



Gunnedah Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

“To be a focused community valuing
Gunnedah’s identity and quality lifestyle”.





Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

“To be a focused community valuing
Gunnedah’s identity and quality lifestyle”.



Gunnedah Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

63 Elgin Street
GUNNEDAH. NSW 2380

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 B1-1.

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.gunnedah.nsw.gov.au

Gunnedah Shire 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.

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

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

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

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

Signed in accordance with a resolution of Council made on 21 September 2022.



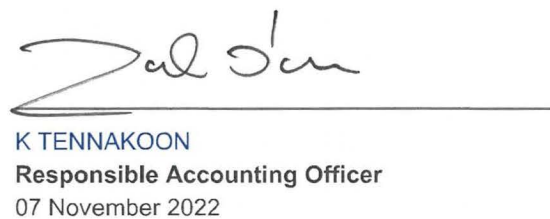
J CHAFFEY
Mayor
07 November 2022



R HOOKE
Councillor
07 November 2022



E J GROTH
General Manager
07 November 2022



K TENNAKOON
Responsible Accounting Officer
07 November 2022

Gunnedah Shire 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			
19,606	Rates and annual charges	B2-1	19,729	19,301
10,078	User charges and fees	B2-2	13,254	13,501
780	Other revenues	B2-3	1,444	1,210
12,638	Grants and contributions provided for operating purposes	B2-4	15,294	13,586
32,636	Grants and contributions provided for capital purposes	B2-4	22,510	15,038
833	Interest and investment income	B2-5	933	1,053
–	Other income	B2-6	94	101
76,571	Total income from continuing operations		73,258	63,790
	Expenses from continuing operations			
18,223	Employee benefits and on-costs	B3-1	17,487	16,971
10,398	Materials and services	B3-2	16,077	15,680
987	Borrowing costs	B3-3	755	674
11,108	Depreciation, amortisation and impairment of non-financial assets	B3-4	11,477	11,098
3,055	Other expenses	B3-5	389	458
56	Net loss from the disposal of assets	B4-1	318	1,702
43,827	Total expenses from continuing operations		46,503	46,583
32,744	Operating result from continuing operations		26,755	17,207
32,744	Net operating result for the year attributable to Council		26,755	17,207
108	Net operating result for the year before grants and contributions provided for capital purposes		4,245	2,169

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

Gunnedah Shire 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		26,755	17,207
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>44,611</u>	<u>4,753</u>
Total items which will not be reclassified subsequently to the operating result		44,611	4,753
Total other comprehensive income for the year		44,611	4,753
Total comprehensive income for the year attributable to Council		71,366	21,960

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

Gunnedah Shire 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	18,326	10,205	5,422
Investments	C1-2	30,279	30,764	31,265
Receivables	C1-4	9,799	5,378	8,874
Inventories	C1-5	939	824	563
Contract assets and contract cost assets	C1-6	1,951	5,505	1,821
Other		391	310	150
Total current assets		61,685	52,986	48,095
Non-current assets				
Investments	C1-2	44,003	27,514	25,000
Receivables	C1-4	16	18	20
Infrastructure, property, plant and equipment (IPPE)	C1-7	527,986	467,900	451,414
Right of use assets	C2-1	683	683	738
Total non-current assets		572,688	496,115	477,172
Total assets		634,373	549,101	525,267
LIABILITIES				
Current liabilities				
Payables	C3-1	10,139	4,668	5,701
Contract liabilities	C3-2	12,619	6,822	3,191
Employee benefit provisions	C3-4	5,381	5,310	5,454
Provisions	C3-5	7	7	7
Borrowings	C3-3	718	600	570
Lease liabilities	C2-1	60	46	57
Total current liabilities		28,924	17,453	14,980
Non-current liabilities				
Lease liabilities	C2-1	594	590	621
Borrowings	C3-3	13,143	10,861	11,461
Employee benefit provisions	C3-4	220	240	254
Provisions	C3-5	4,931	4,762	4,716
Total non-current liabilities		18,888	16,453	17,052
Total liabilities		47,812	33,906	32,032
Net assets		586,561	515,195	493,235
EQUITY				
Accumulated surplus		285,419	258,664	241,457
IPPE revaluation reserve		301,142	256,531	251,778
Council equity interest		586,561	515,195	493,235
Total equity		586,561	515,195	493,235

(1) Restated refer to Note G4-1

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

Gunnedah Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021 ¹		
		Accumulated surplus ¹	IPPE revaluation reserve	Total equity	Accumulated surplus ¹	IPPE revaluation reserve	Total equity ¹
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		254,681	256,531	511,212	237,474	251,778	489,252
Correction of prior period errors	G4-1	3,983	–	3,983	3,983	–	3,983
Restated opening balance		258,664	256,531	515,195	241,457	251,778	493,235
Net operating result for the year		26,755	–	26,755	17,207	–	17,207
Net operating result for the period		26,755	–	26,755	17,207	–	17,207
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	44,611	44,611	–	4,753	4,753
Transfers between Equity		–	–	–	–	–	–
Other comprehensive income		–	44,611	44,611	–	4,753	4,753
Total comprehensive income		26,755	44,611	71,366	17,207	4,753	21,960
Closing balance at 30 June		285,419	301,142	586,561	258,664	256,531	515,195

(1) Restated refer to Note G4-1

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

Gunnedah Shire 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>				
19,596	Rates and annual charges		20,114	19,202
11,157	User charges and fees		11,553	15,294
525	Interest received		944	1,177
71,627	Grants and contributions		47,987	31,882
541	Other		4,506	3,648
<i>Payments:</i>				
(13,321)	Payments to employees		(17,364)	(17,226)
(18,670)	Payments for materials and services		(19,215)	(20,732)
(569)	Borrowing costs		(751)	(675)
(2,498)	Other		(261)	(598)
68,388	Net cash flows from operating activities	G1-1	47,513	31,972
Cash flows from investing activities				
<i>Receipts:</i>				
3,474	Sale of investments		–	84
–	Redemption of term deposits		34,000	33,000
817	Proceeds from sale of IPPE		1,292	1,112
4	Deferred debtors receipts		2	3
<i>Payments:</i>				
(14,369)	Purchase of investments		(2,003)	–
–	Acquisition of term deposits		(48,001)	(35,097)
(69,920)	Payments for IPPE		(27,021)	(25,667)
(79,994)	Net cash flows from investing activities		(41,731)	(26,565)
Cash flows from financing activities				
<i>Receipts:</i>				
3,000	Proceeds from borrowings		3,000	–
<i>Payments:</i>				
(599)	Repayment of borrowings		(600)	(570)
–	Principal component of lease payments		(61)	(54)
2,401	Net cash flows from financing activities		2,339	(624)
(9,205)	Net change in cash and cash equivalents		8,121	4,783
10,205	Cash and cash equivalents at beginning of year	C1-1	10,205	5,422
1,000	Cash and cash equivalents at end of year	C1-1	18,326	10,205
69,173	plus: Investments on hand at end of year	C1-2	74,282	58,278
70,173	Total cash, cash equivalents and investments		92,608	68,483

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

Gunnedah Shire 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 07 November 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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

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

- i. Income statement
- ii. Statement of cash flows
- iii. Note B5-1 – Material budget variations and are clearly marked.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

COVID19

The COVID 19 Pandemic has had a continual impact on council's operations during the 21/22 financial year, however assessments undertaken by council has determined that there has been only limited financial impact.

Council has identified minor downturns in income and delays in projects due to the COVID 19 pandemic. Council has resumed normal rate's collection, interest charges and sale of land for unpaid rates during the 21/22 financial year increasing the recoupment of overdue rates funds.

The assets associated with the effected operations are not considered to be impaired as they are valued at depreciable replacement cost. Whilst there has been an impact we consider this to be minor and immaterial to councils overall result.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations fund;
- Water supply fund;
- Sewerage service fund.

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 properties that are held by Council but not considered to be under the control of Council and therefore excluded from these financial statements are recorded in a separate statement of monies register that is available for inspection from the Council's main office by any person upon request and free of charge.

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has minor reliance on volunteer services within the GoCo community services section. The volunteers are involved in community transportation services and this dependency is diminishing over time. Council considers these volunteer services as not-material.

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2022. None of these standards had a significant impact on reported position or performance.

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
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Building Our Shire's Economy	4,226	1,678	3,107	3,090	1,119	(1,412)	3,484	1,119	26,207	11,576
Engaging and Supporting the Community	56,778	48,978	24,778	27,692	32,000	21,286	27,898	20,176	502,531	441,483
Protecting and Enjoying Our Beautiful Surrounds	5,866	6,966	8,358	6,040	(2,492)	926	1,072	2,091	42,281	42,813
Retaining Our Quality of Life	6,388	6,168	10,260	9,761	(3,872)	(3,593)	5,350	5,238	63,354	53,229
Total functions and activities	73,258	63,790	46,503	46,583	26,755	17,207	37,804	28,624	634,373	549,101

B1-2 Components of functions or activities

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

Engaging and Supporting the Community

Community leadership is strengthened and volunteers are engaged;
Council is a sustainable, ethical and efficient organisation;
Increased local investment from other sources including the State and Commonwealth Governments as well as developers;
An engaged community that is involved in the decision making process;
Strategically managed infrastructure.

Building Our Shire's Economy

A growing population and diversified economy;
Access to our goods, services and markets;
Increased tourism and promotion of the Gunnedah Shire;
The Gunnedah Shire is an attractive place to invest;
Skilled workforce and quality local educational opportunities.

Retaining Our Quality of Life

Quality lifestyles and support for our older residents;
Improved housing affordability;
Villages are vibrant and sustainable;
Reduced crime and anti-social behaviour;
Our younger people are attracted, retained and developed;
A healthy and active community participating in a diverse range of recreational and cultural activities;
Improved access to essential services.

Protecting and Enjoying Our Beautiful Surrounds

Balance between development and environmental protection;
Native fauna is secured, biodiversity protected and native vegetation thrives;
A secure and high quality water supply;
Our heritage is valued and protected;
Managed exposure and reduced contribution to climate change;
Our waste is sustainably managed and reduced;
Enhanced streetscapes and open spaces in Gunnedah and villages.

B2 Sources of income

B2-1 Rates and annual charges

	2022 \$ '000	2021 \$ '000
Ordinary rates		
Residential	4,571	4,482
Farmland	5,421	5,346
Mining	1,373	1,348
Business	2,437	2,379
Less: pensioner rebates (mandatory)	(145)	(152)
Rates levied to ratepayers	13,657	13,403
Pensioner rate subsidies received	80	83
Total ordinary rates	13,737	13,486
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,521	2,426
Stormwater management services	95	95
Water supply services	1,002	977
Sewerage services	2,274	2,212
Annual charges levied	5,892	5,710
Pensioner subsidies received:		
– Water	36	38
– Sewerage	32	34
– Domestic waste management	32	33
Total annual charges	5,992	5,815
Total rates and annual charges	19,729	19,301

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 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)			
Domestic waste management services	2	947	1,069
Water supply services	2	2,056	2,358
Sewerage services	2	790	868
Waste management services (non-domestic)	2	62	45
Total specific user charges		3,855	4,340
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	285	294
Private works – section 67	2	63	56
Regulatory/ statutory fees	2	58	77
Registration fees	2	26	28
Section 10.7 certificates (EP&A Act)	2	55	44
Section 603 certificates	2	82	57
Total fees and charges – statutory/regulatory		569	556
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	41	50
Aged care	2	238	210
Cemeteries	2	178	120
Library and art gallery	2	9	10
Other Roadworks (state roads not controlled by Council)	1	519	–
Park rents	2	53	80
Transport for NSW works (state roads not controlled by Council)	1	6,658	7,194
Saleyards	2	646	510
Swimming centres	2	223	218
Tourism	2	21	20
Events	2	69	57
Theatre	2	116	94
Other	2	59	42
Total fees and charges – other		8,830	8,605
Total other user charges and fees		9,399	9,161
Total user charges and fees		13,254	13,501
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		7,177	7,194
User charges and fees recognised at a point in time (2)		6,077	6,307
Total user charges and fees		13,254	13,501

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.

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

B2-3 Other revenues

	Timing	2022 \$ '000	2021 \$ '000
Fines	2	1	2
Fines – parking	2	4	16
Legal fees recovery – rates and charges (extra charges)	2	57	8
Commissions and agency fees	2	1	1
Diesel rebate	2	240	279
Insurance claims recoveries	2	–	8
Government paid parental leave	2	54	48
Reimbursements	2	216	417
Sales – domestic waste	2	358	185
Sales – swimming pools	2	74	90
Sales – theatre	2	142	63
Street lighting reimbursement		163	–
Bad Debts - Recovered	2	50	–
Other	2	84	93
Total other revenue		1,444	1,210
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,444	1,210
Total other revenue		1,444	1,210

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

		Operating 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 – general component	2	1,698	1,495	–	–
Financial assistance – local roads component	2	891	798	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	2,608	1,600	–	–
Financial assistance – local roads component	2	1,375	856	–	–
Amount recognised as income during current year					
		6,572	4,749	–	–
Special purpose grants and non-developer contributions (tied)					
Community care	1	5,136	5,024	–	–
Economic development	1	–	28	1,210	557
Library	2	95	94	–	–
Noxious weeds	2	139	150	–	–
Recreation and culture	1	82	31	245	1,426
Street lighting	2	21	21	–	–
Drought Relief	2	210	500	195	–
Other specific grants	1	–	41	7	18
Saleyards	1	91	87	2,190	455
Transport (other roads and bridges funding)	1	610	609	9,430	10,696
Transport (roads to recovery)	2	1,042	1,463	–	–
Roads and bridges	2	1,005	620	–	–
Other contributions	2	82	2	–	–
Water supplies (excl. section 64 contributions)	1	78	50	7,187	–
Emergency services	2	96	96	14	–
ELE contributions – other councils	2	35	21	–	–
Animal Control		–	–	194	–
Total special purpose grants and non-developer contributions – cash					
		8,722	8,837	20,672	13,152
Non-cash contributions					
Sewerage (excl. section 64 contributions)	2	–	–	166	–
Water supplies (excl. section 64 contributions)	2	–	–	95	–
Total other contributions – non-cash					
		–	–	261	–
Total special purpose grants and non-developer contributions (tied)					
		8,722	8,837	20,933	13,152
Total grants and non-developer contributions					
		15,294	13,586	20,933	13,152
Comprising:					
– Commonwealth funding		12,217	11,171	658	2,614
– State funding		1,638	1,424	13,050	10,538
– Other funding		1,439	991	7,225	–
		15,294	13,586	20,933	13,152

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2022 \$ '000	Operating 2021 \$ '000	Capital 2022 \$ '000	Capital 2021 \$ '000
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):		G5				
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	92	173
S 7.11 – contributions towards amenities/services		2	–	–	354	380
S 64 – water supply contributions		2	–	–	580	401
S 64 – sewerage service contributions		2	–	–	425	364
S 64 – stormwater contributions		2	–	–	126	68
Other developer contributions - VPA's		2	–	–	–	500
Total developer contributions – cash			–	–	1,577	1,886
Total developer contributions			–	–	1,577	1,886
Total contributions			–	–	1,577	1,886
Total grants and contributions			15,294	13,586	22,510	15,038
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			5,997	5,820	19,068	13,152
Grants and contributions recognised at a point in time (2)			9,297	7,766	3,442	1,886
Total grants and contributions			15,294	13,586	22,510	15,038

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	2,468	2,816	5,457	1,871
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	430	325	-	-
Add: Funds received and not recognised as revenue in the current year	721	1,365	12,980	4,761
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(396)	-	(37)	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,374)	(2,038)	(6,502)	(1,175)
Unspent funds at 30 June	1,849	2,468	11,898	5,457

Contributions

Unspent funds at 1 July	-	-	10,789	8,839
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	127	135
Add: contributions received and not recognised as revenue in the current year	-	-	1,577	1,884
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	-	(69)
Unspent contributions at 30 June	-	-	12,493	10,789

Unspent Grants and contributions contain funds that council have restricted for their intended purpose. These include projects such as road and infrastructure upgrades, construction of the Koala Park and funds provided for community assistance programs. Contributions include monies received for fire fighting, water, sewer and trunk drainage.

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.

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)	45	20
– Cash and investments	888	1,033
Total interest and investment income (losses)	933	1,053
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	36	17
General Council cash and investments	427	462
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	47	27
– Section 64	81	98
Water fund operations	94	138
Sewerage fund operations	98	141
Domestic waste management operations	150	170
Total interest and investment income	933	1,053

Accounting policy

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

	2022 \$ '000	2021 \$ '000
	Notes	
Rental income		
Other lease income		
Room/Facility Hire	11	1
Housing/Community Housing	79	61
Sundry Land	4	39
Total other lease income	94	101
Total rental income	94	101
	C2-2	
Total other income	94	101

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2022 \$ '000	2021 \$ '000
Salaries and wages	14,075	13,885
Employee leave entitlements (ELE)	2,380	2,221
Superannuation	1,690	1,681
Workers' compensation insurance	594	550
Fringe benefit tax (FBT)	34	38
Payroll tax	51	35
Protective clothing	45	61
Other	41	37
Total employee costs	18,910	18,508
Less: capitalised costs	(1,423)	(1,537)
Total employee costs expensed	17,487	16,971
Number of 'full-time equivalent' employees (FTE) at year end	182	199
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	205	206

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		11,998	14,099
Contractor and consultancy costs			
- Airport		425	144
- Community services		1,136	1,269
- Domestic waste management		906	1,240
- Environment		176	2,026
- Human resources		63	261
- Infrastructure		11,020	11,545
- Planning		163	229
- Public Halls		72	335
- Saleyards		1,952	483
- Sewer		1,521	1,639
- Tourism/economic development		622	436
- Water		8,387	2,049
- Other		1,067	728
Audit Fees	F2-1	75	104
Advertising		251	193
Bank charges		59	57
Computer software charges		391	294
Councillor and Mayoral fees and associated expenses	F1-2	152	178
Electricity and heating		632	654
Gas		8	8
Insurance		454	433
Postage		53	44
Printing and stationery		105	114
Street lighting		169	174
Subscriptions and publications		282	241
Telephone and communications		212	226
Valuation fees		55	50
Travel expenses		66	117
Training costs (other than salaries and wages)		212	198
Other expenses		-	3
Legal expenses:			
- Legal expenses: planning and development		5	23
- Legal expenses: debt recovery		66	17
- Legal expenses: other		47	30
Expenses from leases of low value assets		1	1
Expenses from short-term leases		12	11
Total materials and services		42,815	39,653
Less: capitalised costs		(26,738)	(23,973)
Total materials and services		16,077	15,680

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		10	9
Interest on loans		576	601
Total interest bearing liability costs		586	610
Total interest bearing liability costs expensed		586	610
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	169	64
Total other borrowing costs		169	64
Total borrowing costs expensed		755	674

Accounting policy

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

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

	Notes	2022 \$ '000	2021 \$ '000
Depreciation and amortisation			
Plant and equipment		1,838	1,649
Office equipment		266	251
Furniture and fittings		94	98
Infrastructure:			
	C1-7		
– Buildings – non-specialised		294	369
– Buildings – specialised		512	526
– Other structures		145	173
– Roads		3,442	3,392
– Bridges		455	457
– Footpaths		117	114
– Other road assets		67	63
– Stormwater drainage		812	702
– Water supply network		1,040	921
– Sewerage network		874	856
– Swimming pools		184	185
– Other open space/recreational assets		352	229
– Other infrastructure		155	166
Right of use assets	C2-1	79	67
Other assets:			
– Library books		27	28
– Other		346	356
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	330	420
– Quarry assets	C3-5,C1-7	31	59
Total depreciation and amortisation costs		11,460	11,081
Impairment / revaluation decrement of IPPE			
Plant and equipment		17	17
Total IPPE impairment / revaluation decrement costs charged to Income Statement		17	17
Total depreciation, amortisation and impairment for non-financial assets		11,477	11,098

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

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets and Note C2 for right of use 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

	Notes	2022 \$ '000	2021 \$ '000
Impairment of receivables			
Other		40	9
Total impairment of receivables	C1-4	40	9
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES levies)		24	18
– NSW rural fire service levy (includes RFS Levies)		235	327
Donations, contributions and assistance to other organisations (Section 356)		45	42
– Donations, contributions and assistance		45	62
Total other		349	449
Total other expenses		389	458

Accounting policy

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

Impairment expenses are recognised when identified.

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

	Notes	2022 \$ '000	2021 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal - property		–	376
Less: carrying amount of property assets sold/written off		<u>(273)</u>	<u>(409)</u>
Gain (or loss) on disposal		<u>(273)</u>	<u>(33)</u>
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		1,292	736
Less: carrying amount of plant and equipment assets sold/written off		<u>(1,135)</u>	<u>(548)</u>
Gain (or loss) on disposal		<u>157</u>	<u>188</u>
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		<u>(202)</u>	<u>(1,857)</u>
Gain (or loss) on disposal		<u>(202)</u>	<u>(1,857)</u>
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		34,000	33,000
Less: carrying amount of term deposits sold/redeemed/matured		<u>(34,000)</u>	<u>(33,000)</u>
Gain (or loss) on disposal		<u>–</u>	<u>–</u>
Net gain (or loss) from disposal of assets		<u>(318)</u>	<u>(1,702)</u>

Accounting policy

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

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 16/06/2021 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	19,606	19,729	123	1%	F
User charges and fees	10,078	13,254	3,176	32%	F
User charges and fees have increased due to additional State Road works income being received. This is partly offset by decrease in water usage charges, due to higher than average rainfall in the Financial Year.					
Other revenues	780	1,444	664	85%	F
Other revenues has increased due to an increase in legal fees and bad debts recovered, due to the re-commencement of debt collection following the COVID-19 pandemic. There was also an increase in swimming pool and theatre sales, due to Government's Dine & Discover incentive vouchers. Reimbursements have also increased due to Government training reimbursements, and Emergency Services Levy reimbursement received that was not part of original budget.					
Operating grants and contributions	12,638	15,294	2,656	21%	F
Operating grants & contributions has increased mainly due to additional Financial Assistance Grant received in advance.					
Capital grants and contributions	32,636	22,510	(10,126)	(31)%	U
Capital grants & contributions is showing an unfavourable variance against the budget, mainly due to Council not yet receiving the full amount of the grant for capital projects such as Saleyards Redevelopment Project and Koala Park. A large portion of this variance has also occurred due to contract assets & liabilities adjustments, an accounting treatment in recognising grant income based on the capital expenditure incurred during the Financial Year. (See Note C1-6 and Note C3-2 for details)					
Interest and investment revenue	833	933	100	12%	F
Interest and investment income have increased compared to the budget, due to an increase in interest rates and additional funds available for investing.					
Other income	-	94	94	∞	F
Expenses					
Employee benefits and on-costs	18,223	17,487	736	4%	F
Materials and services	10,398	16,077	(5,679)	(55)%	U
Materials and contractors have increased in line with the increased State Road works income, along with an increase to legal fees due to the re-commencement of debt collection following the COVID-19 pandemic.					
Borrowing costs	987	755	232	24%	F
A budget allocation has been made for Saleyards Redevelopment Project loan, however, this loan was drawn towards the end of Financial Year, contributing to the favourable variance compared to budget.					
Depreciation, amortisation and impairment of non-financial assets	11,108	11,477	(369)	(3)%	U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Other expenses	3,055	389	2,666	87% F
Other expenses have decreased due to classification changes in the actual figures, based on the updated code requirements. Some of the expenses budgeted under this category are now reported under Materials and services.				
Net losses from disposal of assets	56	318	(262)	(468)% U
Council has made only a minimal budget for losses or gains on the disposal of assets due to the uncertainty of this activity, however, losses have occurred when disposing infrastructure assets where the assets are beyond the useful life or disposed as part of asset replacement program.				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	68,388	47,513	(20,875)	(31)% U
Cash flow from operating activities is lower than the budget, mainly due to a portion of capital grants & contributions are yet to be received as end of Financial Year.				
Cash flows from investing activities	(79,994)	(41,731)	38,263	(48)% F
Cash flow from investing activities is higher than the budget, mainly due to a portion of capital projects are yet to be completed as end of the Financial Year, and carried forward to the next Financial Year.				
Cash flows from financing activities	2,401	2,339	(62)	(3)% U

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	7,701	1,815
Cash equivalent assets		
– Deposits at call	10,625	8,390
Total cash and cash equivalents	18,326	10,205

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	18,326	10,205
Balance as per the Statement of Cash Flows	18,326	10,205

Accounting policy

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

C1-2 Financial investments

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Debt securities at amortised cost				
Term deposits	28,279	40,000	28,764	25,514
Government and semi-government bonds	2,000	2,000	2,000	2,000
NCD's, FRN's (with maturities > 3 months)	-	2,003	-	-
Total	30,279	44,003	30,764	27,514
Total financial investments	30,279	44,003	30,764	27,514
Total cash assets, cash equivalents and investments	48,605	44,003	40,969	27,514

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	92,608	68,483
Less: Externally restricted cash, cash equivalents and investments	<u>(58,611)</u>	<u>(47,038)</u>
Cash, cash equivalents and investments not subject to external restrictions	33,997	21,445
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general fund	3,000	–
Specific purpose unexpended grants – general fund	12,601	6,822
Specific purpose unexpended grants – water fund	18	–
External restrictions – included in liabilities	15,619	6,822
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	3,980	3,362
Developer contributions – water fund	5,578	4,944
Developer contributions – sewer fund	2,935	2,483
Specific purpose unexpended grants (recognised as revenue) – general fund	1,128	1,103
Water fund	5,752	7,159
Sewer fund	9,529	9,046
Other	183	183
Domestic waste management	13,907	11,936
External restrictions – other	42,992	40,216
Total external restrictions	58,611	47,038

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.

	2022 \$ '000	2021 \$ '000
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	33,997	21,445
Less: Internally restricted cash, cash equivalents and investments	<u>(30,590)</u>	<u>(18,295)</u>
Unrestricted and unallocated cash, cash equivalents and investments	3,407	3,150

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

	2022 \$ '000	2021 \$ '000
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	3,407	2,219
Employees leave entitlement	1,616	1,603
Business partnering program	67	244
Contract works	189	189
Cycleways	38	38
Depot refuelling upgrade	142	142
Future works	5,506	3,669
Gravel pit restoration	860	458
Information technology - Software roadmap/Software Upgrade	199	-
Land	45	45
Parking areas	483	483
Roads	283	308
Saleyards	741	419
Storm water – contingency	91	-
Community Housing (Local Building)	324	324
Strategic planning	383	383
Tourism	94	94
Reserve Management Trust	124	124
Arts & Culture	20	20
Disaster Recovery Fund	238	238
Water Sustainability	150	150
Building Works	1,061	1,060
Building Renovations/Additions	500	500
Financial Assistance Grant - Advance Payment	3,983	-
Contingency Reserve - 21/22 Future Works	3,736	-
GoCo - Unexpended Funds (Excluding Grants)	4,867	4,008
Other	1,443	1,577
Total internal allocations	30,590	18,295

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
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	3,407	3,150

C1-4 Receivables

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Rates and annual charges	686	-	984	-
Interest and extra charges	152	-	179	-
User charges and fees	4,626	-	2,455	-
Private works	61	-	256	-
Contributions to works	30	-	337	-
Accrued revenues				
– Interest on investments	553	-	537	-
– Other income accruals	69	-	35	-
Deferred debtors	3	16	3	18
Government grants and subsidies	2,888	-	277	-
Net GST receivable	801	-	396	-
Total	9,869	16	5,459	18
Less: provision for impairment				
Rates and annual charges	(2)	-	(45)	-
User charges and fees	(1)	-	-	-
Other debtors	(67)	-	(36)	-
Total provision for impairment – receivables	(70)	-	(81)	-
Total net receivables	9,799	16	5,378	18
Externally restricted receivables				
Water supply				
– Rates and availability charges	51	-	71	-
– Other	258	-	318	-
Sewerage services				
– Rates and availability charges	104	-	131	-
– Other	34	-	36	-
Total external restrictions	447	-	556	-
Unrestricted receivables	9,352	16	4,822	18
Total net receivables	9,799	16	5,378	18

	2022 \$ '000	2021 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	81	78
+ new provisions recognised during the year	39	9
– amounts already provided for and written off this year	(45)	(6)
– amounts provided for but recovered during the year	(5)	-
Balance at the end of the year	70	81

C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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 determined non recoverable.

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

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	407	-	374	-
Quarry Gravel	499	-	450	-
Tourism Guides	33	-	-	-
Total inventories at cost	939	-	824	-
Total inventories	939	-	824	-

Externally restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Water				
Stores and materials	99	-	105	-
Total water	99	-	105	-
Total externally restricted assets	99	-	105	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	840	-	719	-
Total inventories	939	-	824	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Contract assets	1,951	-	5,505	-
Total contract assets and contract cost assets	1,951	-	5,505	-

Contract assets

Roads - Grain Valley Way	-	-	2,015	-
Roads - Clifton	488	-	1,088	-
Saleyards - Redevelopment	-	-	95	-
Mystery Road - Upgrade	-	-	2,258	-
Pedestrian Safety Around Schools	-	-	49	-
Wandobah Public Spaces	27	-	-	-
Acceleration - Kerb & Gutter	93	-	-	-
Orange Grove Road Bridge	126	-	-	-
Airport Certification Works	54	-	-	-
Water Treatment Plant	1,163	-	-	-
Total contract assets	1,951	-	5,505	-

Significant changes in contract assets

Gunnedah Shire Council have a number of grant funded projects for the construction and upgrade of Council Assets. These projects are based on the achievement of milestones established in the contract and therefore the amounts of revenue are recognised as revenue over the time of the contract. Council's major projects completed during 2022 include Grain Valley Way Upgrade (\$8.2 million project), and Mystery Road Upgrade (\$3.015 million project). Council's current major projects include Clifton Road upgrade (\$9.819 million project), Water Flouridation plant (\$8.4 million project), Orange Grove Road Bridge (\$1.3 million project). Council projects that are now listed as contract liabilities include Gunnedah Regional Saleyards Redevelopment (\$17.5 million project).

(i) Externally restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	1,163	-	-	-
Other (Grant Funded)	788	-	5,505	-
Total externally restricted assets	1,951	-	5,505	-
Total restricted assets	1,951	-	5,505	-
Total contract assets and contract cost asset	1,951	-	5,505	-

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

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.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements	WIP transfers	Adjustments and transfers	Impairment loss to equity (ARR)	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	\$ '000	\$ '000
Capital work in progress	12,255	–	12,255	14,820	8,506	–	–	–	(5,661)	–	–	–	29,920	–	29,920
Plant and equipment ²	27,070	(12,748)	14,322	1,524	4	(1,151)	(1,838)	(17)	149	37	–	–	24,867	(11,837)	13,030
Office equipment	2,647	(2,097)	550	20	137	(1)	(266)	–	198	–	–	–	2,996	(2,358)	638
Furniture and fittings	1,499	(909)	590	21	–	–	(94)	–	40	–	–	–	1,560	(1,003)	557
Land:															
– Crown land	3,918	–	3,918	–	–	–	–	–	–	–	–	219	4,137	–	4,137
– Operational land	8,532	–	8,532	–	48	–	–	–	–	–	–	477	9,057	–	9,057
– Community land	2,412	–	2,412	–	–	–	–	–	–	–	–	135	2,547	–	2,547
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	–	183	3,451	–	3,451
Land improvements – non-depreciable	2,238	–	2,238	–	–	–	–	–	–	–	–	125	2,363	–	2,363
Infrastructure:															
– Buildings – non-specialised	20,464	(9,207)	11,257	64	275	(273)	(294)	–	160	(401)	–	1,639	23,354	(10,927)	12,427
– Buildings – specialised	31,772	(11,461)	20,311	–	–	–	(512)	–	124	–	(111)	3,265	37,035	(13,958)	23,077
– Other structures	6,870	(2,853)	4,017	–	19	–	(145)	–	86	(37)	–	652	8,126	(3,534)	4,592
– Other open space/recreational assets	10,056	(2,859)	7,197	20	81	–	(352)	–	415	401	–	873	12,677	(4,042)	8,635
– Swimming pools	10,396	(1,299)	9,097	–	–	–	(184)	–	–	–	–	1,162	11,746	(1,671)	10,075
– Roads	233,982	(38,308)	195,674	1,004	–	–	(3,442)	–	712	–	–	24,039	265,120	(47,133)	217,987
– Bridges	45,537	(16,123)	29,414	1	–	–	(455)	–	–	–	(47)	3,052	50,350	(18,385)	31,965
– Footpaths	9,325	(2,140)	7,185	–	–	(59)	(117)	–	108	–	–	726	10,295	(2,452)	7,843
– Other road assets (including bulk earthworks)	4,855	(1,006)	3,849	222	–	–	(67)	–	51	–	–	376	5,611	(1,180)	4,431
– Stormwater drainage	67,727	(26,925)	40,802	322	–	(119)	(812)	–	387	–	–	2,988	73,184	(29,616)	43,568
– Water supply network	75,753	(28,211)	47,542	513	233	(23)	(1,040)	–	1,847	–	–	2,671	82,653	(30,910)	51,743
– Sewerage network	64,340	(29,540)	34,800	453	167	–	(874)	–	1,132	–	–	1,948	69,782	(32,156)	37,626
– Other infrastructure	8,322	(5,905)	2,417	–	–	–	(155)	–	–	–	–	239	9,203	(6,702)	2,501
Other assets:															
– Library books	276	(145)	131	–	21	–	(27)	–	20	–	–	–	318	(173)	145
– Other	3,927	(1,452)	2,475	–	24	–	(346)	–	232	–	–	–	4,147	(1,762)	2,385
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	4,191	(842)	3,349	–	–	–	(330)	–	–	–	–	–	4,191	(1,172)	3,019
– Quarry assets	417	(119)	298	–	–	–	(31)	–	–	–	–	–	417	(150)	267
Total infrastructure, property, plant and equipment	662,049	(194,149)	467,900	18,984	9,515	(1,626)	(11,381)	(17)	–	–	(158)	44,769	749,107	(221,121)	527,986

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

(2) Restated refer to G4-1

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements	WIP transfers	Adjustments and transfers	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	\$ '000
Capital work in progress	11,459	–	11,459	11,429	–	–	–	–	(10,633)	–	–	12,255	–	12,255
Plant and equipment ²	26,725	(12,669)	14,056	2,271	193	(537)	(1,649)	(17)	5	–	–	27,070	(12,748)	14,322
Office equipment	2,617	(1,874)	743	11	4	–	(251)	–	43	–	–	2,647	(2,097)	550
Furniture and fittings	1,304	(819)	485	82	11	–	(98)	–	110	–	–	1,499	(909)	590
Land:														
– Operational land	8,667	–	8,667	–	–	(135)	–	–	–	–	–	8,532	–	8,532
– Community land	2,412	–	2,412	–	–	–	–	–	–	–	–	2,412	–	2,412
– Crown land	3,918	–	3,918	–	–	–	–	–	–	–	–	3,918	–	3,918
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	–	3,268	–	3,268
Land improvements – non-depreciable	2,238	–	2,238	–	–	–	–	–	–	–	–	2,238	–	2,238
Infrastructure:														
– Buildings – non-specialised	20,794	(8,934)	11,860	25	–	(259)	(369)	–	–	–	–	20,464	(9,207)	11,257
– Buildings – specialised	31,503	(10,953)	20,550	261	–	(14)	(526)	–	40	–	–	31,772	(11,461)	20,311
– Other structures	6,621	(2,680)	3,941	–	105	–	(173)	–	144	–	–	6,870	(2,853)	4,017
– Roads	222,808	(35,334)	187,474	7,787	4	(1,145)	(3,392)	–	4,946	–	–	233,982	(38,308)	195,674
– Bridges	45,289	(15,679)	29,610	279	–	(18)	(457)	–	–	–	–	45,537	(16,123)	29,414
– Footpaths	9,112	(2,025)	7,087	–	85	–	(114)	–	127	–	–	9,325	(2,140)	7,185
– Other road assets (including bulk earthworks)	4,451	(943)	3,508	–	53	–	(63)	–	351	–	–	4,855	(1,006)	3,849
– Stormwater drainage	60,593	(24,150)	36,443	380	12	(169)	(702)	–	801	–	4,037	67,727	(26,925)	40,802
– Water supply network	72,769	(27,330)	45,439	305	391	(120)	(921)	–	2,039	–	409	75,753	(28,211)	47,542
– Sewerage network	63,438	(28,660)	34,778	1	271	(271)	(856)	–	570	–	307	64,340	(29,540)	34,800
– Swimming pools	10,394	(1,115)	9,279	–	–	–	(185)	–	3	–	–	10,396	(1,299)	9,097
– Other open space/recreational assets	7,828	(3,066)	4,762	1,568	6	(134)	(229)	–	1,224	–	–	10,056	(2,859)	7,197
– Other infrastructure	8,320	(5,737)	2,583	–	–	–	(166)	–	–	–	–	8,322	(5,905)	2,417
Other assets:														
– Library books	297	(148)	149	19	–	(10)	(28)	–	1	–	–	276	(145)	131
– Other	3,658	(1,097)	2,561	–	41	–	(356)	–	229	–	–	3,927	(1,452)	2,475
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	4,190	(421)	3,769	–	–	–	(420)	–	–	–	–	4,191	(842)	3,349
– Quarry assets	436	(61)	375	–	–	–	(59)	–	–	(18)	–	417	(119)	298
Total infrastructure, property, plant and equipment	635,109	(183,695)	451,414	24,418	1,176	(2,812)	(11,014)	(17)	–	(18)	4,753	662,049	(194,149)	467,900

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

(2) Restated refer to G4-1

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

Accounting policy

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, industry and Environment (DPIE) – Best practice management of Water Supply and Sewer Guidelines.

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.

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

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	3 to 10	Playground equipment	5 to 15
Office furniture	5 to 10	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 10	Buildings: other	20 to 80
RFS Assets	25		
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	100 to 120
Bores	20 to 40	Culverts	50 to 100
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	21-28	Bulk earthworks	Indefinite
Sealed roads: structure	60-75	Swimming pools	50
Unsealed roads	20	Other open space/recreational assets	30 to 60
Bridge: concrete	100	Other infrastructure	20 to 100
Bridge: other	100		
Road formation: urban	150		
Road formation: rural	Indefinite		
Kerb, gutter and footpaths	80		

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

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

Land under roads

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

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

Crown reserves

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

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".

The NSW government has confirmed its view that these assets are not controlled by the NSW Rural Fire Services or the State.

These Rural Fire Service assets have been recognised as assets of the council in these financial statements.

Infrastructure, property, plant and equipment – current year impairments

	Notes	2022 \$ '000	2021 \$ '000
(i) Impairment losses recognised in the Income Statement:			
Fire Service - Water Tankers		(16)	–
IT Equipment - Apple Macbook		(1)	–
Library - Books & Resources		–	(10)
Tourism - Cultural Precinct Banner Poles x 16		–	(7)
Total impairment losses		(17)	(17)
Impairment of assets – gains/(losses) in P/L	B3-4	(17)	(17)
(ii) Impairment losses recognised directly to equity (ARR):			
Bridge - Orange Grove Rd Bridge - Fire Damage		(47)	–
Pool Fit Out - Roof Indoor Pool		(55)	–
CIVIC - Fire Services - Not Compliant		(56)	–
Total impairment losses		(158)	–
Impairment of assets – direct to equity (ARR)		(158)	–

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including Buildings, and Vehicles. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases buildings for their Community Care Department (GoCo) offices in Narrabri, Barraba & Tamworth. The leases are generally between 1 and 15 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

Vehicles

Council leases vehicles with lease terms of 4 years; the lease payments are fixed during the lease term and there is generally no renewal option.

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

	Buildings \$ '000	Vehicles \$ '000	Total \$ '000
2022			
Opening balance at 1 July	683	–	683
Additions to right-of-use assets	12	67	79
Depreciation charge	(66)	(13)	(79)
Balance at 30 June	629	54	683
2021			
Opening balance at 1 July	738	–	738
Additions to right-of-use assets	7	–	7
Adjustments to right-of-use assets due to re-measurement of lease liability	5	–	5
Depreciation charge	(67)	–	(67)
Balance at 30 June	683	–	683

(b) Lease liabilities

	2022 Non-current \$ '000	2022 Current \$ '000	2021 Non-current \$ '000	2021 Current \$ '000
Lease liabilities - GoCo Offices	556	44	590	46
Lease Liabilities - GoCo Vehicles	38	16	–	–
Total lease liabilities	594	60	590	46

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	61	194	399	654	654
2021					
Cash flows	56	176	471	703	636

(ii) Lease liabilities relating to restricted assets

	2022 Non-current \$ '000	2022 Current \$ '000	2021 Non-current \$ '000	2021 Current \$ '000
Externally restricted assets				
Other - GoCo - Grant Funded	594	60	590	46
Lease liabilities relating to externally restricted assets	594	60	590	46
Total lease liabilities relating to restricted assets	594	60	590	46
Total lease liabilities	594	60	590	46

(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	10	9
Depreciation of right of use assets	79	67
Expenses relating to short-term leases	24	11
Expenses relating to low-value leases	2	1
	115	88

(e) Statement of Cash Flows

Total cash outflow for leases	69	54
	69	54

C2-1 Council as a lessee (continued)

Accounting policy – Council as a lessee

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

C2-2 Council as a lessor

Operating leases

	2022 \$ '000	2021 \$ '000
--	-----------------	-----------------

Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	94	101
Total income relating to operating leases for Council assets	94	101

Accounting policy

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

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

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

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

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	2,704	–	1,687	–
Goods and services – capital expenditure	3,037	–	1,836	–
Accrued expenses:				
– Borrowings	19	–	15	–
– Salaries and wages	596	–	515	–
Other	1	–	–	–
Government departments and agencies	3,037	–	–	–
Prepaid rates	745	–	615	–
Total payables	10,139	–	4,668	–

Payables relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Water	717	–	149	–
Total payables relating to restricted assets	717	–	149	–
Total payables relating to unrestricted assets	9,422	–	4,519	–
Total payables	10,139	–	4,668	–

Current payables not anticipated to be settled within the next twelve months

	2022 \$ '000	2021 \$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Other liabilities	7	7
Total payables	7	7

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.

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

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 capital grants (to construct Council controlled assets) (i)	11,898	-	5,457	-
Unexpended operating contributions (received prior to performance obligation being satisfied) (ii)	721	-	1,365	-
Total grants received in advance	12,619	-	6,822	-
Total contract liabilities	12,619	-	6,822	-

Notes

(i) Council has received funding to construct assets including sporting facilities, saleyards, water infrastructure 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. Grants relate to funds received by GoCo in advance under the Carer NSW & HCP Individual Client Contributions.

Contract liabilities relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	12,619	-	6,822	-
Contract liabilities relating to externally restricted assets	12,619	-	6,822	-
Total contract liabilities relating to restricted assets	12,619	-	6,822	-
Total contract liabilities	12,619	-	6,822	-

Significant changes in contract liabilities

Council has received funding for 17 projects for the construction of Council Assets. The significant change from the previous year is the addition of the Saleyards upgrade (\$17,560,000 project). Council has received an advance payment of \$9,145,000 with the project only just commencing. Kelvin Road Upgrade (\$6,179,000 project) remains a contract liability. Council has received a further \$800,000 and the upgrade is ongoing. Koala Park Project (\$6,552,000 project), the first and second milestone funding payments have been received of \$1,296,000 each with further milestones to be met. Gunnedah Cycleway (\$1,528,000 project) has received \$988,397.32 with works only just commencing. Airport reconstruction (\$3,858,000 project) payments totalling \$1,468,235 being received with the project still out to tender. All other projects classified as Contract Liabilities are of a minor nature with the amount recognised less than \$150,000 each.

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	718	13,143	597	10,861
Government advances	–	–	3	–
Total borrowings	718	13,143	600	10,861

(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 E.

Borrowings relating to restricted assets

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Total borrowings relating to unrestricted assets	718	13,143	600	10,861
Total borrowings	718	13,143	600	10,861

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements			2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	11,458	(597)	3,000	–	–	13,861
Government advances	3	(3)	–	–	–	–
Lease liability (Note C2-1b)	636	(61)	79	–	–	654
Total liabilities from financing activities	12,097	(661)	3,079	–	–	14,515

	2020		Non-cash movements			2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	12,026	(568)	–	–	–	11,458
Government advances	5	(2)	–	–	–	3
Lease liability (Note C2-1b)	678	(42)	–	–	–	636
Total liabilities from financing activities	12,709	(612)	–	–	–	12,097

C3-3 Borrowings (continued)

(b) Financing arrangements

	2022 \$ '000	2021 \$ '000
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	50	50
Other - Bank Guarantee's	20	10
Total financing arrangements	570	560
Drawn facilities		
– Credit cards/purchase cards	11	12
– Other - Bank Guarantee's	20	10
Total drawn financing arrangements	31	22
Undrawn facilities		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	39	38
Total undrawn financing arrangements	539	538

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

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method.

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 cost.

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

C3-4 Employee benefit provisions

	2022 Current \$ '000	2022 Non-current \$ '000	2021 Current \$ '000	2021 Non-current \$ '000
Annual leave	1,694	–	1,616	–
Long service leave	3,474	220	3,485	240
Rostered days off	184	–	171	–
Wages – time in lieu	29	–	38	–
Total employee benefit provisions	5,381	220	5,310	240

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	10	–	6	–
Employee benefit provisions relating to externally restricted assets	10	–	6	–
Total employee benefit provisions relating to restricted assets	10	–	6	–
Total employee benefit provisions relating to unrestricted assets	5,371	220	5,304	240
Total employee benefit provisions	5,381	220	5,310	240

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	3,201	3,364
	3,201	3,364

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	1,616	3,725	209	5,550
Additional provisions	1,318	452	656	2,426
Amounts used (payments)	(1,240)	(483)	(652)	(2,375)
Total ELE provisions at end of year	1,694	3,694	213	5,601
2021				
At beginning of year	1,694	3,799	215	5,708
Additional provisions	1,175	455	591	2,221
Amounts used (payments)	(1,253)	(529)	(597)	(2,379)
Total ELE provisions at end of year	1,616	3,725	209	5,550

C3-4 Employee benefit provisions (continued)

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

	2022 Current \$ '000	2022 Non-Current \$ '000	2021 Current \$ '000	2021 Non-Current \$ '000
Other provisions				
Other	7	-	7	-
Sub-total – other provisions	7	-	7	-
Asset remediation/restoration:				
Asset remediation/restoration (future works)	-	4,931	-	4,762
Sub-total – asset remediation/restoration	-	4,931	-	4,762
Total provisions	7	4,931	7	4,762
Provisions relating to restricted assets				
Total provisions relating to unrestricted assets	7	4,931	7	4,762
Total provisions	7	4,931	7	4,762

Description of and movements in provisions

	Asset remediation \$ '000	Other Community Transport Bus \$ '000	Total \$ '000
2022			
At beginning of year	4,762	7	4,769
Remeasurement effects	169	-	169
Total other provisions at end of year	4,931	7	4,938
2021			
At beginning of year	4,716	7	4,723
Remeasurement effects	(18)	-	(18)
Other	64	-	64
Total other provisions at end of year	4,762	7	4,769

Nature and purpose of provisions

Asset remediation/restoration

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

During the 2018/19 Financial year Council made a significant adjustment to the provision to restore, rehabilitate and restate the Council Tips.

A major review was completed by Council staff and Tonkin Consulting to revise the estimates to remediate the current tip at the end of the useful life. The current estimate using the NSW EPA capping method was \$8.3 million for the estimate 12 hectares to be remediated. Using the new Phytocap method the estimate is \$4.1 million. Council has re-calculated the cost of remediation on the Phytocap Costs. This has led to a write back of provisions by \$2.3 million.

Council notes that Phytocap is only in testing phase with 5 Councils and EPA have not yet given approval for Gunnedah Shire Council to use Phytocap technology therefore providing a risk, if not accepted by the EPA, that our provision is understated. This approach is reviewed each year by the Manager Waste. During the 2021/22 year council have extended the phase 1 remediation out another 2 years on advice from the Manager Waste.

Any changes to this risk will be reflected in future Financial Statements.

C3-5 Provisions (continued)

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

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

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, the provision is made for the stated 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.

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 clean-up, which would affect future financial results.

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

Close-down and restoration costs are normal consequences 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.

During 2021/22 as per Note B3-3 ii - Other Borrowing Costs - Council recognised borrowing costs of \$75,000 compared to \$64,000 in 2020/21. Whilst in Note B3-4 - Depreciation, amortisation and impairment of intangible assets & IPP&E an amount was recognised for \$361,000 in 2021/22 & \$479,000 in 2020/21 for the future remediation and restoration of council's tip & quarry assets.

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	16,367	1,074	2,288
User charges and fees	10,148	2,253	853
Interest and investment revenue	661	147	125
Other revenues	1,444	–	–
Grants and contributions provided for operating purposes	15,184	78	32
Grants and contributions provided for capital purposes	13,960	7,959	591
Other income	94	–	–
Total income from continuing operations	57,858	11,511	3,889
Expenses from continuing operations			
Employee benefits and on-costs	16,122	916	449
Materials and services	12,386	1,773	1,918
Borrowing costs	755	–	–
Depreciation, amortisation and impairment of non-financial assets	9,502	1,061	914
Other expenses	388	1	–
Net losses from the disposal of assets	294	24	–
Total expenses from continuing operations	39,447	3,775	3,281
Operating result from continuing operations	18,411	7,736	608
Net operating result for the year	18,411	7,736	608
Net operating result attributable to each council fund	18,411	7,736	608
Net operating result for the year before grants and contributions provided for capital purposes	4,451	(223)	17

D1-2 Statement of Financial Position by fund

	General 2022 \$ '000	Water 2022 \$ '000	Sewer 2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	17,641	164	521
Investments	7,152	11,184	11,943
Receivables	9,352	309	138
Inventories	840	99	–
Contract assets and contract cost assets	788	1,163	–
Other	391	–	–
Total current assets	36,164	12,919	12,602
Non-current assets			
Investments	44,003	–	–
Receivables	16	–	–
Infrastructure, property, plant and equipment	428,518	60,874	38,594
Right of use assets	683	–	–
Total non-current assets	473,220	60,874	38,594
Total assets	509,384	73,793	51,196
LIABILITIES			
Current liabilities			
Payables	9,422	717	–
Contract liabilities	12,619	–	–
Lease liabilities	60	–	–
Borrowings	718	–	–
Employee benefit provision	5,371	10	–
Provisions	7	–	–
Total current liabilities	28,197	727	–
Non-current liabilities			
Lease liabilities	594	–	–
Borrowings	13,143	–	–
Employee benefit provision	220	–	–
Provisions	4,931	–	–
Total non-current liabilities	18,888	–	–
Total liabilities	47,085	727	–
Net assets	462,299	73,066	51,196
EQUITY			
Accumulated surplus	213,532	48,984	22,903
Revaluation reserves	248,767	24,082	28,293
Council equity interest	462,299	73,066	51,196
Total equity	462,299	73,066	51,196

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

Gunnedah Shire Council is a member of Namoi Unlimited - Joint Organisation of Councils. The interest in the Joint Organisation of Councils is to progress the strategic objectives of the region and lobby on there behalf.

There are 5 members of the Council and Gunnedah Shire pays an annual membership. There are no material assets of the Council other than unspent membership payments. There is no material liabilities or debt of the Council.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including market risk, credit risk, liquidity risk and interest rate risk.

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

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

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

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

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

	Carrying value 2022 \$ '000	Carrying value 2021 \$ '000	Fair value 2022 \$ '000	Fair value 2021 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	18,326	10,205	-	10,205
Receivables	9,815	5,396	-	5,396
Investments				
– 'Financial assets - 'amortised cost'	74,282	58,278	-	58,278
Total financial assets	102,423	73,879	-	73,879
Financial liabilities				
Payables	10,139	4,668	-	4,668
Lease Liabilities	654	636	-	636
Loans/advances - 'amortised cost'	13,861	11,461	-	11,461
Total financial liabilities	24,654	16,765	-	16,765

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.

Council's objective is to maximise its return on cash and investments within Council's risk tolerances and policy settings, whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance department manages the Cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and was updated during the current financial year. An investment report is also tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

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

(a) Market risk – interest rate and price risk

	2022	2021
	\$ '000	\$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	780	644

(b) Credit risk

Council's major receivables comprise rates and annual charges, and user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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.

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

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

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges		Total \$ '000
		< 5 years \$ '000	≥ 5 years \$ '000	
2022				
Gross carrying amount	–	554	132	686
2021				
Gross carrying amount	–	932	52	984

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

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	Overdue debts			Total \$ '000
			31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2022						
Gross carrying amount	9,962	520	1	37	630	11,150
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.91%	0.62%
ECL provision	-	-	-	-	69	69
2021						
Gross carrying amount	9,008	245	238	78	429	9,998
Expected loss rate (%)	0.00%	0.00%	0.00%	40.10%	9.86%	0.74%
ECL provision	-	-	-	31	42	73

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2022							
Payables	0.00%	-	10,139	-	-	10,139	10,139
Borrowings	4.17%	-	718	3,276	9,867	13,861	13,861
Total financial liabilities		-	10,857	3,276	9,867	24,000	24,000
2021							
Payables	0.00%	-	4,052	-	-	4,052	4,668
Borrowings	5.31%	-	1,172	4,678	10,195	16,045	11,461
Total financial liabilities		-	5,224	4,678	10,195	20,097	16,129

Loan agreement breaches

There have been no breaches of loan agreements during the reporting period.

E2 Fair value measurement

\$ '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
						Restated		Restated	
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/2022	30/06/2017	-	-	13,030	14,322	13,030	14,322
Office equipment		30/06/2022	30/06/2017	-	-	638	550	638	550
Furniture and fittings		30/06/2022	30/06/2017	-	-	557	590	557	590
Crown Land		30/06/2017	30/06/2017	-	-	3,918	3,918	3,918	3,918
Operational land		30/06/2018	30/06/2018	-	-	9,057	8,532	9,057	8,532
Community land		30/06/2017	30/06/2017	-	-	2,412	2,412	2,412	2,412
Land Under Roads (post 30/6/2008)		30/06/2016	30/06/2016	-	-	3,268	3,268	3,268	3,268
Land Improvements		30/06/2018	30/06/2018	-	-	2,238	2,238	2,238	2,238
Buildings – non specialised		30/06/2018	30/06/2018	-	-	12,427	11,257	12,427	11,257
Buildings – specialised		30/06/2018	30/06/2018	-	-	23,077	20,311	23,077	20,311
Other structures		30/06/2016	30/06/2016	-	-	3,940	4,017	3,940	4,017
Roads		30/06/2018	30/06/2018	-	-	217,987	195,674	217,987	195,674
Bridges		30/06/2020	30/06/2020	-	-	31,965	29,414	31,965	29,414
Footpaths		30/06/2020	30/06/2020	-	-	7,117	7,185	7,117	7,185
Other Road Assets		30/06/2020	30/06/2020	-	-	4,055	3,849	4,055	3,849
Stormwater drainage		30/06/2021	30/06/2021	-	-	43,568	40,802	43,568	40,802
Water supplies networks		30/06/2017	30/06/2017	-	-	51,743	47,542	51,743	47,542
Sewerage networks		30/06/2017	30/06/2017	-	-	37,626	34,800	37,626	34,800
Swimming pools		30/06/2019	30/06/2019	-	-	8,913	9,097	8,913	9,097
Other open space/recreational assets		30/06/2016	30/06/2016	-	-	7,762	7,197	7,762	7,197
Other Infrastructure		30/06/2020	30/06/2020	-	-	2,262	2,417	2,262	2,417
Library books		30/06/2022	30/06/2019	-	-	145	131	145	131
Other assets		30/06/2022	30/06/2019	-	-	2,385	2,475	2,385	2,475
Tip remediation assets		30/06/2019	30/06/2019	-	-	3,019	3,349	3,019	3,349
Quarry remediation assets		30/06/2018	30/06/2018	-	-	267	298	267	298
Total infrastructure, property, plant and equipment				-	-	493,376	455,645	493,376	455,645

Transfers between level 1 and level 2 fair value hierarchies

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

E2 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Example of assets in these classes are as follows:

- Plant & Equipment - Graders, trucks, Motor Vehicles
- Office Equipment - Computer Equipment
- Furniture & Fittings - Desks, Chairs.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

The Plant & Equipment, Office Equipment and Furniture & Fittings asset classes were revalued via an internal revaluation process during the 2021/22 financial year.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuations is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed by Thomas Donoghue AAPI (CPV) from Donoghue Property Valuations and Consultancy. Registered Valuer API No: 71002.

The asset class has been indexed from the date of last revaluation using the Valuer General Valuation movement between 1 July 2018 and 1 July 2021 published by the NSW Valuer General.

All operational land has been valued at fair value (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting the price including but not limited to the land description, area and dimensions, planning and other constraints on development and potential for alternate use. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land were performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer, QLD #3258 B.App. Sc (Property Economics) AAPI as at 30th June 2017.

The asset class has been indexed from the date of last revaluation using the Valuer General Valuation movement between 1 July 2018 and 1 July 2021 published by the NSW Valuer General.

All Community Land has been valued at fair value (highest and best use). As these rates are were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting year.

Crown Land

The Council controlled Crown Land was valued using NSW Valuer General's valuations. Where there was no specific land values from the Valuer General, it was based on the pro rata valuation from adjoining properties.

The asset class has been indexed from the date of last revaluation using the Valuer General Valuation movement between 1 July 2018 and 1 July 2021 published by the NSW Valuer General.

Council will progressively review its Crown Land Asset Class against information from Crown Land listing for accuracy and completeness.

E2 Fair value measurement (continued)

Land Under Roads (Post 1 July 2008)

The Roads have been valued in a comparison basis with reference to the Australian Accounting Standard AASB116 Property, Plant & Equipment.

Land under roads acquired after 1 July 2008 is to be recognised in accordance with AASB 116, but should be consistent with the valuation methodology for land under roads held up to 1 July 2008 where that land has been recognised.

Fair value is based on highest and best possible use. The highest and best use of a non-financial assets takes into account the use of the asset that is physically possible, legally permissible and financially feasible. Land under roads are valued by Donoghue Property Valuations, Thomas Donoghue AAPI (CPV) Registered Valuer NSW VAL024883.

The asset class has been indexed from the date of last revaluation using the Valuer General Valuation movement between 1 July 2018 and 1 July 2021 published by the NSW Valuer General.

Buildings - Non Specialised and Specialised

Valuations of all Council's Buildings Specialised & Non-Specialised were based on valuations performed by Donogue Property Valuations and Consultancy, Thomas Donoghue AAPI (CPV), Registered Valuer API No: 71002 as at 30th June 2018.

The asset class has been indexed from the date of the last valuation using the Producer Price Index for Building Construction, New South Wales published by the Australian Bureau of Statistics.

The value of non-specialised buildings, which are predominately houses and units for which there is a secondary market, have been determined on the basis of fair value.

Buildings that have been determined as specialised, meaning they are designed for a particular purpose for which there is generally little or no market based evidence available, they have been valued on the basis of depreciated replacement cost taking into consideration a reduction for physical wear and tear and functional obsolescence. The valuations take into account different components of buildings and different useful lives.

While all buildings were physically inspected, inputs such as estimates of residual values and pattern of consumption required extensive judgement and impacted on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards and were revalued as at 30th June 2016.

Valuations of all Council's - Other Structures were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

E2 Fair value measurement (continued)

Roads

This class of assets comprises Urban Roads, Sealed Rural Roads, Unsealed Rural Roads.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally into surface, pavement & formation to reflect the different nature of the assets.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Roads have been completed as at 30th June 2018 by APV Valuers & Asset Management.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

The Roads Asset class will be revalued during the 2022/23 financial year.

Other Road Assets

This asset class comprises Road Furniture, Islands & Pedestrian Refuges, Guard Rails and Bus Shelters. The asset class has been used to better group assets by their characteristics, nature and risks.

Council uses the "Cost Approach" using Level 3 inputs for all Road infrastructure. Valuations for Road Infrastructure are componentised generally reflect the different nature of the assets.

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Other Road Assets have been completed as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

Bridges, Causeways & Culverts

Bridges and Causeways were valued as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council using the cost approach.

- Culverts were valued as at 30th June 2020 Australis Asset Advisory Group and reviewed by the Chief Engineer using the cost approach. During the revaluation 41 additional Culverts were identified amounting to \$617,035.

The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails. The information is maintained in the BizeAssets Management System.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value.

Footpaths

Footpaths were valued as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council using the cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally mapped and condition assessed using a physical inspection by the Roads inspector. The information is maintained in the BizeAssets Management System.

Condition are updated as changes in the networks are observed through regular inspections.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

E2 Fair value measurement (continued)

Stormwater Drainage

Stormwater Assets comprise pits, pipes, open channels, headwalls and various types of water quality devices in the Urban Areas. Included in the Stormwater class of asset is Kerb & Gutter Assets. Stormwater & Kerb & Gutter both have similar characteristics, nature & risks. A full revaluation of Stormwater and Kerb & Gutter was completed as at 30th June 2021. The revaluation was completed by Andrew Suddards BEng Mrch MIPWEA, Partner, Plant, Equipment & Infrastructure Services, Australis Asset Advisory Group and reviewed by Gunnedah Shire Council's Chief Engineer.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

The 'Cost Approach' is the estimated replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with the Institute of Public Works Engineers Australia Infrastructure Management Manual (IMM). Inputs such as estimates of pattern of consumption, residual value, Asset Condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

Water Supplies

The valuation of the Water Supplies was completed as at 30th June 2017 by AssetVal Pty Ltd. The Water supplies comprise the Gunnedah, Curlewis, Tambar Springs & Mullaley water schemes. The components of the Water Systems include the Mains, Bores, Reservoirs and Pumping Stations. The information is maintained on the BizeAsset Management System.

Due to the nature of much of the Water Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. The asset class has been indexed from the date of last revaluation using the NSW Water Supply and Sewerage Construction Cost index June 2022, published by the NSW Department of Planning and Environment.

A fair value assessment has been performed for Water Suppliers asset class during Financial Year 21/22. and a full revaluation is being undertaken in Financial Year 22/23.

Sewerage Systems

The valuation of the Sewerage Systems was completed as at 30th June 2017 by AssetVal Pty Ltd. The Sewerage Systems comprise the Gunnedah & Curlewis Sewerage Systems. The components include the pipelines, Treatment works and Pump Stations. The assets are maintained on the BizeAssets Management System.

Due to the nature of much of the Sewer Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. The asset class has been indexed from the date of last revaluation using the NSW Water Supply and Sewerage Construction Cost index June 2022, published by the NSW Department of Planning and Environment.

A fair value assessment has been performed for Sewerage Systems asset class during Financial Year 21/22. and a full revaluation is being undertaken in Financial Year 22/23.

E2 Fair value measurement (continued)

Swimming Pools

Swimming Pools class comprises the 3 pools, diving board & shade sails at the Gunnedah Swimming complex. During 2017/18 & 2018/19 years the Pool complex underwent a major re-development including the 50 metre pool and buildings.

Valuations of Council's Swimming Pools were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI as at 30th June 2016. The 50 metre Pool was completed in December 2018 and did not require revaluation. A revaluation was completed on the 25 meter Indoor pool as at 30th June 2019 by Thomas Donoghue AAPI (CPV), Registered Valuer NSW VAL024883.

The asset class has been indexed from the date of the last valuation using the Producer Price Index for Building Construction, New South Wales published by the Australian Bureau of Statistics.

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Other Open Space/ Recreational Assets

Other Open Space/ Recreational Assets comprise tennis courts, showground structures such as lighting towers, Grandstands and Park structures such as play equipment, Rotundas, seating etc.

Valuations of Council's Other Open Space/Recreational Assets were based on valuations performed by AssetVal Pty Ltd, Matthew Ward, Certified Practising Valuer QLD #3258 B.App.Sc (Property Economics) AAPI. The valuation was performed as at 30th June 2016.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

The cost approach has been utilised whereby the replacement cost was estimated for each asset taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Library Book/Other Assets

Library Books & Other Assets are valued at cost but are disclosed at fair value in the Notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The Art Collections were revalued as at 30th June 2019 by Sandra McMahon, Director, WESWAL Gallery, Tamworth and Registered Art Valuer, Australian Cultural Gifts Program.

The key unobservable inputs to the valuation are the remaining life and residual value. Council reviews the classes of assets each year for signs of impairment. There has been no change in the valuation process during the reporting year.

Other Infrastructure

This asset class comprises the Aerodrome and Parking Areas. The asset class has been used to better group assets by their characteristics, nature and risks.

Council uses the "Cost Approach" using Level 3 inputs for all Other infrastructure. Valuations for Other Infrastructure are componentised generally reflect the different nature of the assets.

This asset class has been indexed from the date of last revaluation using the Producer Price Index for Road and Bridge Construction, New South Wales published by the Australian Bureau of Statistics.

The cost approach was utilised with inputs such as estimates on the pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Other Infrastructure Assets has been completed as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council.

E2 Fair value measurement (continued)

Tip Remediation

Gunnedah Shire Council has 3 landfills being at Gunnedah, Curlewis & Carroll and 3 transfer stations at Mullaley, Breeza and Tambar Springs. The Waste management service includes a wide range of waste disposal services, resource recovery services, recycled and reclaimed products and waste management educational activities. It is recognised that there will be significant costs in the closure of the landfill sites.

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill, site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removal of infrastructure and equipment.

The evaluation of costs for the landfill closure and post closure management was prepared by the Principal Building and Environmental Officer, Manager of Waste in conjunction with Melissa Salt, Principal Scientist, Environment & Waste with Tonkin Consulting Level 2, 170 Frome Street, Adelaide using Phytocap costings. The Phytocap Cost estimate is new to the industry and is still subject to EPA approval. There are a number of test sites trialling the Phytocap in NSW currently. The key unobservable inputs are the discount rate, cost excavation rate, actual timing of costs and future environmental requirements. This valuation was reviewed at 30 June 2019.

Due to the nature of tip remediations and the existing cell nearing the end of its life, regular reviews are undertaken by the Manager of Waste to ensure the assumptions and remaining life are still reasonable.

Quarries Remediation

Council currently uses 9 pits to provide gravel as part of road maintenance and construction activities. These will require remediation in future periods.

Closure of the Quarries will require remediation including earth works to restore the quarries and reseed and plant native trees. The Quarry remediation Valuation was completed in June 2018 by the Acting Director of Infrastructure & Services / Chief Engineer.

The key unobservable inputs are the discount rate, Cost escalation, timing of future costs and future environmental requirement. There has been no change to the valuation process during the year.

All quarries utilised by Council previously and not under Council ownership have been remediated / made good in accordance with the licensing agreement with owners.

Fair value measurements using significant unobservable inputs (level 3)

There were no movements between levels of hierarchy during the year. For schedule of changes in values please refer to Note C1-7.

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).

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

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 \$219,270.29. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2021.

The amount of expected contributions to the fund for the next annual reporting period are \$163,268.28.

E3-1 Contingencies (continued)

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

Employer reserves only *	\$millions	Asset Coverage
Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

* excluding other accumulated accounts and reserves in both assets and liabilities.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.47% as at 30 June 2022.

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

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

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

* Plus promotional increases

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

(ii) Civic Risk Mutual

Council is a member of CivicRisk Mutual Ltd, a mutual self-insurance scheme providing general insurance to local government.

CivicRisk Mutual Ltd membership includes the potential to share in either the net surplus or deficit of protection years depending on its past performance. Council's share of the net surplus or deficit 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

Per Note 3-3b - Financing Agreements, council has provided 2x bank guarantee's through Commonwealth Bank Australia to the value of \$20,000 in addition to those listed above.

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

(ii) Gunnedah Memorial Swimming Pool

Council commissioned a new swimming pool complex in December 2018. It has been identified that the 50 metre outdoor pool is discharging some water into the ground. The pool is still operating at full capacity and without current disruption. An independent expert has been engaged to determine the cause of the water discharge and to identify potential remediation options and costs thereof. Council is not expecting any third party claims due to arise.

Council has assessed the extent of the water discharge and is of the opinion that there is no evidence for an impairment provision as per AASB 136 - Impairment of Assets due to the fact that the pool is operating at full capacity and without disruption at this time.

ASSETS NOT RECOGNISED

(i) Land under roads

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

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	1,679	1,634
Post-employment benefits	160	154
Other long-term benefits	43	43
Termination benefits	50	4
Total	1,932	1,835

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.

There are no other material disclosures to be made by KMP.

F1-2 Councillor and Mayoral fees and associated expenses

	2022 \$ '000	2021 \$ '000
Mayoral fee	25	27
Councillors' fees	103	110
Other Councillors' expenses (including Mayor)	24	41
Total	152	178

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	59	72
Remuneration for audit and other assurance services	59	72
Total Auditor-General remuneration	59	72
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	-	5
Internal Audit	16	27
Total remuneration of non NSW Auditor-General audit firms	16	32
Total audit fees	75	104

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	26,755	17,207
Add / (less) non-cash items:		
Depreciation and amortisation	11,460	11,081
(Gain) / loss on disposal of assets	318	1,702
Non-cash capital grants and contributions	(261)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	17	17
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(4,410)	3,492
Increase / (decrease) in provision for impairment of receivables	(11)	3
(Increase) / decrease of inventories	(115)	(261)
(Increase) / decrease of other current assets	(81)	(160)
(Increase) / decrease of contract asset	3,554	(3,684)
Increase / (decrease) in payables	1,017	(854)
Increase / (decrease) in accrued interest payable	4	(1)
Increase / (decrease) in other accrued expenses payable	81	(87)
Increase / (decrease) in other liabilities	3,168	(2)
Increase / (decrease) in contract liabilities	5,797	3,631
Increase / (decrease) in employee benefit provision	51	(158)
Increase / (decrease) in other provisions	169	46
Net cash flows from operating activities	47,513	31,972

G2-1 Commitments

Capital commitments (exclusive of GST)

	2022 \$ '000	2021 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage and water infrastructure	2,567	8,734
Airport	333	–
Buildings	–	115
Bridges	759	2,060
Plant and equipment	1,153	635
Office Equipment	272	45
Open Space/recreational assets	–	255
Other Assets	200	171
Other Infrastructure	86	5
Roads	2,028	491
Koala Park	99	114
Saleyards	7,641	341
Footpaths	38	–
Stormwater/Kerb & Gutter	–	21
Waste Management facility	–	16
Total commitments	15,176	13,003
These expenditures are payable as follows:		
Within the next year	15,176	13,003
Total payable	15,176	13,003
Sources for funding of capital commitments:		
Unrestricted general funds	2,545	671
Future grants and contributions	3,848	11,027
Unexpended grants	6,165	140
Externally restricted reserves	2,567	540
Internally restricted reserves	51	625
Total sources of funding	15,176	13,003

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

During the year council have performed an assessment of Rural Fire Service assets vested in council under the 1997 Rural Fire Service legislation. Council had previously recognised some Rural Fire Service assets in councils asset register, but this process has updated the asset list to reflect assets on hand and removing assets that were not identified. Subsequently council has chosen to recognise these remaining assets within the 21/22 statements restating any prior balances necessary.

The addition of Rural Fire Service assets to councils books has had the following impacts:

- An increase to the opening balance as at 01 July 2020 of Infrastructure, property, plant and equipment assets of \$3.9 million

The errors have been reflected over the 20/21 accounting period.

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
Infrastructure, property, plant and equipment	447,431	3,983	451,414
Total non-current assets	473,189	3,983	477,172
Total assets	521,284	3,983	525,267
Total liabilities	32,032	–	32,032
Net assets	489,252	3,983	493,235
Accumulated surplus	237,474	3,983	241,457
Revaluation Reserves	251,778	–	251,778
Total equity	489,252	3,983	493,235

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
Infrastructure, property and equipment	463,917	3,983	467,900
Total non-current assets	492,132	3,983	496,115
Total assets	545,118	3,983	549,101
Total liabilities	33,906	–	33,906
Net assets	511,212	3,983	515,195
Accumulated surplus	254,681	3,983	258,664
Revaluation Reserves	256,531	–	256,531
Total equity	511,212	3,983	515,195

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					
Drainage	730	126	–	11	–	–	867	–
Parking	119	–	–	1	–	–	120	–
Open space	1	–	–	–	–	–	1	–
S7.11 contributions – under a plan	850	126	–	12	–	–	988	–
S7.12 levies – under a plan	1,839	354	–	28	–	–	2,221	–
Total S7.11 and S7.12 revenue under plans	2,689	480	–	40	–	–	3,209	–
S7.4 planning agreements	673	92	–	6	–	–	771	–
S64 contributions	7,427	1,005	–	81	–	–	8,513	–
Total contributions	10,789	1,577	–	127	–	–	12,493	–

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								
Drainage	730	126	–	11	–	–	867	–
Parking	119	–	–	1	–	–	120	–
Open space	1	–	–	–	–	–	1	–
Total	850	126	–	12	–	–	988	–

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a 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 01								
Community facilities	1,839	354	–	28	–	–	2,221	–
Total	1,839	354	–	28	–	–	2,221	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,620	9.10%	7.99%	10.66%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	50,748				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	35,454	48.40%	55.13%	60.36%	> 60.00%
Total continuing operating revenue ¹	73,258				
3. Unrestricted current ratio					
Current assets less all external restrictions	44,580	3.62x	2.17x	3.32x	> 1.50x
Current liabilities less specific purpose liabilities	12,310				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16,835	11.89x	12.06x	11.78x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,416				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	836	3.99%	5.49%	5.22%	< 10.00%
Rates and annual charges collectable	20,949				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	86,605	27.17	19.42	20.95	> 3.00
Monthly payments from cash flow of operating and financing activities	3,188	months	months	months	months

(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}	10.99%	7.67%	(6.28)%	4.22%	0.52%	16.47%	> 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	49.63%	50.16%	30.18%	89.65%	83.98%	89.27%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.62x	2.17x	17.77x	81.27x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10.64x	10.09x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	3.82%	3.99%	4.91%	7.26%	4.76%	6.12%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	26.95 months	18.98 months	∞	∞	∞	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 6-1 on the prior page.

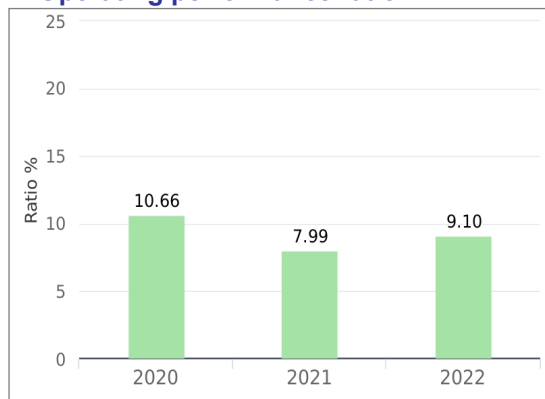
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio 9.10%

Council continues to maintain operating expenditures within operating revenues. Council's position has slightly increased from last financial year, enabling Council to adequately meet capital renewal and upgrade work funding requirements equal or greater than the rate of depreciation for current asset portfolio and ensure the ratio remains above the industry benchmark.

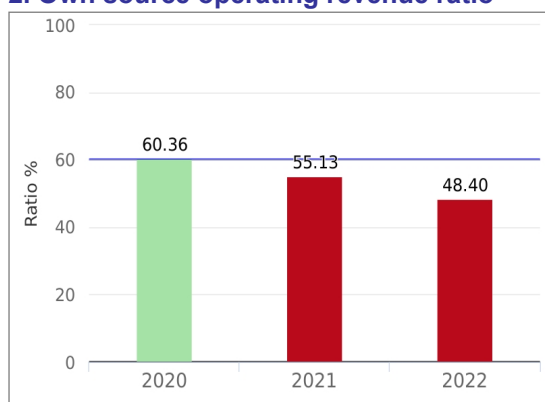
Benchmark: — > 0.00%

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 48.40%

This ratio reflects councils reliance on external funding sources such as grants and contributions. Whilst the ratio has decreased from the previous year, the amount of own source income generated such as rates, annual charges and user fees has slightly increased, however, total operating revenue has increased due to capital grants and contributions related to extensive capital works program Council is delivering, contributing the ratio to decrease.

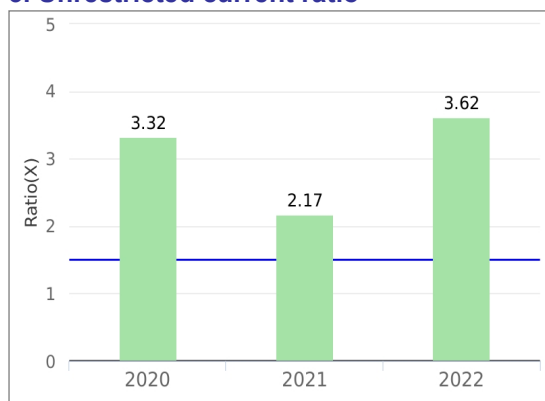
Benchmark: — > 60.00%

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 3.62x

Unrestricted current ratio indicate adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. Council's latest result sits well above the industry benchmark and an improvement from previous financial year, ensuring the achieving target working capital requirements satisfactorily.

Benchmark: — > 1.50x

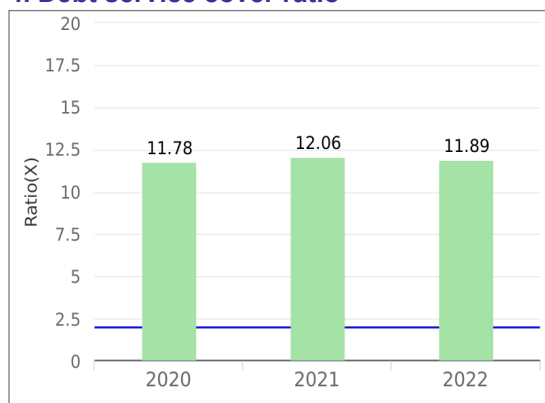
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 11.89x

Council continues to maintain a strong position in relation to the Debt service cover ratio. Whilst Council has taken a new loan in Financial Year 2020/21, the ratio has not impacted significantly and continue above the Local Government benchmark of 2% and remains in a strong position to borrow in the future, should the need arise.

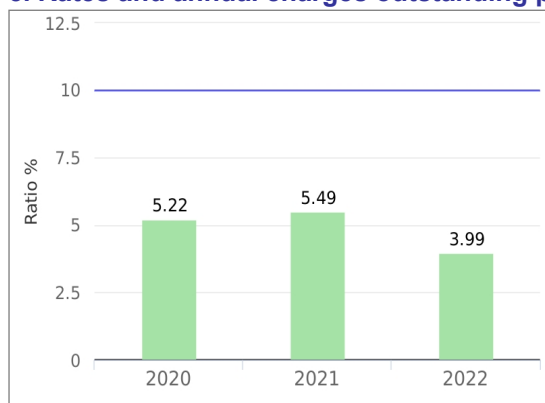
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio 3.99%

This ratio has improved significantly due to re-commencement of debt-recovery process, which was temporarily on hold due to COVID-19 pandemic and remains well under the Local Government benchmark of 10% for rural councils. Council has undertaken a Sale of Land for unpaid rates in Financial Year 2021/22, which has further contributed in improving the ratio.

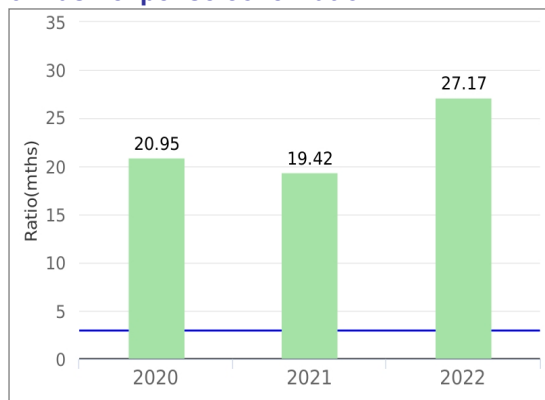
Benchmark: — < 10.00%

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 27.17 months

Council's Cash Expense Ratio has improved exponentially due to improved closing cash balance, partly due to grants and contributions received in advance. The ratio will continue to be well above the industry benchmark, even after the grants and contributions are expended in the proceeding financial year.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

63 Elgin Street
GUNNEDAH NSW 2380

Contact details

Mailing Address:

PO Box 63
GUNNEDAH NSW 2380

Opening hours:

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

Telephone: 02 6740 2100

Facsimile: 02 6740 2119

Internet: www.gunnedah.nsw.gov.au

Email: council@infogunnedah.com.au

Officers

General Manager

E J GROTH

Responsible Accounting Officer

K TENNAKOON

Auditors

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

Elected members

Mayor

J CHAFFEY

Councillors

R HOOKE
R HODDLE
J MCARTHUR
C FULLER
K MCGRATH
A LUKE
D MOSES
M O'KEEFE

Other information

ABN: 80 183 655 793



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying financial statements of Gunnedah Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2022, the Statement of Financial Position as at 30 June 2022, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

10 November 2022
SYDNEY



Cr Jamie Chaffey
 Mayor
 Gunnedah Shire Council
 PO Box 63
 GUNNEDAH NSW 2380

Contact: Chris Harper
 Phone no: 02 9275 7374
 Our ref: D2223285/1735

10 November 2022

Dear Mayor

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

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

I expressed an unmodified opinion on the Council's GPFS.

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

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	19.7	19.3	↑ 2.1
Grants and contributions revenue	37.8	28.6	↑ 32.2
Operating result from continuing operations	26.8	17.2	↑ 55.8
Net operating result before capital grants and contributions	4.2	2.2	↑ 90.9

Rates and annual charges revenue (\$19.7 million) increased by \$428,000 (2.1 per cent) in 2021–22 due to normal rate peg allowance increases during the year.

- Grants and contributions revenue (\$37.8 million) increased by \$9.2 million (32.2 per cent) in 2021–22 due to the following increases:
- \$7.2 million in capital grants received for water supplies (water treatment plant project) funding
- \$1.8 million in operational grants received under Financial Assistance grant funding
- \$1.7 million in capital grants received for saleyards development funding.

This was offset by the following decreases:

- \$1.3 million in capital grants received for transport assets, other than roads and bridges funding
- \$309,000 in developer capital contributions recognised during the year.

The Council’s operating result from continuing operations (\$26.8 million including depreciation and amortisation expense of \$11.5 million) was \$9.6 million higher than the 2020–21 result. This is mainly due to increases in rates and annual charges and grants and contributions of \$9.6 million (explained above). Expenses from continuing operations are materially consistent with prior year.

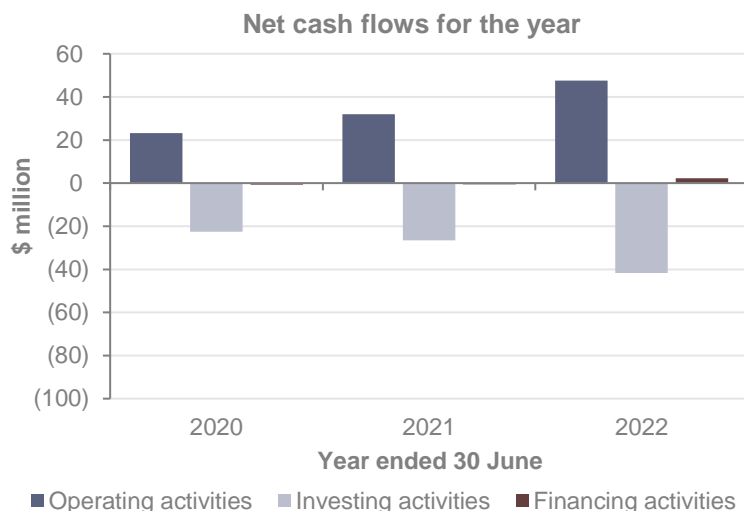
The net operating result before capital grants and contributions (\$4.2 million) was \$2.0 million higher than the 2020–21 result. This is due to changes in operational grants and contributions as discussed above.

STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$15.5 million due to an increase in grants and contributions received in advance.

Cash outflows from investing activities increased by \$15.2 million due to an increase in purchase of investments and capital expenditure on IPPE during the year.

Cash inflows from financing activities increased by \$3.0 million due to new borrowings in the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	92.6	68.5	Major external restrictions include water and sewer and domestic waste operations, as well as unexpended grants for specific purposes.
Restricted and allocated cash, cash equivalents and investments:			The increase in externally restricted funds is due to receipt of grant funding for a specific purpose which has not been spent at year end. This included \$6.8 million for the saleyards development project.
• External restrictions	58.6	47.0	The main increase in internal allocations is due to \$3.9 million of Financial Assistance grants received in advance and \$3.7 million for Contingency Reserve Future Works, to protect against any unforeseen escalation in costs for projects carried forward from 2021-22.
• Internal allocations	30.6	18.3	

PERFORMANCE

Performance measures

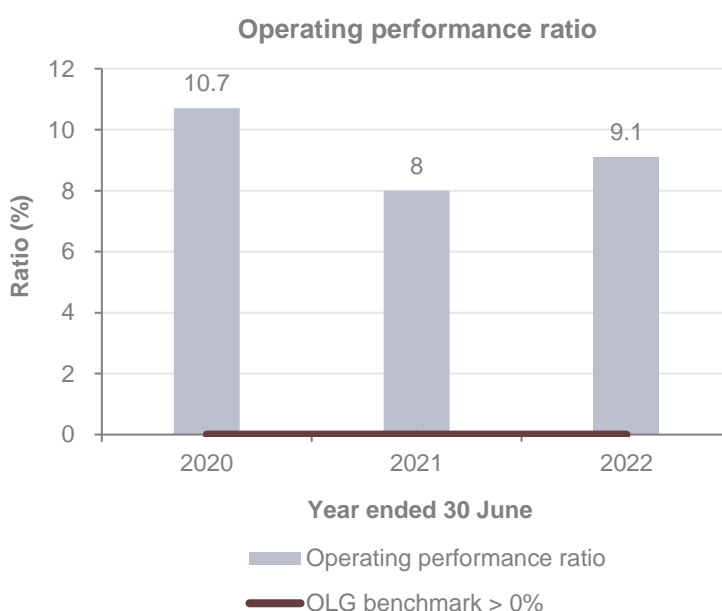
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

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

The current year ratio has increased from prior year due to an increase in grants and contributions for operational purposes.



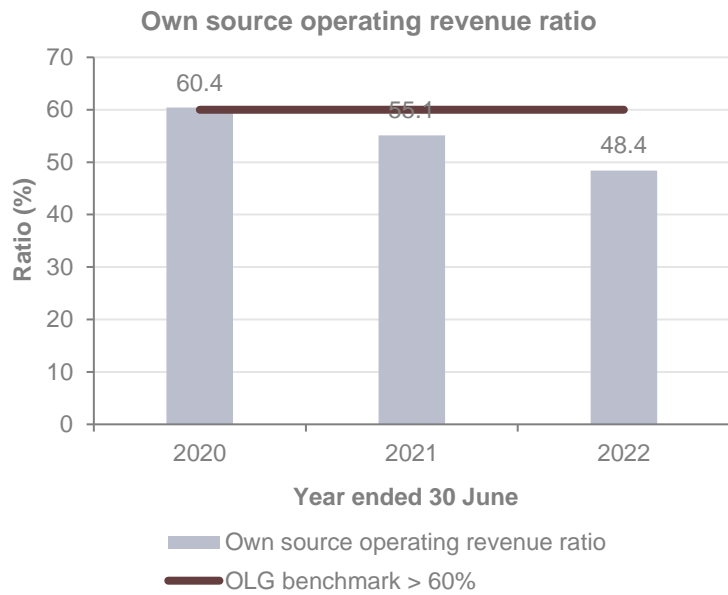
Own source operating revenue ratio

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

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

The Council's ratio continues to be below the benchmark as Council relies on government grants and contributions to assist in funding operations.

The ratio declined during the year due to an increase in operating grant revenues compared to own source income.

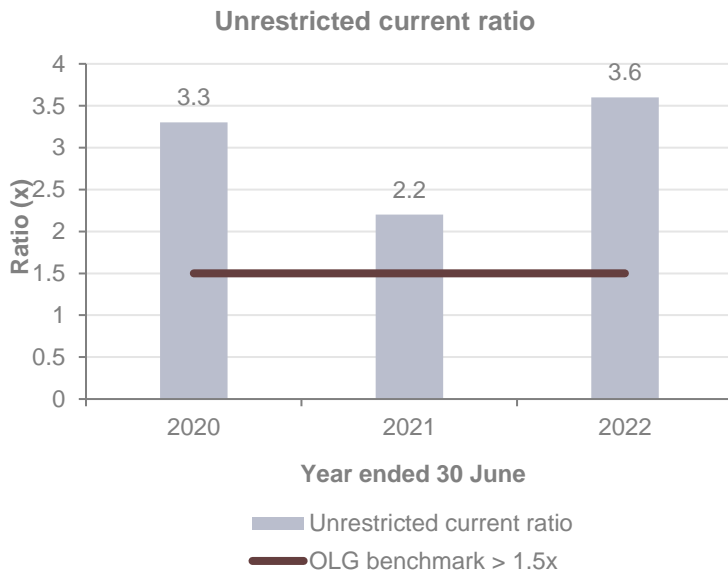


Unrestricted current ratio

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

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

The ratio increased during the year due to improvements in unrestricted cash reserves at year end.

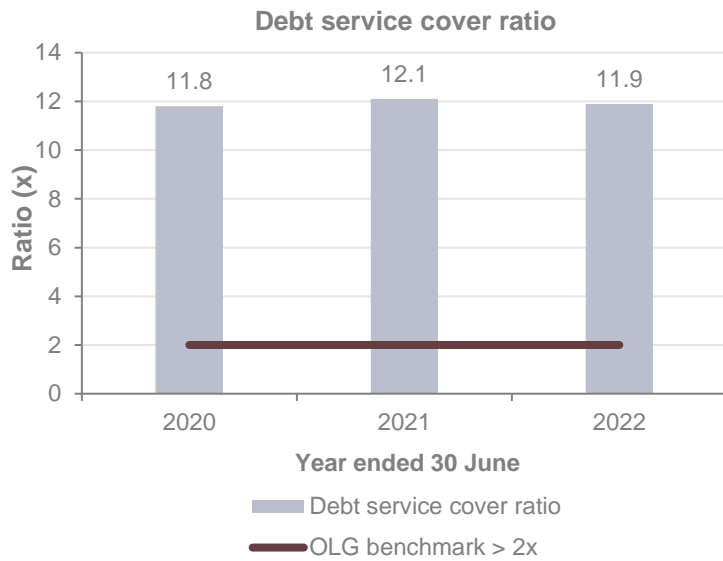


Debt service cover ratio

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

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

The ratio is consistent with prior year as Council continues to repay borrowings and lease liabilities.



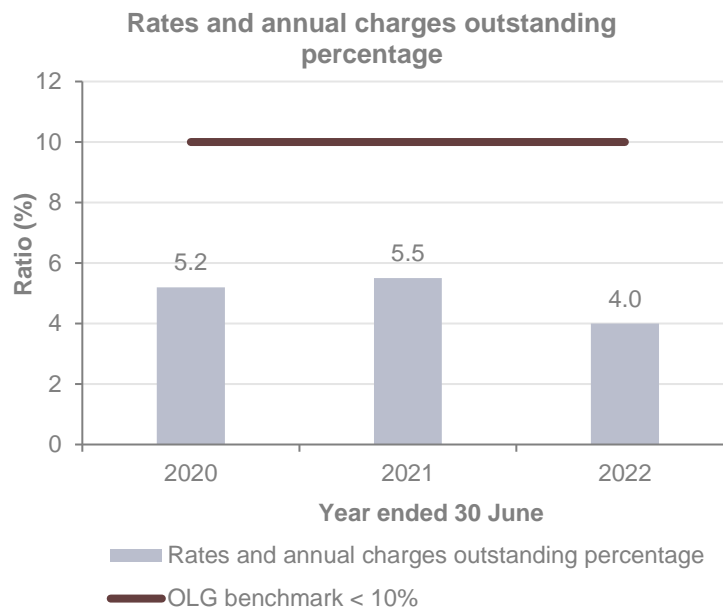
Rates and annual charges outstanding percentage

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

The 2020-21 ratio was restated due to a reclassification of \$33,000 from interest and extra charges to user charges and fees.

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

The ratio has decreased in the year due to a resumption of debt collection procedures in 2021-22.



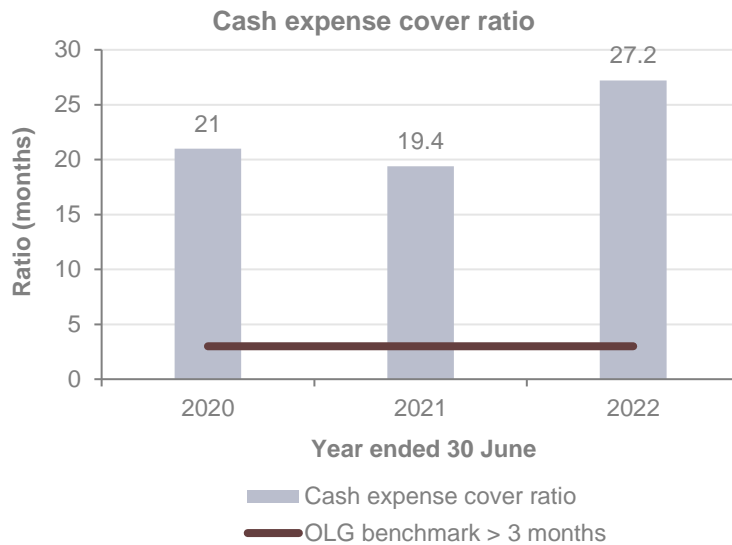
Cash expense cover ratio

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

The restatement of the 2020-21 ratio was due to a reclassification of Government and semi-Government bonds classified as term deposits in the prior year.

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

The ratio has significantly increased due to an increase in the cash and equivalents balance at 30 June 2022.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure during the year was \$19.0 million. This was a decrease of \$5.4 million compared to 2020-21. Council decreased its renewal works on infrastructure assets due to focussing on repair works relating to assets affected by natural disaster events occurring in the year.

OTHER MATTERS

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

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

Chris Harper
Director Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Eric Groth, General Manager
Mr Grahame Merchant, Chair, Audit Risk and Improvement Committee
Ms Kelly Stidworthy, Director Corporate Services
Mr Kalana Tennakoon, Finance Manager
Mr Jacob Sauer, Principal, Forsyths
Mr Michael Cassel, Secretary, Department of Planning and Environment



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

“To be a focused community valuing
Gunnedah’s identity and quality lifestyle”.



Gunnedah Shire 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).

Gunnedah Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

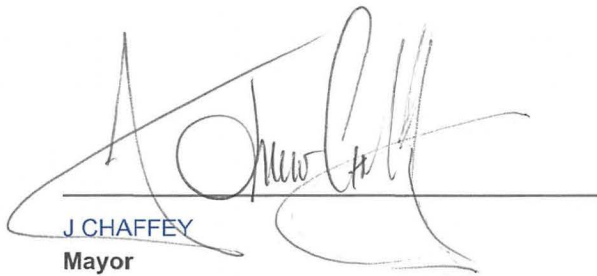
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial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

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

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

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

Signed in accordance with a resolution of Council made on 21 September 2022.



J CHAFFEY

Mayor

07 November 2022



R HOOKE

Councillor

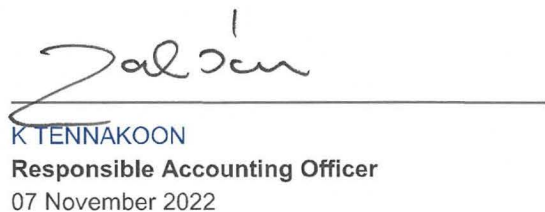
07 November 2022



E J GROTH

General Manager

07 November 2022



K TENNAKOON

Responsible Accounting Officer

07 November 2022

Gunnedah Shire 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	1,074	1,050
User charges	2,253	2,658
Interest and investment income	147	197
Grants and contributions provided for operating purposes	78	50
Other income	–	1
Total income from continuing operations	3,552	3,956
Expenses from continuing operations		
Materials and services	1,773	1,831
Depreciation, amortisation and impairment	1,061	944
Employee benefits and on-costs	916	890
Net loss from the disposal of assets	24	124
Other expenses	1	–
Total expenses from continuing operations	3,775	3,789
Surplus (deficit) from continuing operations before capital amounts	(223)	167
Grants and contributions provided for capital purposes	7,959	401
Surplus (deficit) from continuing operations after capital amounts	7,736	568
Surplus (deficit) from all operations before tax	7,736	568
Less: corporate taxation equivalent (25%) [based on result before capital]	–	(43)
Surplus (deficit) after tax	7,736	525
Plus accumulated surplus	41,248	40,420
Plus/less: prior period adjustments	–	260
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	43
Closing accumulated surplus	48,984	41,248
Return on capital %	(0.4)%	0.3%
Subsidy from Council	2,451	581
Calculation of dividend payable:		
Surplus (deficit) after tax	7,736	525
Less: capital grants and contributions (excluding developer contributions)	(7,959)	(401)
Surplus for dividend calculation purposes	–	124
Potential dividend calculated from surplus	–	62

Gunnedah Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

	2022 \$ '000	2021 \$ '000
Income from continuing operations		
Access charges	2,288	2,227
User charges	853	913
Interest and investment income	125	172
Grants and contributions provided for operating purposes	32	34
Total income from continuing operations	3,298	3,346
Expenses from continuing operations		
Employee benefits and on-costs	449	442
Materials and services	1,918	1,183
Depreciation, amortisation and impairment	914	898
Net loss from the disposal of assets	–	272
Total expenses from continuing operations	3,281	2,795
Surplus (deficit) from continuing operations before capital amounts	17	551
Grants and contributions provided for capital purposes	591	364
Surplus (deficit) from continuing operations after capital amounts	608	915
Surplus (deficit) from all operations before tax	608	915
Less: corporate taxation equivalent (25%) [based on result before capital]	(4)	(143)
Surplus (deficit) after tax	604	772
Plus accumulated surplus	22,295	21,380
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	4	143
Closing accumulated surplus	22,903	22,295
Return on capital %	0.0%	1.5%
Subsidy from Council	1,396	–
Calculation of dividend payable:		
Surplus (deficit) after tax	604	772
Less: capital grants and contributions (excluding developer contributions)	(591)	(364)
Surplus for dividend calculation purposes	13	408
Potential dividend calculated from surplus	6	204

Gunnedah Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	164	783
Investments	11,184	11,320
Inventories	99	105
Receivables	309	389
Contract assets and contract cost assets	1,163	–
Total current assets	12,919	12,597
Non-current assets		
Infrastructure, property, plant and equipment	60,874	50,209
Total non-current assets	60,874	50,209
Total assets	73,793	62,806
LIABILITIES		
Current liabilities		
Payables	717	149
Employee benefit provisions	10	6
Total current liabilities	727	155
Total liabilities	727	155
Net assets	73,066	62,651
EQUITY		
Accumulated surplus	48,984	41,248
Revaluation reserves	24,082	21,403
Total equity	73,066	62,651

Gunnedah Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

	2022 \$ '000	2021 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	521	659
Investments	11,943	10,870
Receivables	138	167
Total current assets	12,602	11,696
Non-current assets		
Infrastructure, property, plant and equipment	38,594	36,935
Total non-current assets	38,594	36,935
Total assets	51,196	48,631
Net assets	51,196	48,631
EQUITY		
Accumulated surplus	22,903	22,295
Revaluation reserves	28,293	26,336
Total equity	51,196	48,631

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1 - Business activities with gross operating turnover more than \$2 million

Name	Brief description of activity
Water Supply service	Comprising the whole of the water supply operations and net assets servicing the towns of Gunnedah, Curlewis, Mullaley & Tambar Springs
Sewerage Service	Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the towns of Gunnedah & Curlewis

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

Nil

Note – Significant Accounting Policies (continued)

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 tax rate	25% (20/21 26%)
Land tax	The first \$822,000 of combined land values attracts 0%. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is \$100 + 1.6%. For the remaining combined land value that exceeds \$5,026,000 a premium marginal rate of 2.0% applies
Payroll tax	4.85% on the value of taxable salaries and wages in excess of \$1,200,000

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

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

Achievement of substantial compliance to the DPIE – Best practice management of Water Supply and Sewer 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/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Note – Significant Accounting Policies (continued)

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.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.66% at 30/6/22.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

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

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gunnedah Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2022, the Statement of Financial Position of each Declared Business Activity as at 30 June 2022 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2022, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

10 November 2022
SYDNEY



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

“To be a focused community valuing
Gunnedah’s identity and quality lifestyle”.



Gunnedah Shire Council

Special Schedules

for the year ended 30 June 2022

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Gunnedah Shire 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	13,618	13,891
Plus or minus adjustments ²	b	18	308
Notional general income	c = a + b	13,636	14,199
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	273	355
Sub-total	k = (c + g + h + i + j)	13,909	14,554
Plus (or minus) last year's carry forward total	l	–	19
Less valuation objections claimed in the previous year	m	–	(1)
Sub-total	n = (l + m)	–	18
Total permissible income	o = k + n	13,909	14,572
Less notional general income yield	p	13,891	14,567
Catch-up or (excess) result	q = o – p	18	5
Plus income lost due to valuation objections claimed ⁴	r	1	1
Carry forward to next year ⁶	t = q + r + s	19	6

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Gunnedah Shire Council (the Council) for the year ending 30 June 2023.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2021–22 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

10 November 2022
SYDNEY

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	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			1	2	3	4	5
Buildings	Buildings	–	–	277	330	35,504	60,389	13.0%	44.0%	43.0%	0.0%	0.0%
	Sub-total	–	–	277	330	35,504	60,389	13.0%	44.0%	43.0%	0.0%	0.0%
Other structures	Other structures	680	680	233	242	4,592	8,126	18.4%	68.1%	3.7%	9.8%	0.0%
	Sub-total	680	680	233	242	4,592	8,126	18.4%	68.1%	3.7%	9.8%	0.0%
Roads	Urban Roads	69	69	409	429	46,105	61,837	56.1%	21.0%	22.8%	0.1%	0.0%
	Rural Sealed Roads	351	351	1,307	1,022	83,680	99,797	73.2%	16.9%	9.5%	0.4%	0.0%
	Rural Unsealed Roads	346	346	2,944	3,007	88,202	103,486	65.9%	19.1%	14.6%	0.4%	0.0%
	Bridges / Culverts	685	685	10	1	31,965	50,350	41.8%	37.9%	11.4%	8.9%	0.0%
	Footpaths	30	30	64	114	7,843	10,295	59.8%	24.2%	15.7%	0.3%	0.0%
	Other road assets	40	40	68	68	4,431	5,611	46.4%	36.8%	10.5%	5.7%	0.6%
	Sub-total	1,521	1,521	4,802	4,641	262,226	331,376	62.1%	22.1%	14.1%	1.7%	0.0%
Water supply network	Water supply network	1,886	1,886	1,323	1,349	51,743	82,653	46.7%	23.0%	14.3%	15.4%	0.6%
	Sub-total	1,886	1,886	1,323	1,349	51,743	82,653	46.7%	23.0%	14.3%	15.4%	0.6%
Sewerage network	Sewerage network	2,486	2,486	1,836	1,562	37,626	69,782	31.2%	33.6%	6.8%	24.8%	3.6%
	Sub-total	2,486	2,486	1,836	1,562	37,626	69,782	31.2%	33.6%	6.8%	24.8%	3.6%
Stormwater drainage	Stormwater drainage	–	–	29	14	31,079	41,464	6.8%	93.2%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	47	5	12,489	31,720	21.2%	69.2%	9.5%	0.1%	0.0%
	Sub-total	–	–	76	19	43,568	73,184	13.0%	82.8%	4.1%	0.0%	0.0%

Gunnedah Shire 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	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Open space / recreational assets	Swimming pools	–	–	37	68	10,075	11,746	40.2%	59.8%	0.0%	0.0%	0.0%
	Other Recreational Assets	–	–	1,262	1,129	8,635	12,677	61.0%	13.4%	20.3%	0.2%	5.1%
	Sub-total	–	–	1,299	1,197	18,710	24,423	51.0%	35.7%	10.5%	0.1%	2.6%
Other infrastructure assets	Aerodrome	15	15	46	30	1,902	7,709	1.8%	0.4%	97.6%	0.2%	0.0%
	Car Parking	–	–	14	12	596	1,494	6.3%	3.2%	90.5%	0.0%	0.0%
	Sub-total	15	15	60	42	2,501	9,203	2.5%	0.9%	96.4%	0.2%	0.0%
Total – all assets		6,588	6,588	9,906	9,382	456,470	659,136	45.2%	33.0%	15.8%	5.6%	0.6%

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

Infrastructure asset condition assessment 'key'

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

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	7,372	87.25%	130.09%	63.58%	>= 100.00%
Depreciation, amortisation and impairment	8,449				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	6,588	1.35%	0.74%	0.77%	< 2.00%
Net carrying amount of infrastructure assets	486,390				
Asset maintenance ratio					
Actual asset maintenance	9,382	94.71%	87.35%	98.70%	> 100.00%
Required asset maintenance	9,906				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	6,588	1.00%	0.53%	0.56%	
Gross replacement cost	659,136				

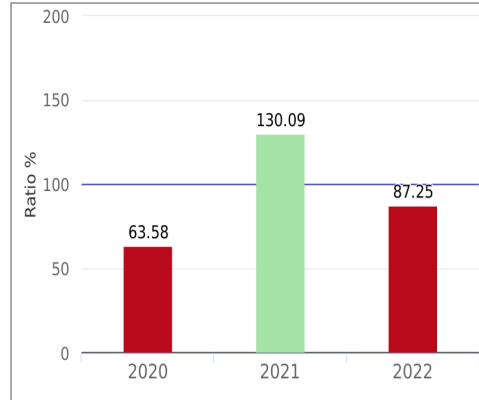
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

21/22 ratio 87.25%

Councils long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. This year council was short of the 100% benchmark due to council undertaking more new capital works projects as opposed to renewal projects.

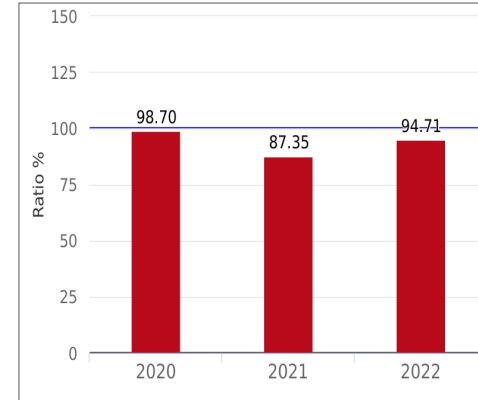
Benchmark: — $\geq 100.00\%$

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 94.71%

The ratio reflects councils commitment to maintaining its current assets and improving where fiscally responsible. This years result reflects the catch up that has occurred in the infrastructure backlog.

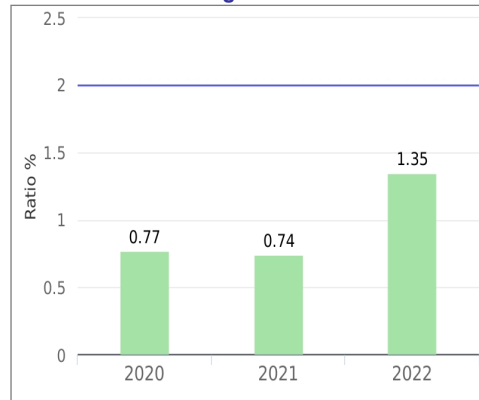
Benchmark: — $> 100.00\%$

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 1.35%

This ratio continues to show a positive trend and puts council under the 2% benchmark. The expenditure on renewing assets shows that we have tackled the infrastructure backlog and "busted the back" of the infrastructure backlog.

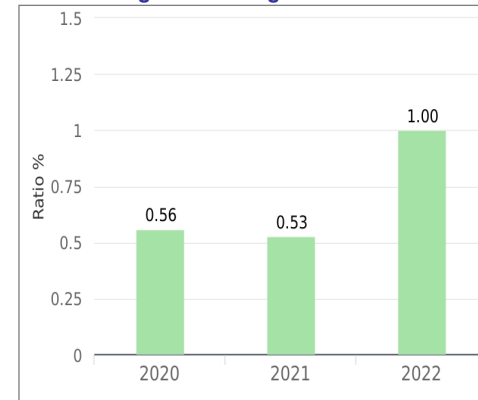
Benchmark: — $< 2.00\%$

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 1.00%

The ratio shows that council is still in a strong position to continue to bring its assets to the agreed service level. The cost to bring assets to an agreed service level has increased due to councils large commitment to new capital projects during the year as opposed to renewal works.

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	112.81%	166.34%	0.00%	0.00%	0.00%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.56%	0.36%	3.64%	3.97%	6.61%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	95.91%	92.60%	101.97%	74.26%	85.08%	65.65%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.44%	0.28%	2.28%	2.49%	3.56%	0.00%	

(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.