



Gunnedah Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2023

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





Gunnedah Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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



Gunnedah Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

63 Elgin Street
GUNNEDAH NSW 2380

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-1.

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

Gunnedah Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Gunnedah Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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

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

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

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

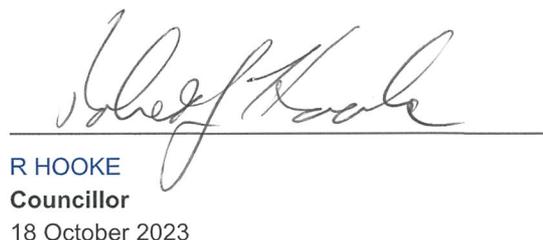
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 18 October 2023.



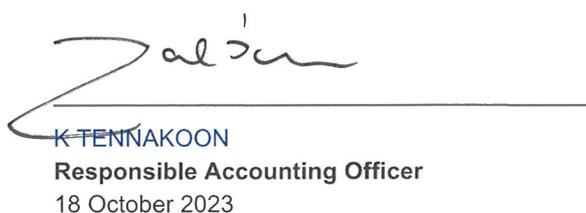
J CHAFFEY
Mayor
18 October 2023



R HOOKE
Councillor
18 October 2023



E J GROTH
General Manager
18 October 2023



K TENNAKOON
Responsible Accounting Officer
18 October 2023

Gunnedah Shire Council

Income Statement

for the year ended 30 June 2023

| Original unaudited budget 2023 \$ '000 | | Notes | Actual 2023 \$ '000 | Actual 2022 \$ '000 |
|--|--|-------|---------------------------|---------------------------|
| | Income from continuing operations | | | |
| 20,413 | Rates and annual charges | B2-1 | 20,630 | 19,729 |
| 9,516 | User charges and fees | B2-2 | 13,270 | 13,254 |
| 850 | Other revenues | B2-3 | 1,589 | 1,444 |
| 13,845 | Grants and contributions provided for operating purposes | B2-4 | 22,351 | 15,294 |
| 1,604 | Grants and contributions provided for capital purposes | B2-4 | 21,263 | 22,510 |
| 859 | Interest and investment income | B2-5 | 2,595 | 933 |
| – | Other income | B2-6 | 154 | 94 |
| 47,087 | Total income from continuing operations | | 81,852 | 73,258 |
| | Expenses from continuing operations | | | |
| 19,336 | Employee benefits and on-costs | B3-1 | 18,481 | 17,487 |
| 10,940 | Materials and services | B3-2 | 22,617 | 16,077 |
| 745 | Borrowing costs | B3-3 | 726 | 755 |
| 13,018 | Depreciation, amortisation and impairment of non-financial assets | B3-4 | 12,262 | 11,477 |
| 1,508 | Other expenses | B3-5 | 855 | 389 |
| – | Net loss from the disposal of assets | B4-1 | 856 | 318 |
| 45,547 | Total expenses from continuing operations | | 55,797 | 46,503 |
| 1,540 | Operating result from continuing operations | | 26,055 | 26,755 |
| 1,540 | Net operating result for the year attributable to Council | | 26,055 | 26,755 |
| (64) | Net operating result for the year before grants and contributions provided for capital purposes | | 4,792 | 4,245 |

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

Gunnedah Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|--|-------|-----------------|-----------------|
| Net operating result for the year – from Income Statement | | 26,055 | 26,755 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-8 | <u>50,146</u> | 44,611 |
| Total items which will not be reclassified subsequently to the operating result | | 50,146 | 44,611 |
| Total other comprehensive income for the year | | 50,146 | 44,611 |
| Total comprehensive income for the year attributable to Council | | 76,201 | 71,366 |

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

Gunnedah Shire Council

Statement of Financial Position

as at 30 June 2023

| | Notes | 2023 \$ '000 | Restated 2022 ¹ \$ '000 | Restated 2021 ¹ \$ '000 |
|--|-------|-----------------|--|--|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | C1-1 | 8,917 | 18,326 | 10,205 |
| Investments | C1-2 | 66,749 | 30,279 | 30,764 |
| Receivables | C1-4 | 8,100 | 9,799 | 5,378 |
| Inventories | C1-5 | 1,061 | 939 | 824 |
| Contract assets and contract cost assets | C1-6 | 5,060 | 1,951 | 5,505 |
| Other | C1-9 | 550 | 391 | 310 |
| Total current assets | | 90,437 | 61,685 | 52,986 |
| Non-current assets | | | | |
| Investments | C1-2 | 25,503 | 44,003 | 27,514 |
| Receivables | C1-4 | 14 | 16 | 18 |
| Infrastructure, property, plant and equipment (IPPE) | C1-8 | 598,479 | 528,764 | 468,678 |
| Right of use assets | C2-1 | 696 | 683 | 683 |
| Non-current assets classified as held for sale | C1-7 | 121 | – | – |
| Total non-current assets | | 624,813 | 573,466 | 496,893 |
| Total assets | | 715,250 | 635,151 | 549,879 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Payables | C3-1 | 13,823 | 10,139 | 4,668 |
| Contract liabilities | C3-2 | 13,778 | 12,619 | 6,822 |
| Employee benefit provisions | C3-4 | 5,208 | 5,381 | 5,310 |
| Provisions | C3-5 | 7 | 7 | 7 |
| Borrowings | C3-3 | 757 | 718 | 600 |
| Lease liabilities | C2-1 | 88 | 60 | 46 |
| Total current liabilities | | 33,661 | 28,924 | 17,453 |
| Non-current liabilities | | | | |
| Lease liabilities | C2-1 | 598 | 594 | 590 |
| Borrowings | C3-3 | 12,385 | 13,143 | 10,861 |
| Employee benefit provisions | C3-4 | 302 | 220 | 240 |
| Provisions | C3-5 | 4,764 | 4,931 | 4,762 |
| Total non-current liabilities | | 18,049 | 18,888 | 16,453 |
| Total liabilities | | 51,710 | 47,812 | 33,906 |
| Net assets | | 663,540 | 587,339 | 515,973 |
| EQUITY | | | | |
| Accumulated surplus | | 312,252 | 286,197 | 259,442 |
| IPPE revaluation reserve | | 351,288 | 301,142 | 256,531 |
| Council equity interest | | 663,540 | 587,339 | 515,973 |
| Total equity | | 663,540 | 587,339 | 515,973 |

(1) Restated refer to Note G4-1

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

Gunnedah Shire Council

Statement of Changes in Equity

for the year ended 30 June 2023

| | Notes | 2023 | | | 2022 ¹ | | |
|---|-------|----------------------------------|--------------------------|----------------|----------------------------------|--------------------------|---------------------------|
| | | Accumulated surplus ¹ | IPPE revaluation reserve | Total equity | Accumulated surplus ¹ | IPPE revaluation reserve | Total equity ¹ |
| | | \$ '000 | \$ '000 | \$ '000 | Restated \$ '000 | \$ '000 | Restated \$ '000 |
| Opening balance at 1 July | | 285,419 | 301,142 | 586,561 | 258,664 | 256,531 | 515,195 |
| Correction of prior period errors | G4-1 | 778 | – | 778 | 778 | – | 778 |
| Restated opening balance | | 286,197 | 301,142 | 587,339 | 259,442 | 256,531 | 515,973 |
| Net operating result for the year | | 26,055 | – | 26,055 | 26,755 | – | 26,755 |
| Net operating result for the period | | 26,055 | – | 26,055 | 26,755 | – | 26,755 |
| Other comprehensive income | | | | | | | |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment | C1-8 | – | 50,146 | 50,146 | – | 44,611 | 44,611 |
| Other comprehensive income | | – | 50,146 | 50,146 | – | 44,611 | 44,611 |
| Total comprehensive income | | 26,055 | 50,146 | 76,201 | 26,755 | 44,611 | 71,366 |
| Closing balance at 30 June | | 312,252 | 351,288 | 663,540 | 286,197 | 301,142 | 587,339 |

(1) Restated refer to Note G4-1

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

Gunnedah Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

| Original unaudited budget 2023 \$ '000 | | Notes | Actual 2023 \$ '000 | Actual 2022 \$ '000 |
|--|---|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | | | |
| <i>Receipts:</i> | | | | |
| 20,492 | Rates and annual charges | | 20,552 | 20,114 |
| 11,033 | User charges and fees | | 14,924 | 11,553 |
| 1,148 | Interest received | | 2,051 | 944 |
| 8,107 | Grants and contributions | | 42,872 | 47,987 |
| 1,488 | Other | | 5,092 | 4,506 |
| <i>Payments:</i> | | | | |
| (14,188) | Payments to employees | | (18,455) | (17,364) |
| (18,526) | Payments for materials and services | | (28,015) | (19,215) |
| (770) | Borrowing costs | | (554) | (751) |
| (2,104) | Other | | (1,435) | (261) |
| 6,680 | Net cash flows from operating activities | G1-1 | 37,032 | 47,513 |
| Cash flows from investing activities | | | | |
| <i>Receipts:</i> | | | | |
| – | Sale of investments | | 2,000 | – |
| 14,645 | Redemption of term deposits | | 39,514 | 34,000 |
| 737 | Proceeds from sale of IPPE | | 881 | 1,292 |
| 3 | Deferred debtors receipts | | 2 | 2 |
| <i>Payments:</i> | | | | |
| (1,776) | Purchase of investments | | – | (2,003) |
| – | Acquisition of term deposits | | (59,484) | (48,001) |
| (19,754) | Payments for IPPE | | (28,559) | (27,021) |
| (6,145) | Net cash flows from investing activities | | (45,646) | (41,731) |
| Cash flows from financing activities | | | | |
| <i>Receipts:</i> | | | | |
| – | Proceeds from borrowings | | – | 3,000 |
| <i>Payments:</i> | | | | |
| (726) | Repayment of borrowings | | (719) | (600) |
| – | Principal component of lease payments | | (76) | (61) |
| (726) | Net cash flows from financing activities | | (795) | 2,339 |
| (191) | Net change in cash and cash equivalents | | (9,409) | 8,121 |
| 1,000 | Cash and cash equivalents at beginning of year | C1-1 | 18,326 | 10,205 |
| 809 | Cash and cash equivalents at end of year | C1-1 | 8,917 | 18,326 |
| 57,304 | plus: Investments on hand at end of year | C1-2 | 92,252 | 74,282 |
| 58,113 | Total cash, cash equivalents and investments | | 101,169 | 92,608 |

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

Gunnedah Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

COVID19

The COVID 19 Pandemic has had a continual impact on council's operations during the 2022/23 financial year, however assessments undertaken by council have determined that there has been only limited financial impact, mainly relating to delays in some projects.

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

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

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

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

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council has minor reliance on volunteer services within the Library and GoCo community services section. Within the Library volunteers assist with the return of books and scheduled programs. Within GoCo the volunteers are involved in community transportation services and this dependency is diminishing over time. Council considers these volunteer services as not material however they have been recognised in the income statement as these services would have been purchased if they were not donated.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2023 reporting period.

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

| | Income | | Expenses | | Operating result | | Grants and contributions | | Carrying amount of assets ¹ | |
|---|---------------|---------------|---------------|---------------|------------------|---------------|--------------------------|---------------|--|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | Restated \$ '000 |
| Functions or activities | | | | | | | | | | |
| Building Our Shire's Economy | 12,432 | 4,226 | 3,355 | 3,107 | 9,077 | 1,119 | 11,317 | 3,484 | 41,702 | 26,207 |
| Engaging and Supporting the Community | 53,151 | 56,778 | 31,639 | 24,778 | 21,512 | 32,000 | 22,350 | 27,898 | 557,156 | 504,334 |
| Protecting and Enjoying Our Beautiful Surrounds | 7,034 | 5,866 | 9,215 | 8,358 | (2,181) | (2,492) | 2,360 | 1,072 | 39,610 | 41,908 |
| Retaining Our Quality of Life | 9,235 | 6,388 | 11,588 | 10,260 | (2,353) | (3,872) | 7,587 | 5,350 | 76,782 | 62,702 |
| Total functions and activities | 81,852 | 73,258 | 55,797 | 46,503 | 26,055 | 26,755 | 43,614 | 37,804 | 715,250 | 635,151 |

(1) Restated refer to Note G4-1

B1-2 Components of functions or activities

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

Engaging and Supporting the Community

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

Building Our Shire's Economy

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

Retaining Our Quality of Life

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

Protecting and Enjoying Our Beautiful Surrounds

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

B2 Sources of income

B2-1 Rates and annual charges

| | 2023 \$ '000 | 2022 \$ '000 |
|---|-----------------|-----------------|
| Ordinary rates | | |
| Residential | 4,764 | 4,571 |
| Farmland | 5,554 | 5,421 |
| Mining | 1,444 | 1,373 |
| Business | 2,558 | 2,437 |
| Less: pensioner rebates (mandatory) | (144) | (145) |
| Rates levied to ratepayers | 14,176 | 13,657 |
| Pensioner rate subsidies received | 79 | 80 |
| Total ordinary rates | 14,255 | 13,737 |
| Annual charges (pursuant to s496, 496A, 496B, 501 & 611) | | |
| Domestic waste management services | 2,653 | 2,521 |
| Stormwater management services | 88 | 95 |
| Water supply services | 1,198 | 1,002 |
| Sewerage services | 2,335 | 2,274 |
| Annual charges levied | 6,274 | 5,892 |
| Pensioner annual charges subsidies received: | | |
| – Water | 36 | 36 |
| – Sewerage | 32 | 32 |
| – Domestic waste management | 33 | 32 |
| Total annual charges | 6,375 | 5,992 |
| Total rates and annual charges | 20,630 | 19,729 |

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

Accounting policy

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

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

B2-2 User charges and fees

| | Timing | 2023 \$ '000 | 2022 \$ '000 |
|--|--------|-----------------|-----------------|
| Specific user charges (per s502 - specific 'actual use' charges) | | | |
| Domestic waste management services | 2 | 925 | 947 |
| Water supply services | 2 | 2,505 | 2,056 |
| Sewerage services | 2 | 883 | 790 |
| Waste management services (non-domestic) | 2 | 37 | 62 |
| Total specific user charges | | 4,350 | 3,855 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s608) | | | |
| Planning and building regulation | 2 | 243 | 285 |
| Private works – section 67 | 2 | 203 | 63 |
| Regulatory/ statutory fees | 2 | 64 | 58 |
| Registration fees | 2 | 28 | 26 |
| Section 10.7 certificates (EP&A Act) | 2 | 41 | 55 |
| Section 603 certificates | 2 | 62 | 82 |
| Total fees and charges – statutory/regulatory | | 641 | 569 |
| (ii) Fees and charges – other (incl. general user charges (per s608)) | | | |
| Aerodrome | 2 | 53 | 41 |
| Aged care | 2 | 286 | 238 |
| Cemeteries | 2 | 134 | 178 |
| Library and art gallery | 2 | 8 | 9 |
| Other Roadworks (state roads not controlled by Council) | 1 | – | 519 |
| Park rents | 2 | 111 | 53 |
| Transport for NSW works (state roads not controlled by Council) | 1 | 6,421 | 6,658 |
| Saleyards | 2 | 746 | 646 |
| Swimming centres | 2 | 236 | 223 |
| Tourism | 2 | 23 | 21 |
| Events | 2 | 57 | 69 |
| Theatre | 2 | 161 | 116 |
| Other | 2 | 43 | 59 |
| Total fees and charges – other | | 8,279 | 8,830 |
| Total other user charges and fees | | 8,920 | 9,399 |
| Total user charges and fees | | 13,270 | 13,254 |
| Timing of revenue recognition for user charges and fees | | | |
| User charges and fees recognised over time (1) | | 6,421 | 7,177 |
| User charges and fees recognised at a point in time (2) | | 6,849 | 6,077 |
| Total user charges and fees | | 13,270 | 13,254 |

Accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service.

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

B2-3 Other revenues

| | Timing | 2023 \$ '000 | 2022 \$ '000 |
|---|--------|-----------------|-----------------|
| Fines | 2 | – | 1 |
| Fines – parking | 2 | 7 | 4 |
| Legal fees recovery – rates and charges (extra charges) | 2 | 47 | 57 |
| Commissions and agency fees | 2 | – | 1 |
| Diesel rebate | 2 | 214 | 240 |
| Insurance claims recoveries | 2 | 123 | – |
| Government paid parental leave | 2 | 31 | 54 |
| Reimbursements | 2 | 476 | 216 |
| Sales – domestic waste | 2 | 121 | 358 |
| Sales – swimming pools | 2 | 124 | 74 |
| Sales – theatre | 2 | 97 | 142 |
| Street lighting reimbursement | 2 | – | 163 |
| Bad Debts - Recovered | 2 | – | 50 |
| Volunteers | 2 | 293 | – |
| Other | 2 | 28 | 84 |
| Quarries | 2 | 28 | – |
| Total other revenue | | 1,589 | 1,444 |
| Timing of revenue recognition for other revenue | | | |
| Other revenue recognised over time (1) | | – | – |
| Other revenue recognised at a point in time (2) | | 1,589 | 1,444 |
| Total other revenue | | 1,589 | 1,444 |

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

| | | Operating 2023 \$ '000 | Operating 2022 \$ '000 | Capital 2023 \$ '000 | Capital 2022 \$ '000 |
|--|--------|------------------------------|------------------------------|----------------------------|----------------------------|
| | Timing | | | | |
| General purpose grants and non-developer contributions (untied) | | | | | |
| General purpose (untied) | | | | | |
| Current year allocation | | | | | |
| Financial assistance – general component | 2 | 981 | 1,698 | – | – |
| Financial assistance – local roads component | 2 | 506 | 891 | – | – |
| Payment in advance - future year allocation ¹ | | | | | |
| Financial assistance – general component | 2 | 3,837 | 2,608 | – | – |
| Financial assistance – local roads component | 2 | 2,013 | 1,375 | – | – |
| Amount recognised as income during current year | | 7,337 | 6,572 | – | – |
| Special purpose grants and non-developer contributions (tied) | | | | | |
| Community care | 1 | 6,336 | 5,136 | – | – |
| Economic development | 1 | 16 | – | 1,555 | 1,210 |
| Library | 2 | 98 | 95 | – | – |
| Noxious weeds | 2 | 116 | 139 | – | – |
| Recreation and culture | 1 | 46 | 82 | 346 | 245 |
| Street lighting | 2 | 19 | 21 | – | – |
| Drought Relief | 2 | – | 210 | – | 195 |
| Other specific grants | 1 | – | – | – | 7 |
| Saleyards | 1 | 102 | 91 | 9,496 | 2,190 |
| Transport (other roads and bridges funding) | 1 | 6,344 | 610 | 7,665 | 9,430 |
| Transport (roads to recovery) | 2 | 146 | 1,042 | – | – |
| Roads and bridges | 2 | 889 | 1,005 | – | – |
| Other contributions | 2 | – | 82 | – | – |
| Water supplies (excl. section 64 contributions) | 1 | 110 | 78 | 543 | 7,187 |
| Emergency services | 2 | 98 | 96 | 49 | 14 |
| ELE contributions – other councils | 2 | 194 | 35 | – | – |
| Animal Control | | – | – | – | 194 |
| Total special purpose grants and non-developer contributions – cash | | 14,514 | 8,722 | 19,654 | 20,672 |
| Non-cash contributions | | | | | |
| Sewerage (excl. section 64 contributions) | 2 | – | – | 120 | 166 |
| Water supplies (excl. section 64 contributions) | 2 | – | – | 35 | 95 |
| Rural Fire Service | 2 | – | – | 939 | – |
| Total other contributions – non-cash | | – | – | 1,094 | 261 |
| Total special purpose grants and non-developer contributions (tied) | | 14,514 | 8,722 | 20,748 | 20,933 |
| Total grants and non-developer contributions | | 21,851 | 15,294 | 20,748 | 20,933 |
| Comprising: | | | | | |
| – Commonwealth funding | | 13,052 | 12,217 | 2,035 | 658 |
| – State funding | | 7,777 | 1,638 | 16,950 | 13,050 |
| – Other funding | | 1,022 | 1,439 | 1,763 | 7,225 |
| | | 21,851 | 15,294 | 20,748 | 20,933 |

(1) \$5,849,944.00 of the 2023-2024 Financial Assistance Grant from Commonwealth Government was received by Council in June 2023 and hence reported as 2022-2023 income although it relates to 2023-2024 financial year.

B2-4 Grants and contributions (continued)

Developer contributions

| | Notes | Timing | Operating 2023 \$ '000 | Operating 2022 \$ '000 | Capital 2023 \$ '000 | Capital 2022 \$ '000 |
|--|-------|--------|------------------------------|------------------------------|----------------------------|----------------------------|
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | G5 | | | | |
| Cash contributions | | | | | | |
| S 7.4 – contributions using planning agreements | | 2 | 500 | – | 191 | 92 |
| S 7.11 – contributions towards amenities/services | | 2 | – | – | 318 | 354 |
| S 64 – water supply contributions | | 2 | – | – | (42) | 580 |
| S 64 – sewerage service contributions | | 2 | – | – | 36 | 425 |
| S 64 – stormwater contributions | | 2 | – | – | 12 | 126 |
| Total developer contributions – cash | | | 500 | – | 515 | 1,577 |
| Total developer contributions | | | 500 | – | 515 | 1,577 |
| Total contributions | | | 500 | – | 515 | 1,577 |
| Total grants and contributions | | | 22,351 | 15,294 | 21,263 | 22,510 |
| Timing of revenue recognition for grants and contributions | | | | | | |
| Grants and contributions recognised over time (1) | | | 12,954 | 5,997 | 19,605 | 19,068 |
| Grants and contributions recognised at a point in time (2) | | | 9,397 | 9,297 | 1,658 | 3,442 |
| Total grants and contributions | | | 22,351 | 15,294 | 21,263 | 22,510 |

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

| | Operating 2023 \$ '000 | Operating 2022 \$ '000 | Capital 2023 \$ '000 | Capital 2022 \$ '000 |
|---|---------------------------------------|------------------------------|-------------------------------------|----------------------------|
| Unspent grants and contributions | | | | |
| Unspent funds at 1 July | 1,849 | 2,468 | 11,898 | 5,457 |
| Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions | 531 | 430 | – | – |
| Add: Funds received and not recognised as revenue in the current year | 468 | 721 | 13,021 | 12,980 |
| Less: Funds recognised as revenue in previous years that have been spent during the reporting year | (402) | (396) | – | (37) |
| Less: Funds received in prior year but revenue recognised and funds spent in current year | (720) | (1,374) | (11,609) | (6,502) |
| Unspent funds at 30 June | 1,726 | 1,849 | 13,310 | 11,898 |

Contributions

| | | | | |
|---|----------|----------|---------------|---------------|
| Unspent funds at 1 July | – | – | 12,493 | 10,789 |
| Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions | – | – | 331 | 127 |
| Add: contributions received and not recognised as revenue in the current year | – | – | 515 | 1,577 |
| Less: contributions recognised as revenue in previous years that have been spent during the reporting year | – | – | (455) | – |
| Unspent contributions at 30 June | – | – | 12,884 | 12,493 |

Unspent Grants and contributions contain funds that council have restricted for their intended purpose. These include projects such as road and community infrastructure new and renewal upgrades and funds provided for community assistance programs. Contributions include monies received for water, sewer, trunk drainage and voluntary planning agreements.

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 31 | 45 |
| – Cash and investments | 2,564 | 888 |
| Total interest and investment income (losses) | 2,595 | 933 |
| Interest and investment income is attributable to: | | |
| Unrestricted investments/financial assets: | | |
| Overdue rates and annual charges (general fund) | 17 | 36 |
| General Council cash and investments | 1,451 | 427 |
| Restricted investments/funds – external: | | |
| Development contributions | | |
| – Section 7.11 | 111 | 47 |
| – Section 64 | 220 | 81 |
| Water fund operations | 154 | 94 |
| Sewerage fund operations | 252 | 98 |
| Domestic waste management operations | 390 | 150 |
| Total interest and investment income | 2,595 | 933 |

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

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|---------------------------------|-------|-----------------|-----------------|
| Rental income | C2-2 | | |
| Other lease income | C2-2 | | |
| Room/Facility Hire | C2-2 | 3 | 11 |
| Housing/Community Housing | C2-2 | 70 | 79 |
| Sundry Land | C2-2 | 81 | 4 |
| Total other lease income | | 154 | 94 |
| Total rental income | C2-2 | 154 | 94 |
| Total other income | | 154 | 94 |

B3 Costs of providing services

B3-1 Employee benefits and on-costs

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Salaries and wages | 14,325 | 14,075 |
| Employee leave entitlements (ELE) | 2,499 | 2,380 |
| Superannuation | 1,720 | 1,690 |
| Workers' compensation insurance | 621 | 594 |
| Fringe benefit tax (FBT) | 42 | 34 |
| Payroll tax | 38 | 51 |
| Protective clothing | 53 | 45 |
| Other | 70 | 41 |
| Total employee costs | 19,368 | 18,910 |
| Less: capitalised costs | (887) | (1,423) |
| Total employee costs expensed | 18,481 | 17,487 |
| Number of 'full-time equivalent' employees (FTE) at year end | 197 | 182 |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | 215 | 205 |

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|---|-------|-----------------|-----------------|
| Raw materials and consumables | | 13,358 | 11,998 |
| Contractor and consultancy costs | | | |
| - Airport | | 6,186 | 425 |
| - Community services | | 1,360 | 1,136 |
| - Domestic waste management | | 996 | 906 |
| - Environment | | 525 | 176 |
| - Human resources | | 10 | 63 |
| - Infrastructure | | 10,922 | 11,020 |
| - Planning | | 39 | 163 |
| - Public Halls | | 65 | 72 |
| - Saleyards | | 12,295 | 1,952 |
| - Sewer | | 347 | 1,521 |
| - Tourism/economic development | | 1,414 | 622 |
| - Water | | 2,808 | 8,387 |
| - Governance | | 9 | – |
| - IT | | 61 | – |
| - Other | | 726 | 1,067 |
| Audit Fees | F2-1 | 91 | 75 |
| Advertising | | 199 | 251 |
| Bank charges | | 60 | 59 |
| Computer software charges | | 457 | 391 |
| Electricity and heating | | 1,022 | 632 |
| Gas | | 8 | 8 |
| Councillor and Mayoral fees and associated expenses | F1-2 | 213 | 152 |
| Postage | | 64 | 53 |
| Insurance | | 615 | 454 |
| Printing and stationery | | 111 | 105 |
| Subscriptions and publications | | 345 | 282 |
| Street lighting | | 211 | 169 |
| Telephone and communications | | 221 | 212 |
| Valuation fees | | 55 | 55 |
| Travel expenses | | 19 | 66 |
| Training costs (other than salaries and wages) | | 369 | 212 |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 23 | 5 |
| – Legal expenses: debt recovery | | 52 | 66 |
| – Legal expenses: other | | 50 | 47 |
| Expenses from leases of low value assets | | 1 | 1 |
| Expenses from short-term leases | | – | 12 |
| Total materials and services | | 55,307 | 42,815 |
| Less: capitalised costs | | (32,690) | (26,738) |
| Total materials and services | | 22,617 | 16,077 |

Accounting policy

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

B3-3 Borrowing costs

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|---|-------|-----------------|-----------------|
| (i) Interest bearing liability costs | | | |
| Interest on leases | | 13 | 10 |
| Interest on loans | | 690 | 576 |
| Total interest bearing liability costs | | 703 | 586 |
| Less: capitalised costs | | (151) | – |
| Total interest bearing liability costs expensed | | 552 | 586 |
| (ii) Other borrowing costs | | | |
| Fair value adjustments on recognition of advances and deferred debtors | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | C3-5 | 174 | 169 |
| Total other borrowing costs | | 174 | 169 |
| Total borrowing costs expensed | | 726 | 755 |

Accounting policy

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

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

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------|-----------------|-----------------|
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,691 | 1,838 |
| Office equipment | | 261 | 266 |
| Furniture and fittings | | 90 | 94 |
| Infrastructure: | | | |
| | C1-8 | | |
| – Buildings – non-specialised | | 318 | 294 |
| – Buildings – specialised | | 588 | 512 |
| – Other structures | | 174 | 145 |
| – Roads | | 3,715 | 3,442 |
| – Bridges | | 515 | 455 |
| – Footpaths | | 128 | 117 |
| – Other road assets | | 78 | 67 |
| – Stormwater drainage | | 848 | 812 |
| – Water supply network | | 1,249 | 1,040 |
| – Sewerage network | | 953 | 874 |
| – Swimming pools | | 207 | 184 |
| – Other open space/recreational assets | | 414 | 352 |
| – Other infrastructure | | 167 | 155 |
| Right of use assets | C2-1 | 95 | 79 |
| Other assets: | | | |
| – Library books | | 32 | 27 |
| – Other | | 363 | 346 |
| Reinstatement, rehabilitation and restoration assets: | | | |
| – Tip assets | C3-5,C1-8 | 331 | 330 |
| – Quarry assets | C3-5,C1-8 | 31 | 31 |
| Total depreciation and amortisation costs | | 12,248 | 11,460 |
| Impairment / revaluation decrement of IPPE | | | |
| Plant and equipment | | 14 | 17 |
| Total IPPE impairment / revaluation decrement costs charged to Income Statement | | 14 | 17 |
| Total depreciation, amortisation and impairment for non-financial assets | | 12,262 | 11,477 |

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

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-8 for IPPE assets and Note C2 for right of use assets.

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|--|-------|-----------------|-----------------|
| Impairment of receivables | | | |
| Other | | 129 | 40 |
| Total impairment of receivables | C1-4 | 129 | 40 |
| Other | | | |
| Contributions/levies to other levels of government | | | |
| – Emergency services levy - FRNSW | | 34 | 24 |
| – Emergency services levy - NSW Rural Fire Service levy | | 316 | 235 |
| Donations, contributions and assistance to other organisations (Section 356) | | 47 | 45 |
| – Donations, contributions and assistance | | 26 | 45 |
| Volunteers | | 303 | – |
| Total other | | 726 | 349 |
| Total other expenses | | 855 | 389 |

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|---|-------|-----------------|-----------------|
| Gain (or loss) on disposal of property (excl. investment property) | | | |
| Proceeds from disposal - property | | - | - |
| Less: carrying amount of property assets sold/written off | | - | (273) |
| Gain (or loss) on disposal | | - | (273) |
| Gain (or loss) on disposal of plant and equipment | | | |
| | C1-8 | | |
| Proceeds from disposal – plant and equipment | | 881 | 1,292 |
| Less: carrying amount of plant and equipment assets sold/written off | | (914) | (1,135) |
| Gain (or loss) on disposal | | (33) | 157 |
| Gain (or loss) on disposal of infrastructure | | | |
| | C1-8 | | |
| Less: carrying amount of infrastructure assets sold/written off | | (823) | (202) |
| Gain (or loss) on disposal | | (823) | (202) |
| Gain (or loss) on disposal of investments | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – investments | | 2,000 | - |
| Less: carrying amount of investments sold/redeemed/matured | | (2,000) | - |
| Gain (or loss) on disposal | | - | - |
| Gain (or loss) on disposal of term deposits | | | |
| | C1-2 | | |
| Proceeds from disposal/redemptions/maturities – term deposits | | 39,514 | 34,000 |
| Less: carrying amount of term deposits sold/redeemed/matured | | (39,514) | (34,000) |
| Gain (or loss) on disposal | | - | - |
| Net gain (or loss) from disposal of assets | | (856) | (318) |

Accounting policy

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

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

| \$ '000 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | | |
|---|----------------|----------------|------------------------------|--------|----------|
| Revenues | | | | | |
| Rates and annual charges | 20,413 | 20,630 | 217 | 1% | F |
| User charges and fees | 9,516 | 13,270 | 3,754 | 39% | F |
| User charges and fees showing a favourable budget variance mainly due to more than budgeted State Road works and first time accrual of prorated water usage income for May and June 2023. The overall variance has partly offset by less than budgeted water supply service fees associated with increased rainfalls compared to 10 year average. | | | | | |
| Other revenues | 850 | 1,589 | 739 | 87% | F |
| Other Revenues favourable variance partly due to insurance claim related to flood damage. Council has also recognised the value of contributed volunteer services in the reporting period. This is fully offset by volunteer expenses reported at B3-5 Other expenses. Reimbursements have increased significantly due to an increase in government training reimbursements received over and above what has been budgeted. This is partly offset by a decline in metal recycling income. | | | | | |
| Operating grants and contributions | 13,845 | 22,351 | 8,506 | 61% | F |
| Operating grants have increased mainly due to Pothole Repair Grant that has not been budgeted for and increase in the Financial Assistance grant advance payment received. | | | | | |
| Capital grants and contributions | 1,604 | 21,263 | 19,659 | 1,226% | F |
| Capital grants and contributions is showing a considerable favourable variance due to capital grants that were budgeted to be received in the 2022 financial year actually being received in the 2023 financial year. The accounting treatment related to contract asset/ contract liability of grants income also creates a skew in the budget vs actual data comparison. More information on projects currently being recorded as contract assets/contract liabilities can be found in the notes C1-6 and C3-2 respectively. Additionally, due to the unknown nature of the receipt of capital grants and no large projects planned for future financial years, Council has maintained a minimal budget in the long term financial plan for future years. | | | | | |
| Interest and investment revenue | 859 | 2,595 | 1,736 | 202% | F |
| Interest and investment income have increased compared to the budget due to improved interest rates and additional funds available for investing. | | | | | |
| Other income | - | 154 | 154 | ∞ | F |
| This variance is due to classification difference between budget and actuals. | | | | | |
| Expenses | | | | | |
| Employee benefits and on-costs | 19,336 | 18,481 | 855 | 4% | F |
| Materials and services | 10,940 | 22,617 | (11,677) | (107)% | U |
| Materials and services cost has increased compared to budget in line with increased State Roads work, flood resoration work over and above road maintenance budget allocation in the budget and pothole repair work funded by Pothole Repair Grant. | | | | | |
| Borrowing costs | 745 | 726 | 19 | 3% | F |

B5-1 Material budget variations (continued)

| \$ '000 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | |
|---|----------------|----------------|------------------------------|--------------|
| Depreciation, amortisation and impairment of non-financial assets | 13,018 | 12,262 | 756 | 6% F |
| Other expenses | 1,508 | 855 | 653 | 43% F |
| Other expenses show a favourable variance due to classification differences, based on recently updated code requirements. Some of the expenses budgeted under this category are now recorded under Materials and Services, partly contributing to unfavourable variance in that category. | | | | |
| Net losses from disposal of assets | - | 856 | (856) | ∞ U |
| Council has made only a minimal budget for losses or gains on the disposal of assets due to the uncertainty of this activity, however, losses have occurred when disposing infrastructure assets where the asset disposed had a remaining useful life or disposed as part of the asset replacement program. | | | | |

B5-1 Material budget variations (continued)

| \$ '000 | 2023 Budget | 2023 Actual | 2023 ----- Variance ----- | |
|--|----------------|-----------------|------------------------------|---------------|
| Statement of cash flows | | | | |
| Cash flows from operating activities | 6,680 | 37,032 | 30,352 | 454% F |
| Cash flow from operating activities is showing a favourable variance mainly due to the large amount of grants & contributions received in this financial year, part of which associated with grant funded capital projects carried forward from previous financial year. | | | | |
| Cash flows from investing activities | (6,145) | (45,646) | (39,501) | 643% U |
| Cash flows from investing activities is higher than the budget, mainly due to a portion of capital projects delivered in reporting period, being carried forward from previous financial year and increased funding available for investing as a result of grants received in advance. | | | | |
| Cash flows from financing activities | (726) | (795) | (69) | 10% U |
| Cash flows from financing activities is showing an unfavourable result due to no budget being recorded for the principle component of lease payments. Due to legislative changes Council's GoCo operation is now required to lease vehicles rather than purchasing them outright. | | | | |

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Cash assets | | |
| Cash on hand and at bank | 865 | 7,701 |
| Cash equivalent assets | | |
| – Deposits at call | 8,052 | 10,625 |
| Total cash and cash equivalents | 8,917 | 18,326 |

Reconciliation of cash and cash equivalents

| | | |
|---|--------------|---------------|
| Total cash and cash equivalents per Statement of Financial Position | 8,917 | 18,326 |
| Balance as per the Statement of Cash Flows | 8,917 | 18,326 |

Accounting policy

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

C1-2 Financial investments

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Debt securities at amortised cost | | | | |
| Term deposits | 66,749 | 21,500 | 28,279 | 40,000 |
| Government and semi-government bonds | – | 2,000 | 2,000 | 2,000 |
| NCD's, FRN's (with maturities > 3 months) | – | 2,003 | – | 2,003 |
| Total | 66,749 | 25,503 | 30,279 | 44,003 |
| Total financial investments | 66,749 | 25,503 | 30,279 | 44,003 |
| Total cash assets, cash equivalents and investments | 75,666 | 25,503 | 48,605 | 44,003 |

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

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

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

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

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| (a) Externally restricted cash, cash equivalents and investments | | |
| Total cash, cash equivalents and investments | 101,169 | 92,608 |
| Less: Externally restricted cash, cash equivalents and investments | <u>(62,080)</u> | <u>(58,611)</u> |
| Cash, cash equivalents and investments not subject to external restrictions | 39,089 | 33,997 |
| External restrictions | | |
| External restrictions – included in liabilities | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Specific purpose unexpended loans – general fund | – | 3,000 |
| Specific purpose unexpended grants – general fund | 13,778 | 12,601 |
| Specific purpose unexpended grants – water fund | – | 18 |
| External restrictions – included in liabilities | 13,778 | 15,619 |
| External restrictions – other | | |
| External restrictions included in cash, cash equivalents and investments above comprise: | | |
| Developer contributions – general | 4,157 | 3,980 |
| Developer contributions – water fund | 5,680 | 5,578 |
| Developer contributions – sewer fund | 3,047 | 2,935 |
| Amounts due to Government agencies | 2,828 | – |
| Specific purpose unexpended grants (recognised as revenue) – general fund | 1,258 | 1,128 |
| Water fund | 4,355 | 5,752 |
| Sewer fund | 11,102 | 9,529 |
| Other | 183 | 183 |
| Domestic waste management | 15,692 | 13,907 |
| External restrictions – other | 48,302 | 42,992 |
| Total external restrictions | 62,080 | 58,611 |

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.

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| (b) Internal allocations | | |
| Cash, cash equivalents and investments not subject to external restrictions | 39,089 | 33,997 |
| Less: Internally restricted cash, cash equivalents and investments | <u>(36,157)</u> | <u>(30,590)</u> |
| Unrestricted and unallocated cash, cash equivalents and investments | 2,932 | 3,407 |

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

| | 2023 | 2022 |
|--|----------------|---------------|
| | \$ '000 | \$ '000 |
| Internal allocations | | |
| At 30 June, Council has internally allocated funds to the following: | | |
| Plant and vehicle replacement | 3,631 | 3,407 |
| Employees leave entitlement | 1,582 | 1,616 |
| Business partnering program | 87 | 67 |
| Contract works | 189 | 189 |
| Cycleways | 38 | 38 |
| Depot refuelling upgrade | 142 | 142 |
| Future works | 9,416 | 5,506 |
| Gravel pit restoration | 442 | 860 |
| Information technology - Software roadmap/Software Upgrade | 225 | 199 |
| Land | 45 | 45 |
| Parking areas | 483 | 483 |
| Roads | 283 | 283 |
| Saleyards | 574 | 741 |
| Storm water – contingency | 163 | 91 |
| Community Housing (Local Building) | 324 | 324 |
| Strategic planning | 383 | 383 |
| Tourism | 94 | 94 |
| Reserve Management Trust | 124 | 124 |
| Arts & Culture | 20 | 20 |
| Disaster Recovery Fund | 287 | 238 |
| Water Sustainability | 150 | 150 |
| Building Works | 1,061 | 1,061 |
| Building Renovations/Additions | 500 | 500 |
| Financial Assistance Grant - Advance Payment | 5,923 | 3,983 |
| Contingency Reserve - 21/22 Future Works | – | 3,736 |
| GoCo - Unexpended Funds (Excluding Grants) | 5,467 | 4,867 |
| Fixing Local Roads - Pothole Repair | 2,027 | – |
| LED Street Lighting | 1,000 | 1,000 |
| Quarry - Replacement/Development | 793 | – |
| Election Expenses | 130 | 105 |
| Other | 574 | 338 |
| Total internal allocations | 36,157 | 30,590 |

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

| | 2023 | 2022 |
|--|----------------|--------------|
| | \$ '000 | \$ '000 |
| (c) Unrestricted and unallocated | | |
| Unrestricted and unallocated cash, cash equivalents and investments | 2,932 | 3,407 |

C1-4 Receivables

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Rates and annual charges | 665 | – | 686 | – |
| Interest and extra charges | 93 | – | 152 | – |
| User charges and fees | 4,192 | – | 4,626 | – |
| Private works | 88 | – | 61 | – |
| Contributions to works | 29 | – | 30 | – |
| Accrued revenues | | | | |
| – Interest on investments | 1,156 | – | 553 | – |
| – Other income accruals | 12 | – | 69 | – |
| Deferred debtors | 3 | 14 | 3 | 16 |
| Government grants and subsidies | 646 | – | 2,888 | – |
| Net GST receivable | 1,413 | – | 801 | – |
| Total | 8,297 | 14 | 9,869 | 16 |
| Less: provision for impairment | | | | |
| Rates and annual charges | – | – | (2) | – |
| User charges and fees | – | – | (1) | – |
| Other debtors | (197) | – | (67) | – |
| Total provision for impairment – receivables | (197) | – | (70) | – |
| Total net receivables | 8,100 | 14 | 9,799 | 16 |
| Externally restricted receivables | | | | |
| Water supply | | | | |
| – Rates and availability charges | 56 | – | 51 | – |
| – Other | 545 | – | 258 | – |
| Sewerage services | | | | |
| – Rates and availability charges | 112 | – | 104 | – |
| – Other | 34 | – | 34 | – |
| Total external restrictions | 747 | – | 447 | – |
| Unrestricted receivables | 7,353 | 14 | 9,352 | 16 |
| Total net receivables | 8,100 | 14 | 9,799 | 16 |

| | 2023 \$ '000 | 2022 \$ '000 |
|---|-----------------|-----------------|
| Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year (calculated in accordance with AASB 139) | 70 | 81 |
| + new provisions recognised during the year | 129 | 39 |
| – amounts already provided for and written off this year | (2) | (45) |
| – amounts provided for but recovered during the year | – | (5) |
| Balance at the end of the year | 197 | 70 |

C1-4 Receivables (continued)

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| (i) Inventories at cost | | | | |
| Stores and materials | 405 | - | 407 | - |
| Quarry Gravel | 642 | - | 499 | - |
| Tourism Guides | 14 | - | 33 | - |
| Total inventories at cost | 1,061 | - | 939 | - |
| Total inventories | 1,061 | - | 939 | - |

Externally restricted assets

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Water | | | | |
| Stores and materials | 100 | - | 99 | - |
| Total water | 100 | - | 99 | - |
| Total externally restricted assets | 100 | - | 99 | - |
| Total internally restricted assets | - | - | - | - |
| Total unrestricted assets | 961 | - | 840 | - |
| Total inventories | 1,061 | - | 939 | - |

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Contract assets | 5,060 | – | 1,951 | – |
| Total contract assets and contract cost assets | 5,060 | – | 1,951 | – |

Contract assets

| | | | | |
|-------------------------------|--------------|----------|--------------|----------|
| Roads - Clifton Road | 1,189 | – | 488 | – |
| Roads - Kelvin Road | 749 | – | – | – |
| Roads - Hunts Lane | 87 | – | – | – |
| Wandobah Public Spaces | – | – | 27 | – |
| Acceleration - Kerb & Gutter | 159 | – | 93 | – |
| Airport Certification Works | 57 | – | 54 | – |
| Orange Grove Road Bridge | 71 | – | 126 | – |
| Water Treatment Plant | 937 | – | 1,163 | – |
| Resources for regions airport | 1,383 | – | – | – |
| Emergency Restoration Works | 428 | – | – | – |
| Total contract assets | 5,060 | – | 1,951 | – |

Significant changes in contract assets

Gunnedah Shire Council have a number of grant funded projects for the construction and upgrade of Council assets. These projects are based on the achievement of milestones established in the contract and therefore the amounts of revenue are recognised as revenue over the time of the contract. Council's major projects completed during 2023 include Clifton Road Upgrade (\$10.6 million Project), Kelvin Road Upgrade (\$6.1 million project) and finalisation of the Water Treatment plant (\$8.4 million project) and Orange Grove Road Bridge (\$1.3 million project), however final milestone payments are yet to be received as at reporting date.

(i) Externally restricted assets

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Externally restricted assets | | | | |
| Water | 937 | – | 1,163 | – |
| Other (Grant Funded) | 4,123 | – | 788 | – |
| Total externally restricted assets | 5,060 | – | 1,951 | – |
| Total restricted assets | 5,060 | – | 1,951 | – |
| Total contract assets and contract cost asset | 5,060 | – | 1,951 | – |

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

Accounting policy

Contract assets

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

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

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

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

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Non-current assets held for sale | | | | |
| RFS plant – Currently for sale | – | 121 | – | – |
| Total non-current assets held for sale | – | 121 | – | – |
| Total non-current assets classified as held for sale | – | 121 | – | – |

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2022 ² | | | Asset movements during the reporting period | | | | | | | | | At 30 June 2023 | | |
|--|--------------------------------|--|---|---|----------------------|-----------------------------|----------------------|--|---------------|---------------------------|---------------------------------|--|-----------------------|---|---------------------|
| | Gross carrying amount Restated | Accumulated depreciation and impairment Restated | Net carrying amount ² Restated | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss / revaluation decrements | WIP transfers | Adjustments and transfers | Impairment loss to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Capital work in progress | 29,920 | – | 29,920 | 20,918 | 4,118 | – | – | – | (25,847) | – | – | – | 29,109 | – | 29,109 |
| Plant and equipment ¹ | 24,867 | (11,837) | 13,030 | 2,620 | 106 | (914) | (1,691) | (14) | 134 | (121) | – | – | 24,427 | (11,277) | 13,150 |
| Office equipment | 2,996 | (2,358) | 638 | 114 | 2 | – | (261) | – | 99 | – | – | – | 3,046 | (2,454) | 592 |
| Furniture and fittings | 1,560 | (1,003) | 557 | – | 7 | – | (90) | – | 11 | – | – | – | 1,573 | (1,088) | 485 |
| Land: | | | | | | | | | | | | | | | |
| – Crown land ² | 2,020 | – | 2,020 | – | – | – | – | – | – | 1,068 | – | 3,348 | 6,436 | – | 6,436 |
| – Operational land | 9,057 | – | 9,057 | – | – | – | – | – | – | (413) | – | 2,116 | 10,760 | – | 10,760 |
| – Community land ² | 2,430 | – | 2,430 | – | 3 | – | – | – | 9 | (655) | – | 4,065 | 5,852 | – | 5,852 |
| – Land under roads (post 30/6/08) | 3,451 | – | 3,451 | – | – | – | – | – | 8 | – | – | 846 | 4,305 | – | 4,305 |
| Land improvements – non-depreciable | 2,363 | – | 2,363 | – | – | – | – | – | – | – | – | 140 | 2,503 | – | 2,503 |
| Infrastructure: | | | | | | | | | | | | | | | |
| – Buildings – non-specialised | 23,354 | (10,800) | 12,554 | 21 | – | – | (318) | – | 9 | – | (6) | 962 | 25,210 | (11,988) | 13,222 |
| – Buildings – specialised | 37,035 | (14,085) | 22,950 | – | – | – | (588) | – | 8 | – | – | 1,755 | 39,951 | (15,826) | 24,125 |
| – Other structures | 8,126 | (3,534) | 4,592 | 61 | – | (42) | (174) | – | 1,661 | – | – | 260 | 10,249 | (3,891) | 6,358 |
| – Other open space/recreational assets | 12,677 | (4,042) | 8,635 | 20 | 294 | – | (414) | – | 294 | – | – | 438 | 13,985 | (4,718) | 9,267 |
| – Swimming pools | 11,746 | (1,671) | 10,075 | – | 3 | – | (207) | – | – | – | – | 727 | 12,622 | (2,024) | 10,598 |
| – Roads | 265,120 | (47,133) | 217,987 | 1,250 | 508 | (289) | (3,715) | – | 13,255 | – | (8,017) | 12,484 | 295,270 | (61,807) | 233,463 |
| – Bridges | 50,350 | (18,385) | 31,965 | 1,562 | – | (251) | (515) | – | 831 | – | (1,024) | 1,897 | 54,461 | (19,996) | 34,465 |
| – Footpaths | 10,295 | (2,452) | 7,843 | – | – | – | (128) | – | 2 | – | – | 457 | 10,907 | (2,733) | 8,174 |
| – Other road assets (including bulk earthworks) | 5,611 | (1,180) | 4,431 | – | – | – | (78) | – | 2 | – | (50) | 251 | 5,945 | (1,389) | 4,556 |
| – Stormwater drainage | 73,184 | (29,616) | 43,568 | – | – | (3) | (848) | – | 92 | – | – | 2,525 | 77,573 | (32,239) | 45,334 |
| – Water supply network | 82,653 | (30,910) | 51,743 | 362 | 1,777 | (238) | (1,249) | – | 8,703 | – | – | 9,289 | 107,782 | (37,395) | 70,387 |
| – Sewerage network ² | 77,178 | (36,540) | 40,638 | 18 | 94 | – | (953) | – | 86 | – | – | 17,207 | 85,179 | (28,089) | 57,090 |
| – Other infrastructure | 9,203 | (6,702) | 2,501 | 56 | – | – | (167) | – | 279 | – | – | 136 | 9,690 | (6,885) | 2,805 |
| Other assets: | | | | | | | | | | | | | | | |
| – Library books | 318 | (173) | 145 | – | 18 | – | (32) | – | 8 | – | – | – | 342 | (203) | 139 |
| – Other | 4,147 | (1,762) | 2,385 | 2 | – | – | (363) | – | 356 | – | – | – | 4,466 | (2,086) | 2,380 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | | |
| – Tip assets | 4,191 | (1,172) | 3,019 | – | – | – | (331) | – | – | (314) | – | 314 | 4,191 | (1,503) | 2,688 |
| – Quarry assets | 417 | (150) | 267 | – | – | – | (31) | – | – | (26) | – | 26 | 418 | (182) | 236 |
| Total infrastructure, property, plant and equipment | 754,269 | (225,505) | 528,764 | 27,004 | 6,930 | (1,737) | (12,153) | (14) | – | (461) | (9,097) | 59,243 | 846,252 | (247,773) | 598,479 |

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

(2) Restated refer to G4-1

C1-8 Infrastructure, property, plant and equipment

| By aggregated asset class | At 1 July 2021 ² | | | Asset movements during the reporting period | | | | | | | | | At 30 June 2022 ² | | |
|--|--------------------------------|--|---|---|----------------------|-----------------------------|----------------------|--|---------------|---------------------------|---------------------------------|--|--------------------------------|--|---|
| | Gross carrying amount Restated | Accumulated depreciation and impairment Restated | Net carrying amount ² Restated | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | Impairment loss / revaluation decrements | WIP transfers | Adjustments and transfers | Impairment loss to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount Restated | Accumulated depreciation and impairment Restated | Net carrying amount ² Restated |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| Capital work in progress | 12,255 | – | 12,255 | 14,820 | 8,506 | – | – | – | (5,661) | – | – | – | 29,920 | – | 29,920 |
| Plant and equipment ² | 27,070 | (12,748) | 14,322 | 1,524 | 4 | (1,151) | (1,838) | (17) | 149 | 37 | – | – | 24,867 | (11,837) | 13,030 |
| Office equipment | 2,647 | (2,097) | 550 | 20 | 137 | (1) | (266) | – | 198 | – | – | – | 2,996 | (2,358) | 638 |
| Furniture and fittings | 1,499 | (909) | 590 | 21 | – | – | (94) | – | 40 | – | – | – | 1,560 | (1,003) | 557 |
| Land: | | | | | | | | | | | | | | | |
| – Operational land | 8,532 | – | 8,532 | – | 48 | – | – | – | – | – | – | 477 | 9,057 | – | 9,057 |
| – Community land | 2,295 | – | 2,295 | – | – | – | – | – | – | – | – | 135 | 2,430 | – | 2,430 |
| – Crown land | 1,801 | – | 1,801 | – | – | – | – | – | – | – | – | 219 | 2,020 | – | 2,020 |
| – Land under roads (post 30/6/08) | 3,268 | – | 3,268 | – | – | – | – | – | – | – | – | 183 | 3,451 | – | 3,451 |
| Land improvements – non-depreciable | 2,238 | – | 2,238 | – | – | – | – | – | – | – | – | 125 | 2,363 | – | 2,363 |
| Infrastructure: | | | | | | | | | | | | | | | |
| – Buildings – non-specialised ³ | 20,464 | (9,207) | 11,257 | 64 | 275 | (273) | (294) | – | 160 | (401) | – | 1,639 | 23,354 | (10,800) | 12,554 |
| – Buildings – specialised | 31,772 | (11,461) | 20,311 | – | – | – | (512) | – | 124 | – | (111) | 3,265 | 37,035 | (14,085) | 22,950 |
| – Other structures | 6,870 | (2,853) | 4,017 | – | 19 | – | (145) | – | 86 | (37) | – | 652 | 8,126 | (3,534) | 4,592 |
| – Roads | 233,982 | (38,308) | 195,674 | 1,004 | – | – | (3,442) | – | 712 | – | – | 24,039 | 265,120 | (47,133) | 217,987 |
| – Bridges | 45,537 | (16,123) | 29,414 | 1 | – | – | (455) | – | – | – | (47) | 3,052 | 50,350 | (18,385) | 31,965 |
| – Footpaths | 9,325 | (2,140) | 7,185 | – | – | (59) | (117) | – | 108 | – | – | 726 | 10,295 | (2,452) | 7,843 |
| – Other road assets (including bulk earthworks) | 4,855 | (1,006) | 3,849 | 222 | – | – | (67) | – | 51 | – | – | 376 | 5,611 | (1,180) | 4,431 |
| – Stormwater drainage | 67,727 | (26,925) | 40,802 | 322 | – | (119) | (812) | – | 387 | – | – | 2,988 | 73,184 | (29,616) | 43,568 |
| – Water supply network | 75,753 | (28,211) | 47,542 | 513 | 233 | (23) | (1,040) | – | 1,847 | – | – | 2,671 | 82,653 | (30,910) | 51,743 |
| – Sewerage network | 71,736 | (33,924) | 37,812 | 453 | 167 | – | (874) | – | 1,132 | – | – | 1,948 | 77,178 | (36,540) | 40,638 |
| – Swimming pools | 10,396 | (1,299) | 9,097 | – | – | – | (184) | – | – | – | – | 1,162 | 11,746 | (1,671) | 10,075 |
| – Other open space/recreational assets | 10,056 | (2,859) | 7,197 | 20 | 81 | – | (352) | – | 415 | 401 | – | 873 | 12,677 | (4,042) | 8,635 |
| – Other infrastructure | 8,322 | (5,905) | 2,417 | – | – | – | (155) | – | – | – | – | 239 | 9,203 | (6,702) | 2,501 |
| Other assets: | | | | | | | | | | | | | | | |
| – Library books | 276 | (145) | 131 | – | 21 | – | (27) | – | 20 | – | – | – | 318 | (173) | 145 |
| – Other | 3,927 | (1,452) | 2,475 | – | 24 | – | (346) | – | 232 | – | – | – | 4,147 | (1,762) | 2,385 |
| Reinstatement, rehabilitation and restoration assets (refer Note C3-5): | | | | | | | | | | | | | | | |
| – Tip assets | 4,191 | (842) | 3,349 | – | – | – | (330) | – | – | – | – | – | 4,191 | (1,172) | 3,019 |
| – Quarry assets | 417 | (119) | 298 | – | – | – | (31) | – | – | – | – | – | 417 | (150) | 267 |
| Total infrastructure, property, plant and equipment | 667,211 | (198,533) | 468,678 | 18,984 | 9,515 | (1,626) | (11,381) | (17) | – | – | (158) | 44,769 | 754,269 | (225,505) | 528,764 |

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

(2) Restated refer to G4-1

(3) During 2023 council identified that \$127,000 depreciation had incorrectly been reported as relating to non-specialised buildings instead of specialised buildings. An adjustment has been made in these statements to show the correct closing allocation for the 2022 financial year

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

Accounting policy

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment (DPIE) – Best practice management of Water Supply and Sewer Guidelines. This year Council undertook a comprehensive revaluation of water and sewer assets.

All other infrastructure asset classes (including the road network, buildings and structures, operational land and stormwater network) have been indexed using Producer Price Index.

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

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

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

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

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

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

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

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

Land under roads

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

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

Infrastructure, property, plant and equipment – current year impairments

| | Notes | 2023 \$ '000 | 2022 \$ '000 |
|--|-------|-----------------|-----------------|
| (i) Impairment losses recognised in the Income Statement: | | | |
| Fire Service - Water Tankers | | – | (16) |
| IT Equipment - Apple Macbook | | – | (1) |
| IT Equipment - CCTV Obsolete | | (10) | – |
| Tourism - 4x Shire Billboards reskinned | | (1) | – |
| Saleyards - Small plant obsolete | | (3) | – |
| Total impairment losses | | (14) | (17) |
| Impairment of assets – gains/(losses) in P/L | B3-4 | (14) | (17) |
| (ii) Impairment losses recognised directly to equity (ARR): | | | |
| Bridge - Orange Grove Rd Bridge - Fire Damage | | – | (47) |
| Pool Fit Out - Roof Indoor Pool | | – | (55) |
| CIVIC - Fire Services - Not Compliant | | – | (56) |
| Buildings - Showground Sheep Pens | | (6) | – |
| Roads - Multiple flood damaged | | (8,017) | – |
| Bridges - Multiple flood damaged | | (1,024) | – |
| Other road assets - Multiple flood damaged | | (50) | – |
| Total impairment losses | | (9,097) | (158) |
| Impairment of assets – direct to equity (ARR) | | (9,097) | (158) |

C1-9 Other

Other assets

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Prepayments | 550 | - | 390 | - |
| Other | - | - | 1 | - |
| Total other assets | 550 | - | 391 | - |

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

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

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total unrestricted assets | 550 | - | 391 | - |
| Total other assets | 550 | - | 391 | - |

C2 Leasing activities

C2-1 Council as a lessee

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

Buildings

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

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

Vehicles

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

Extension options

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

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

(a) Right of use assets

| | Buildings \$ '000 | Vehicles \$ '000 | Total \$ '000 |
|----------------------------------|----------------------|---------------------|------------------|
| 2023 | | | |
| Opening balance at 1 July | 629 | 54 | 683 |
| Additions to right-of-use assets | 77 | 40 | 117 |
| Depreciation charge | (73) | (22) | (95) |
| Balance at 30 June | 623 | 73 | 696 |
| 2022 | | | |
| Opening balance at 1 July | 683 | - | 683 |
| Additions to right-of-use assets | 12 | 67 | 79 |
| Depreciation charge | (66) | (13) | (79) |
| Balance at 30 June | 629 | 54 | 683 |

(b) Lease liabilities

| | 2023 Non-current \$ '000 | 2023 Current \$ '000 | 2022 Non-current \$ '000 | 2022 Current \$ '000 |
|-----------------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| Lease liabilities - GoCo Offices | 550 | 62 | 556 | 44 |
| Lease Liabilities - GoCo Vehicles | 48 | 26 | 38 | 16 |
| Total lease liabilities | 598 | 88 | 594 | 60 |

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

| | < 1 year \$ '000 | 1 – 5 years \$ '000 | > 5 years \$ '000 | Total \$ '000 | Total per Statement of Financial Position \$ '000 |
|-------------|---------------------|------------------------|----------------------|------------------|---|
| 2023 | | | | | |
| Cash flows | 88 | 242 | 355 | 685 | 686 |
| 2022 | | | | | |
| Cash flows | 61 | 194 | 399 | 654 | 654 |

(ii) Lease liabilities relating to restricted assets

| | 2023 Non-current \$ '000 | 2023 Current \$ '000 | 2022 Non-current \$ '000 | 2022 Current \$ '000 |
|---|--------------------------------|----------------------------|--------------------------------|----------------------------|
| Externally restricted assets | | | | |
| Other - GoCo - Grant Funded | 597 | 88 | 594 | 60 |
| Lease liabilities relating to externally restricted assets | 597 | 88 | 594 | 60 |
| Total lease liabilities relating to restricted assets | 597 | 88 | 594 | 60 |
| Total lease liabilities | 598 | 88 | 594 | 60 |

(d) Income Statement

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

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Interest on lease liabilities | 13 | 10 |
| Depreciation of right of use assets | 95 | 79 |
| Expenses relating to short-term leases | – | 24 |
| Expenses relating to low-value leases | 1 | 2 |
| | 109 | 115 |

(e) Statement of Cash Flows

| | | |
|-------------------------------|------------|-----------|
| Total cash outflow for leases | 100 | 69 |
| | 100 | 69 |

C2-1 Council as a lessee (continued)

Accounting policy – Council as a lessee

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / concessionary leases

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

C2-2 Council as a lessor

Operating leases

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Assets held as property, plant and equipment | | |
| Lease income (excluding variable lease payments not dependent on an index or rate) | 154 | 94 |
| Total income relating to operating leases for Council assets | 154 | 94 |

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

| | 2023 Non-current \$ '000 | 2023 Current \$ '000 | 2022 Non-current \$ '000 | 2022 Current \$ '000 |
|--|--------------------------------|----------------------------|--------------------------------|----------------------------|
| Goods and services – operating expenditure | – | 2,633 | – | 2,704 |
| Goods and services – capital expenditure | – | 6,978 | – | 3,037 |
| Accrued expenses: | | | | |
| – Borrowings | – | 17 | – | 19 |
| – Salaries and wages | – | 718 | – | 596 |
| Other | – | 1 | – | 1 |
| Government departments and agencies | – | 2,828 | – | 3,037 |
| Prepaid rates | – | 648 | – | 745 |
| Total payables | – | 13,823 | – | 10,139 |

Payables relating to restricted assets

| | 2023 Non-current \$ '000 | 2023 Current \$ '000 | 2022 Non-current \$ '000 | 2022 Current \$ '000 |
|---|--------------------------------|----------------------------|--------------------------------|----------------------------|
| Externally restricted assets | | | | |
| Water | – | 335 | – | 717 |
| Amounts due to Government agencies | – | 2,828 | – | – |
| Total payables relating to restricted assets | – | 3,163 | – | 717 |
| Total payables relating to unrestricted assets | – | 10,660 | – | 9,422 |
| Total payables | – | 13,823 | – | 10,139 |

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

| | 2023 \$ '000 | 2022 \$ '000 |
|---|-----------------|-----------------|
| The following liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Other liabilities | 7 | 7 |
| Total payables | 7 | 7 |

Accounting policy

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

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

Payables

Payables represent liabilities for goods and services provided to Council prior to the end of financial year that are unpaid. The amounts are usually unsecured and are paid within 30 days of recognition. When a payable amount do not form part of Council's ordinary operations, it is reflected in appropriate cash restrictions to minimise the impact on unrestricted working capital.

C3-2 Contract Liabilities

| Notes | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Grants and contributions received in advance: | | | | |
| Unexpended capital grants (to construct Council controlled assets) (i) | 13,310 | - | 11,898 | - |
| Unexpended operating contributions (received prior to performance obligation being satisfied) (ii) | 468 | - | 721 | - |
| Total grants received in advance | 13,778 | - | 12,619 | - |
| Total contract liabilities | 13,778 | - | 12,619 | - |

Notes

(i) Council has received funding to construct assets including Saleyards Redevelopment, Koala Park Project, Animal Impound Facility, Shared Pathways and Goco Office Refurbishment. The funds received are under an enforceable contract which require council to construct an identified asset which will be under council's control on completion. The revenue is recognised as council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants and contributions received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing. These grants and contributions relate to funds received by GoCo in advance under the Carer NSW & HCP Individual Client Contributions and other operating grants.

Contract liabilities relating to restricted assets

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Externally restricted assets | | | | |
| Unspent grants held as contract liabilities (excl. Water & Sewer) | 13,778 | - | 12,619 | - |
| Contract liabilities relating to externally restricted assets | 13,778 | - | 12,619 | - |
| Total contract liabilities relating to restricted assets | 13,778 | - | 12,619 | - |
| Total contract liabilities | 13,778 | - | 12,619 | - |

Significant changes in contract liabilities

Council has received funding for many projects for the construction of Council Assets. There has been one new significant project this year with the construction of the new Animal Impound Facility (Project Value \$1.475 million). This year has seen the progression and finalisation of many existing projects. Council has received an additional \$9.8 million for the Saleyards Project bringing the total grant received to \$19.3 million and this project is progressing. Council has received a further \$4.5 million for the Koala Park Project with total funds received being (\$5.8 million) and work progressing on the project. Shared Pathways has received \$1.528 million with works almost complete. Council has received funding for the construction of the Animal Impound Facility (\$814k) and is still in design stage. All other projects classified as Contract Liabilities are of a minor nature.

Accounting policy

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

C3-3 Borrowings

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Loans – secured ¹ | 757 | 12,385 | 718 | 13,143 |
| Total borrowings | 757 | 12,385 | 718 | 13,143 |

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

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

Borrowings relating to restricted assets

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Total borrowings relating to unrestricted assets | 757 | 12,385 | 718 | 13,143 |
| Total borrowings | 757 | 12,385 | 718 | 13,143 |

(a) Changes in liabilities arising from financing activities

| | 2022 | | Non-cash movements | | | 2023 |
|--|-------------------------------|-----------------------|------------------------|---|--|-------------------------------|
| | Opening Balance \$ '000 | Cash flows \$ '000 | Acquisition \$ '000 | Acquisition due to change in accounting policy \$ '000 | Other non-cash movement \$ '000 | Closing balance \$ '000 |
| Loans – secured | 13,861 | (719) | – | – | – | 13,142 |
| Lease liability (Note C2-1b) | 654 | 32 | – | – | – | 686 |
| Total liabilities from financing activities | 14,515 | (687) | – | – | – | 13,828 |

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

C3-3 Borrowings (continued)

(b) Financing arrangements

| | 2023 \$ '000 | 2022 \$ '000 |
|---|-----------------|-----------------|
| Total facilities | | |
| Bank overdraft facilities ¹ | 500 | 500 |
| Credit cards/purchase cards | 50 | 50 |
| Other - Bank Guarantee's | 20 | 20 |
| Total financing arrangements | 570 | 570 |
| Drawn facilities | | |
| – Credit cards/purchase cards | 13 | 11 |
| – Other - Bank Guarantee's | 20 | 20 |
| Total drawn financing arrangements | 33 | 31 |
| Undrawn facilities | | |
| – Bank overdraft facilities | 500 | 500 |
| – Credit cards/purchase cards | 37 | 39 |
| Total undrawn financing arrangements | 537 | 539 |

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

| | 2023 Current \$ '000 | 2023 Non-current \$ '000 | 2022 Current \$ '000 | 2022 Non-current \$ '000 |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Annual leave | 1,538 | – | 1,694 | – |
| Long service leave | 3,433 | 302 | 3,474 | 220 |
| Rostered days off | 210 | – | 184 | – |
| Wages – time in lieu | 27 | – | 29 | – |
| Total employee benefit provisions | 5,208 | 302 | 5,381 | 220 |

Employee benefit provisions relating to restricted assets

Externally restricted assets

| | | | | |
|--|----|---|----|---|
| Water | 7 | – | 10 | – |
| Sewer | 4 | – | – | – |
| Employee benefit provisions relating to externally restricted assets | 11 | – | 10 | – |

Total employee benefit provisions relating to restricted assets

| | | | | |
|--|----|---|----|---|
| | 11 | – | 10 | – |
|--|----|---|----|---|

Total employee benefit provisions relating to unrestricted assets

| | | | | |
|--|-------|-----|-------|-----|
| | 5,197 | 302 | 5,371 | 220 |
|--|-------|-----|-------|-----|

Total employee benefit provisions

| | | | | |
|--|-------|-----|-------|-----|
| | 5,208 | 302 | 5,381 | 220 |
|--|-------|-----|-------|-----|

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

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| The following provisions, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions – employees benefits | 3,270 | 3,201 |
| | 3,270 | 3,201 |

Description of and movements in provisions

| | ELE provisions | | | Total \$ '000 |
|-------------------------------------|-------------------------|----------------------------------|--|------------------|
| | Annual leave \$ '000 | Long service leave \$ '000 | Other employee benefits \$ '000 | |
| 2023 | | | | |
| At beginning of year | 1,694 | 3,694 | 213 | 5,601 |
| Additional provisions | 1,336 | 584 | 701 | 2,621 |
| Amounts used (payments) | (1,180) | (624) | (724) | (2,528) |
| Other | (312) | 81 | 47 | (184) |
| Total ELE provisions at end of year | 1,538 | 3,735 | 237 | 5,510 |
| 2022 | | | | |
| At beginning of year | 1,616 | 3,725 | 209 | 5,550 |
| Additional provisions | 1,318 | 452 | 656 | 2,426 |
| Amounts used (payments) | (1,240) | (483) | (652) | (2,375) |
| Total ELE provisions at end of year | 1,694 | 3,694 | 213 | 5,601 |

C3-4 Employee benefit provisions (continued)

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

| | 2023 Current \$ '000 | 2023 Non-Current \$ '000 | 2022 Current \$ '000 | 2022 Non-Current \$ '000 |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
| Other provisions | | | | |
| Other | 7 | - | 7 | - |
| Sub-total – other provisions | 7 | - | 7 | - |
| Asset remediation/restoration: | | | | |
| Asset remediation/restoration (future works) | - | 4,764 | - | 4,931 |
| Sub-total – asset remediation/restoration | - | 4,764 | - | 4,931 |
| Total provisions | 7 | 4,764 | 7 | 4,931 |
| Provisions relating to restricted assets | | | | |
| Total provisions relating to unrestricted assets | 7 | 4,764 | 7 | 4,931 |
| Total provisions | 7 | 4,764 | 7 | 4,931 |

Description of and movements in provisions

| | Asset remediation \$ '000 | Other Community Transport Bus \$ '000 | Total \$ '000 |
|---------------------------------------|---------------------------------|---|------------------|
| 2023 | | | |
| At beginning of year | 4,931 | 7 | 4,938 |
| Unwinding of discount | 174 | - | 174 |
| Remeasurement effects | (341) | - | (341) |
| Total other provisions at end of year | 4,764 | 7 | 4,771 |
| 2022 | | | |
| At beginning of year | 4,762 | 7 | 4,769 |
| Unwinding of discount | 169 | - | 169 |
| Remeasurement effects | - | - | - |
| Total other provisions at end of year | 4,931 | 7 | 4,938 |

Nature and purpose of provisions

Asset remediation/restoration

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

During the 2018/19 Financial year Council made a significant adjustment to the provision to restore, rehabilitate and restate the Council Tips. A major review was completed by Council staff and Tonkin Consulting in June 2019 to revise the methodology and estimates to remediate the current tip at the end of the useful life. The current estimate reflected in these financial statements is based on this revised methodology, Phytocapping.

Council notes that Phytocap is only in testing phase with 5 Councils and EPA have not yet given approval for Gunnedah Shire Council to use Phytocap technology therefore providing a risk, if not accepted by the EPA, that our provision is understated. This approach is reviewed each year by the Manager Waste. During the 2022/23 year council have extended the phase 1 remediation out to 2025/26 on advice from the Manager Waste.

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

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

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

Rehabilitation

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

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

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

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

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

| | General 2023 \$ '000 | Water 2023 \$ '000 | Sewer 2023 \$ '000 |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| Income from continuing operations | | | |
| Rates and annual charges | 16,914 | 1,366 | 2,350 |
| User charges and fees | 9,461 | 2,888 | 921 |
| Interest and investment revenue | 1,969 | 297 | 329 |
| Other revenues | 1,589 | – | – |
| Grants and contributions provided for operating purposes | 22,209 | 110 | 32 |
| Grants and contributions provided for capital purposes | 20,572 | 536 | 155 |
| Other income | 154 | – | – |
| Total income from continuing operations | 72,868 | 5,197 | 3,787 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 17,145 | 924 | 412 |
| Materials and services | 19,317 | 2,101 | 1,199 |
| Borrowing costs | 726 | – | – |
| Depreciation, amortisation and impairment of non-financial assets | 10,002 | 1,268 | 992 |
| Other expenses | 855 | – | – |
| Net losses from the disposal of assets | 630 | 226 | – |
| Total expenses from continuing operations | 48,675 | 4,519 | 2,603 |
| Operating result from continuing operations | 24,193 | 678 | 1,184 |
| Net operating result for the year | 24,193 | 678 | 1,184 |
| Net operating result attributable to each council fund | 24,193 | 678 | 1,184 |
| Net operating result for the year before grants and contributions provided for capital purposes | 3,621 | 142 | 1,029 |

D1-2 Statement of Financial Position by fund

| | General 2023 \$ '000 | Water 2023 \$ '000 | Sewer 2023 \$ '000 |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8,419 | 136 | 362 |
| Investments | 43,063 | 9,899 | 13,787 |
| Receivables | 7,353 | 601 | 146 |
| Inventories | 961 | 100 | – |
| Contract assets and contract cost assets | 4,123 | 937 | – |
| Other | 550 | – | – |
| Total current assets | 64,469 | 11,673 | 14,295 |
| Non-current assets | | | |
| Investments | 25,503 | – | – |
| Receivables | 14 | – | – |
| Infrastructure, property, plant and equipment | 468,873 | 71,753 | 57,853 |
| Right of use assets | 696 | – | – |
| Non-current assets classified as held for sale | 121 | – | – |
| Total non-current assets | 495,207 | 71,753 | 57,853 |
| Total assets | 559,676 | 83,426 | 72,148 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 13,488 | 335 | – |
| Contract liabilities | 13,778 | – | – |
| Lease liabilities | 88 | – | – |
| Borrowings | 757 | – | – |
| Employee benefit provision | 5,197 | 7 | 4 |
| Provisions | 7 | – | – |
| Total current liabilities | 33,315 | 342 | 4 |
| Non-current liabilities | | | |
| Lease liabilities | 598 | – | – |
| Borrowings | 12,385 | – | – |
| Employee benefit provision | 302 | – | – |
| Provisions | 4,764 | – | – |
| Total non-current liabilities | 18,049 | – | – |
| Total liabilities | 51,364 | 342 | 4 |
| Net assets | 508,312 | 83,084 | 72,144 |
| EQUITY | | | |
| Accumulated surplus | 236,018 | 49,662 | 26,572 |
| Revaluation reserves | 272,294 | 33,422 | 45,572 |
| Council equity interest | 508,312 | 83,084 | 72,144 |
| Total equity | 508,312 | 83,084 | 72,144 |

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

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

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

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

| | Carrying value 2023 \$ '000 | Carrying value 2022 \$ '000 | Fair value 2023 \$ '000 | Fair value 2022 \$ '000 |
|--|-----------------------------------|-----------------------------------|-------------------------------|-------------------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 8,917 | 18,326 | - | - |
| Receivables | 8,114 | 9,815 | - | - |
| Investments | | | | |
| – 'Financial assets - 'amortised cost' | <u>92,252</u> | <u>74,282</u> | - | - |
| Total financial assets | <u>109,283</u> | <u>102,423</u> | - | - |
| Financial liabilities | | | | |
| Payables | 13,823 | 10,139 | - | - |
| Lease Liabilities | 686 | 654 | - | - |
| Loans/advances - 'amortised cost' | <u>13,142</u> | <u>13,861</u> | - | - |
| Total financial liabilities | <u>27,651</u> | <u>24,654</u> | - | - |

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and was adopted by Council on the 24 August 2022. An investment report is also tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

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

(a) Market risk – interest rate and price risk

| | 2023 | 2022 |
|--|----------------|---------|
| | \$ '000 | \$ '000 |
| The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date. | | |
| Impact of a 1% movement in interest rates | | |
| – Equity / Income Statement | 954 | 780 |

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

| | Not yet overdue \$ '000 | overdue rates and annual charges | | Total \$ '000 |
|-----------------------|-------------------------------|----------------------------------|----------------------|------------------|
| | | < 5 years \$ '000 | ≥ 5 years \$ '000 | |
| 2023 | | | | |
| Gross carrying amount | – | 657 | 8 | 665 |
| 2022 | | | | |
| Gross carrying amount | – | 554 | 132 | 686 |

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

Receivables - non-rates and annual charges and contract assets

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

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

| | Not yet overdue \$ '000 | Overdue debts | | | | Total \$ '000 |
|------------------------|-------------------------------|------------------------|-------------------------|-------------------------|----------------------|------------------|
| | | 0 - 30 days \$ '000 | 31 - 60 days \$ '000 | 61 - 90 days \$ '000 | > 91 days \$ '000 | |
| 2023 | | | | | | |
| Gross carrying amount | 8,240 | 788 | 1,300 | 2,003 | 375 | 12,706 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 52.65% | 1.55% |
| ECL provision | - | - | - | - | 197 | 197 |
| 2022 | | | | | | |
| Gross carrying amount | 9,962 | 520 | 1 | 37 | 630 | 11,150 |
| Expected loss rate (%) | 0.00% | 0.00% | 0.00% | 0.00% | 10.91% | 0.62% |
| ECL provision | - | - | - | - | 69 | 69 |

(c) Liquidity risk

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

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

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

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

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

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

| | Weighted average interest rate % | Subject to no maturity \$ '000 | payable in: | | | Total cash outflows \$ '000 | Actual carrying values \$ '000 |
|------------------------------------|--|---|---------------------|---------------------------|----------------------|-----------------------------------|---|
| | | | ≤ 1 Year \$ '000 | 1 - 5 Years \$ '000 | > 5 Years \$ '000 | | |
| 2023 | | | | | | | |
| Payables | 0.00% | - | 13,823 | - | - | 13,823 | 13,823 |
| Borrowings | 5.04% | - | 757 | 3,406 | 8,980 | 13,143 | 13,142 |
| Total financial liabilities | | - | 14,580 | 3,406 | 8,980 | 26,966 | 26,965 |
| 2022 | | | | | | | |
| Payables | 0.00% | - | 10,139 | - | - | 10,139 | 10,139 |
| Borrowings | 4.17% | - | 718 | 3,276 | 9,867 | 13,861 | 13,861 |
| Total financial liabilities | | - | 10,857 | 3,276 | 9,867 | 24,000 | 24,000 |

Loan agreement breaches

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

E2-1 Fair value measurement

| \$ '000 | Notes | Fair value measurement hierarchy | | | | | | | |
|--|-------|----------------------------------|------------|---------------------------------------|------|---|----------------|----------------|----------------|
| | | Date of latest valuation | | Level 2 Significant observable inputs | | Level 3 Significant unobservable inputs | | Total | |
| | | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | | | | | | Restated | Restated | | |
| Infrastructure, property, plant and equipment | C1-8 | | | | | | | | |
| Plant and equipment | | 30/06/2022 | 30/06/2022 | - | - | 13,150 | 13,030 | 13,150 | 13,030 |
| Office equipment | | 30/06/2022 | 30/06/2022 | - | - | 592 | 638 | 592 | 638 |
| Furniture and fittings | | 30/06/2022 | 30/06/2022 | - | - | 485 | 557 | 485 | 557 |
| Crown Land | | 30/06/2023 | 30/06/2017 | - | - | 6,436 | 2,020 | 6,436 | 2,020 |
| Operational land | | 30/06/2018 | 30/06/2018 | - | - | 10,760 | 9,057 | 10,760 | 9,057 |
| Community land | | 30/06/2023 | 30/06/2017 | - | - | 5,852 | 2,430 | 5,852 | 2,430 |
| Land Under Roads (post 30/6/2008) | | 30/06/2016 | 30/06/2016 | - | - | 4,305 | 3,451 | 4,305 | 3,451 |
| Land Improvements | | 30/06/2018 | 30/06/2018 | - | - | 2,503 | 2,363 | 2,503 | 2,363 |
| Buildings – non specialised | | 30/06/2018 | 30/06/2018 | - | - | 13,222 | 12,554 | 13,222 | 12,554 |
| Buildings – specialised | | 30/06/2018 | 30/06/2018 | - | - | 24,123 | 22,950 | 24,123 | 22,950 |
| Other structures | | 30/06/2016 | 30/06/2016 | - | - | 6,358 | 4,592 | 6,358 | 4,592 |
| Roads | | 30/06/2018 | 30/06/2018 | - | - | 233,461 | 217,987 | 233,461 | 217,987 |
| Bridges | | 30/06/2020 | 30/06/2020 | - | - | 34,465 | 31,965 | 34,465 | 31,965 |
| Footpaths | | 30/06/2020 | 30/06/2020 | - | - | 8,174 | 7,843 | 8,174 | 7,843 |
| Other Road Assets | | 30/06/2020 | 30/06/2020 | - | - | 4,555 | 4,431 | 4,555 | 4,431 |
| Stormwater drainage | | 30/06/2021 | 30/06/2021 | - | - | 45,334 | 43,568 | 45,334 | 43,568 |
| Water supplies networks | | 30/06/2023 | 30/06/2017 | - | - | 70,387 | 51,743 | 70,387 | 51,743 |
| Sewerage networks | | 30/06/2023 | 30/06/2017 | - | - | 57,090 | 40,638 | 57,090 | 40,638 |
| Swimming pools | | 30/06/2019 | 30/06/2019 | - | - | 10,598 | 10,075 | 10,598 | 10,075 |
| Other open space/recreational assets | | 30/06/2016 | 30/06/2016 | - | - | 9,267 | 8,635 | 9,267 | 8,635 |
| Other Infrastructure | | 30/06/2020 | 30/06/2020 | - | - | 2,804 | 2,501 | 2,804 | 2,501 |
| Library books | | 30/06/2022 | 30/06/2022 | - | - | 139 | 145 | 139 | 145 |
| Other assets | | 30/06/2022 | 30/06/2022 | - | - | 2,380 | 2,385 | 2,380 | 2,385 |
| Tip remediation assets | | 30/06/2019 | 30/06/2019 | - | - | 2,876 | 3,019 | 2,876 | 3,019 |
| Quarry remediation assets | | 30/06/2018 | 30/06/2018 | - | - | 260 | 267 | 260 | 267 |
| Total infrastructure, property, plant and equipment | | | | - | - | 569,576 | 498,844 | 569,576 | 498,844 |

Transfers between level 1 and level 2 fair value hierarchies

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

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

E2-1 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

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

Example of assets in these classes are as follows:

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

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

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

Operational Land

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

The asset class has been indexed from the date of last revaluation using the Valuer General Valuation movement between 1 July 2021 and 1 July 2022 published by the NSW Valuer General.

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

Community Land

Community Land has been valued using the NSW Valuer General's valuations provided for rating purposes with a base dated valuation of 1 July 2022.

All Community Land has been valued at fair value (highest and best use). As these rates are not considered to be observable market evidence they have been classified as Level 3.

Crown Land

The Council controlled Crown Land was valued using NSW Valuer General's valuations with a base dated valuation of 1 July 2022. Where there were no specific land values from the Valuer General, it was based on the pro rata valuation from adjoining properties.

Prior to revaluing this class of assets, the Crown Land Assets under Council control were reconciled to the NSW Crown Land Portal for accuracy and completeness.

Land Under Roads (Post 1 July 2008)

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

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

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

E2-1 Fair value measurement (continued)

The asset class has been indexed from the date of last revaluation using the Valuer General Valuation movement between 1 July 2021 and 1 July 2022 published by the NSW Valuer General.

Buildings - Non Specialised and Specialised

Valuations of all Council's Buildings Specialised & Non-Specialised were based on valuations performed by Donogue Property Valuations and Consultancy, Thomas Donoghue AAPI (CPV), Registered Valuer API No: 71002 as at 30th June 2018. These assets are due to be revalued during 2023/24.

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

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

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

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

Other Structures

Other Structures class generally comprises memorials, weighbridges and saleyards and were revalued as at 30th June 2016. These assets are due to be revalued during 2023/24.

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

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

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

Roads

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

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

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. A full revaluation of the Roads have been completed as at 30th June 2018 by APV Valuers & Asset Management.

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

The Roads Asset class will be revalued during the 2023/24 financial year.

Other Road Assets

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

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

The cost approach was utilised with inputs such as estimates pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. A full

E2-1 Fair value measurement (continued)

revaluation of the Other Road Assets have been completed as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council.

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

Bridges, Causeways & Culverts

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

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

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

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

Footpaths

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

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

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

Stormwater Drainage

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

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

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

Water Supplies

The valuation of the Water Supplies was completed as at 30th June 2023 by AssetVal Pty Ltd. The Water supplies comprise of Gunnedah, Curlewis, Tambar Springs & Mullaley water schemes. The components of the Water Systems include the Mains, Bores, Reservoirs and Pumping Stations.

Due to the nature of much of the Water Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. The asset class is usually indexed from the date of last revaluation using the NSW Water Supply and Sewerage Construction Cost index June 2023, published by the NSW Department of Planning and Environment. However a full revaluation has been performed on the Water Supply Network asset class during Financial Year 2022/23.

E2-1 Fair value measurement (continued)

Sewerage Systems

The valuation of the Sewerage Systems was completed as at 30th June 2023 by AssetVal Pty Ltd. The Sewerage Systems comprise the Gunnedah & Curlewis Sewerage Systems. The components include the pipelines, Treatment works and Pump Stations.

Due to the nature of much of the Sewer Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. The asset class is usually indexed from the date of last revaluation using the NSW Water Supply and Sewerage Construction Cost index June 2023, published by the NSW Department of Planning and Environment. However a full revaluation has been performed for Sewerage Systems asset class during Financial Year 2022/23.

Swimming Pools

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

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

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

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

This class of asset is due to be revalued in the 2023/24 financial year.

Other Open Space/ Recreational Assets

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

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

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

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

This class of asset is due to be revalued in the 2023/24 financial year.

Library Book/Other Assets

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

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

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

E2-1 Fair value measurement (continued)

Other Infrastructure

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

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

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

The cost approach was utilised with inputs such as estimates on the pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which significantly on the final determination of fair value. A full revaluation of the Other Infrastructure Assets has been completed as at 30th June 2020 by APV Valuers and Asset Management and reviewed by the Chief Engineer of Council.

Tip Remediation

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

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

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

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

During the financial year the rehabilitation liability has been remeasured, however the year on year movement is not enough to trigger an asset revaluation. This class of asset is due to be revalued in the 2023/24 financial year.

Quarries Remediation

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

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

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

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

This class of asset is due to be revalued in the 2023/24 financial year.

Fair value measurements using significant unobservable inputs (level 3)

There were no movements between levels of hierarchy during the year. For schedule of changes in values please refer to Note C1-8.

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

* For 180 Point Members, Employers are required to contribute 8.0% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million per annum for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. 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 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 entity.

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$133,001.93. The last formal valuation of the Fund was undertaken by the fund actuary, Mr Richard Boyfield, FIAA as at 30 June 2022.

The amount of expected contributions to the fund for the next annual reporting period are \$109,277.64.

E3-1 Contingencies (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

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

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

The share of any funding surplus or deficit that attributed to Council is 0.45%.

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

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

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

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

(ii) Civic Risk Mutual

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

CivicRisk Mutual Ltd membership includes the potential to share in either the net surplus or deficit of protection years depending on its past performance. Council's share of the net surplus or deficit reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

Per Note C3-3 (b) - Financing Arrangements, council has provided 2 bank guarantee's through Commonwealth Bank Australia to the value of \$20,000 in addition to those listed above.

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

(ii) Gunnedah Memorial Swimming Pool

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

Council has assessed the extent of the water discharge and is of the opinion that there is no evidence for an impairment provision as per AASB 136 - Impairment of Assets due to the fact that the defect is not material compared to overall carrying value of the pool and the operating at full capacity and without disruption at this time. As at 30 June 2023, net carrying value of the 50 meter outdoor pool is \$4.047m excluding any associated plant and buildings.

(iii) Electronic Water Meters

Council upgraded its water meters to a fully automated system in Financial Year 2020/21. It has come to Council's attention that a portion of the meters are faulty to varying degrees. Council is reviewing its options on the most effective way to address the matter.

As at 30 June 2023, net carrying value of the entire automatic meters network is \$1.839m. Due to the absence of a reliable indication on percentage of faulty meters, an impairment provision as per AASB 136 - Impairment of Assets has not been made as of the balance sheet date.

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 30/6/2008.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

| | 2023 \$ '000 | 2022 \$ '000 |
|--------------------------|-----------------|-----------------|
| Compensation: | | |
| Short-term benefits | 1,208 | 1,679 |
| Post-employment benefits | 112 | 160 |
| Other long-term benefits | 31 | 43 |
| Termination benefits | 15 | 50 |
| Total | 1,366 | 1,932 |

Other transactions with KMP and their related parties

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

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

F1-2 Councillor and Mayoral fees and associated expenses

| | 2023 \$ '000 | 2022 \$ '000 |
|---|-----------------|-----------------|
| Mayoral fee | 29 | 25 |
| Councillors' fees | 114 | 103 |
| Other Councillors' expenses (including Mayor) | 70 | 24 |
| Total | 213 | 152 |

F2 Other relationships

F2-1 Audit fees

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms | | |
| Auditors of the Council - NSW Auditor-General: | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 63 | 59 |
| Remuneration for audit and other assurance services | 63 | 59 |
| Total Auditor-General remuneration | 63 | 59 |
| Non NSW Auditor-General audit firms | | |
| (i) Audit and other assurance services | | |
| Internal Audit | 28 | 16 |
| Total remuneration of non NSW Auditor-General audit firms | 28 | 16 |
| Total audit fees | 91 | 75 |

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Net operating result from Income Statement | 26,055 | 26,755 |
| Add / (less) non-cash items: | | |
| Depreciation and amortisation | 12,248 | 11,460 |
| (Gain) / loss on disposal of assets | 856 | 318 |
| Non-cash capital grants and contributions | (1,094) | (261) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | |
| – Revaluation decrements / impairments of IPP&E direct to P&L | 14 | 17 |
| Unwinding of discount rates on reinstatement provisions | 174 | – |
| Movements in operating assets and liabilities and other cash items: | | |
| (Increase) / decrease of receivables | 1,572 | (4,410) |
| Increase / (decrease) in provision for impairment of receivables | 127 | (11) |
| (Increase) / decrease of inventories | (122) | (115) |
| (Increase) / decrease of other current assets | (159) | (81) |
| (Increase) / decrease of contract asset | (3,109) | 3,554 |
| Increase / (decrease) in payables | (71) | 1,017 |
| Increase / (decrease) in accrued interest payable | (2) | 4 |
| Increase / (decrease) in other accrued expenses payable | 122 | 81 |
| Increase / (decrease) in other liabilities | (306) | 3,168 |
| Increase / (decrease) in contract liabilities | 1,159 | 5,797 |
| Increase / (decrease) in employee benefit provision | (91) | 51 |
| Increase / (decrease) in other provisions | (341) | 169 |
| Net cash flows from operating activities | 37,032 | 47,513 |

G2-1 Commitments

Capital commitments (exclusive of GST)

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: | | |
| Property, plant and equipment | | |
| Airport | 4,620 | 333 |
| Bridges | – | 759 |
| Buildings | 853 | – |
| Domestic waste management | 167 | – |
| Footpaths | 787 | 38 |
| Koala Park | 7,895 | 99 |
| Office Equipment | 73 | 272 |
| Other Assets | 310 | 200 |
| Other Infrastructure | – | 86 |
| Plant and equipment | 2,258 | 1,153 |
| Recreational Assets | 57 | – |
| Roads | 1,386 | 2,028 |
| Saleyards | 13,056 | 7,641 |
| Sewerage and water infrastructure | 325 | 2,567 |
| Swimming Pools | 9 | – |
| Total commitments | 31,796 | 15,176 |
| These expenditures are payable as follows: | | |
| Within the next year | 31,796 | 15,176 |
| Total payable | 31,796 | 15,176 |
| Sources for funding of capital commitments: | | |
| Unrestricted general funds | 853 | 2,545 |
| Future grants and contributions | 10,475 | 3,848 |
| Unexpended grants | 11,492 | 6,165 |
| Externally restricted reserves | 1,279 | 2,567 |
| Internally restricted reserves | 7,697 | 51 |
| Total sources of funding | 31,796 | 15,176 |

G3-1 Events occurring after the reporting date

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

G4 Changes from prior year statements

G4-1 Correction of errors

1. Sewer network valuation

During the revaluation of sewer network assets, Council has identified that sewer manholes were not valued previously as separate components. Council could not establish that a provision has been made for the manholes in the unit rates used to value sewer mains in the previous revaluation, thus understating the net carrying value of sewer network assets. Council has now assigned a replacement cost for sewer manholes as part of water and sewer revaluation, which results in an increase to the opening balance of infrastructure, property, plant and equipment at 1 July 2021 of \$3.012m.

2. Crown and Community land adjustment

During the revaluation of crown and community land controlled by Council, a reconciliation was completed between Councils register and certificate titles held by council, LTO title searches and the Crown Land Management Reserve Portal. This resulted in 53 crown and 7 community land parcels removed from Councils asset register amounting to an adjustment of \$2.234m reflected in the opening balance as at 1 July 2021.

The above prior period errors resulted in a net understatement in Infrastructure, Property, Plant & Equipment of \$778,000 in the opening balance as at 1 July 2021.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2021) and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction errors. The impact is shown in the tables below.

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

Statement of Financial Position

| | Original Balance 1 July, 2021 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 1 July, 2021 ¹ \$ '000 |
|---|--|--|---|
| Infrastructure, property, plant and equipment | 467,900 | 778 | 468,678 |
| Total non-current assets | 496,115 | 778 | 496,893 |
| Total assets | 549,101 | 778 | 549,879 |
| Net assets | 515,195 | 778 | 515,973 |
| Accumulated surplus | 258,664 | 778 | 259,442 |
| Council equity interest | 515,195 | 778 | 515,973 |
| Total equity | 515,195 | 778 | 515,973 |

(1) Council considers the impact of depreciation is not material

G4-1 Correction of errors (continued)

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

| | Original Balance 30 June, 2022 \$ '000 | Impact Increase/ (decrease) \$ '000 | Restated Balance 30 June, 2022 ¹ \$ '000 |
|---|---|--|--|
| Infrastructure, property, plant and equipment | 527,986 | 778 | 528,764 |
| Total non-current assets | 572,688 | 778 | 573,466 |
| Total assets | 634,373 | 778 | 635,151 |
| Net assets | 586,561 | 778 | 587,339 |
| Accumulated surplus | 285,419 | 778 | 286,197 |
| Council equity interest | 586,561 | 778 | 587,339 |
| Total equity | 586,561 | 778 | 587,339 |

(1) Council considers the impact of depreciation is not material

G5 Statement of developer contributions as at 30 June 2023

G5-1 Summary of developer contributions

| | Opening balance at 1 July 2022 \$ '000 | Contributions received during the year | | | Interest and investment income earned \$ '000 | Amounts expended \$ '000 | Internal borrowings \$ '000 | Held as restricted asset at 30 June 2023 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|--|---|--|--------------------------|---------------------------|--|-----------------------------|--------------------------------|---|--|
| | | Cash \$ '000 | Non-cash Land \$ '000 | Non-cash Other \$ '000 | | | | | |
| Drainage | 867 | 12 | – | – | 22 | – | – | 901 | – |
| Parking | 120 | – | – | – | 3 | – | – | 123 | – |
| Open space | 1 | – | – | – | – | – | – | 1 | – |
| S7.11 contributions – under a plan | 988 | 12 | – | – | 25 | – | – | 1,025 | – |
| S7.12 levies – under a plan | 2,221 | 318 | – | – | 58 | – | – | 2,597 | – |
| Total S7.11 and S7.12 revenue under plans | 3,209 | 330 | – | – | 83 | – | – | 3,622 | – |
| S7.4 planning agreements | 771 | 691 | – | – | 28 | (955) | – | 535 | – |
| S64 contributions | 8,513 | (6) | – | – | 220 | – | – | 8,727 | – |
| Total contributions | 12,493 | 1,015 | – | – | 331 | (955) | – | 12,884 | – |

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G5-2 Developer contributions by plan

| | Opening balance at 1 July 2022 \$ '000 | Contributions received during the year | | | Interest and investment income earned \$ '000 | Amounts expended \$ '000 | Internal borrowings \$ '000 | Held as restricted asset at 30 June 2023 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|-----------------------------------|---|--|--------------------------|---------------------------|--|-----------------------------|--------------------------------|---|--|
| | | Cash \$ '000 | Non-cash Land \$ '000 | Non-cash Other \$ '000 | | | | | |
| CONTRIBUTION PLAN NUMBER 1 | | | | | | | | | |
| Drainage | 867 | 12 | – | – | 22 | – | – | 901 | – |
| Parking | 120 | – | – | – | 3 | – | – | 123 | – |
| Open space | 1 | – | – | – | – | – | – | 1 | – |
| Total | 988 | 12 | – | – | 25 | – | – | 1,025 | – |

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

| | Opening balance at 1 July 2022 \$ '000 | Contributions received during the year | | | Interest and investment income earned \$ '000 | Amounts expended \$ '000 | Internal borrowings \$ '000 | Held as restricted asset at 30 June 2023 \$ '000 | Cumulative balance of internal borrowings (to)/from \$ '000 |
|------------------------------------|---|--|--------------------------|------------------------------|--|--------------------------------|-----------------------------------|---|---|
| | | Cash \$ '000 | Non-cash Land \$ '000 | Non-cash Other \$ '000 | | | | | |
| CONTRIBUTION PLAN NUMBER 01 | | | | | | | | | |
| Community facilities | 2,221 | 318 | – | – | 58 | – | – | 2,597 | – |
| Total | 2,221 | 318 | – | – | 58 | – | – | 2,597 | – |

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

| \$ '000 | Amounts 2023 | Indicator 2023 | Indicators 2022 2021 | | Benchmark |
|--|-----------------|-------------------|------------------------------|--------|-----------|
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 5,791 | 9.56% | 9.10% | 7.99% | > 0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 60,589 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 38,238 | 46.72% | 48.40% | 55.13% | > 60.00% |
| Total continuing operating revenue ¹ | 81,852 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 47,953 | 3.59x | 3.62x | 2.17x | > 1.50x |
| Current liabilities less specific purpose liabilities | 13,344 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 18,765 | 12.34x | 11.89x | 12.06x | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 1,521 | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | |
| Rates and annual charges outstanding | 758 | 3.52% | 3.99% | 5.49% | < 10.00% |
| Rates and annual charges collectable | 21,544 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 97,166 | 23.67 | 27.17 | 19.42 | > 3.00 |
| Monthly payments from cash flow of operating and financing activities | 4,104 | months | months | months | months |

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

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

G6-2 Statement of performance measures by fund

| \$ '000 | General Indicators ³ | | Water Indicators | | Sewer Indicators | | Benchmark |
|--|---------------------------------|--------------|------------------|---------|------------------|--------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 8.83% | 10.99% | 3.05% | (6.28)% | 28.33% | 0.52% | > 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 | 41.29% | 49.63% | 87.57% | 30.18% | 95.06% | 83.98% | > 60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 3.59x | 3.62x | 34.13x | 17.77x | ∞ | ∞ | > 1.50x |
| Current liabilities less specific purpose liabilities | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 10.08x | 10.64x | ∞ | ∞ | ∞ | ∞ | > 2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates and annual charges outstanding percentage | | | | | | | |
| Rates and annual charges outstanding | 3.26% | 3.82% | 4.56% | 4.91% | 4.82% | 4.76% | < 10.00% |
| Rates and annual charges collectable | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 23.55 months | 26.95 months | ∞ | ∞ | ∞ | ∞ | > 3.00 months |
| Monthly payments from cash flow of operating and financing activities | | | | | | | |

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

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 9.56%

Council's operating result is an improvement compared to the original adopted budget mainly due to operating grants received in advance. A positive operating result means Council is able to adequately meet capital renewal expenditure equal or greater than rate of depreciation. Funding related to such operating grants received in advance has been placed in internal restriction, to reflect true unrestricted cash position at the reporting date.

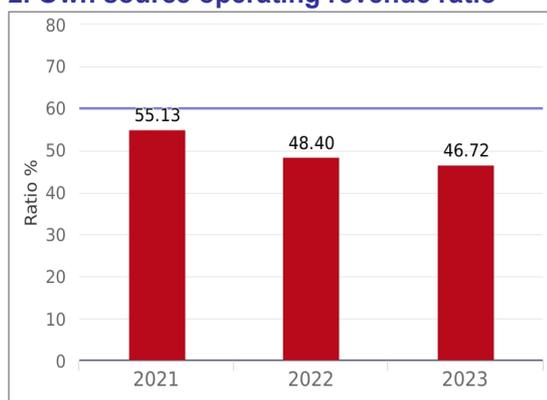
Benchmark: — > 0.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 46.72%

This ratio reflects Council's reliance on external funding sources such as grants and contributions. Whilst the ratio remains below the benchmark, the amount of own source income generated has slightly increased, however, total operating revenue has increased at a higher rate due to capital grants and contributions related to the extensive capital works program Council is currently delivering, contributing to the ratio remaining below the benchmark. It is expected the ratio will improve upon completion of current capital works program.

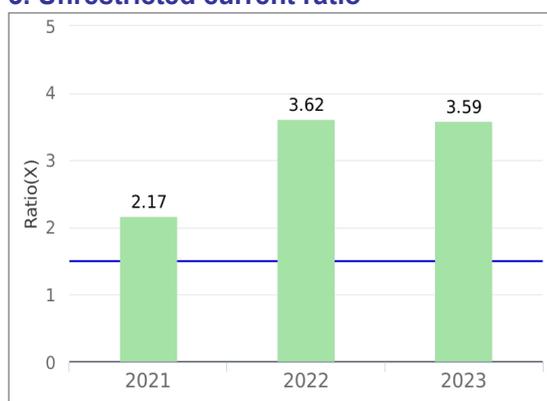
Benchmark: — > 60.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 3.59x

Unrestricted current ratio indicates the adequacy of working capital and ability to meet obligations as and when they fall due. Whilst Council's latest result is a slight decrease from previous financial year, it still sits well above the industry benchmark, ensuring the achievement of target working capital requirements satisfactorily.

Benchmark: — > 1.50x

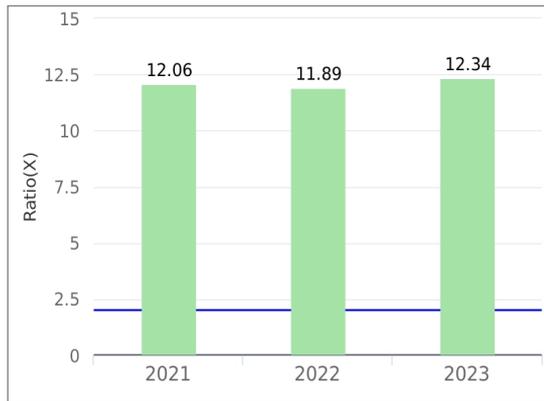
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 12.34x

Council continues to maintain a strong position in debt service cover ratio. This ratio continues to stay well above the industry benchmark, and Council remains in a strong position to meet borrowing requirements in future, should the need arise.

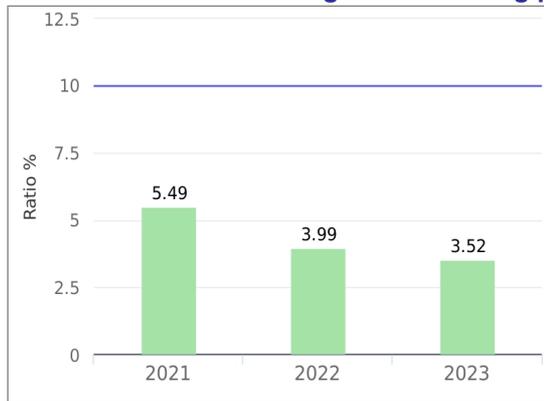
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 3.52%

This ratio continues to stay well under industry benchmark for regional Councils due to efficient debt recovery process. Council has also undertaken a sale of land for unpaid rates in the reporting period, contributing to continuation of a satisfactory ratio.

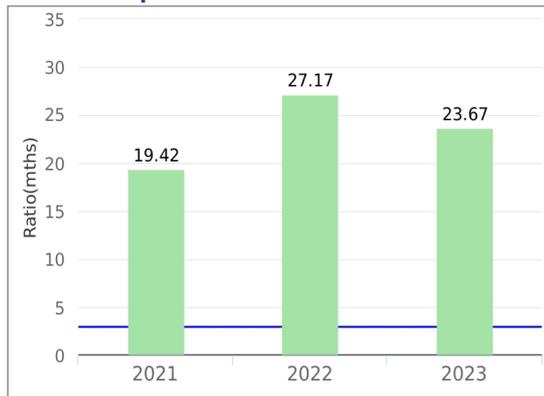
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 23.67 months

Council's cash expense cover ratio has decreased marginally due to increased cash outflow from operating activities. Whilst Council's cash and cash equivalents has increased compared to previous financial year, cash outflow from operating activities has increased at a higher rate, contributing to the ratio to decrease compared to previous reporting period. This ratio continues to stay well above the industry benchmark.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

63 Elgin Street
GUNNEDAH NSW 2380

Contact details

Mailing Address:

PO Box 63
GUNNEDAH NSW 2380

Opening hours:

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

Telephone: 02 6740 2100

Facsimile: 02 6740 2119

Internet: www.gunnedah.nsw.gov.au

Email: council@infogunnedah.com.au

Officers

General Manager

E J GROTH

Responsible Accounting Officer

K TENNAKOON

Auditors

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

Elected members

Mayor

J CHAFFEY

Councillors

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

Other information

ABN: 80 183 655 793



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying financial statements of Gunnedah Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



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

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: R008-16585809-46767

31 October 2023

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2023 Gunnedah Shire Council

I have audited the general purpose financial statements (GPFS) of the Gunnedah Shire Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

| | 2023 | 2022 | Variance |
|---|------|------|----------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 20.6 | 19.7 | 4.6 |
| Grants and contributions revenue | 43.6 | 37.8 | 15.3 |
| Operating result from continuing operations | 26.1 | 26.8 | 2.6 |

| | | | |
|--|-----|-----|------|
| Net operating result before capital grants and contributions | 4.8 | 4.2 | 14.3 |
|--|-----|-----|------|

The Council's operating result from continuing operations was a surplus of \$26.1 million, which was relatively stable from the prior year (2021-22: \$26.8 million).

The net operating result before capital grants and contributions was a surplus of \$4.8 million, which is an increase of \$0.6 million from the 2021–22 result. This is primarily due to the increase in grants and contributions provided for operational purposes in 2022-23.

Grants and contributions revenue (\$43.6 million) increased by \$5.8 million (15.3 per cent) in 2022–23, which was mainly due to:

- \$0.8 million increase in financial assistance grants due to receiving 100 percent of the financial assistance grants for 2023-24 in advance (75 percent in 2021-22)
- \$1.2 million increase in community care grants recognised in the financial year
- \$7.3 million increase in capital grants recognised for the saleyards construction
- \$4.0 million increase in transport (other roads and bridges funding) due to disaster recovery funding received for the November 2022 floods.

Offset by:

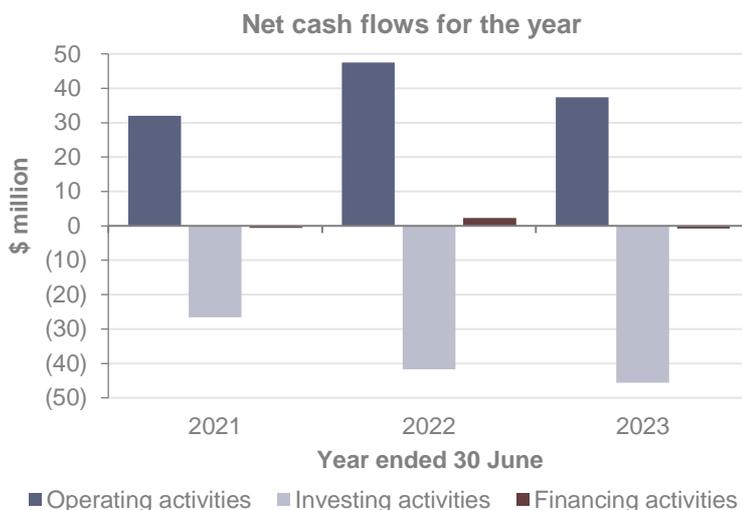
- \$6.6 million decrease in capital grants recognised for water supplies due to major completion of the water treatment plant project.
- \$0.9 million decrease in roads to recovery grants recognised due to deferral of works.

STATEMENT OF CASH FLOWS

Cash from operating activities decreased by \$10.5 million, mainly due to a decrease in grants and contribution cash receipts received during the year and an increase in payments for materials and services.

Cash outflows from investing activities increased by \$3.9 million due to a net increase in purchase of investments.

Cash outflows from financing activities primarily consist of repayments of borrowings.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2023 | 2022 | Commentary |
|--|--------------|-------------|--|
| | \$m | \$m | |
| Total cash, cash equivalents and investments | 101.2 | 92.6 | Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted balances comprise mainly of specific purpose unexpended grants, developer contributions, domestic waste management and water and sewer funds. |
| Restricted and allocated cash, cash equivalents and investments: | | | |
| • External restrictions | 62.1 | 58.6 | |
| • Internal allocations | 36.2 | 30.6 | At 30 June 2023 Council holds \$2.9 million in unrestricted and unallocated cash, cash equivalents and investments. This is a reduction on the 2021-22 balance, which was \$3.4 million. |

Debt

At 30 June 2023, Council had:

- \$13.1 million in secured loans (\$13.9 million in 2021-22)
- \$500,000 in bank overdraft facilities with Nil drawn.

PERFORMANCE

Performance measures

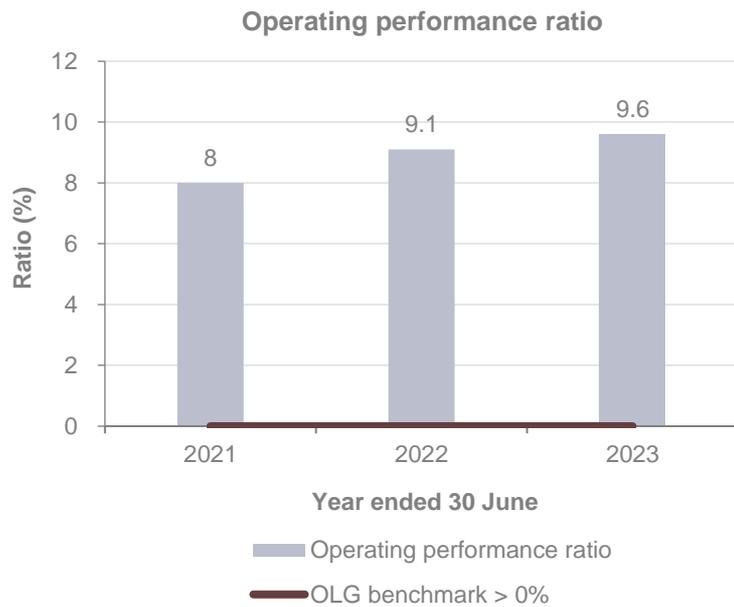
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

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

The Council's operating performance ratio of 9.6 per cent exceeded the benchmark.

The ratio has improved, mainly due to the increase in grants and contributions provided for operating purposes.

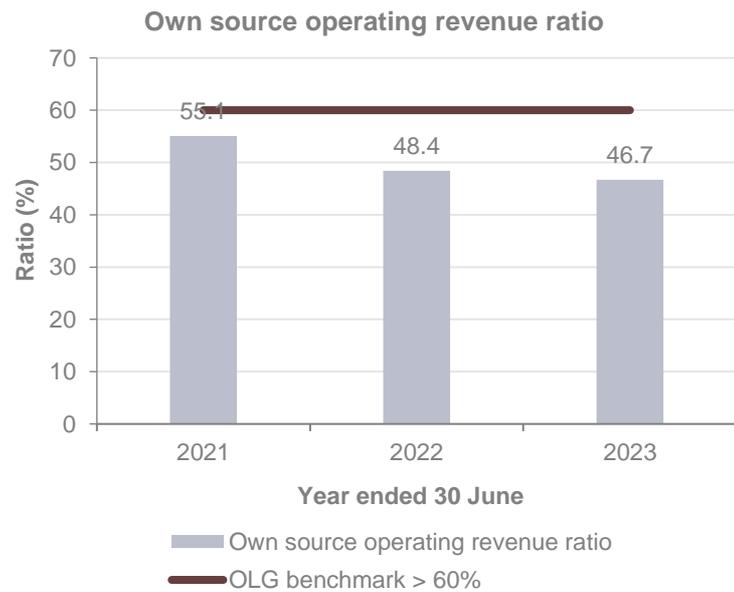


Own source operating revenue ratio

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

The Council did not meet the benchmark for the current or previous reporting periods.

The ratio continued to decline during the year, mainly due to an increase in grants and contributions provided for operating purposes.

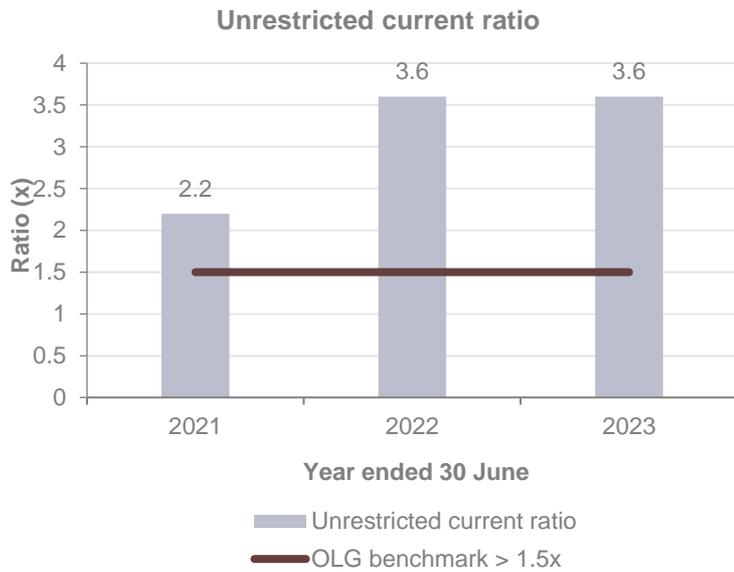


Unrestricted current ratio

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

The Council's ratio of 3.6 times exceeded the benchmark for the current reporting period.

The ratio remains consistent with the prior period.

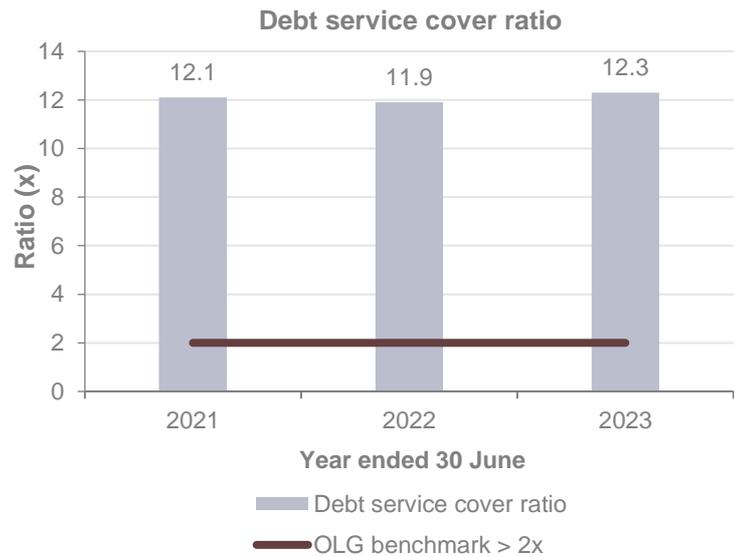


Debt service cover ratio

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

The Council's ratio of 12.3 times exceeded the benchmark for the current reporting period.

The ratio remains consistent with the prior period.

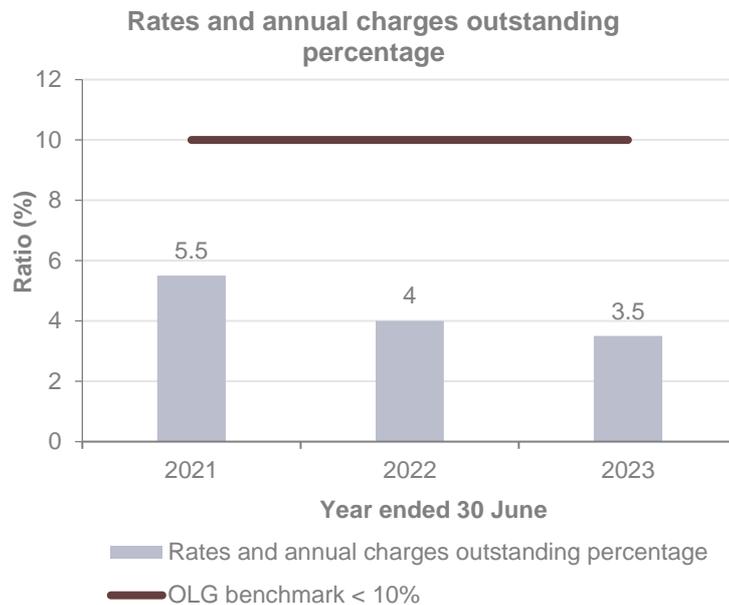


Rates and annual charges outstanding percentage

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

The Council ratio of 3.5 per cent is within the benchmark for the current reporting period.

The ratio continues to improve due to debt recovery processes.

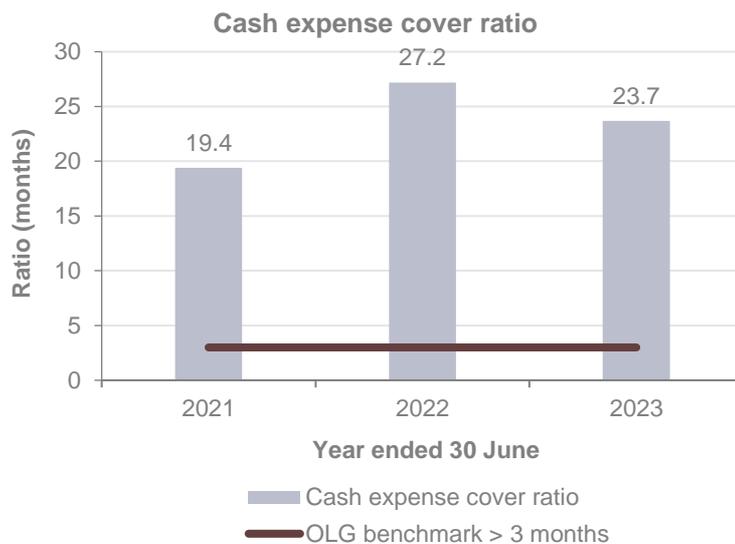


Cash expense cover ratio

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

The Council ratio of 23.7 months exceeded the benchmark for the current reporting period.

The ratio decreased from the prior year due to an increase in cash payments from operating activities.



Infrastructure, property, plant and equipment renewals

Council renewed \$27.0 million of infrastructure, property, plant and equipment during the 2022-23 financial year (2021-22 \$19.0 million). This was mainly due to an increase in capital works in progress for Gunnedah Saleyards redevelopment and airport runway upgrade project.

OTHER MATTERS

Legislative compliance

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

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



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

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



Gunnedah Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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| Income Statement of sewerage business activity | 5 |
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| Statement of Financial Position of sewerage business activity | 7 |
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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Gunnedah Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

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

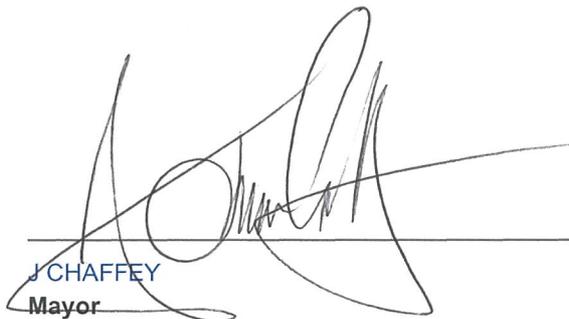
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government Code of Accounting Practice and Financial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

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

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

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

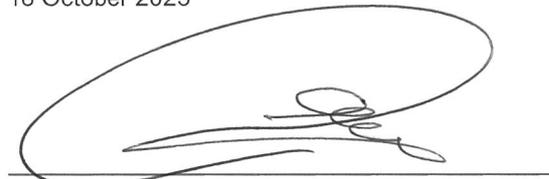
Signed in accordance with a resolution of Council made on 18 October 2023.



J CHAFFEY
Mayor
18 October 2023



R HOOKE
Councillor
18 October 2023



E J GROTH
General Manager
18 October 2023



K TENNAKOON
Responsible Accounting Officer
18 October 2023

Gunnedah Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2023

| | 2023 \$ '000 | 2022 \$ '000 |
|--|-----------------|-----------------|
| Income from continuing operations | | |
| Access charges | 1,366 | 1,074 |
| User charges | 2,888 | 2,253 |
| Interest and investment income | 297 | 147 |
| Grants and contributions provided for operating purposes | 110 | 78 |
| Total income from continuing operations | 4,661 | 3,552 |
| Expenses from continuing operations | | |
| Materials and services | 2,101 | 1,773 |
| Depreciation, amortisation and impairment | 1,268 | 1,061 |
| Employee benefits and on-costs | 924 | 916 |
| Net loss from the disposal of assets | 226 | 24 |
| Other expenses | - | 1 |
| Total expenses from continuing operations | 4,519 | 3,775 |
| Surplus (deficit) from continuing operations before capital amounts | 142 | (223) |
| Grants and contributions provided for capital purposes | 536 | 7,959 |
| Surplus (deficit) from continuing operations after capital amounts | 678 | 7,736 |
| Surplus (deficit) from all operations before tax | 678 | 7,736 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (36) | - |
| Surplus (deficit) after tax | 642 | 7,736 |
| Plus accumulated surplus | 48,984 | 41,248 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 36 | - |
| Closing accumulated surplus | 49,662 | 48,984 |
| Return on capital % | 0.2% | (0.4)% |
| Subsidy from Council | 2,742 | 2,451 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 643 | 7,736 |
| Less: capital grants and contributions (excluding developer contributions) | (536) | (7,959) |
| Surplus for dividend calculation purposes | 107 | - |
| Potential dividend calculated from surplus | 53 | - |

Gunnedah Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

| | 2023 | 2022 |
|--|---------------|---------------------|
| | \$ '000 | Restated \$ '000 |
| Income from continuing operations | | |
| Access charges | 2,350 | 2,288 |
| User charges | 921 | 853 |
| Interest and investment income | 329 | 125 |
| Grants and contributions provided for operating purposes | 32 | 32 |
| Total income from continuing operations | 3,632 | 3,298 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 412 | 449 |
| Materials and services | 1,199 | 1,918 |
| Depreciation, amortisation and impairment | 992 | 914 |
| Total expenses from continuing operations | 2,603 | 3,281 |
| Surplus (deficit) from continuing operations before capital amounts | 1,029 | 17 |
| Grants and contributions provided for capital purposes | 155 | 591 |
| Surplus (deficit) from continuing operations after capital amounts | 1,184 | 608 |
| Surplus (deficit) from all operations before tax | 1,184 | 608 |
| Less: corporate taxation equivalent (25%) [based on result before capital] | (257) | (4) |
| Surplus (deficit) after tax | 927 | 604 |
| Plus accumulated surplus | 25,388 | 22,295 |
| Plus/less: prior period adjustments ¹ | – | 2,485 |
| Plus adjustments for amounts unpaid: | | |
| – Corporate taxation equivalent | 257 | 4 |
| Closing accumulated surplus | 26,572 | 25,388 |
| Return on capital % | 1.8% | 0.0% |
| Subsidy from Council | 1,297 | 1,396 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 927 | 604 |
| Less: capital grants and contributions (excluding developer contributions) | (155) | (591) |
| Surplus for dividend calculation purposes | 772 | 13 |
| Potential dividend calculated from surplus | 386 | 6 |

(1) Refer to the Notes on Significant Accounting Policies - Correction of prior period errors

Gunnedah Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

| | 2023 \$ '000 | 2022 \$ '000 |
|---|-----------------|-----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 136 | 164 |
| Investments | 9,899 | 11,184 |
| Inventories | 100 | 99 |
| Receivables | 601 | 309 |
| Contract assets and contract cost assets | 937 | 1,163 |
| Total current assets | 11,673 | 12,919 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment | 71,753 | 60,874 |
| Total non-current assets | 71,753 | 60,874 |
| Total assets | 83,426 | 73,793 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables | 335 | 717 |
| Employee benefit provisions | 7 | 10 |
| Total current liabilities | 342 | 727 |
| Total liabilities | 342 | 727 |
| Net assets | 83,084 | 73,066 |
| EQUITY | | |
| Accumulated surplus | 49,662 | 48,984 |
| Revaluation reserves | 33,422 | 24,082 |
| Total equity | 83,084 | 73,066 |

Gunnedah Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

| | 2023 | 2022 |
|--|---------------|---------------------|
| | \$ '000 | Restated \$ '000 |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 362 | 521 |
| Investments | 13,787 | 11,943 |
| Receivables | 146 | 138 |
| Total current assets | 14,295 | 12,602 |
| Non-current assets | | |
| Infrastructure, property, plant and equipment ¹ | 57,853 | 41,079 |
| Total non-current assets | 57,853 | 41,079 |
| Total assets | 72,148 | 53,681 |
| LIABILITIES | | |
| Current liabilities | | |
| Employee benefit provisions | 4 | – |
| Total current liabilities | 4 | – |
| Total liabilities | 4 | – |
| Net assets | 72,144 | 53,681 |
| EQUITY | | |
| Accumulated surplus | 26,572 | 25,388 |
| Revaluation reserves | 45,572 | 28,293 |
| Total equity | 72,144 | 53,681 |

(1) Refer to the Notes on Significant Accounting Policies - Correction of prior period errors

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

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

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

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

Nil

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

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

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

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

| | Notional rate applied |
|--------------------|---|
| Corporate tax rate | 25% (21/22 25%) |
| Land tax | The first \$969,000 of combined land values attracts 0%. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is \$100 + 1.6%. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of 2.0% applies |
| Payroll tax | 5.45% on the value of taxable salaries and wages in excess of \$1,200,000 |

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (21/22 25%).

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

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

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

Local government rates and charges

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

Note – Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

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

(iii) Dividends

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

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 2023 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.

Correction of prior period errors

1. Sewer network valuation

During the revaluation of sewer network assets, Council has identified that sewer manholes were not valued previously as separate components. Council could not establish that a provision has been made for the manholes in the unit rates used to value sewer mains in the previous revaluation, thus understating the net carrying value of sewer network assets. Council has now assigned replacement cost for sewer manholes as part of water and sewer revaluation, which is an increase to Infrastructure, property, plant and equipment and Accumulated Surplus by \$3.012m

2. Sewer crown land adjustment

During the revaluation of crown land controlled by Council, a reconciliation was completed between Councils register and the Crown Land Management Reserve Portal. This resulted in a number of parcels removed from Councils asset register amounting to an reduction in respect to sewer crown land assets of \$527,000.

The above prior period errors resulted in a net increase in infrastructure, Property, Plant & Equipment and Accumulated Surplus of \$2.485m.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Gunnedah Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

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



Gunnedah Shire Council

Special Schedules

for the year ended 30 June 2023

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Permissible income for general rates

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Report on infrastructure assets as at 30 June 2023

7

Gunnedah Shire Council

Permissible income for general rates

| | Notes | Calculation 2022/23 \$ '000 | Calculation 2023/24 \$ '000 |
|---|-------------------------|-----------------------------------|-----------------------------------|
| Notional general income calculation ¹ | | | |
| Last year notional general income yield | a | 13,891 | 14,567 |
| Plus or minus adjustments ² | b | 308 | 69 |
| Notional general income | c = a + b | 14,199 | 14,636 |
| Permissible income calculation | | | |
| Or rate peg percentage | e | 2.50% | 3.80% |
| Or plus rate peg amount | i = e x (c + g) | 355 | 556 |
| Sub-total | k = (c + g + h + i + j) | 14,554 | 15,192 |
| Plus (or minus) last year's carry forward total | l | 19 | 6 |
| Less valuation objections claimed in the previous year | m | (1) | (1) |
| Sub-total | n = (l + m) | 18 | 5 |
| Total permissible income | o = k + n | 14,572 | 15,197 |
| Less notional general income yield | p | 14,567 | 15,179 |
| Catch-up or (excess) result | q = o - p | 5 | 18 |
| Plus income lost due to valuation objections claimed ⁴ | r | 1 | - |
| Carry forward to next year ⁶ | t = q + r + s | 6 | 18 |

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Gunnedah Shire Council

To the Councillors of Gunnedah Shire Council

Opinion

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023
SYDNEY

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2023

| Asset Class | Asset Category | Estimated cost | | 2022/23 Required maintenance ^a | 2022/23 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-----------------------------|----------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|--------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | | | | | |
| Buildings | Buildings | 91 | 91 | 270 | 195 | 37,345 | 65,159 | 13.0% | 44.0% | 42.8% | 0.2% | 0.0% |
| | Sub-total | 91 | 91 | 270 | 195 | 37,347 | 65,159 | 13.0% | 44.0% | 42.8% | 0.2% | 0.0% |
| Other structures | Other structures | 854 | 854 | 235 | 250 | 6,358 | 10,249 | 31.8% | 58.1% | 1.8% | 8.3% | 0.0% |
| | Sub-total | 854 | 854 | 235 | 250 | 6,358 | 10,249 | 31.8% | 58.1% | 1.8% | 8.3% | 0.0% |
| Roads | Urban Roads | 853 | 853 | 379 | 740 | 46,770 | 65,669 | 56.1% | 20.9% | 22.7% | 0.2% | 0.1% |
| | Rural Sealed Roads | 5,257 | 5,257 | 1,457 | 1,508 | 98,994 | 122,676 | 73.1% | 14.4% | 8.2% | 0.4% | 3.9% |
| | Rural Unsealed Roads | 2,881 | 2,881 | 2,853 | 4,135 | 87,699 | 106,924 | 63.3% | 19.0% | 15.0% | 0.4% | 2.3% |
| | Bridges / Culverts | 1,024 | 1,024 | 287 | 67 | 34,465 | 54,461 | 17.5% | 64.0% | 11.2% | 5.4% | 1.9% |
| | Footpaths | 35 | 35 | 64 | 43 | 8,174 | 10,907 | 67.4% | 24.3% | 8.0% | 0.3% | 0.0% |
| | Other road assets | 82 | 82 | 41 | 41 | 4,555 | 5,944 | 52.8% | 30.6% | 9.4% | 5.8% | 1.4% |
| | Sub-total | 10,132 | 10,132 | 5,081 | 6,534 | 280,658 | 366,581 | 58.4% | 24.8% | 13.2% | 1.2% | 2.4% |
| Water supply network | Water supply network | 3,097 | 3,097 | 1,616 | 1,526 | 70,387 | 107,782 | 38.8% | 19.4% | 20.0% | 15.8% | 6.0% |
| | Sub-total | 3,097 | 3,097 | 1,616 | 1,526 | 70,387 | 107,782 | 38.8% | 19.4% | 20.0% | 15.8% | 6.0% |
| Sewerage network | Sewerage network | 4,269 | 4,269 | 1,029 | 911 | 57,090 | 85,179 | 47.0% | 22.6% | 14.8% | 6.3% | 9.3% |
| | Sub-total | 4,269 | 4,269 | 1,029 | 911 | 57,090 | 85,179 | 47.0% | 22.6% | 14.8% | 6.3% | 9.3% |
| Stormwater drainage | Stormwater drainage | – | – | 30 | 4 | 32,538 | 43,914 | 40.8% | 59.2% | 0.0% | 0.0% | 0.0% |
| | Kerb & Gutter | 32 | 32 | 47 | 1 | 12,796 | 33,659 | 21.5% | 69.0% | 9.4% | 0.1% | 0.0% |
| | Sub-total | 32 | 32 | 77 | 5 | 45,334 | 77,573 | 32.4% | 63.5% | 4.1% | 0.0% | 0.0% |

Gunnedah Shire Council

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

| Asset Class | Asset Category | Estimated cost | | 2022/23 Required maintenance ^a | 2022/23 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|---|---------------------------|--|---|---|----------------------------------|------------------------|------------------------------------|--|--------------|--------------|--------------|-------------|
| | | Estimated cost to bring assets to satisfactory standard | to bring to the agreed level of service set by Council | | | | | 1 | 2 | 3 | 4 | 5 |
| | | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | \$ '000 | | | | | |
| Open space / recreational assets | Swimming pools | – | – | 64 | 77 | 10,598 | 12,622 | 60.0% | 40.0% | 0.0% | 0.0% | 0.0% |
| | Other Recreational Assets | 744 | 744 | 1,244 | 1,349 | 9,267 | 13,985 | 18.3% | 48.3% | 7.7% | 20.6% | 5.1% |
| | Sub-total | 744 | 744 | 1,308 | 1,426 | 19,865 | 26,607 | 38.1% | 44.4% | 4.0% | 10.8% | 2.7% |
| Other infrastructure assets | Aerodrome | 18 | 18 | 52 | 36 | 2,206 | 8,110 | 36.1% | 0.4% | 63.3% | 0.2% | 0.0% |
| | Car Parking | – | – | 8 | 3 | 599 | 1,580 | 6.3% | 3.2% | 90.5% | 0.0% | 0.0% |
| | Sub-total | 18 | 18 | 60 | 39 | 2,805 | 9,690 | 31.2% | 0.9% | 67.7% | 0.2% | 0.0% |
| Total – all assets | | 19,237 | 19,237 | 9,676 | 10,886 | 519,844 | 748,820 | 46.2% | 30.3% | 16.2% | 4.1% | 3.2% |

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

Infrastructure asset condition assessment 'key'

| | | |
|---|----------------------------|---------------------------------------|
| 1 | Excellent/very good | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Satisfactory | Maintenance work required |
| 4 | Poor | Renewal required |
| 5 | Very poor | Urgent renewal/upgrading required |

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

| \$ '000 | Amounts 2023 | Indicator 2023 | Indicators | | Benchmark |
|--|-----------------|-------------------|------------|---------|-----------|
| | | | 2022 | 2021 | |
| Buildings and infrastructure renewals ratio | | | | | |
| Asset renewals ¹ | 14,471 | 154.70% | 87.25% | 130.09% | > 100.00% |
| Depreciation, amortisation and impairment | 9,354 | | | | |
| Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 19,237 | 3.50% | 1.35% | 0.74% | < 2.00% |
| Net carrying amount of infrastructure assets | 548,953 | | | | |
| Asset maintenance ratio | | | | | |
| Actual asset maintenance | 10,886 | 112.51% | 94.71% | 87.35% | > 100.00% |
| Required asset maintenance | 9,676 | | | | |
| Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 19,237 | 2.57% | 1.00% | 0.53% | |
| Gross replacement cost | 748,820 | | | | |

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

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

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 154.70%

Council's long term objective is to match or exceed infrastructure renewal expenditure compared to systematic deterioration of respective assets. Council monitors this ratio over a period of time rather than on annual basis. This year, Council exceeds the benchmark mainly due to upgrade projects being capitalised in the reporting period such as Clifton Road, Kelvin Road and Saleyards truck wash, part of which qualify as renewal expenditure due to renewal of existing assets.

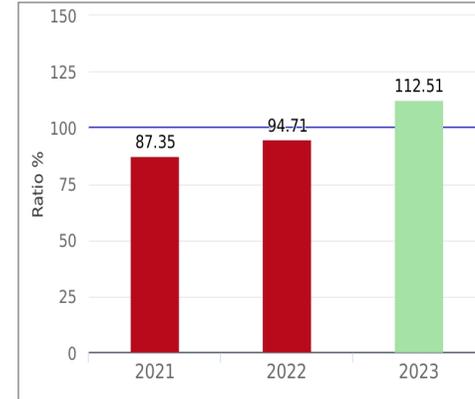
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 112.51%

This ratio reflects Council's commitment to maintaining infrastructure assets and improving condition where financially possible. This year's result has improved compared to previous financial years, mainly due to additional grant funding available through Pothole Repair grant program, associated with restoration of flood damage transport infrastructure assets.

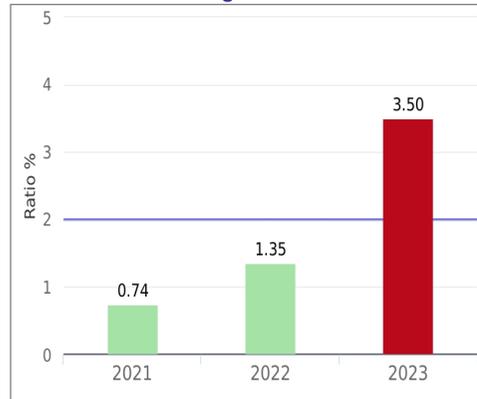
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 3.50%

Infrastructure backlog ratio has increased exponentially mainly due to flood damaged transport infrastructure assets remained unrestored as at the reporting date. These assets are expected to be restored back to pre-flood conditions within next 24 months through Essential Public Asset Restoration (DRFA) funding. The ratio has been further affected from recent condition ratings received for water and sewerage network assets as part of revaluation of those asset classes.

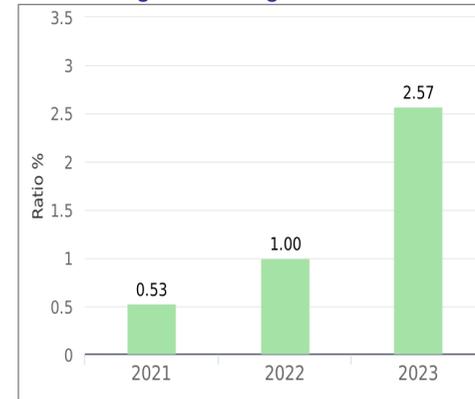
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 2.57%

This ratio has increased exponentially mainly due to flood damaged transport infrastructure assets remained unrestored as at the reporting date. These assets are expected to be restored back to pre-flood conditions within next 24 months through Essential Public Asset Restoration (DRFA) funding. The ratio has further affected from recent condition ratings received for water and sewerage network assets as part of revaluation of those asset classes.

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

| \$ '000 | General fund | | Water fund | | Sewer fund | | Benchmark |
|--|----------------|--------|----------------|---------|---------------|---------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | |
| Buildings and infrastructure renewals ratio | | | | | | | |
| Asset renewals ¹ | | | | | | | |
| Depreciation, amortisation and impairment | 176.33% | 52.72% | 146.28% | 225.19% | 3.46% | 181.35% | > 100.00% |
| Infrastructure backlog ratio | | | | | | | |
| Estimated cost to bring assets to a satisfactory standard | | | | | | | |
| Net carrying amount of infrastructure assets | 2.82% | 0.56% | 4.40% | 3.64% | 7.48% | 6.12% | < 2.00% |
| Asset maintenance ratio | | | | | | | |
| Actual asset maintenance | | | | | | | |
| Required asset maintenance | 120.17% | 95.91% | 94.43% | 101.97% | 88.53% | 85.08% | > 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 | 2.14% | 0.44% | 2.87% | 2.28% | 5.01% | 3.56% | |

(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.