

Bland Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Bland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Bland Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	83
On the Financial Statements (Sect 417 [3])	87

Overview

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

6-10 Shire Street
West Wyalong NSW 2671

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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

Bland 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.

Bland Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

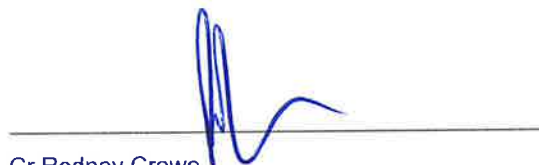
Signed in accordance with a resolution of Council made on 18 October 2022.



Cr Brian Monaghan

Mayor

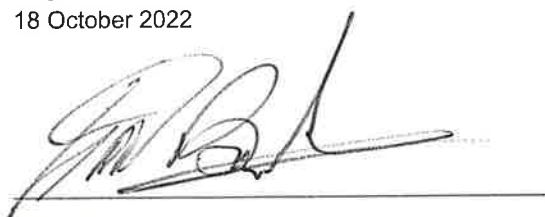
18 October 2022



Cr Rodney Crowe

Councillor

18 October 2022



Grant Baker

General Manager

18 October 2022



Leesa Bryant

Responsible Accounting Officer

18 October 2022

Bland Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
9,071	Rates and annual charges	B2-1	10,027	9,764
1,270	User charges and fees	B2-2	1,214	1,110
450	Other revenues	B2-3	460	458
10,070	Grants and contributions provided for operating purposes	B2-4	18,045	11,407
2,900	Grants and contributions provided for capital purposes	B2-4	6,968	7,224
550	Interest and investment income	B2-5	423	730
300	Other income	B2-6	292	301
24,611	Total income from continuing operations		37,429	30,994
	Expenses from continuing operations			
7,889	Employee benefits and on-costs	B3-1	7,004	7,082
10,294	Materials and services	B3-2	10,052	8,251
47	Borrowing costs	B3-3	193	133
7,038	Depreciation, amortisation and impairment of non-financial assets	B3-4	7,514	7,260
500	Other expenses	B3-5	514	678
—	Net loss from the disposal of assets	B4-1	557	1,356
25,768	Total expenses from continuing operations		25,834	24,760
(1,157)	Operating result from continuing operations		11,595	6,234
(1,157)	Net operating result for the year attributable to Council		11,595	6,234
—	Net operating result for the year before grants and contributions provided for capital purposes		4,627	(990)

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

Bland Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		11,595	6,234
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	12,988	808
Total items which will not be reclassified subsequently to the operating result		12,988	808
Total other comprehensive income for the year		12,988	808
Total comprehensive income for the year attributable to Council		24,583	7,042

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

Bland Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021	Restated 1 July 2020 *
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	3,995	5,564	7,130
Investments	C1-2	42,700	32,700	34,200
Receivables	C1-4	1,185	1,117	1,628
Inventories	C1-5	1,359	1,503	1,326
Total current assets		49,239	40,884	44,284
Non-current assets				
Investments	C1-2	20,000	13,000	6,000
Receivables	C1-4	226	506	210
Infrastructure, property, plant and equipment (IPPE)	C1-6	365,358	352,224	344,478
Investment property	C1-7	1,254	1,254	1,254
Other		198	198	198
Total non-current assets		387,036	367,182	352,140
Total assets		436,275	408,066	396,424
LIABILITIES				
Current liabilities				
Payables	C3-1	867	1,126	938
Contract liabilities	C3-2	6,538	3,190	172
Borrowings	C3-3	93	93	93
Employee benefit provisions	C3-4	2,611	2,730	2,729
Total current liabilities		10,109	7,139	3,932
Non-current liabilities				
Payables	C3-1	33	39	39
Borrowings	C3-3	700	800	925
Employee benefit provisions	C3-4	2	2	2
Provisions	C3-5	6,663	5,901	4,383
Total non-current liabilities		7,398	6,742	5,349
Total liabilities		17,507	13,881	9,281
Net assets		418,768	394,185	387,143
EQUITY				
Accumulated surplus		173,065	161,470	155,236
IPPE revaluation reserve	C4-1	245,703	232,715	231,907
Council equity interest		418,768	394,185	387,143
Total equity		418,768	394,185	387,143

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

(*) The balances at 1 July 2020 have been restated. Refer to Note G4-1 Corrections of errors for more information.

Bland Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		161,470	232,715	394,185	157,793	231,907	389,700
Correction of prior period errors	G4-1	–	–	–	(2,557)	–	(2,557)
Restated opening balance		161,470	232,715	394,185	155,236	231,907	387,143
Net operating result for the year		11,595	–	11,595	6,234	–	6,234
Net operating result for the period		11,595	–	11,595	6,234	–	6,234
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment		–	12,988	12,988	–	808	808
Other comprehensive income		–	12,988	12,988	–	808	808
Total comprehensive income		11,595	12,988	24,583	6,234	808	7,042
Closing balance at 30 June		173,065	245,703	418,768	161,470	232,715	394,185

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

Bland Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
9,071	Rates and annual charges		10,148	9,770
1,270	User charges and fees		1,117	1,413
500	Interest received		342	603
12,970	Grants and contributions		28,290	21,649
450	Other		977	1,917
Payments:				
(7,889)	Payments to employees		(6,983)	(7,081)
(10,294)	Payments for materials and services		(10,265)	(7,689)
(47)	Borrowing costs		(42)	(208)
—	Bonds, deposits and retentions refunded		(1)	(1)
(305)	Other		94	(589)
5,726	Net cash flows from operating activities	G1-1	23,677	19,784
Cash flows from investing activities				
Receipts:				
500	Sale of real estate assets		452	233
—	Proceeds from sale of IPPE		546	558
Payments:				
(10)	Purchase of investments		(9)	(13)
(10,000)	Acquisition of term deposits		(17,000)	(5,500)
—	Payments for IPPE		(9,135)	(16,332)
—	Purchase of real estate assets		—	(171)
(9,510)	Net cash flows used in investing activities		(25,146)	(21,225)
Cash flows from financing activities				
Payments:				
(100)	Repayment of borrowings		(100)	(125)
(100)	Net cash flows used in financing activities		(100)	(125)
(3,884)	Net change in cash and cash equivalents		(1,569)	(1,566)
5,564	Cash and cash equivalents at beginning of year		5,564	7,130
1,680	Cash and cash equivalents at end of year	C1-1	3,995	5,564
50,000	plus: Investments on hand at end of year	C1-2	62,700	45,700
51,680	Total cash, cash equivalents and investments		66,695	51,264

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

Bland Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	15
B1 Functions or activities	15
B1-1 Functions or activities – income, expenses and assets	15
B1-2 Components of functions or activities	16
B2 Sources of income	17
B2-1 Rates and annual charges	17
B2-2 User charges and fees	18
B2-3 Other revenues	19
B2-4 Grants and contributions	20
B2-5 Interest and investment income	24
B2-6 Other income	24
B3 Costs of providing services	25
B3-1 Employee benefits and on-costs	25
B3-2 Materials and services	26
B3-3 Borrowing costs	26
B3-4 Depreciation, amortisation and impairment of non-financial assets	27
B3-5 Other expenses	28
B4 Gains or losses	29
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	29
B5 Performance against budget	30
B5-1 Material budget variations	30
C Financial position	32
C1 Assets we manage	32
C1-1 Cash and cash equivalents	32
C1-2 Financial investments	33
C1-3 Restricted and allocated cash, cash equivalents and investments	34
C1-4 Receivables	35
C1-5 Inventories	37
C1-6 Infrastructure, property, plant and equipment	39
C1-7 Investment properties	43
C2 Leasing activities	44
C2-1 Council as a lessee	44
C2-2 Council as a lessor	45
C3 Liabilities of Council	47
C3-1 Payables	47
C3-2 Contract Liabilities	48
C3-3 Borrowings	48
C3-4 Employee benefit provisions	51
C3-5 Provisions	51
C4 Reserves	54

Bland Shire Council

Contents for the notes to the Financial Statements for the year ended 30 June 2022

C4-1 Nature and purpose of reserves	54
D Council structure	55
D1 Results by fund	55
D1-1 Income Statement by fund	55
D1-2 Statement of Financial Position by fund	56
E Risks and accounting uncertainties	57
E1-1 Risks relating to financial instruments held	57
E2-1 Fair value measurement	61
E3-1 Contingencies	66
F People and relationships	69
F1 Related party disclosures	69
F1-1 Key management personnel (KMP)	69
F1-2 Councillor and Mayoral fees and associated expenses	70
F2 Other relationships	71
F2-1 Audit fees	71
G Other matters	72
G1-1 Statement of Cash Flows information	72
G2-1 Commitments	73
G3-1 Events occurring after the reporting date	74
G4 Changes from prior year statements	74
G4-1 Correction of errors	74
G5 Statement of developer contributions as at 30 June 2022	75
G5-1 Summary of developer contributions	75
G5-2 Developer contributions by plan	76
G6 Statement of performance measures	77
G6-1 Statement of performance measures – consolidated results	77
G6-2 Statement of performance measures by fund	78
H Additional Council disclosures (unaudited)	80
H1-1 Statement of performance measures – consolidated results (graphs)	80
H1-2 Council information and contact details	82

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer C1-6
- (ii) employee benefit provisions – refer C3-4
- (iii) estimated tip remediation provisions - refer C3-5

Covid-19 Impacts

During the 2022 financial year, Covid-19 ("Covid") has continued to cause a disruption to Council's business practices with a number of staff working remotely from home when required. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to Covid. Fair value of the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid.

For assets where fair value is determined by market value Council has no evidence of material changes to these values.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

A1-1 Basis of preparation (continued)

Council has made a significant judgement about the impairment of a number of its 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.

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Sewerage service

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Bland Shire Council is fortunate to have community minded individuals volunteering for Council in several service areas including, but not limited to the library, children's services, aged care services and community services. The volunteer services have not been recognised in these financial statements given that Council is not in a position to purchase these services had they not been provided voluntarily and the fair value is going to be an unreliable measure. This treatment of volunteer services is acceptable under AASB 1058.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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.

A1-1 Basis of preparation (continued)

None of these standards had an impact on the 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 Restated
\$ '000										
Functions or activities										
Our People	732	606	5,499	4,698	(4,767)	(4,092)	1,974	1,409	206	184
Our Places	21,846	18,090	19,218	19,053	2,628	(963)	22,998	17,130	395,428	367,949
Our Leadership	14,845	12,293	977	873	13,868	11,420	–	–	283	271
Our Prosperity	6	5	140	136	(134)	(131)	41	92	45,372	42,219
Other	–	–	–	–	–	–	–	–	(5,014)	(2,557)
Total functions and activities	37,429	30,994	25,834	24,760	11,595	6,234	25,013	18,631	436,275	408,066

B1-2 Components of functions or activities

Our People

Ensure health and support services address the needs of the community. Partner with organisations to strengthen community health and safety. Nurture a strong sense of community and enrich the cultural life of the residents. Ensure services are accessible for all residents.

Our Places

Work in partnership with key stakeholders to provide equitable access to Council's road infrastructure, services and facilities. Manage waste and recycling to improve the utilisation of existing resources, including exploring new technologies. Manage water and sewerage resources. Ensure that public places and facilities are well maintained and easily accessible. Develop, implement and monitor appropriate programs, plans and budgets for the effective and efficient management of Council's assets and infrastructure.

Our Leadership

To provide quality leadership, governance and management to develop strong community partnerships. Provide opportunities for all stakeholders to contribute to Council's decision making. Lead the community. Develop and maintain a framework of plans and policies that ensures open and transparent Council information.

Our Prosperity

Work with our communities and businesses to use our resources in a sustainable way for the future of the Bland Shire. Promote the Shire as a place to do business. Visitors and tourists are welcomed.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Timing	2022	2021
Ordinary rates			
Residential	2	1,293	1,260
Farmland	2	4,224	4,143
Mining	2	1,000	980
Business	2	515	506
Less: pensioner rebates (mandatory)	2	(62)	(67)
Rates levied to ratepayers		6,970	6,822
Pensioner rate subsidies received	2	38	41
Total ordinary rates		7,008	6,863
Special rates			
Sewerage services	2	1,728	1,674
Rates levied to ratepayers		1,728	1,674
Total special rates		1,728	1,674
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	2	997	945
Waste management services (non-domestic)	2	301	290
Less: pensioner rebates (mandatory)	2	(49)	(52)
Annual charges levied		1,249	1,183
Pensioner subsidies received:			
– Sewerage	2	18	19
– Domestic waste management	2	24	25
Total annual charges		1,291	1,227
Total rates and annual charges		10,027	9,764

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 when the Council obtains control over the assets comprising these receipts.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	266	299
Sewerage services	2	79	33
Waste management services (non-domestic)	2	58	64
Total specific user charges		403	396
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	228	213
Private works – section 67	2	96	31
Registration fees	2	2	–
Section 603 certificates	2	21	18
Total fees and charges – statutory/regulatory		347	262
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	3	1
Aged care	2	57	64
Cemeteries	2	79	65
Child care	2	143	149
Leaseback fees – Council vehicles	2	46	50
Transport for NSW works (state roads not controlled by Council)	2	4	3
Saleyards	2	22	30
Community amenities	2	57	60
Community development	2	18	6
Drainage diagrams	2	4	5
Libraries	2	4	4
Parks and gardens	2	15	–
Public health	2	12	15
Total fees and charges – other		464	452
Total other user charges and fees		811	714
Total user charges and fees		1,214	1,110
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		1,214	1,110
Total user charges and fees		1,214	1,110

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Rental income – investment property	2	63	55
Fines	2	9	2
Commissions and agency fees	2	1	1
Diesel rebate	2	87	83
Insurance claims recoveries	2	12	9
Sales – general	2	12	22
Donations	2	–	1
Paid parental leave	2	53	15
Staff contributions	2	4	33
WHS incentive	2	29	27
Other	2	190	210
Total other revenue		460	458

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	460	458
Total other revenue	460	458

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

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,661	2,326	–	–
Financial assistance – local roads component	2	1,725	1,508	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	4,093	2,492	–	–
Financial assistance – local roads component	2	2,653	1,615	–	–
Other					
Other grants	2	260	–	–	17
Amount recognised as income during current year		11,392	7,941	–	17
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Bushfire and emergency services	2	43	42	–	–
Community care	2	–	68	–	–
Community centres	2	245	179	–	–
Economic development	2	157	23	–	–
Library	2	75	87	–	–
Noxious weeds	2	92	62	–	–
Recreation and culture	1	–	–	861	–
Storm/flood damage	2	–	10	–	–
Childrens services	2	1,330	1,268	–	–
Community services	2	87	101	–	–
Street lighting	2	37	159	–	–
Transport (roads to recovery)	2	–	–	–	3,967
Transport (other roads and bridges funding)	2	4,257	14	888	1,018
Other specific grants	2	25	–	90	–
Bushfire services	2	–	191	–	–
Community services	1	20	–	–	–
Roads and bridges		–	–	832	–
Transport for NSW contributions (regional roads, block grant)	2	–	–	1,086	1,121
Tourism	2	–	234	–	–
Other contributions	2	162	308	–	–
Stronger Country Communities - Council Projects	1	–	–	20	80
Stronger Country Communities - Community Projects	1	–	–	76	104
Resources for Regions Council Projects	1	–	–	–	327
Resources for Regions Community Projects	1	–	–	619	–
Local Roads & Community Infrastructure - Council Projects	1	–	–	2,114	335
Local Roads & Community Infrastructure - Community Projects		–	–	–	–
Showground Stimulus Program - Community Projects	2	–	–	15	172
Drought Communities	1	52	720	–	–
Total special purpose grants and non-developer contributions – cash		6,582	3,466	6,601	7,124
Non-cash contributions					
Roads and bridges		60	–	–	–
Other		11	–	–	–
Total other contributions – non-cash		71	–	–	–

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Total special purpose grants and non-developer contributions (tied)					
		6,653	3,466	6,601	7,124
Total grants and non-developer contributions					
		18,045	11,407	6,601	7,141
Comprising:					
– Commonwealth funding		–	8,854	–	4,302
– State funding		–	2,287	–	2,822
– Other funding		18,045	266	6,601	17
		18,045	11,407	6,601	7,141

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	262	8
S 64 – sewerage service contributions		2	–	–	25	25
Other developer contributions		2	–	–	80	50
Total developer contributions – cash			–	–	367	83
Total developer contributions			–	–	367	83
Total contributions			–	–	367	83
Total grants and contributions			18,045	11,407	6,968	7,224
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			72	720	–	846
Grants and contributions recognised at a point in time (2)			17,973	10,687	6,968	6,378
Total grants and contributions			18,045	11,407	6,968	7,224

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:

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	2,248	2,218	2,683	2,736
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	2,779	459	3,729	115
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
Less: Funds received in prior year but revenue recognised and funds spent in current year	(405)	(429)	(2,784)	(168)
Unspent funds at 30 June	4,622	2,248	3,628	2,683
Contributions				
Unspent funds at 1 July	—	250	—	—
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	28	—	—	—
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	(250)	—	—
Unspent contributions at 30 June	28	—	—	—

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 but include evidence of the event taking place or satisfactory achievement of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Capital grants

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

B2-4 Grants and contributions (continued)

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

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	33	15
– Cash and investments	390	715
Total interest and investment income (losses)	423	730
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	33	15
General Council cash and investments	380	711
Restricted investments/funds – external:		
Sewerage fund operations	10	4
Total interest and investment income	423	730

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

\$ '000	Notes	2022	2021
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		18	18
Lease income relating to variable lease payments not dependent on an index or a rate		130	132
Total Investment properties		148	150
Other lease income			
Other		–	6
Staff Housing		95	96
Total other lease income		144	151
Total rental income	C2-2	292	301
Total other income		292	301

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	4,660	5,488
Travel expenses	20	8
Employee leave entitlements (ELE)	1,456	1,284
Superannuation	902	858
Workers' compensation insurance	301	218
Fringe benefit tax (FBT)	76	70
Training costs (other than salaries and wages)	71	60
Other	15	28
Total employee costs	7,501	8,014
Less: capitalised costs	(497)	(932)
Total employee costs expensed	7,004	7,082
Number of 'full-time equivalent' employees (FTE) at year end	120	113

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 E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		6,910	5,462
Contractor and consultancy costs		650	675
Audit Fees	F2-1	90	64
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	175	147
Advertising		86	73
Bank charges		20	20
Computer software charges		5	—
Election expenses		63	—
Electricity and heating		235	223
Fire control expenses		72	108
Insurance		553	487
Printing and stationery		—	1
Street lighting		76	117
Subscriptions and publications		194	92
Telephone and communications		98	86
Tourism expenses (excluding employee costs)		—	15
Valuation fees		28	—
Child care – parent fees		244	223
Other expenses		418	381
Legal expenses:			
– Legal expenses: other		41	4
Expenses from leases of low value assets		92	73
Printing and stationery		2	—
Total materials and services		10,052	8,251
Total materials and services		10,052	8,251

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on loans	41	58
Total interest bearing liability costs	41	58
Total interest bearing liability costs expensed	41	58
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	152	75
Total other borrowing costs	152	75
Total borrowing costs expensed	193	133

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		753	727
Office equipment		149	156
Furniture and fittings		4	4
Land improvements (depreciable)		–	52
Infrastructure:	C1-6		
– Buildings – non-specialised		861	814
– Other structures		101	108
– Roads		3,213	3,070
– Bridges		329	329
– Footpaths		171	171
– Stormwater drainage		327	327
– Sewerage network		328	298
– Swimming pools		108	108
– Other open space/recreational assets		807	776
– Other infrastructure		316	313
Reinstatement, rehabilitation and restoration assets:			
- Gravel Pits		44	6
- Sewer		3	1
Total depreciation and amortisation costs		7,514	7,260
Total depreciation, amortisation and impairment for non-financial assets		7,514	7,260

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 C1-6 for IPPE assets.

Impairment of non-financial assets

Other non-financial assets 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

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		–	14
Total impairment of receivables	C1-4	–	14
Other			
Contributions/levies to other levels of government		454	622
– Other contributions/levies		7	–
Donations, contributions and assistance to other organisations (Section 356)		53	42
Total other		514	664
Total other expenses		514	678

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Less: carrying amount of property assets sold/written off		(12)	(166)
Gain (or loss) on disposal		(12)	(166)
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		550	558
Less: carrying amount of plant and equipment assets sold/written off		(556)	(590)
Gain (or loss) on disposal		(6)	(32)
Gain (or loss) on disposal of infrastructure	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(978)	(1,378)
Gain (or loss) on disposal		(978)	(1,378)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		452	233
Gain (or loss) on disposal		452	233
Gain (or loss) on disposal of investments	C1-2		
Less: carrying amount of investments sold/redeemed/matured		(9)	(13)
Gain (or loss) on disposal		(9)	(13)
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Other Open Space/Recreational Assets			
Proceeds from disposal – Other (enter details...)		(4)	–
Gain (or loss) on disposal		(4)	–
Net gain (or loss) from disposal of assets		(557)	(1,356)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 28/06/2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	9,071	10,027	956	11% F
Rating income was slightly greater than expected due to some long term debtors making payment in full.				
User charges and fees	1,270	1,214	(56)	(4)% U
Other revenues	450	460	10	2% F
Operating grants and contributions	10,070	18,045	7,975	79% F
Council received an advanced FAG payment which contributed to the variance in operating grants and contributions.				
Capital grants and contributions	2,900	6,968	4,068	140% F
Additional capital grants were received for Fixing Local Roads Round 3 \$2,088,576, Resources for Regions Round 8 \$911,031 and Local Roads and Community Infrastructure Phase 3 \$849,827.				
Interest and investment revenue	550	423	(127)	(23)% U
The 2022 budget was increased based on last years actuals, however the continuation of low interest rates meant that Council didn't receive the expected income from investmetns.				
Other income	300	292	(8)	(3)% U

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Expenses				
Employee benefits and on-costs	7,889	7,004	885	11% F
Council held a number of staff vacancies during the 2022 year which resulted in a reduction in actual employee costs. This amount is expected to increase for the 2023 year as positions are filled.				
Materials and services	10,294	10,052	242	2% F
Borrowing costs	47	193	(146)	(311)% U
Borrowing costs increased this year due to remediation liabilities increasing.				
Depreciation, amortisation and impairment of non-financial assets	7,038	7,514	(476)	(7)% U
Other expenses	500	514	(14)	(3)% U
Net losses from disposal of assets	–	557	(557)	∞ U
Council did not budget for net losses from disposal of assets.				

Statement of cash flows

Cash flows from operating activities	5,726	23,677	17,951	313% F
Cash flows from operating activities was higher than the budgeted amount due to additional grant funding received.				
Cash flows from investing activities	(9,510)	(25,146)	(15,636)	164% U
Council invested additional funds throughout the year as unexpected grant funding was received.				
Cash flows from financing activities	(100)	(100)	–	0% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	1,711	3,283
Cash equivalent assets		
– Deposits at call	2,254	2,251
– Other financial assets	30	30
Total cash and cash equivalents	3,995	5,564

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	3,995	5,564
Balance as per the Statement of Cash Flows	3,995	5,564

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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Debt securities at amortised cost				
Long term deposits	42,700	20,000	32,700	13,000
Total	42,700	20,000	32,700	13,000
Total financial investments	42,700	20,000	32,700	13,000
Total cash assets, cash equivalents and investments	46,695	20,000	38,264	13,000

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.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	66,695	51,264
Cash, cash equivalents and investments not subject to external restrictions	44,890	38,297
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	9,855	3,190
External restrictions – included in liabilities	9,855	3,190
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	412	150
Developer contributions – sewer fund	101	101
Specific purpose unexpended grants (recognised as revenue) – general fund	4,645	4,931
Sewer fund	6,792	4,595
External restrictions – other	11,950	9,777
Total external restrictions	21,805	12,967

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.

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	44,890	38,297
Unrestricted and unallocated cash, cash equivalents and investments	18,822	18,206
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Plant and vehicle replacement	1,440	1,440
Infrastructure replacement	22,232	16,801
Employees leave entitlement	1,613	1,513
Land development	783	337
Total internal allocations	26,068	20,091

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	18,822	18,206

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	190	226	168	413
Interest and extra charges	160	–	128	–
User charges and fees	549	–	452	–
Accrued revenues				
– Interest on investments	161	–	112	–
Loans to non-profit organisations	–	–	–	93
Net GST receivable	224	–	356	–
Total	1,284	226	1,216	506
Less: provision for impairment				
Rates and annual charges	(84)	–	(84)	–
User charges and fees	(15)	–	(15)	–
Total provision for impairment – receivables	(99)	–	(99)	–
Total net receivables	1,185	226	1,117	506
Externally restricted receivables				
Sewerage services				
– Other	304	–	326	–
Total external restrictions	304	–	326	–
Unrestricted receivables	881	226	791	506
Total net receivables	1,185	226	1,117	506

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year	99	99
Balance at the end of the year	99	99

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.

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	934	–	934	–
Stores and materials	425	–	569	–
Total inventories at cost	1,359	–	1,503	–
Total inventories	1,359	–	1,503	–

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total unrestricted assets	1,359	–	1,503	–
Total inventories	1,359	–	1,503	–

C1-5 Inventories (continued)

(i) Other disclosures

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Residential	30	—	30	—
Industrial/commercial	904	—	904	—
Total real estate for resale	934	—	934	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	934	—	934	—
Total costs	934	—	934	—
Total real estate for resale	934	—	934	—
Movements:				
Real estate assets at beginning of the year	934	—	763	—
— Purchases and other costs	—	—	171	—
Total real estate for resale	934	—	934	—

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

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

Land held for resale

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

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

C1-6 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 Restated	Accumulated depreciation and impairment Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciatio n expense	WIP transfers	Adjustment s and transfers	Asset Remediation	Revaluatio n decrements to equity (ARR)	Revaluatio n increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	3,121	–	3,121	3,983	721	–	–	(2,412)	–	–	–	–	5,413	–	5,413
Plant and equipment	12,681	(5,242)	7,439	–	1,090	(556)	(753)	–	–	–	–	–	12,786	(5,566)	7,220
Office equipment	1,984	(1,490)	494	–	11	–	(149)	11	–	–	–	–	2,008	(1,641)	367
Furniture and fittings	152	(140)	12	–	5	–	(4)	–	–	–	–	–	157	(144)	13
Land:															
– Operational land	1,445	–	1,445	–	–	–	–	–	–	–	–	217	1,662	–	1,662
– Community land	9,898	–	9,898	–	–	–	–	–	–	–	–	1,485	11,383	–	11,383
Land improvements – depreciable	2,589	(964)	1,625	–	–	–	–	–	(1,625)	–	–	–	–	–	–
Infrastructure:															
– Buildings – non-specialised	39,849	(15,002)	24,847	298	–	(12)	(861)	519	9,563	–	–	108	49,524	(15,062)	34,462
– Other structures	5,653	(2,463)	3,190	1	12	–	(101)	–	(2,151)	–	–	–	1,514	(563)	951
– Roads	207,792	(71,787)	136,005	2,154	–	(978)	(3,213)	1,376	–	–	–	4,513	216,891	(77,034)	139,857
– Bridges	18,430	(4,680)	13,750	–	–	–	(329)	–	2,664	–	–	5,082	32,480	(11,313)	21,167
– Footpaths	9,188	(4,167)	5,021	–	–	–	(171)	–	–	–	(674)	–	6,494	(2,318)	4,176
– Bulk earthworks (non-depreciable)	76,626	–	76,626	–	–	–	–	–	–	–	–	5,200	81,826	–	81,826
– Stormwater drainage	32,125	(10,163)	21,962	153	–	(4)	(327)	–	–	–	(3,031)	–	29,045	(10,292)	18,753
– Sewerage network	25,793	(10,372)	15,421	–	26	–	(328)	–	–	–	–	866	27,298	(11,313)	15,985
– Swimming pools	5,377	(1,718)	3,659	–	–	–	(108)	–	–	–	(670)	–	4,379	(1,498)	2,881
– Other open space/recreational assets	33,265	(15,010)	18,255	–	80	(9)	(807)	476	(8,451)	–	(836)	–	14,105	(5,397)	8,708
– Other infrastructure	16,675	(9,058)	7,617	29	46	–	(316)	30	–	–	–	728	18,387	(10,253)	8,134
Other assets:															
– Library books	517	(411)	106	–	–	–	–	–	–	–	–	–	517	(411)	106
Reinstatement, rehabilitation and restoration assets (refer C3-5):															
– Gravel pits	3,151	(1,467)	1,684	–	–	–	(44)	–	–	592	–	–	3,744	(1,511)	2,233
– Sewer treatment facilities	102	(55)	47	–	–	–	(3)	–	–	18	–	–	119	(58)	61
Total infrastructure, property, plant and equipment	506,413	(154,189)	352,224	6,618	1,991	(1,559)	(7,514)	–	–	610	(5,211)	18,199	519,732	(154,374)	365,358

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

C1-6 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 Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Asset Remediation	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated
\$ '000														
Capital work in progress	356	–	356	2,766	355	–	–	–	(356)	–	–	3,121	–	3,121
Plant and equipment	13,597	(6,358)	7,239	–	1,517	–	(590)	(727)	–	–	–	12,681	(5,242)	7,439
Office equipment	1,905	(1,336)	569	–	81	–	–	(156)	–	–	–	1,984	(1,490)	494
Furniture and fittings	152	(136)	16	–	–	–	–	(4)	–	–	–	152	(140)	12
Land:														
– Operational land	1,445	–	1,445	–	–	–	–	–	–	–	–	1,445	–	1,445
– Community land	9,898	–	9,898	–	–	–	–	–	–	–	–	9,898	–	9,898
Land improvements – depreciable	2,589	(912)	1,677	–	–	–	–	(52)	–	–	–	2,589	(964)	1,625
Infrastructure:														
– Buildings – non-specialised	39,963	(14,333)	25,630	197	–	–	(166)	(814)	–	–	–	39,849	(15,002)	24,847
– Other structures	5,632	(2,356)	3,276	22	–	–	–	(108)	–	–	–	5,653	(2,463)	3,190
– Roads	204,492	(73,641)	130,851	5,446	–	3,800	(1,378)	(3,070)	356	–	–	207,792	(71,787)	136,005
– Bridges	18,429	(4,350)	14,079	–	–	–	–	(329)	–	–	–	18,430	(4,680)	13,750
– Footpaths	9,188	(3,996)	5,192	–	–	–	–	(171)	–	–	–	9,188	(4,167)	5,021
– Bulk earthworks (non-depreciable)	76,626	–	76,626	–	–	–	–	–	–	–	–	76,626	–	76,626
– Stormwater drainage	32,125	(9,836)	22,289	–	–	–	–	(327)	–	–	–	32,125	(10,163)	21,962
– Sewerage network	23,893	(9,002)	14,891	–	20	–	–	(298)	–	–	808	25,793	(10,372)	15,421
– Swimming pools	5,378	(1,611)	3,767	–	–	–	–	(108)	–	–	–	5,377	(1,718)	3,659
– Other open space/recreational assets	32,648	(14,259)	18,389	655	–	–	(13)	(776)	–	–	–	33,265	(15,010)	18,255
– Other infrastructure	16,634	(8,745)	7,889	41	–	–	–	(313)	–	–	–	16,675	(9,058)	7,617
Other assets:														
– Library books	517	(411)	106	–	–	–	–	–	–	–	–	517	(411)	106
Reinstatement, rehabilitation and restoration assets (refer C3-5):														
– Tip assets	280	–	280	–	–	–	–	–	–	(280)	–	–	–	–
– Gravel pits	1,461	(1,461)	–	–	–	–	–	(6)	–	1,690	–	3,151	(1,467)	1,684
– Sewer treatment facilities	67	(54)	13	–	–	–	–	(1)	–	35	–	102	(55)	47
Total infrastructure, property, plant and equipment	497,275	(152,797)	344,478	9,127	1,973	3,800	(2,147)	(7,260)	–	1,445	808	506,413	(154,189)	352,224

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

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Useful lives of IPPE

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

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

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

Revaluation model

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

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

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

Land under roads

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

C1-6 Infrastructure, property, plant and equipment (continued)

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 fire fighting 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 fire fighting equipment has been purchased or constructed*".

With regards to RFS vehicles, approaches were made by Bland Shire Council to the Bland-Temora RFS Zone for information to assist in undertaking a stocktake of equipment. A list of assets was provided for both vehicles and buildings however there were some discrepancies in relation to the values included within this documentation.

Until this issue is resolved, Council will not undertake the stocktake and not account for the RFS assets in accordance with the *Local Government Accounting Code of Practice and Financial Reporting*. As a result and in compliance with the Code, Council recognises the RFS buildings on Council controlled land, however does not recognise the vehicles.

C1-7 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	1,254	1,254
Total owned investment property	1,254	1,254
Owned investment property		
At fair value		
Opening balance at 1 July	1,254	1,254
Closing balance at 30 June	1,254	1,254

Accounting policy

Council's sole investment property is held for 12 months and is not occupied by the Council.

C2 Leasing activities

C2-1 Council as a lessee

(a) Income Statement

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

\$ '000	2022	2021
Expenses relating to low-value leases	92	73
	92	73

(b) Statement of Cash Flows

Total cash outflow for leases	92	73
	92	73

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

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

- Car Parks
- Barmedman Community Centre Land

The leases have varying terms and require payments of less than \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

C2-1 Council as a lessee (continued)

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties for staff housing, health services, emergency services, car parks and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E.

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

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

(i) Assets held as investment property

Investment property operating leases relate to 184 Main Street (formerly Hall & Co, now Tamara's), Caltex Truckstop and 19 Lady Mary Drive.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	18	18
Lease income relating to variable lease payments not dependent on an index or a rate	130	132
Total income relating to operating leases for investment property assets	148	150

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of staff housing, health services, emergency services, caravan park and pools.

Lease income (excluding variable lease payments not dependent on an index or rate)	144	151
Total income relating to operating leases for Council assets	144	151

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

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

< 1 year	42	47
1–2 years	42	42
2–3 years	22	42
3–4 years	22	22
4–5 years	22	22
> 5 years	22	22
Total undiscounted lease payments to be received	172	197

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.

C2-2 Council as a lessor (continued)

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	517	–	874	–
Accrued expenses:				
– Salaries and wages	140	–	–	–
Security bonds, deposits and retentions	1	–	2	–
Other	55	33	52	39
Prepaid rates	154	–	198	–
Total payables	867	33	1,126	39

Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Sewer	–	7	–	7
Payables relating to externally restricted assets	–	7	–	7
Total payables relating to restricted assets	–	7	–	7
Total payables relating to unrestricted assets	867	26	1,126	32
Total payables	867	33	1,126	39

C3-1 Payables (continued)

Accounting policy

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

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

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,538	—	3,190	—
Total grants received in advance		6,538	—	3,190	—
Total contract liabilities		6,538	—	3,190	—

Notes

(i) Council has received funding to construct assets including sporting facilities, 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.

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	6,877	—	3,190	—
Contract liabilities relating to externally restricted assets	6,877	—	3,190	—
Total contract liabilities relating to restricted assets	6,877	—	3,190	—
Total contract liabilities relating to unrestricted assets	(339)	—	—	—
Total contract liabilities	6,538	—	3,190	—

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	3,190	3,362
Total revenue recognised that was included in the contract liability balance at the beginning of the period	3,190	3,362

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

continued on next page ...

C3-3 Borrowings (continued)

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	93	700	93	800
Total borrowings	93	700	93	800

(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 E1-1.

Borrowings relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total borrowings relating to unrestricted assets	93	700	93	800
Total borrowings	93	700	93	800

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

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

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	893	(100)	–	–	–	–	793
Total liabilities from financing activities	893	(100)	–	–	–	–	793

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	1,018	(125)	–	–	–	–	893
Total liabilities from financing activities	1,018	(125)	–	–	–	–	893

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	350	350
Credit cards/purchase cards	61	61
Total financing arrangements	411	411
Undrawn facilities		
– Bank overdraft facilities	350	350
– Credit cards/purchase cards	61	61
Total undrawn financing arrangements	411	411

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	663	–	733	–
Long service leave	1,942	2	1,988	2
Other leave	6	–	9	–
Total employee benefit provisions	2,611	2	2,730	2

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,280	1,704
	2,280	1,704

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

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	6,663	–	5,901
Sub-total – asset remediation/restoration	–	6,663	–	5,901
Total provisions	–	6,663	–	5,901
Total provisions relating to restricted assets	–	–	–	–

C3-5 Provisions (continued)

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Total provisions relating to unrestricted assets	–	6,663	–	5,901
Total provisions	–	6,663	–	5,901

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

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	5,901	5,901
Unwinding of discount	151	151
Other	611	611
Total other provisions at end of year	6,663	6,663
2021		
At beginning of year	4,383	4,383
Unwinding of discount	(75)	(75)
Additional provisions	1,593	1,593
Total other provisions at end of year	5,901	5,901

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

C3-5 Provisions (continued)

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

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

\$ '000	General ¹ 2022	Sewer 2022
Income from continuing operations		
Rates and annual charges	8,276	1,751
User charges and fees	1,110	104
Interest and investment revenue	413	10
Other revenues	460	—
Grants and contributions provided for operating purposes	18,045	—
Grants and contributions provided for capital purposes	6,968	—
Other income	292	—
Total income from continuing operations	35,564	1,865
Expenses from continuing operations		
Employee benefits and on-costs	6,879	125
Materials and services	9,303	749
Borrowing costs	193	—
Depreciation, amortisation and impairment of non-financial assets	7,163	351
Other expenses	514	—
Net losses from the disposal of assets	557	—
Total expenses from continuing operations	24,609	1,225
Operating result from continuing operations	10,955	640
Net operating result for the year	10,955	640
Net operating result attributable to each council fund	10,955	640
Net operating result for the year before grants and contributions provided for capital purposes	3,987	640

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

D1-2 Statement of Financial Position by fund

\$ '000	General ¹ 2022	Sewer 2022
ASSETS		
Current assets		
Cash and cash equivalents	(1,590)	5,585
Investments	41,392	1,308
Receivables	881	304
Inventories	1,359	—
Total current assets	42,042	7,197
Non-current assets		
Investments	20,000	—
Receivables	226	—
Infrastructure, property, plant and equipment	348,889	16,469
Investment property	1,254	—
Other	198	—
Total non-current assets	370,567	16,469
Total assets	412,609	23,666
LIABILITIES		
Current liabilities		
Payables	867	—
Contract liabilities	6,538	—
Borrowings	93	—
Employee benefit provision	2,611	—
Total current liabilities	10,109	—
Non-current liabilities		
Payables	26	7
Borrowings	700	—
Employee benefit provision	(181)	183
Provisions	6,663	—
Total non-current liabilities	7,208	190
Total liabilities	17,317	190
Net assets	395,292	23,476
EQUITY		
Accumulated surplus	157,782	15,283
Revaluation reserves	237,510	8,193
Council equity interest	395,292	23,476
Total equity	395,292	23,476

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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.

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	3,995	5,564	3,996	5,564
Receivables	1,411	1,623	1,411	1,665
Investments				
– Debt securities at amortised cost	62,700	45,700	62,700	45,700
Total financial assets	68,106	52,887	68,107	52,929
Financial liabilities				
Payables	900	1,165	900	1,201
Loans/advances	793	893	793	857
Total financial liabilities	1,693	2,058	1,693	2,058

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
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	424	401

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

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2022				
Gross carrying amount	416	–	–	416
2021				
Gross carrying amount	168	397	16	581

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.

\$ '000	Not yet overdue	Overdue debts 0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	Total
2022						
Gross carrying amount	715	140	18	60	161	1,094
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	8.90%	1.31%
ECL provision	–	–	–	–	14	14
2021						
Gross carrying amount	703	45	68	81	244	1,141
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	6.40%	1.37%
ECL provision	–	–	–	–	16	16

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	1	–	–	–	1	900
Borrowings	4.77%	–	100	500	193	793	793
Total financial liabilities		1	100	500	193	794	1,693
2021							
Payables	0.00%	2	965	–	–	967	1,165
Borrowings	1.49%	–	–	–	–	–	893
Total financial liabilities		2	965	–	–	967	2,058

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

During the reporting period, Council has also completed an interim valuation to recognise the indexation on lands, roads, the sewerage network and other infrastructure.

Fair value measurement hierarchy									
\$ '000	Notes	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
Investment property									
Investment Properties		30/06/22	30/06/20	1,254	–	–	1,254	1,254	1,254
Total investment property				1,254	–	–	1,254	1,254	1,254
Infrastructure, property, plant and equipment									
	C1-6								
Plant and equipment		30/06/20	30/06/2020	7,220	7,439	–	–	7,220	7,439
Office equipment		30/06/20	30/06/2020	367	494	–	–	367	494
Furniture and fittings		30/06/20	30/06/2020	13	12	–	–	13	12
Operational land		30/06/20	30/06/2020	1,662	1,445	–	–	1,662	1,445
Community land		30/06/20	30/06/2020	11,383	9,898	–	–	11,383	9,898
Land improvement – depreciable		30/06/22	30/06/2018	–	–	–	1,625	–	1,625
Buildings		30/06/22	30/06/2018	–	–	34,462	24,847	34,462	24,847
Other structure		30/06/22	30/06/2018	–	–	951	3,190	951	3,190
Roads		30/06/20	30/06/2020	–	–	139,857	136,005	139,857	136,005
Bridges		30/06/22	30/06/2020	–	–	21,167	13,750	21,167	13,750
Footpath		30/06/22	30/06/2020	–	–	4,176	5,021	4,176	5,021
Road – formation		30/06/22	30/06/2020	–	–	81,826	76,626	81,826	76,626
Stormwater		30/06/22	30/06/2018	–	–	18,753	21,962	18,753	21,962
Sewer		30/06/21	30/06/2021	–	–	15,985	15,421	15,985	15,421
Library		30/06/18	30/06/2018	–	–	106	106	106	106
Gravel restoration asset		30/06/20	30/06/2020	–	–	2,233	1,684	2,233	1,684
Sewer restoration asset		30/06/20	30/06/2020	–	–	61	47	61	47
Tip restoration asset		30/06/20	30/06/2020	–	–	–	–	–	–
Open Space/Recreational Assets		30/06/22	30/06/2018	–	–	8,708	18,255	8,708	18,255
Swimming Pools		30/06/22	30/06/2018	–	–	2,881	3,659	2,881	3,659
Other Infrastructure		30/06/22	30/06/2018	–	–	8,134	7,617	8,134	7,617
Total infrastructure, property, plant and equipment				20,645	19,288	339,300	329,815	359,945	349,103

E2-1 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

Level 2 valuation inputs were used to value this asset category.

This asset category includes:

Plant & Equipment - e.g. motor vehicles, trucks, mowers, earthmoving equipment

Office Equipment - e.g. computer equipment

Furniture & Fittings - e.g. chairs, desks, cabinets, display systems

Operational and Community Land

Level 2 valuation inputs were used to value land. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings (Residential Properties)

Residential properties fair value has been derived from sales prices of comparable properties after adjusting for property size. The most significant inputs into this valuation approach are price per square metre.

Land improvements- Depreciable

Land improvements are valued at current replacement cost. Since there are no active market and the factors cannot be observed these are classified as level 3 input categories.

Buildings

Buildings are valued by external valuers based on level 3 input factors. The unit rates based on square meter supported from market evidence. However the significant inputs are unobservable such as estimated residual value, useful life, pattern of consumption and asset condition.

Other Structure

Other structures are valued by external valuers based on level 3 input factors. The significant inputs are unobservable such as useful life, pattern of consumption and asset condition.

Roads and Aerodrome (Surface and Pavements)

Roads and Aerodrome are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Other Traffic Facilities

Other Traffic Facilities are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Earthwork (Roads and Aerodrome -Formation)

Earthwork externally valued using Current Replacement cost approach. These were valued based on the cost to build the road at the time of valuation.

E2-1 Fair value measurement (continued)

Stormwater Assets (Pipes, pits and Kerb and Gutter)

Stormwater assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Bridges

Bridges are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Footpaths

Footpaths are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Open Space/Recreational Assets

Open Space/Recreational Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Swimming Pools

Swimming Pools are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Other Infrastructure

Other infrastructure are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

Sewer

Sewer Network Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation. Sewer assets have been indexed in line with the NSW Reference Rates Manual as published by the Office of Water.

Restoration Assets

Restoration Assets were based on the cost at the time of calculation and the discount rate, CPI at the year end to calculate the amortisation cost. So these become part of level 3 input factors.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Land improvement – non-depreciable	Written down current replacement cost	Gross replacement cost Asset condition
Land improvement – depreciable	Written down current replacement cost	Gross replacement cost Asset condition
Buildings	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Other structure	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Roads	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Bridges	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Footpath	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Road – formation	Current replacement cost	Gross replacement cost
Stormwater	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Sewer	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Library	Written down current replacement cost	Gross replacement cost Useful life
Gravel restoration asset	Written down current replacement cost	Restoration cost – historic Discount rate
Sewer restoration asset	Gross replacement cost	Restoration cost – historic Discount rate
Tip restoration asset	Written down current replacement cost	Restoration cost – historic Discount rate
Other Infrastructure	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Recreational Assets	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Swimming Pools	Written down current replacement cost	Gross replacement cost Asset condition Useful life

E2-1 Fair value measurement (continued)

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

\$ '000	Land improvement depreciable		Buildings		Other structure		Roads	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	1,625	1,729	25,150	25,933	3,190	3,276	136,005	131,082
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	(1,573)	(52)	9,887	–	(2,151)	–	5,889	125
Purchases (GBV)	–	–	298	197	13	22	2,154	5,446
Disposals (WDV)	–	–	(12)	(166)	–	–	(978)	(1,378)
Depreciation and impairment	(52)	(52)	(861)	(814)	(101)	(108)	(3,213)	(3,070)
Impairment Reversal	–	–	–	–	–	–	–	3,800
Closing balance	–	1,625	34,462	25,150	951	3,190	139,857	136,005

\$ '000	Bridges		Footpath		Bulk Earthworks		Stormwater Drainage	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	13,750	14,079	5,021	5,192	76,626	76,626	21,962	22,289
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	7,746	–	(674)	–	5,200	–	(3,031)	–
Purchases (GBV)	–	–	–	–	–	–	153	–
Disposals (WDV)	–	–	–	–	–	–	(4)	–
Depreciation and impairment	(329)	(329)	(171)	(171)	–	–	(327)	(327)
Closing balance	21,167	13,750	4,176	5,021	81,826	76,626	18,753	21,962

\$ '000	Sewerage Network		Library		Gravel restoration asset		Sewer restoration asset	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	15,421	14,894	106	106	1,684	–	47	13
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	866	805	–	–	592	1,690	18	35
Purchases (GBV)	26	20	–	–	–	–	–	–
Depreciation and impairment	(328)	(298)	–	–	(44)	(6)	(3)	(1)
Closing balance	15,985	15,421	106	106	2,232	1,684	62	47

\$ '000	Other infrastructure		Recreation asset		Swimming pool		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	7,617	7,889	18,255	18,506	3,659	3,767	329,815	329,631
Transfers from/(to) another asset class	758	–	(8,811)	(117)	(670)	–	14,349	(2,067)
Purchases (GBV)	75	41	80	655	–	–	2,799	6,381
Disposals (WDV)	–	–	(9)	(13)	–	–	(1,003)	(1,557)
Depreciation and impairment	(316)	(313)	(807)	(776)	(108)	(108)	(6,660)	(6,373)
Impairment Reversal	–	–	–	–	–	–	–	3,800
Closing balance	8,134	7,617	8,708	18,255	2,881	3,659	339,300	329,815

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay 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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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.

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 \$105,784.37. The last valuation of the Scheme was performed by the Fund Actuary, Mr Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$53,732.28. Council's expected contribution to the plan for the next annual reporting period is \$78,547.56.

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

Employer reserves only *	\$millions	Asset Coverage
--------------------------	------------	----------------

E3-1 Contingencies (continued)

Assets	2,376.6	
Past Service Liabilities	2,380.7	99.8%
Vested Benefits	2,391.7	99.4%

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

Based on a Past Service Liabilities methodology, Council's share of the surplus that can be attributed is 0.27%

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) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(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.

E3-1 Contingencies (continued)

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

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

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

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

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.

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	721	706
Post-employment benefits	58	54
Other long-term benefits	15	14
Total	794	774

Other transactions with KMP and their related parties

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

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2022						
Employee expenses relating to close family of KMP	1	93	–	Council Staff award	–	–
2021						
Employee expenses relating to close family of KMP	1	91	–	Council Staff award	–	–

1 Employee was employed by Council under the relevant pay award on an arms length basis

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	27	26
Councillors' fees	110	107
Other Councillors' expenses (including Mayor)	38	14
Total	175	147

F2 Other relationships

F2-1 Audit fees

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

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

	80	61
--	----	----

Remuneration for audit and other assurance services

	80	61
--	----	----

Total Auditor-General remuneration

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements

	10	3
--	----	---

Remuneration for audit and other assurance services

	10	3
--	----	---

Total remuneration of non NSW Auditor-General audit firms

Total audit fees	90	64
------------------	----	----

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	11,595	6,234
Add / (less) non-cash items:		
Depreciation and amortisation	7,514	7,260
(Gain) / loss on disposal of assets	557	1,356
Non-cash capital grants and contributions	(71)	—
Unwinding of discount rates on reinstatement provisions	151	(37)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	212	188
Increase / (decrease) in provision for impairment of receivables	—	27
(Increase) / decrease of inventories	144	(6)
Increase / (decrease) in payables	(357)	568
Increase / (decrease) in other accrued expenses payable	140	—
Increase / (decrease) in other liabilities	(48)	(418)
Increase / (decrease) in contract liabilities	3,348	3,018
Increase / (decrease) in employee benefit provision	(119)	1
Increase / (decrease) in other provisions	611	1,593
Net cash flows from operating activities	23,677	19,784

G2-1 Commitments

Capital commitments (exclusive of GST)

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

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	190	149
Other infrastructure	80	260
Other	7	12
Total commitments	277	421

These expenditures are payable as follows:

Within the next year	277	421
Total payable	277	421

Sources for funding of capital commitments:

Unrestricted general funds	182	–
Externally restricted reserves	–	149
Internally restricted reserves	95	272
Total sources of funding	277	421

G3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

Bland Shire Council was declared a natural disaster area twice in 2021-2022, AGRN 987 and 1001, and again in 2022-2023, AGRN 1030. All events were due to storms and flooding.

Council's road network has been damaged by these events. Council has assessed most of the road damage to date, however, due to the continuation of extreme weather, some road damage has been unable to be assessed. Council has estimated the cost of the restoration works required to fix the pre-30 June 2022 damage as \$281,450, which has not been recognised in the financial statements. Council expects the full restoration works to exceed \$1 million.

Council has submitted flood damage claims to Transport for NSW which are still being processed as at the date of signing. It is expected that these claims will be approved and the restoration works will be fully funded.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior period error

Council had been carrying Rural Fire Service red fleet assets in their financial statements, which was not in accordance with Council's accounting policy at C1-6. This has therefore been treated as an error in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2020) and taking the adjustment through to accumulated surplus at that date.

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

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

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant and equipment	347,035	(2,557)	344,478
Total non-current assets	354,697	(2,557)	352,140
Net assets	389,700	(2,557)	387,143
Accumulated Surplus	157,793	(2,557)	155,236
Total equity	389,700	(2,557)	387,143

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property plant and equipment	354,781	(2,557)	352,224
Total non-current assets	369,739	(2,557)	367,182
Net assets	396,742	(2,557)	394,185
Accumulated Surplus	164,027	(2,557)	161,470
Total equity	396,742	(2,557)	394,185

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	3	–	–	–	(3)	–	–	–
Roads	53	–	–	–	(39)	–	14	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	141	247	–	–	–	–	388	–
Other	3	–	–	–	(1)	–	2	–
S7.11 contributions – under a plan	208	247	–	–	(43)	–	412	–
Total S7.11 and S7.12 revenue under plans	208	247	–	–	(43)	–	412	–
S64 contributions	125	–	–	–	(24)	–	101	–
Total contributions	333	247	–	–	(67)	–	513	–

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

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN								
Drainage	3	—	—	—	(3)	—	—	—
Roads	53	—	—	—	(39)	—	14	—
Parking	7	—	—	—	—	—	7	—
Open space	1	—	—	—	—	—	1	—
Community facilities	141	247	—	—	—	—	388	—
Other	3	—	—	—	(1)	—	2	—
Total	208	247	—	—	(43)	—	412	—

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5,184	17.02%	1.60%	13.99%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	30,461				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	12,416	33.17%	39.89%	32.40%	> 60.00%
Total continuing operating revenue ¹	37,429				
3. Unrestricted current ratio					
Current assets less all external restrictions	47,130	49.51x	19.63x	21.46x	> 1.50x
Current liabilities less specific purpose liabilities	952				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12,891	44.00x	30.13x	81.25x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	293				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	492	4.60%	5.79%	9.95%	< 10.00%
Rates and annual charges collectable	10,685				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	66,695	46.27	39.20	36.60	> 3.00
Monthly payments from cash flow of operating and financing activities	1,441	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		Sewer Indicators		Benchmark
	2022	2021	2022	2021	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	15.89%	(0.50)%	34.32%	27.90%	> 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	29.67%	36.28%	100.00%	100.00%	> 60.00%
Total continuing operating revenue ¹					
3. Unrestricted current ratio					
Current assets less all external restrictions	49.51x	19.63x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities					
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	40.61x	27.01x	∞	∞	> 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	5.51%	6.87%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	42.40	35.61	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months			months

(1) - (2) Refer to Notes at Note 24a above.

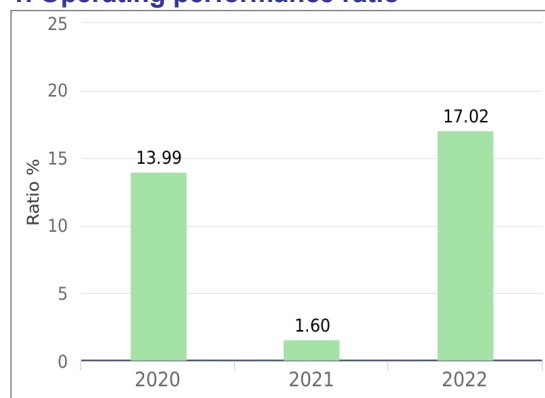
(3) General fund refers to all of Council's activities except for its sewer activities which are listed separately.

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 17.02%

Council's operating performance ratio is well above the benchmark, due to prudent financial management and continual cost saving measures.

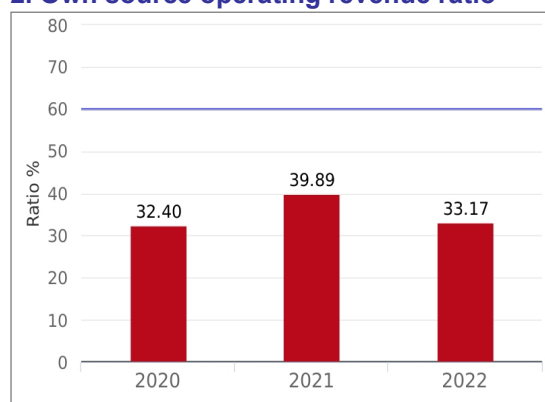
Benchmark: — > 0.00%

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 33.17%

Own source revenue is consistent with previous year's results. As with most rural Council's, generating own source revenue continues to be a challenge.

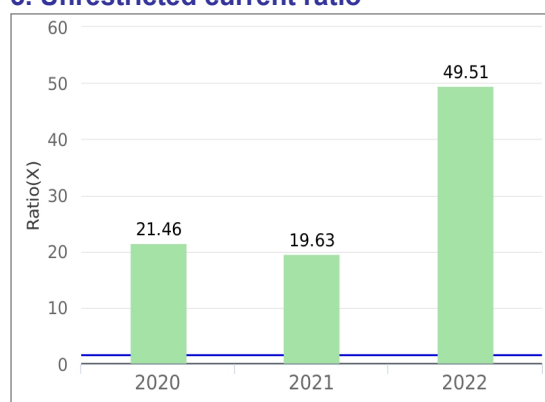
Benchmark: — > 60.00%

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 49.51x

Council's ratio remains well above the benchmark with adequate funds available to satisfy its short term obligations.

Benchmark: — > 1.50x

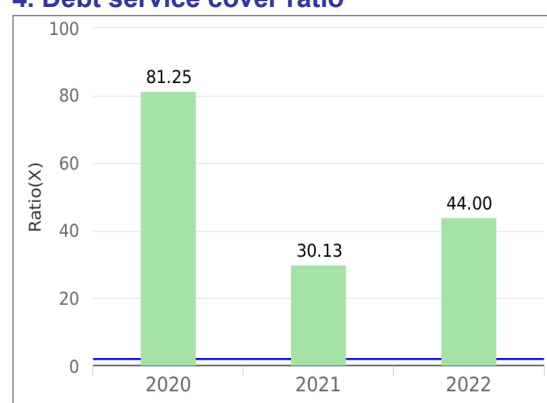
Source of benchmark: Code of Accounting Practice and Financial Reporting

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 44.00x

Council have one loan which was for the Holland Park Pool Upgrade, and is in a strong position to meet its loan obligations.

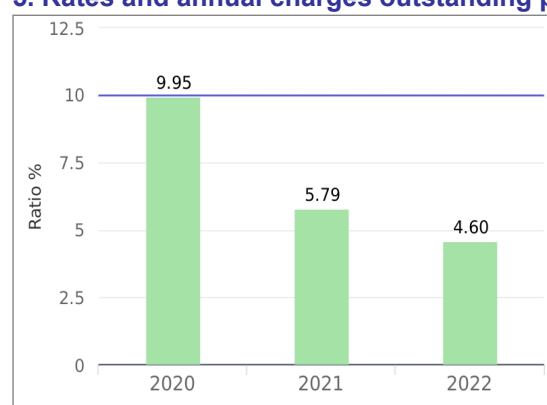
Benchmark: — > 2.00x

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 4.60%

Council's early intervention approach is working well and staff are working with debtors to create and/or continue manageable payment arrangements.

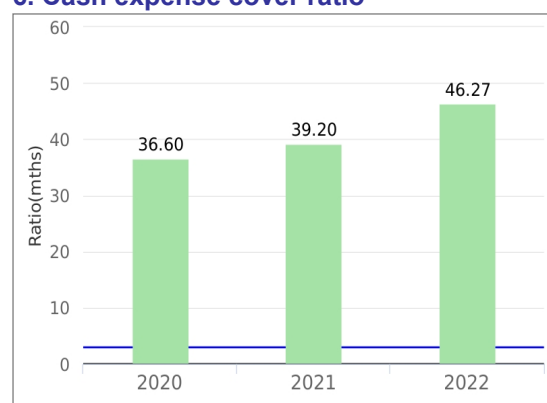
Benchmark: — < 10.00%

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 46.27 months

Efficient financial management practices have enabled Council to operate effectively in meeting its expense obligations.

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:

6-10 Shire Street
West Wyalong NSW 2671

Contact details**Mailing Address:**

PO Box 21
West Wyalong NSW 2671

Telephone: (02) 6972 2266

Facsimile: (02) 6972 2145

Opening hours:

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

Internet: www.blandshire.nsw.gov.au

Email: council@blandshire.nsw.gov.au

Officers**General Manager**

Grant Baker

Responsible Accounting Officer

Leesa Bryant

Auditors

NSW Audit Office
Level 15
Margaret Street
Sydney NSW 2001

GPO Box 12
Sydney NSW 2001

Elected members**Mayor**

Brian Monaghan

Councillors

Bruce Baker
Monica Clarke
Rodney Crowe
Jill Funnell
Kerry Keatley
Tony Lord
Elizabeth McGlynn
Roger Moore

Other information

ABN: 13 251 814 087



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bland Shire Council

To the Councillors of Bland Shire Council

Qualified Opinion

I have audited the accompanying financial statements of Bland 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, except for the effects of the matters described in the 'Basis for Qualified Opinion' section of my report:

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-6 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 28 June 2013
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

Correction of errors relating to a previous reporting period

The Council has disclosed a correction of error in Note G4-1 'Correction of errors' relating to a previous reporting period, which changed comparative information in Note C1-6 'Infrastructure, property, plant and equipment'. This disclosure results from Council derecognising rural fire-fighting equipment vested from the Rural Fire Service. For the reasons described below, I believe this is an incorrect application of AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Council previously recognised rural fire-fighting equipment valued at \$2.6 million in Note C1-6 'Infrastructure, property, plant and equipment'. In my opinion, this accounting treatment was appropriate as rural fire-fighting equipment is controlled by the Council. There has been no change in the legal framework since the Council first recognised these assets or recent change in the relevant accounting standards impacting recognition of these assets.

Consequently, as the Council's previous position to recognise these assets complied with the requirements of AASB 116 'Property, Plant and Equipment', the disclosure and removal of these assets does not comply with AASB 108.

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 qualified 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.

DMobilia

Daniel Mobilia
Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY



Cr Brian Monaghan
Mayor
Bland Shire Council
PO Box 21
WEST WYALONG NSW 2671

Contact: Daniel Mobilia
Phone no: 02 9275 7379
Our ref: D2222917/1694

31 October 2022

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Bland 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 a modified 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue during my audit of the Council's financial statements. This issue was addressed as part of my audit.

Modification to the opinion in the Independent Auditor's Report

Rural fire-fighting equipment not recognised in the financial statements

The Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

Australian Accounting Standards refers to control of an asset as being the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

Rural fire-fighting equipment is controlled by the Council as:

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 28 June 2013
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

Correction of errors relating to a previous reporting period

The Council has disclosed a correction of error in Note G4-1 'Correction of errors' relating to a previous reporting period, which changed comparative information in Note C1-6 'Infrastructure, property, plant and equipment'. This disclosure results from Council derecognising rural fire-fighting equipment vested from the Rural Fire Service. For the reasons described below, I believe this is an incorrect application of AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The Council previously recognised rural fire-fighting equipment valued at \$2.6 million in Note C1-6 'Infrastructure, property, plant and equipment'. In my opinion, this accounting treatment was appropriate as rural fire-fighting equipment is controlled by the Council. There has been no change in the legal framework since the Council first recognised these assets or recent change in the relevant accounting standards impacting recognition of these assets.





Consequently, as the Council's previous position to recognise these assets complied with the requirements of AASB 116 'Property, Plant and Equipment', the disclosure and removal of these assets does not comply with AASB 108.

These issues have resulted in the audit opinion on the Council's 30 June 2022 general purpose financial statements (GPFS) to be modified.

Refer to the Independent Auditor's report on the GPFS.

INCOME STATEMENT

Operating result

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	10.0	9.8	 2.0
Grants and contributions revenue	25.0	18.6	 34.4
Operating result from continuing operations	11.6	6.2	 87.1
Net operating result before capital grants and contributions	4.6	(1.0)	 560.0

Rates and annual charges revenue (\$10.0 million) increased by \$0.2 million (2.0 per cent) in 2021–22 which is consistent with an increase in ordinary rates in line with the 2.0% rate peg.

Grants and contributions revenue (\$25.0 million) increased by \$6.4 million (34.4 per cent) in 2021–22 largely attributed to:

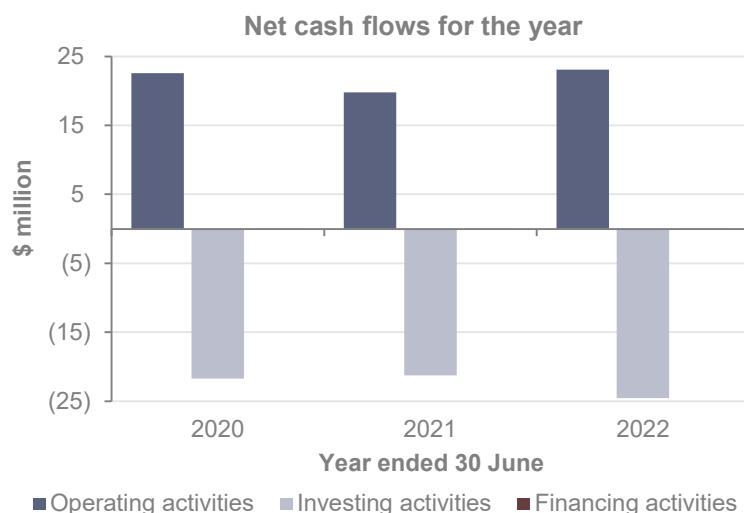
- increase of \$3.2 million of financial assistance grants recognised during the year
- increase of \$4.1 million of other roads and bridges grants recognised during the year.

The Council's operating result from continuing operations (\$11.6 million including depreciation and amortisation expense of \$7.5 million) was \$5.4 million higher than the 2020–21 result. The increase is primarily due to the increase in grants and contributions revenue.

The net operating result before capital grants and contributions (\$4.6 million) was \$5.6 million higher than the 2020–21 result. This is primarily due to the \$6.4 million increase in grants and contributions revenue.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents were \$4.0 million (\$5.6 million for the year ended 30 June 2021). There was a net decrease in cash and cash equivalents of \$1.6 million during the 2021–22 financial year.
- Net cash provided by operating activities has increased by \$3.8 million. This is due to the increase in receipts of grants and contributions of \$6.6 million, which is partially offset by the increase in payments for materials and services of \$2.6 million.
- Net cash used in investing activities has increased by \$3.9 million due to an increase in the purchase of term deposits of \$11.5 million, which is partially offset by the decrease in the purchase of infrastructure, property plant and equipment of \$7.5 million.
- Net cash flows used in financing activities has remained constant year on year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	66.7	51.3	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$8.8 million is due to the \$6.7 million increase in specific purpose unexpended grants and \$2.2 million in the sewer fund. • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of work and any forward plans identified by Council. The increase of \$6.0 million is mainly due to the \$5.4 million increase in infrastructure replacement.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	21.8	13.0	
• Internal allocations	26.1	20.1	
• Unrestricted	18.8	18.2	

Debt

- Council has \$0.8 million of external borrowings (2021: \$0.9 million) which is secured over the revenue of Council.
- Council has a \$0.4 million bank overdraft facility (2021: \$0.4 million) which was undrawn as at 30 June 2022.

PERFORMANCE

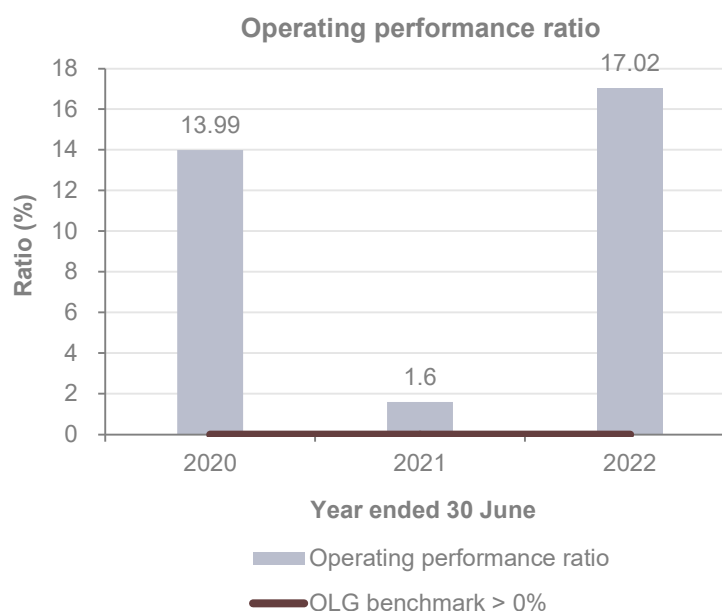
Performance measures

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.

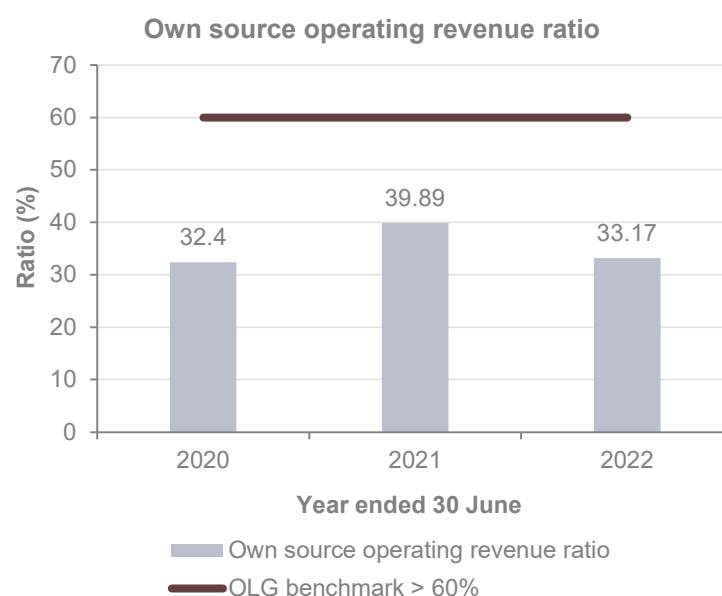
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

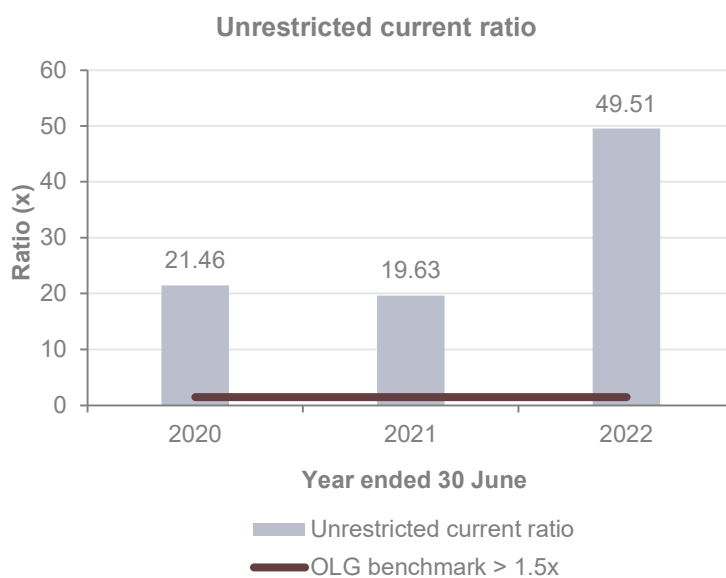
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

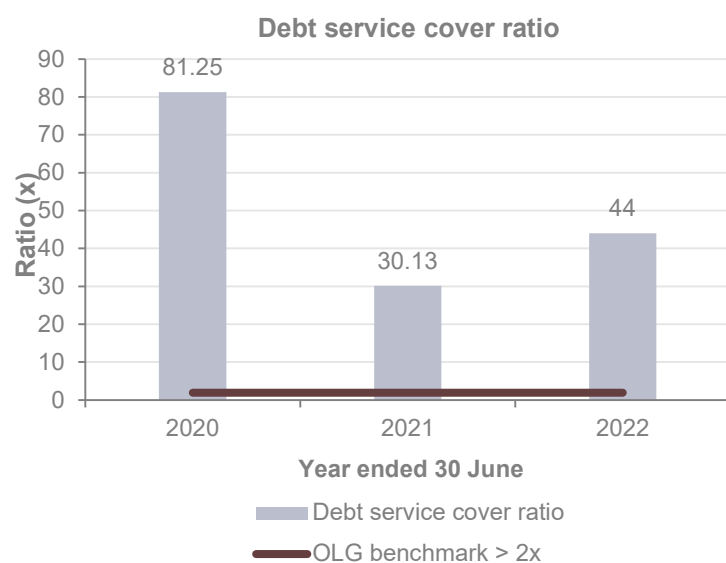
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

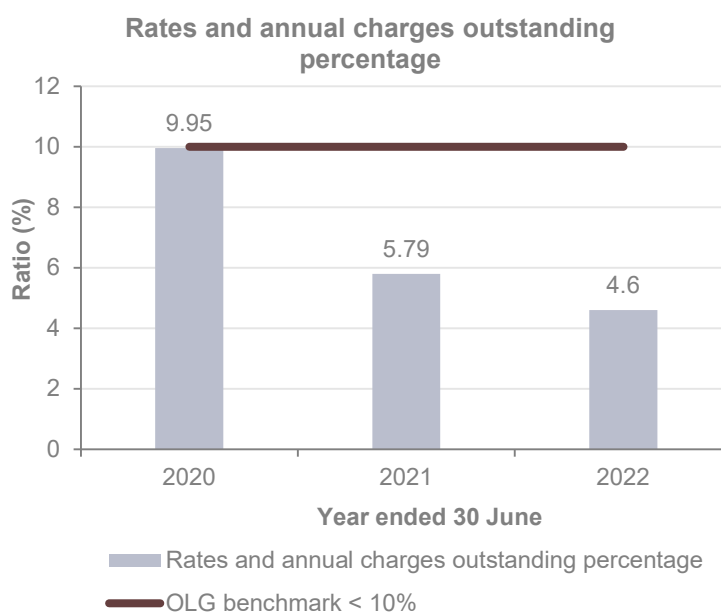
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

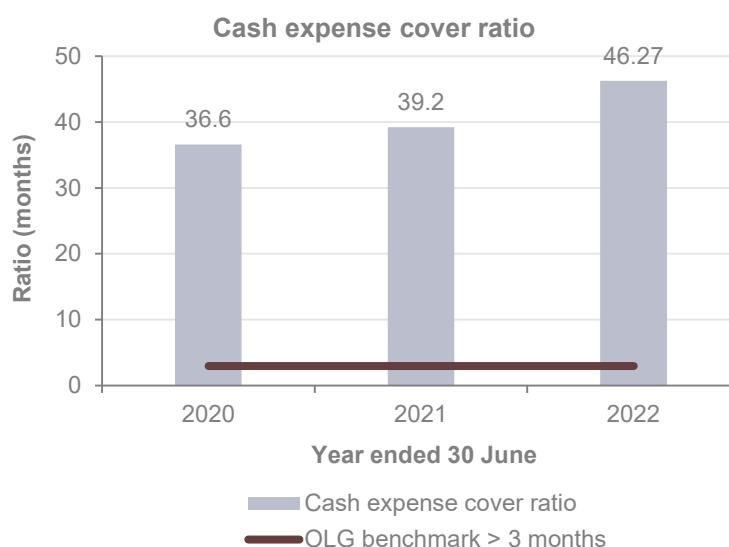
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

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

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.



Infrastructure, property, plant and equipment renewals

The Council renewed \$6.6 million of assets in the 2021–22 financial year, compared to \$9.1 million of assets in the 2020–21 financial year. This decline is largely due to \$3.3 million decrease in roads renewals.

OTHER MATTERS

Legislative compliance

My audit procedures identified a material deficiency in the Council's financial statements that will be reported in the Management Letter. Rural fire-fighting equipment was not recognised in the financial statements.

Except for the matter outlined above, the Council's:

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



Daniel Mobilia
Delegate of the Auditor-General for New South Wales

cc: Mr Grant Baker, General Manager
Ms Leesa Bryant, Finance Manager
Mr Gary Lavelle, Chair of Audit, Risk and Improvement Committee
Mr Michael Cassel, Secretary of the Department of Planning and Environment

Bland Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Special Purpose Financial Statements

for the year ended 30 June 2022

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of sewerage business activity	4
Statement of Financial Position of sewerage business activity	5
Note – Significant Accounting Policies	6
Auditor's Report on Special Purpose Financial Statements	9

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).

Bland 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:

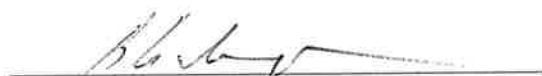
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 18 October 2022.



Cr Brian Monaghan

Mayor

18 October 2022



Cr Rodney Crowe

Councillor

18 October 2022



Grant Baker

General Manager

18 October 2022



Leesa Bryant

Responsible Accounting Officer

18 October 2022

Bland Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	1,751	1,694
Liquid trade waste charges	79	31
Fees	25	27
Interest and investment income	10	4
Total income from continuing operations	1,865	1,756
Expenses from continuing operations		
Employee benefits and on-costs	125	122
Materials and services	749	829
Depreciation, amortisation and impairment	351	315
Total expenses from continuing operations	1,225	1,266
Surplus (deficit) from continuing operations before capital amounts	640	490
Surplus (deficit) from continuing operations after capital amounts	640	490
Surplus (deficit) from all operations before tax	640	490
Less: corporate taxation equivalent (25%) [based on result before capital]	(160)	(127)
Surplus (deficit) after tax	480	363
Plus accumulated surplus	14,827	14,337
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	160	127
Closing accumulated surplus	15,467	14,827
Return on capital %	3.9%	3.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	480	363
Surplus for dividend calculation purposes	480	363
Potential dividend calculated from surplus	240	182

Bland Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	5,585	4,695
Investments	1,308	1,308
Receivables	304	326
Total current assets	7,197	6,329
Non-current assets		
Infrastructure, property, plant and equipment	16,469	16,050
Total non-current assets	16,469	16,050
Total assets	23,666	22,379
LIABILITIES		
Non-current liabilities		
Payables	7	7
Employee benefit provisions	183	179
Total non-current liabilities	190	186
Total liabilities	190	186
Net assets	23,476	22,193
EQUITY		
Accumulated surplus	15,283	14,827
Revaluation reserves	8,193	7,366
Total equity	23,476	22,193

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

Nil

Category 2

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

Sewerage Services

The operation of sewer reticulation and treatment schemes at West Wyalong, Ungarie and Barmedman.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 25%

Note – Significant Accounting Policies (continued)

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

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

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

Note – Significant Accounting Policies (continued)

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 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bland Shire Council

To the Councillors of Bland Shire Council

Opinion

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activity as at 30 June 2022, and its 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.

DMobilia

Daniel Mobilia
Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY

Bland Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Bland Shire Council

Special Schedules

for the year ended 30 June 2022

Contents	Page
Special Schedules:	
Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2022	7

Bland Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	6,879	7,016
Plus or minus adjustments ²	b	—	2
Notional general income	$c = a + b$	6,879	7,018
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.40%
Or plus rate peg amount	$i = e \times (c + g)$	138	168
Sub-total	$k = (c + g + h + i + j)$	7,017	7,186
Plus (or minus) last year's carry forward total	l	1	2
Sub-total	$n = (l + m)$	1	2
Total permissible income	$o = k + n$	7,018	7,188
Less notional general income yield	p	7,016	7,186
Catch-up or (excess) result	$q = o - p$	2	2
Carry forward to next year ⁶	$t = q + r + s$	2	2

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Bland Shire Council

To the Councillors of Bland Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Bland 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.

DMobilia

Daniel Mobilia
Delegate of the Auditor-General for New South Wales

31 October 2022
SYDNEY

Bland Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings – non-specialised	4,664	4,664	546	319	34,955	50,017	21.0%	41.0%	29.0%	8.0%	1.0%
	Other	–	–	–	–	(493)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,664	4,664	546	319	34,462	50,017	21.0%	41.0%	29.0%	8.0%	1.0%
Other structures	Other structures	172	172	29	74	951	1,514	3.0%	24.0%	57.0%	14.0%	2.0%
	Sub-total	172	172	29	74	951	1,514	3.0%	24.0%	57.0%	14.0%	2.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	2,411	2,411	371	1,396	115,807	176,450	21.0%	71.0%	6.0%	2.0%	0.0%
	Unsealed roads	6,024	6,024	659	1,429	19,651	39,593	19.0%	40.0%	23.0%	12.0%	6.0%
	Bridges	714	714	646	–	21,166	32,479	0.0%	4.0%	94.0%	2.0%	0.0%
	Footpaths	130	130	104	34	4,176	6,494	1.0%	23.0%	73.0%	3.0%	0.0%
	Other road assets	–	–	3	–	620	849	60.0%	22.0%	18.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	81,826	81,826	100.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	9,279	9,279	1,783	2,859	247,026	337,691	37.6%	42.7%	16.3%	2.7%	0.7%
Sewerage network	Sewerage network	2,377	2,377	273	597	15,989	27,301	9.0%	63.0%	20.0%	5.0%	3.0%
	Sub-total	2,377	2,377	273	597	15,985	27,301	9.0%	63.0%	20.0%	5.0%	3.0%
Stormwater drainage	Stormwater drainage	854	854	77	27	18,753	29,044	43.0%	48.0%	6.0%	3.0%	0.0%
	Sub-total	854	854	77	27	18,753	29,044	43.0%	48.0%	6.0%	3.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	44	22	2,660	4,381	8.0%	41.0%	50.0%	0.0%	1.0%
	Other	1,703	1,703	259	724	8,929	14,326	14.0%	24.0%	49.0%	7.0%	6.0%
	Sub-total	1,703	1,703	303	746	11,589	18,707	12.6%	28.0%	49.2%	5.4%	4.8%

Bland Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	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				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Other infrastructure assets	Other	6,190	6,190	374	648	8,134	18,386	19.0%	30.0%	18.0%	33.0%	0.0%
	Sub-total	6,190	6,190	374	648	8,134	18,386	19.0%	30.0%	18.0%	33.0%	0.0%
	Total – all assets	25,239	25,239	3,385	5,270	336,900	482,660	32.8%	42.9%	18.7%	4.7%	1.0%

(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

Bland Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	4,912	74.87%	57.95%	63.37%	>= 100.00%
Depreciation, amortisation and impairment	6,561				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	25,239	7.37%	8.70%	8.81%	< 2.00%
Net carrying amount of infrastructure assets	342,313				
Asset maintenance ratio					
Actual asset maintenance	5,270	155.69%	101.67%	0.00%	> 100.00%
Required asset maintenance	3,385				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	25,239	5.23%	6.05%	0.00%	
Gross replacement cost	482,660				

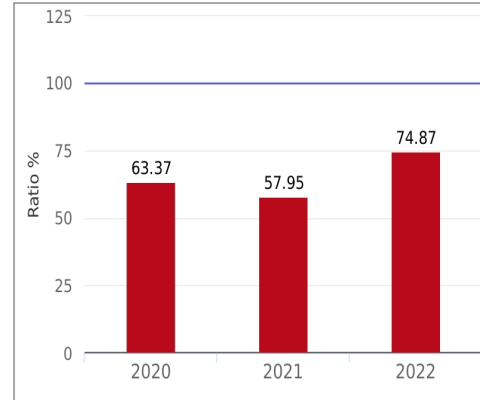
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Bland 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 74.87%

Council's assets are ageing and funds will need to be spent restoring these assets.

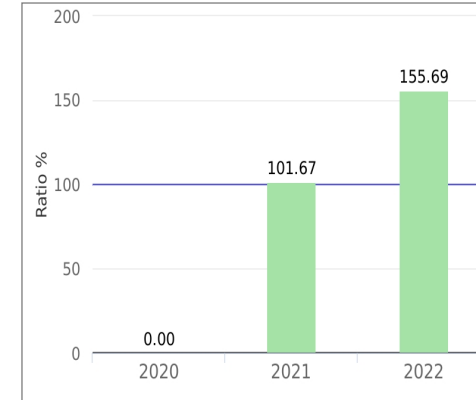
Benchmark: — $\geq 100.00\%$

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 155.69%

Council are aware that it needs to maintain its ageing assets and have increased asset maintenance accordingly.

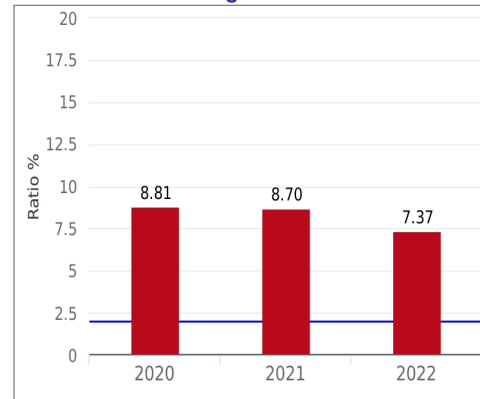
Benchmark: — $> 100.00\%$

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 7.37%

Council continue to work on the infrastructure backlog with a reduction each year.

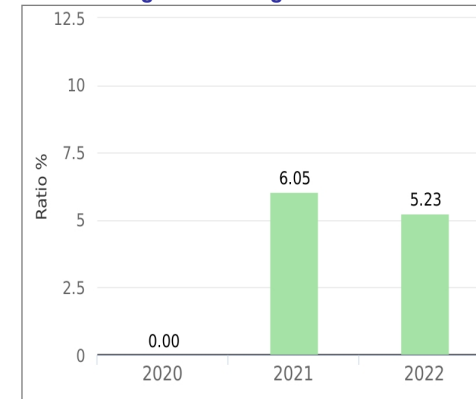
Benchmark: — $< 2.00\%$

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 5.23%

Council continue to work towards bringing assets to an acceptable service level.

Bland Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Sewer fund		Benchmark
	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹					
Depreciation, amortisation and impairment	78.81%	60.82%	0.00%	0.00%	>= 100.00%
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets	7.01%	8.41%	14.87%	14.58%	< 2.00%
Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance	150.16%	93.28%	218.68%	213.10%	> 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	5.02%	5.90%	8.71%	8.71%	

(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.