	3,599	3,681
Permissible income calculation			
Or rate peg percentage	e	2.00%	0.70%
Or plus rate peg amount	i = e x (c + g)	72	26
Sub-total	k = (c + g + h + i + j)	3,671	3,707
Plus (or minus) last year's carry forward total	l	(7)	6
Sub-total	n = (l + m)	(7)	6
Total permissible income	o = k + n	3,664	3,713
Less notional general income yield	p	3,658	3,639
Catch-up or (excess) result	q = o - p	6	74
Carry forward to next year ⁶	t = q + r + s	6	74

Notes

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

Walcha Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Other	–	–	16	–	438	553	100.0%	0.0%	0.0%	0.0%	0.0%
	Council Offices / Administration Centres	–	–	64	55	885	2,084	4.0%	17.0%	79.0%	0.0%	0.0%
	Council Works Depot	37	37	54	55	969	1,826	10.0%	83.0%	2.0%	5.0%	0.0%
	Squash Courts/ Community Gym	–	–	19	38	1,199	1,519	58.0%	42.0%	0.0%	0.0%	0.0%
	Amenities	–	–	49	94	948	1,448	14.0%	86.0%	0.0%	0.0%	0.0%
	Library	–	–	16	7	302	585	0.0%	100.0%	0.0%	0.0%	0.0%
	Child care	8	8	72	3	1,776	2,206	57.0%	43.0%	0.0%	0.0%	0.0%
	Specialised Buildings	–	–	8	–	221	356	18.0%	76.0%	0.0%	6.0%	0.0%
	Swimming Pool	–	–	17	60	361	637	0.0%	100.0%	0.0%	0.0%	0.0%
	Auto Electrician	–	–	15	2	138	473	0.0%	0.0%	100.0%	0.0%	0.0%
	Council House	–	–	25	5	531	771	18.0%	82.0%	0.0%	0.0%	0.0%
	Waste Management	–	–	8	–	232	300	100.0%	0.0%	0.0%	0.0%	0.0%
Sub-total		45	45	363	319	8,000	12,758	28.7%	53.5%	16.9%	0.9%	0.0%
Other structures	Other structures	–	–	16	–	139	245	15.0%	40.0%	0.0%	45.0%	0.0%
	Sporting Grounds	–	–	–	–	328	407	64.0%	36.0%	0.0%	0.0%	0.0%
	Swimming Pools	–	–	26	–	711	1,841	1.0%	0.0%	99.0%	0.0%	0.0%
	Waste Management	–	–	8	–	166	247	50.0%	0.0%	50.0%	0.0%	0.0%
	Council Works Depot	–	–	4	–	122	174	5.0%	95.0%	0.0%	0.0%	0.0%
	Saleyards	–	–	–	–	1,140	1,163	100.0%	0.0%	0.0%	0.0%	0.0%
Sub-total		–	–	54	–	2,606	4,077	39.5%	10.1%	47.7%	2.7%	0.0%

Walcha Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads – Surface	115	115	718	400	10,438	14,675	47.0%	47.0%	4.0%	2.0%	0.0%
	Unsealed roads	1,939	1,939	1,734	1,169	12,865	15,984	13.0%	43.0%	17.0%	27.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads – Structure	518	518	293	460	74,105	90,092	34.0%	42.0%	11.0%	9.0%	4.0%
	Bridges	5,505	5,505	394	11	18,497	28,180	39.0%	17.0%	39.0%	5.0%	0.0%
	Culverts	15	15	21	–	18,912	39,450	29.0%	16.0%	55.0%	0.0%	0.0%
	Footpaths	–	–	4	30	2,162	2,588	58.0%	33.0%	8.0%	1.0%	0.0%
	Other road assets	108	108	44	46	131	231	27.0%	68.0%	5.0%	0.0%	0.0%
	Kerb & Gutter	3,487	3,487	–	1	2,809	4,411	14.0%	61.0%	19.0%	6.0%	0.0%
	Bulk earthworks	–	–	525	–	227,522	227,522	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	11,687	11,687	3,733	2,117	367,441	423,133	68.9%	15.7%	11.1%	3.4%	0.9%
Water supply network	Mains	–	–	141	58	9,142	11,231	90.0%	3.0%	7.0%	0.0%	0.0%
	Reservoirs	–	–	36	92	1,640	2,828	0.0%	91.0%	0.0%	9.0%	0.0%
	Pumping Stations	–	–	21	56	284	611	35.0%	0.0%	21.0%	44.0%	0.0%
	Treatment	124	124	144	280	5,237	7,343	44.0%	39.0%	13.0%	4.0%	0.0%
	Meters	–	–	7	–	230	345	0.0%	100.0%	0.0%	0.0%	0.0%
	Connections	–	–	12	–	678	1,004	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	2	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	124	124	361	486	17,213	23,362	58.0%	30.5%	8.0%	3.5%	0.0%
Sewerage network	Mains	50	50	95	32	3,911	4,937	67.0%	32.0%	1.0%	0.0%	0.0%
	Pumping Stations	30	30	17	34	1,897	2,409	70.0%	27.0%	2.0%	1.0%	0.0%
	Treatment	22	22	35	231	2,808	4,380	4.0%	42.0%	23.0%	7.0%	24.0%
	Other	–	–	–	–	1	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	102	102	147	297	8,617	11,726	44.1%	34.7%	9.4%	2.8%	9.0%

Walcha Council

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

Asset Class	Asset Category	Estimated cost		2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Stormwater drainage	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Stormwater conduits	—	—	62	59	3,872	6,209	0.0%	100.0%	0.0%	0.0%	0.0%
	Inlet & junction pits	—	—	3	—	175	273	6.0%	94.0%	0.0%	0.0%	0.0%
	Head walls	—	—	1	—	34	55	0.0%	100.0%	0.0%	0.0%	0.0%
	Outfall structures	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Levees	—	—	38	—	3,804	3,804	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	104	59	7,885	10,341	36.9%	63.1%	0.0%	0.0%	0.0%
	Total – all assets	11,958	11,958	4,762	3,278	411,762	485,397	65.8%	18.8%	11.1%	3.3%	1.0%

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

Walcha Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	2021	Indicators 2020	2019	Benchmark
Buildings and infrastructure renewals ratio						
Asset renewals ¹	7,137					
Depreciation, amortisation and impairment	3,246	219.87%	245.80%	73.15%	132.98%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	11,958					
Net carrying amount of infrastructure assets	415,989	2.87%	2.91%	4.29%	4.67%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	3,278					
Required asset maintenance	4,762	68.84%	65.27%	67.35%	104.45%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	11,958	2.46%	2.51%	3.70%	3.62%	
Gross replacement cost	485,397					

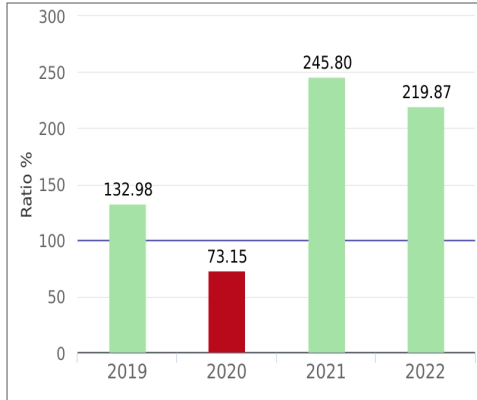
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Walcha Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
21/22 ratio	219.87%
Significant and ongoing high levels of funding for bridge and road renewals.	

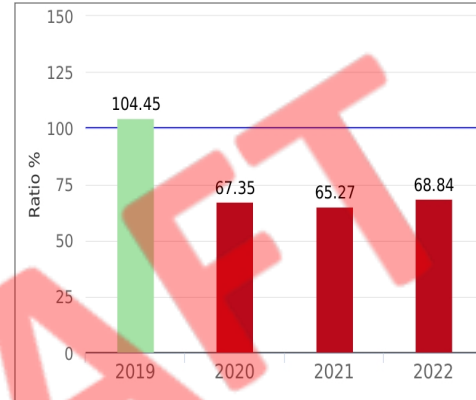
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
21/22 ratio	68.84%
The accuracy of this graph is dependent on the availability of up to date Asset Management Plans which are currently being reviewed and updated.	

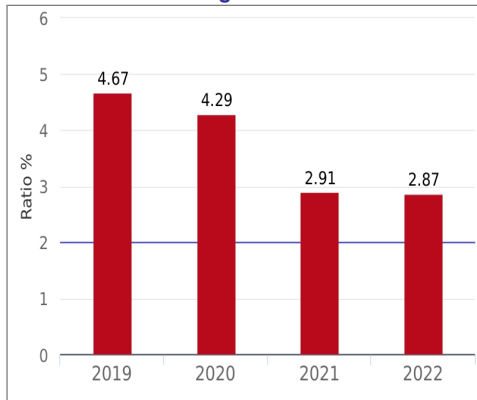
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
21/22 ratio	2.87%
The accuracy of this graph is dependent on the availability of up to date Asset Management Plans which are currently being reviewed and updated.	

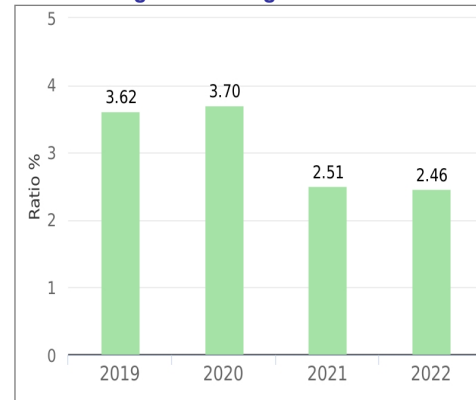
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
21/22 ratio	2.46%
The accuracy of this graph is dependent on the availability of up to date Asset Management Plans which are currently being reviewed and updated.	

Walcha Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	240.14%	287.45%	20.51%	0.00%	261.24%	0.00%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	3.02%	3.05%	0.65%	0.75%	1.18%	1.16%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	58.65%	57.50%	134.63%	115.51%	202.04%	166.67%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	2.61%	2.66%	0.53%	0.54%	0.87%	0.82%	
Gross replacement cost							

(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.