



Gunnedah Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

“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 2021

“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 2021

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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 2021

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 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Gunnedah Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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 15 September 2021.



J CHARNEY

Mayor

20 October 2021



R HOOKE

Councillor

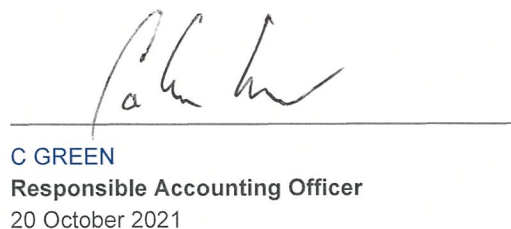
20 October 2021



E J GROTH

General Manager

20 October 2021



C GREEN

Responsible Accounting Officer

20 October 2021

Gunnedah Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
	Income from continuing operations			
18,562	Rates and annual charges	B2-1	19,301	18,770
10,263	User charges and fees	B2-2	13,501	15,697
1,334	Other revenue	B2-3	1,210	868
12,683	Grants and contributions provided for operating purposes	B2-4	13,586	12,668
7,123	Grants and contributions provided for capital purposes	B2-4	15,038	11,506
1,115	Interest and investment income	B2-5	1,053	1,363
–	Other income	B2-6	101	118
51,080	Total income from continuing operations		63,790	60,990
	Expenses from continuing operations			
18,141	Employee benefits and on-costs	B3-1	16,971	16,436
9,143	Materials and services	B3-2	15,680	16,351
1,095	Borrowing costs	B3-3	674	719
10,660	Depreciation, amortisation and impairment for non-financial assets	B3-4	11,098	10,439
4,033	Other expenses	B3-5	458	303
71	Net losses from the disposal of assets	B4-1	1,702	3,310
43,143	Total expenses from continuing operations		46,583	47,558
7,937	Operating result from continuing operations		17,207	13,432
7,937	Net operating result for the year attributable to Council		17,207	13,432
813,350	Net operating result for the year before grants and contributions provided for capital purposes		2,169	1,926

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 2021

	Notes	2021 \$ '000	Restated 2020 \$ '000
Net operating result for the year – from Income Statement		17,207	13,432
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	4,753	4,832
Correction of prior period error		–	2,534
Total items which will not be reclassified subsequently to the operating result		4,753	7,366
Total other comprehensive income for the year		4,753	7,366
Total comprehensive income for the year attributable to Council		21,960	20,798

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 2021

	Notes	2021 \$ '000	Restated 2020 ¹ \$ '000	Restated 1 July 2019 ¹ \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	10,205	5,422	5,464
Investments	C1-2	30,764	31,265	31,636
Receivables	C1-4	5,378	8,874	3,918
Inventories	C1-5	824	563	543
Contract assets and contract cost assets	C1-6	5,505	1,821	–
Other		310	150	194
Total current assets		52,986	48,095	41,755
Non-current assets				
Investments	C1-2	27,514	25,000	20,000
Receivables	C1-4	18	20	26
Infrastructure, property, plant and equipment	C1-7	463,917	447,431	434,990
Right of use assets		683	738	–
Total non-current assets		492,132	473,189	455,016
Total assets		545,118	521,284	496,771
LIABILITIES				
Current liabilities				
Payables	C3-1	4,668	5,701	3,755
Contract liabilities	C3-2	6,822	3,191	87
Lease liabilities	C2-1	46	57	–
Borrowings	C3-3	600	570	542
Employee benefit provisions	C3-4	5,310	5,454	4,975
Provisions	C3-5	7	7	7
Total current liabilities		17,453	14,980	9,366
Non-current liabilities				
Lease liabilities	C2-1	590	621	–
Borrowings	C3-3	10,861	11,461	12,032
Employee benefit provisions	C3-4	240	254	206
Provisions	C3-5	4,762	4,716	4,638
Total non-current liabilities		16,453	17,052	16,876
Total liabilities		33,906	32,032	26,242
Net assets		511,212	489,252	470,529
EQUITY				
Accumulated surplus		254,681	237,474	226,117
IPPE revaluation reserve		256,531	251,778	244,412
Council equity interest		511,212	489,252	470,529
Total equity		511,212	489,252	470,529

(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 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
		\$ '000	\$ '000	\$ '000	Restated \$ '000	Restated \$ '000	Restated \$ '000
Opening balance at 1 July		239,615	249,244	488,859	228,258	244,412	472,670
Correction of prior period errors	G4-1	(2,141)	2,534	393	(2,141)	–	(2,141)
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(2,075)	–	(2,075)
Restated opening balance		237,474	251,778	489,252	224,042	244,412	468,454
Net operating result for the year		17,207	–	17,207	13,432	–	13,432
Net operating result for the period		17,207	–	17,207	13,432	–	13,432
Other comprehensive income							
Correction of prior period errors - Bridges Revaluation Error	G4-1	–	–	–	–	2,534	2,534
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	4,753	4,753	–	4,832	4,832
Transfers between Equity		–	–	–	–	–	–
Other comprehensive income		–	4,753	4,753	–	7,366	7,366
Total comprehensive income		17,207	4,753	21,960	13,432	7,366	20,798
Closing balance at 30 June		254,681	256,531	511,212	237,474	251,778	489,252

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 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
19,242	Rates and annual charges		19,202	18,702
15,713	User charges and fees		15,294	13,508
1,143	Investment and interest revenue received		1,177	1,408
37,958	Grants and contributions		31,882	21,314
390	Other		3,648	2,851
<i>Payments:</i>				
(12,947)	Employee benefits and on-costs		(17,226)	(15,667)
(20,138)	Materials and services		(20,732)	(14,189)
(603)	Borrowing costs		(675)	(719)
(6,444)	Other		(598)	(4,033)
34,314	Net cash flows from operating activities	G1-1a	31,972	23,175
Cash flows from investing activities				
<i>Receipts:</i>				
4,971	Sale of investment securities		84	–
–	Redemption of term deposits		33,000	31,000
1,374	Sale of infrastructure, property, plant and equipment		1,112	1,350
3	Deferred debtors receipts		3	6
<i>Payments:</i>				
(4,713)	Purchase of investment securities		–	–
–	Acquisition of term deposits		(35,097)	(35,629)
(39,800)	Purchase of infrastructure, property, plant and equipment		(25,667)	(19,269)
(38,165)	Net cash flows from investing activities		(26,565)	(22,542)
Cash flows from financing activities				
<i>Payments:</i>				
(570)	Repayment of borrowings		(570)	(543)
–	Principal component of lease payments		(54)	(132)
(570)	Net cash flows from financing activities		(624)	(675)
(4,421)	Net change in cash and cash equivalents		4,783	(42)
5,422	Cash and cash equivalents at beginning of year	C1-1	5,422	5,464
1,001	Cash and cash equivalents at end of year	C1-1	10,205	5,422
56,007	plus: Investments on hand at end of year	C1-2	58,278	56,265
57,008	Total cash, cash equivalents and investments		68,483	61,687

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

Gunnedah Shire Council

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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 22 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

COVID19

Gunnedah Shire Council has undertaken an assessment of the impact of COVID19 in relation to the financial statements. Council has identified minor downturns in income and delays in projects due to the COVID 19 pandemic. The assets associated with these 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.

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.

A1-1 Basis of preparation (continued)

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 entities have been included as part of the Consolidated Fund:

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

The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

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

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 2021. 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	Restated \$ '000
Functions or activities										
Building Our Shire's Economy	1,678	1,029	3,090	790	(1,412)	239	1,119	225	11,576	10,460
Engaging and Supporting the Community	48,978	48,743	27,692	29,421	21,286	19,322	20,176	17,493	441,483	423,669
Protecting and Enjoying Our Beautiful Surrounds	6,966	5,424	6,040	7,506	926	(2,082)	2,091	1,464	38,830	33,654
Retaining Our Quality of Life	6,168	5,794	9,761	9,841	(3,593)	(4,047)	5,238	4,992	53,229	53,501
Total functions and activities	63,790	60,990	46,583	47,558	17,207	13,432	28,624	24,174	545,118	521,284

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

	2021 \$ '000	2020 \$ '000
Ordinary rates		
Residential	4,482	4,360
Farmland	5,346	5,203
Mining	1,348	1,258
Business	2,379	2,390
Less: pensioner rebates (mandatory)	(152)	(151)
Rates levied to ratepayers	13,403	13,060
Pensioner rate subsidies received	83	83
Total ordinary rates	13,486	13,143
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,426	2,354
Stormwater management services	95	94
Water supply services	977	945
Sewerage services	2,212	2,130
Annual charges levied	5,710	5,523
Pensioner subsidies received:		
– Water	38	37
– Sewerage	34	34
– Domestic waste management	33	33
Total annual charges	5,815	5,627
Total rates and annual charges	19,301	18,770

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

Accounting policy

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

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

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

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	2	1,069	860
Water supply services	2	2,358	3,463
Sewerage services	2	868	824
Waste management services (non-domestic)	2	45	52
Total specific user charges		4,340	5,199
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	294	164
Private works – section 67	2	56	250
Regulatory/ statutory fees	2	77	43
Registration fees	2	28	19
Section 10.7 certificates (EP&A Act)	2	44	30
Section 603 certificates	2	57	39
Total fees and charges – statutory/regulatory		556	545
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	50	46
Aged care	2	210	185
Caravan park	2	–	5
Cemeteries	2	120	148
Library and art gallery	2	10	7
Park rents	2	80	72
Transport for NSW works (state roads not controlled by Council)	1	7,194	8,461
Saleyards	2	510	662
Swimming centres	2	218	159
Tourism	2	20	11
Events	2	57	46
Theatre	2	94	140
Other	2	42	11
Total fees and charges – other		8,605	9,953
Total user charges and fees		13,501	15,697
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		7,194	8,461
User charges and fees recognised at a point in time (2)		6,307	7,236
Total user charges and fees		13,501	15,697

Accounting policy

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

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

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

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

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Fines	2	2	15
Fines – parking	2	16	8
Legal fees recovery – rates and charges (extra charges)	2	8	35
Commissions and agency fees	2	1	1
Diesel rebate	2	279	194
Insurance claims recoveries	2	8	31
Government paid parental leave	2	48	38
Reimbursements	2	417	235
Sales – domestic waste	2	185	83
Sales – swimming pools	2	90	13
Sales – theatre	2	63	63
Bad Debts - Recovered	2	–	88
Other	2	93	64
Total other revenue		1,210	868

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,210	868
Total other revenue		1,210	868

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,495	1,489	–	–
Financial assistance – local roads component	2	798	813	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,600	1,576	–	–
Financial assistance – local roads component	2	856	863	–	–
Amount recognised as income during current year		4,749	4,741	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Water	1	–	–	–	955
Community care	1	5,024	4,441	–	–
Economic development	1	28	–	557	79
Heritage and cultural	1	–	–	–	149
Library	2	94	93	–	–
Noxious weeds	2	150	98	–	–
Recreation and culture	1	31	75	1,426	1,209
Street lighting	2	21	21	–	–
Drought Relief	2	500	750	–	–
Other specific grants	1	41	57	18	–
Public Health	2	–	4	–	–
Saleyards	1	–	–	455	–
Transport (other roads and bridges funding)	1	609	609	10,696	7,729
Transport (roads to recovery)	2	1,463	1,511	–	–
Previously contributions:					
Roads and bridges	2	620	34	–	300
Other contributions	2	2	–	–	–
Water supplies (excl. section 64 contributions)	2	50	36	–	–
Emergency services	2	96	96	–	–
ELE contributions – other councils	2	21	13	–	–
Saleyards	2	87	89	–	–
Total special purpose grants and non-developer contributions – cash		8,837	7,927	13,152	10,421
Non-cash contributions					
Culverts	2	–	–	–	617
Total other contributions – non-cash		–	–	–	617
Total special purpose grants and non-developer contributions (tied)		8,837	7,927	13,152	11,038
Total grants and non-developer contributions		13,586	12,668	13,152	11,038
Comprising:					
– Commonwealth funding		11,171	10,824	2,614	3,044
– State funding		1,424	1,547	10,538	7,077
– Other funding		991	297	–	917
		13,586	12,668	13,152	11,038

B2-4 Grants and contributions (continued)

Developer contributions

	Notes	Timing	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '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	–	–	173	107
S 7.11 – contributions towards amenities/services		2	–	–	380	169
S 64 – water supply contributions		2	–	–	401	101
S 64 – sewerage service contributions		2	–	–	364	57
S 64 – stormwater contributions		2	–	–	68	34
Other developer contributions		2	–	–	500	–
Total developer contributions – cash			–	–	1,886	468
Total developer contributions			–	–	1,886	468
Total contributions			–	–	1,886	468
Total grants and contributions			13,586	12,668	15,038	11,506
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			5,733	5,125	13,152	10,042
Grants and contributions recognised at a point in time (2)			7,853	7,543	1,886	1,464
Total grants and contributions			13,586	12,668	15,038	11,506

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Unspent grants and contributions				
Unspent funds at 1 July	2,816	4,968	1,871	858
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	325	–	–	–
Add: Funds received and not recognised as revenue in the current year	1,365	1,320	4,761	1,694
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(2,038)	(3,472)	(1,175)	(681)
Unspent funds at 30 June	2,468	2,816	5,457	1,871
Contributions				
Unspent funds at 1 July	–	–	8,839	8,482
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	135	182
Add: contributions received and not recognised as revenue in the current year	–	–	1,884	361
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(69)	(186)
Unspent contributions at 30 June	–	–	10,789	8,839

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

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	14	25
– Cash and investments	1,039	1,338
Total interest and investment income (losses)	1,053	1,363
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	14	25
General Council cash and investments	462	622
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	27	62
– Section 64	98	133
Water fund operations	138	168
Sewerage fund operations	141	162
Domestic waste management operations	173	191
Total interest and investment income	1,053	1,363

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

	2021 \$ '000	2020 \$ '000
	Notes	
Rental income		
Other lease income		
Room/Facility Hire	1	28
Housing/Community Housing	61	48
Sundry Land	39	42
Total Other lease income	101	118
Total rental income	C2-2	118
Total other income	101	118

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	13,885	13,558
Employee leave entitlements (ELE)	2,221	2,295
Superannuation	1,681	1,632
Workers' compensation insurance	550	406
Fringe benefit tax (FBT)	38	40
Payroll tax	35	43
Protective clothing	61	63
Other	37	51
Total employee costs	18,508	18,088
Less: capitalised costs	(1,537)	(1,652)
Total employee costs expensed	16,971	16,436
Number of 'full-time equivalent' employees (FTE) at year end	199	196
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	206	202

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables		35,498	29,565
Contractor and consultancy costs			
- Airport		69	-
- Community services		22	-
- Domestic waste management		87	87
- Environment		64	-
- Governance		-	29
- Human resources		96	1
- Infrastructure		234	-
- Planning		75	73
- Public Halls		5	106
- Saleyards		169	-
- Sewer		-	63
- Tourism/economic development		96	140
- Water		12	158
- Other		56	255
Audit Fees	F2-1	104	92
Previously other expenses:			
Advertising		193	120
Bank charges		57	51
Computer software charges		294	284
Councillor and Mayoral fees and associated expenses	F1-2	178	190
Electricity and heating		654	821
Gas		8	7
Insurance		433	569
Postage		44	52
Printing and stationery		114	115
Street lighting		174	209
Subscriptions and publications		241	231
Telephone and communications		226	223
Valuation fees		50	49
Travel expenses		117	141
Training costs (other than salaries and wages)		198	372
Other expenses		3	41
Legal expenses:			
- Legal expenses: planning and development		23	44
- Legal expenses: debt recovery		17	42
- Legal expenses: other		30	31
Expenses from leases of low value assets		1	7
Expenses from short-term leases		11	3
Variable lease expense relating to usage		-	4
Total materials and services		39,653	34,175
Less: capitalised costs		(23,973)	(17,824)
Total materials and services		15,680	16,351

Accounting policy

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

B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs			
Interest on leases		9	10
Interest on loans		601	631
Total interest bearing liability costs		610	641
Total interest bearing liability costs expensed		610	641
(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	64	78
Total other borrowing costs		64	78
Total borrowing costs expensed		674	719

Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment		1,649	1,581
Office equipment		251	287
Furniture and fittings		98	86
Infrastructure:	C1-7		
– Buildings – non-specialised		369	294
– Buildings – specialised		526	500
– Other structures		173	131
– Roads		3,392	3,257
– Bridges		457	376
– Footpaths		114	96
– Other road assets		63	51
– Stormwater drainage		702	697
– Water supply network		921	895
– Sewerage network		856	845
– Swimming pools		185	181
– Other open space/recreational assets		229	209
– Other infrastructure		166	132
Right of use assets	C2-1	67	72
Other assets:			
– Library books		28	30
– Other		356	263
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	420	421
– Quarry assets	C3-5,C1-7	59	30
Total depreciation and amortisation costs		11,081	10,434
Impairment / revaluation decrement of IPPE			
Plant and equipment		17	5
Total IPPE impairment / revaluation decrement costs charged to Income Statement		17	5
Total depreciation, amortisation and impairment for non-financial assets		11,098	10,439

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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

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

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

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Impairment of receivables			
Other		9	33
Total impairment of receivables	C1-4	9	33
Other			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		18	22
– NSW rural fire service levy		327	229
Donations, contributions and assistance to other organisations (Section 356)		42	67
– Donations, contributions and assistance		62	50
Total other		449	368
Less: capitalised costs		–	(98)
Total other expenses		458	303

Accounting policy

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

Impairment expenses are recognised when identified.

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal - property		376	–
Less: carrying amount of property assets sold/written off		(409)	(147)
Gain (or loss) on disposal		(33)	(147)
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		736	564
Less: carrying amount of plant and equipment assets sold/written off		(548)	(506)
Gain (or loss) on disposal		188	58
Gain (or loss) on disposal of infrastructure			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(1,857)	(4,007)
Gain (or loss) on disposal		(1,857)	(4,007)
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		33,000	31,000
Less: carrying amount of term deposits sold/redeemed/matured		(33,000)	(31,000)
Gain (or loss) on disposal		–	–
Other			
Proceeds from disposal – Other (Southern Phones)		–	786
Gain (or loss) on disposal		–	786
Net gain (or loss) on disposal of assets		(1,702)	(3,310)

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 20 May 2020 and amended on the 15 July 2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
REVENUES					
Rates and annual charges	18,562	19,301	739	4%	F
User charges and fees	10,263	13,501	3,238	32%	F
User charges and fees have increased due to increases in state road income received, and additional domestic waste management fees including additional scrap metal income. A reduction in water usage charges due to decreased consumption after the breaking of the drought also contributed.					
Other revenues	1,334	1,210	(124)	(9)%	U
Operating grants and contributions	12,683	13,586	903	7%	F
Capital grants and contributions	7,123	15,038	7,915	111%	F
Capital Grants and Contributions have increased due to additional drought community and rural sealed roads project funding received.					
Interest and investment revenue	1,115	1,053	(62)	(6)%	U
Other income	-	101	101	∞	F
EXPENSES					
Employee benefits and on-costs	18,141	16,971	1,170	6%	F
Materials and services	9,143	15,680	(6,537)	(71)%	U
Materials have increased in line with the increase to incomes received for road programs.					
Borrowing costs	1,095	674	421	38%	F
Projected loan funds for Water capital works did not eventuate. Interest was budgeted on this loan.					
Depreciation, amortisation and impairment of non-financial assets	10,660	11,098	(438)	(4)%	U
Other expenses	4,033	458	3,575	89%	F
Other expenses have decreased due to a difference in allocation of expense items in the budgeted figures from the updated code requirements.					
Net losses from disposal of assets	71	1,702	(1,631)	(2,297)%	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 expenditure has occurred on infrastructure assets where the assets have a remaining useful life.					

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	34,314	31,972	(2,342)	(7)%	U
Cash flows from investing activities	(38,165)	(26,565)	11,600	(30)%	F
The Cash flows from investing activities have been affected due to the purchase of Infrastructure, property, plant and equipment not being completed.					
Cash flows from financing activities	(570)	(624)	(54)	9%	U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
Cash and cash equivalents		
Cash on hand and at bank	1,815	858
Cash-equivalent assets		
– Deposits at call	8,390	4,564
Total cash and cash equivalents	10,205	5,422

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,205	5,422
Balance as per the Statement of Cash Flows	10,205	5,422

Accounting policy

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

C1-2 Financial investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Debt securities at amortised cost				
Term deposits	30,764	27,514	31,181	25,000
Managed funds	-	-	84	-
Total	30,764	27,514	31,265	25,000
Total financial investments	30,764	27,514	31,265	25,000
Total cash assets, cash equivalents and investments	40,969	27,514	36,687	25,000

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with 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 cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	40,969	27,514	36,687	25,000
attributable to:				
External restrictions	31,524	15,514	18,631	23,000
Internal restrictions	6,295	12,000	16,884	2,000
Unrestricted	3,150	–	1,172	–
	40,969	27,514	36,687	25,000

	2021 \$ '000	2020 \$ '000

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund

6,822	3,191
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External restrictions – included in liabilities

6,822	3,191
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External restrictions – other

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

Developer contributions – general	3,362	2,266
Developer contributions – water fund	4,944	4,486
Developer contributions – sewer fund	2,483	2,087
Specific purpose unexpended grants (recognised as revenue) – general fund	1,103	1,496
Water fund	7,159	8,578
Sewer fund	9,046	8,824
Other	183	144
Domestic waste management	11,936	10,559
External restrictions – other	40,216	38,440
Total external restrictions	47,038	41,631

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

	2021	2020
	\$ '000	\$ '000
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	2,219	1,849
Employees leave entitlement	1,603	1,637
Business partnering program	244	79
Contract works	189	189
Cycleways	38	38
Depot refuelling upgrade	142	142
Future works	3,669	2,193
Gravel pit restoration	458	458
Land	45	45
Parking areas	483	483
Roads	308	318
Saleyards	419	1,385
Strategic planning	383	385
Tourism	94	134
Reserve Management Trust	124	139
Arts & Culture	20	20
Disaster Recovery Fund	238	238
Water Sustainability	150	150
Building Works	1,060	1,060
Building Renovations/Additions	500	500
Drought Resilience Program	-	951
Financial Assistance Grant - Advance Payment	-	2,439
GoCo - Unexpended Funds (Excluding Grants)	4,008	3,625
Other	1,901	427
Total internal restrictions	18,295	18,884
Total restrictions	65,333	60,515

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges	984	–	919	–
Interest and extra charges	146	–	144	–
User charges and fees	2,488	–	3,895	–
Private works	256	–	501	–
Contributions to works	337	–	218	–
Accrued revenues				
– Interest on investments	537	–	656	–
– Other income accruals	35	–	16	–
Deferred debtors	3	18	4	20
Government grants and subsidies	277	–	2,418	–
Net GST receivable	396	–	181	–
Total	5,459	18	8,952	20
Less: provision of impairment				
Rates and annual charges	(7)	–	(39)	–
Interest and extra charges	(40)	–	(33)	–
Other debtors	(34)	–	(6)	–
Total provision for impairment – receivables	(81)	–	(78)	–
Total net receivables	5,378	18	8,874	20
Externally restricted receivables				
Water supply				
– Rates and availability charges	71	–	67	–
– Other	318	–	425	–
Sewerage services				
– Rates and availability charges	131	–	125	–
– Other	36	–	85	–
Total external restrictions	556	–	702	–
Unrestricted receivables	4,822	18	8,172	20
Total net receivables	5,378	18	8,874	20

	2021 \$ '000	2020 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	78	138
+ new provisions recognised during the year	9	57
– amounts already provided for and written off this year	(6)	(29)
– amounts provided for but recovered during the year	–	(88)
Balance at the end of the year	81	78

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Stores and materials	824	-	563	-
Total inventories at cost	824	-	563	-
Total inventories	824	-	563	-

Externally restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Water				
Stores and materials	105	-	98	-
Total water	105	-	98	-
Total externally restricted assets	105	-	98	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	719	-	465	-
Total inventories	824	-	563	-

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

	2021 \$ '000	2020 \$ '000
Contract assets	5,505	1,821
Total contract assets and contract cost assets	5,505	1,821

Contract assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Cycleway - View Street	-	-	127	-
Roads - Grain Valley Way	2,015	-	1,669	-
Roads - Clifton	1,088	-	10	-
Rainbow Serpent - Fountain	-	-	15	-
Saleyards - Redevelopment	95	-	-	-
Mystery Road - Upgrade	2,258	-	-	-
Pedestrian Safety Around Schools	49	-	-	-
Total contract assets	5,505	-	1,821	-

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 include Grain Valley Way Upgrade (\$8.2 million project), Clifton Road upgrade (\$9.819 million project), Gunnedah Regional Saleyards Redevelopment (\$17.5 million project) and Mystery Road Upgrade (\$3.015 million project).

(i) Externally restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Other (Grant Funded)	5,505	-	1,821	-
Total externally restricted assets	5,505	-	1,821	-
Total restricted assets	5,505	-	1,821	-
Total contract assets and contract cost asset	5,505	-	1,821	-

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	11,459	–	11,459	11,429	–	–	–	–	(10,633)	–	–	12,255	–	12,255
Plant and equipment	20,696	(10,623)	10,073	2,271	193	(537)	(1,649)	(17)	5	–	–	21,042	(10,703)	10,339
Office equipment	2,617	(1,874)	743	11	4	–	(251)	–	43	–	–	2,647	(2,097)	550
Furniture and fittings	1,304	(819)	485	82	11	–	(98)	–	110	–	–	1,499	(909)	590
Land:														
– Crown land	3,918	–	3,918	–	–	–	–	–	–	–	–	3,918	–	3,918
– Operational land	8,667	–	8,667	–	–	(135)	–	–	–	–	–	8,532	–	8,532
– Community land	2,412	–	2,412	–	–	–	–	–	–	–	–	2,412	–	2,412
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	–	3,268	–	3,268
Land improvements – non-depreciable	2,238	–	2,238	–	–	–	–	–	–	–	–	2,238	–	2,238
Infrastructure:														
– Buildings – non-specialised	20,794	(8,934)	11,860	25	–	(259)	(369)	–	–	–	–	20,464	(9,207)	11,257
– Buildings – specialised	31,503	(10,953)	20,550	261	–	(14)	(526)	–	40	–	–	31,772	(11,461)	20,311
– Other structures ²	6,621	(2,680)	3,941	–	105	–	(173)	–	144	–	–	6,870	(2,853)	4,017
– Other open space/recreational assets	7,828	(3,066)	4,762	1,568	6	(134)	(229)	–	1,224	–	–	10,056	(2,859)	7,197
– Swimming pools	10,394	(1,115)	9,279	–	–	–	(185)	–	3	–	–	10,396	(1,299)	9,097
– Roads	222,808	(35,334)	187,474	7,787	4	(1,145)	(3,392)	–	4,946	–	–	233,982	(38,308)	195,674
– Bridges ²	45,289	(15,679)	29,610	279	–	(18)	(457)	–	–	–	–	45,537	(16,123)	29,414
– Footpaths	9,112	(2,025)	7,087	–	85	–	(114)	–	127	–	–	9,325	(2,140)	7,185
– Other road assets (including bulk earthworks)	4,451	(943)	3,508	–	53	–	(63)	–	351	–	–	4,855	(1,006)	3,849
– Stormwater drainage ²	60,593	(24,150)	36,443	380	12	(169)	(702)	–	801	–	4,037	67,727	(26,925)	40,802
– Water supply network ²	72,769	(27,330)	45,439	305	391	(120)	(921)	–	2,039	–	409	75,753	(28,211)	47,542
– Sewerage network	63,438	(28,660)	34,778	1	271	(271)	(856)	–	570	–	307	64,340	(29,540)	34,800
– Other infrastructure	8,320	(5,737)	2,583	–	–	–	(166)	–	–	–	–	8,322	(5,905)	2,417
Other assets:														
– Library books	297	(148)	149	19	–	(10)	(28)	–	1	–	–	276	(145)	131
– Other	3,658	(1,097)	2,561	–	41	–	(356)	–	229	–	–	3,927	(1,452)	2,475
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	4,190	(421)	3,769	–	–	–	(420)	–	–	–	–	4,191	(842)	3,349
– Quarry assets	436	(61)	375	–	–	–	(59)	–	–	(18)	–	417	(119)	298
Total infrastructure, property, plant and equipment	629,080	(181,649)	447,431	24,418	1,176	(2,812)	(11,014)	(17)	–	(18)	4,753	656,021	(192,104)	463,917

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

(2) Restated refer to Note G4-1

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	Impairment loss / revaluation decrements \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	11,936	–	11,936	7,520	1,874	–	–	–	(9,871)	–	–	11,459	–	11,459
Plant and equipment	20,039	(9,827)	10,212	1,873	80	(511)	(1,581)	(5)	5	–	–	20,696	(10,623)	10,073
Office equipment	2,436	(1,641)	795	5	102	–	(287)	–	128	–	–	2,617	(1,874)	743
Furniture and fittings	1,148	(743)	405	50	66	–	(86)	–	50	–	–	1,304	(819)	485
Land:														
– Operational land	8,511	–	8,511	–	156	(6)	–	–	6	–	–	8,667	–	8,667
– Community land	2,412	–	2,412	–	–	–	–	–	–	–	–	2,412	–	2,412
– Crown land	4,059	–	4,059	–	–	(141)	–	–	–	–	–	3,918	–	3,918
– Land under roads (post 30/6/08)	3,268	–	3,268	–	–	–	–	–	–	–	–	3,268	–	3,268
Land improvements – non-depreciable	2,238	–	2,238	–	–	–	–	–	–	–	–	2,238	–	2,238
Infrastructure:														
– Buildings – non-specialised	20,788	(8,639)	12,149	5	–	–	(294)	–	–	–	–	20,794	(8,934)	11,860
– Buildings – specialised	31,306	(10,452)	20,854	62	–	–	(500)	–	134	–	–	31,503	(10,953)	20,550
– Other structures ²	6,538	(2,549)	3,989	–	5	–	(131)	–	78	–	–	6,621	(2,680)	3,941
– Roads	218,981	(32,798)	186,183	4,022	880	(2,319)	(3,257)	–	1,965	–	–	222,808	(35,334)	187,474
– Bridges ²	36,788	(11,230)	25,558	–	617	–	(376)	–	–	2,534	1,277	45,289	(15,679)	29,610
– Footpaths	7,700	(1,683)	6,017	–	129	(20)	(96)	–	2	–	1,055	9,112	(2,025)	7,087
– Other road assets (including bulk earthworks)	3,452	(745)	2,707	–	–	–	(51)	–	14	–	838	4,451	(943)	3,508
– Stormwater drainage ²	60,443	(23,475)	36,968	169	–	(43)	(697)	–	46	–	–	60,593	(24,150)	36,443
– Water supply network ²	67,676	(26,974)	40,702	426	235	(1,611)	(895)	–	6,221	–	361	72,769	(27,330)	45,439
– Sewerage network	62,542	(27,545)	34,997	–	–	–	(845)	–	302	–	324	63,438	(28,660)	34,778
– Swimming pools	10,278	(934)	9,344	78	30	–	(181)	–	8	–	–	10,394	(1,115)	9,279
– Other open space/recreational assets	5,926	(2,877)	3,049	82	1,384	(13)	(209)	–	469	–	–	7,828	(3,066)	4,762
– Other infrastructure	6,066	(4,414)	1,652	29	–	–	(132)	–	57	–	977	8,320	(5,737)	2,583
Other assets:														
– Library books	259	(119)	140	37	–	–	(30)	–	2	–	–	297	(148)	149
– Other	3,083	(833)	2,250	–	190	–	(263)	–	384	–	–	3,658	(1,097)	2,561
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	4,190	–	4,190	–	–	–	(421)	–	–	–	–	4,190	(421)	3,769
– Quarry assets	435	(30)	405	–	–	–	(30)	–	–	–	–	436	(61)	375
Total infrastructure, property, plant and equipment	602,498	(167,508)	434,990	14,358	5,748	(4,664)	(10,362)	(5)	–	2,534	4,832	629,080	(181,649)	447,431

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

(2) Restated refer Note G4-1

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

Accounting policy

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

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

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

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

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

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

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

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

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

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

Land under roads

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

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

Crown reserves

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

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

Rural Fire Service assets

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

However in accordance with the Australian Accounting Standards and associated principles, only assets that are controlled by Council can be recognised in these Financial Statements. Following consideration of such, it has been determined that Council clearly does not meet the requirements of control for NSW Government Rural Fire Service assets and accordingly, Council will not recognise rural fire services assets including land, buildings, plant and vehicles.

Infrastructure, property, plant and equipment – current year impairments

	Notes	2021 \$ '000	2020 \$ '000
(i) Impairment losses recognised in the Income Statement:			
Plant - Mower & Vibratory Rammer		–	(5)
Tourism - Cultural Precinct Banner Poles x 16		(7)	–
Library - Books & Resources		(10)	–
Total impairment losses		(17)	(5)
Impairment of assets – gains/(losses) in P/L	B3-4	(17)	(5)

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

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

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

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	Total \$ '000
2021		
Opening balance at 1 July	738	738
Additions to right-of-use assets	7	7
Adjustments to right-of-use assets due to re-measurement of lease liability	5	5
Depreciation charge	(67)	(67)
Balance at 30 June	683	683
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	86	86
Additions to right-of-use assets	761	761
Adjustments to right-of-use assets due to re-measurement of lease liability	(37)	(37)
Depreciation charge	(72)	(72)
Balance at 30 June	738	738

(b) Lease liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities - GoCo Offices	46	590	57	621
Total lease liabilities	46	590	57	621

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
2021					
Cash flows	56	176	471	703	636
2020					
Cash flows	57	178	517	752	678

(ii) Lease liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Other - GoCo - Grant Funded	46	590	57	621
Lease liabilities relating to externally restricted assets	46	590	57	621
Total lease liabilities relating to restricted assets	46	590	57	621
Total lease liabilities	46	590	57	621

(d) Income Statement

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

	2021 \$ '000	2020 \$ '000
Interest on lease liabilities	9	10
Variable lease payments based on usage not included in the measurement of lease liabilities	–	4
Depreciation of right of use assets	67	72
Expenses relating to short-term leases	11	3
Expenses relating to low-value leases	1	7
	88	96

(e) Statement of Cash Flows

Total cash outflow for leases	54	132
	54	132

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

	2021 \$ '000	2020 \$ '000
Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	101	118
Total income relating to operating leases for Council assets	101	118

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services – operating expenditure	1,687	–	2,541	–
Goods and services – capital expenditure	1,836	–	1,925	–
Accrued expenses:				
– Borrowings	15	–	16	–
– Salaries and wages	515	–	602	–
Prepaid rates	615	–	617	–
Total payables	4,668	–	5,701	–
Total payables	4,668	–	5,701	–

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	149	–	130	–
Total payables relating to restricted assets	149	–	130	–
Total payables relating to unrestricted assets	4,519	–	5,571	–
Total payables	4,668	–	5,701	–

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

	2021 \$ '000	2020 \$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Other liabilities	7	7
Total payables	7	7

Accounting policy

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

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

Payables

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

C3-2 Contract Liabilities

Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Grants and contributions received in advance:				
Unexpended capital grants (to construct Council controlled assets) (i)	5,457	-	1,871	-
Unexpended operating contributions (received prior to performance obligation being satisfied) (ii)	1,365	-	1,320	-
Total grants received in advance	6,822	-	3,191	-
Total contract liabilities	6,822	-	3,191	-

Notes

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

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

Contract liabilities relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	6,822	-	3,191	-
Contract liabilities relating to externally restricted assets	6,822	-	3,191	-
Total contract liabilities relating to restricted assets	6,822	-	3,191	-
Total contract liabilities	6,822	-	3,191	-

Significant changes in contract liabilities

Council has received funding for 14 projects for the construction of Council Assets. The significant change from the previous year is the addition of Kelvin Road Upgrade (\$6.179 million project). Council has received the first milestone payment of \$2,837,386 and have just commenced the upgrade. Koala Park Project (\$6.552 million), the first milestone funding payment has been received of \$1,296,000 with further milestones to be met. Stock Rd - Pavement & upgrade received grant for \$287,962.50 with work just commencing. All other projects classified as Contract Assets are of a minor nature with the amount recognised less than \$150,000.

Accounting policy

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

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	597	10,861	568	11,458
Government advances	3	–	2	3
Total borrowings	600	10,861	570	11,461

(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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total borrowings relating to unrestricted assets	600	10,861	570	11,461
Total borrowings	600	10,861	570	11,461

(a) Changes in liabilities arising from financing activities

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

	2019		Non-cash movements			2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	12,563	(537)	–	–	–	12,026
Government advances	11	(6)	–	–	–	5
Lease liability (Note C2-1b)	–	(132)	684	–	126	678
Total liabilities from financing activities	12,574	(675)	684	–	126	12,709

C3-3 Borrowings (continued)

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	50	50
Other - Bank Guarantee's	10	-
Total financing arrangements	560	550
Drawn facilities		
- Credit cards/purchase cards	12	7
- Other - Bank Guarantee's	10	-
Total drawn financing arrangements	22	7
Undrawn facilities		
- Bank overdraft facilities	500	500
- Credit cards/purchase cards	38	36
Total undrawn financing arrangements	538	536

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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	1,616	–	1,694	–
Long service leave	3,485	240	3,545	254
Rostered days off	171	–	182	–
Wages – time in lieu	38	–	33	–
Total employee benefit provisions	5,310	240	5,454	254

Employee benefit provisions relating to restricted assets

Externally restricted assets

Water	6	–	3	–
Employee benefit provisions relating to externally restricted assets	6	–	3	–
Total employee benefit provisions relating to restricted assets	6	–	3	–
Total employee benefit provisions relating to unrestricted assets	5,304	240	5,451	254
Total employee benefit provisions	5,310	240	5,454	254

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,364	3,517
	3,364	3,517

Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Long service leave \$ '000	Other employee benefits \$ '000	
2021				
At beginning of year	1,694	3,799	215	5,708
Additional provisions	1,175	455	591	2,221
Amounts used (payments)	(1,253)	(529)	(597)	(2,379)
Total ELE provisions at end of year	1,616	3,725	209	5,550
2020				
At beginning of year	1,482	3,521	178	5,181
Additional provisions	1,133	607	572	2,312
Amounts used (payments)	(921)	(329)	(535)	(1,785)
Total ELE provisions at end of year	1,694	3,799	215	5,708

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

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Other provisions				
Other	7	-	7	-
Sub-total – other provisions	7	-	7	-
Asset remediation/restoration:				
Asset remediation/restoration (future works)	-	4,762	-	4,716
Sub-total – asset remediation/restoration	-	4,762	-	4,716
Total provisions	7	4,762	7	4,716
Provisions relating to restricted assets				
Total provisions relating to unrestricted assets	7	4,762	7	4,716
Total provisions	7	4,762	7	4,716

Description of and movements in provisions

	Other provisions		
	Asset remediation \$ '000	Other Community Transport Bus \$ '000	Net carrying amount \$ '000
2021			
At beginning of year	4,716	7	4,723
Remeasurement effects	(18)	-	(18)
Other	64	-	64
Total other provisions at end of year	4,762	7	4,769
2020			
At beginning of year	4,638	7	4,645
Other	78	-	78
Total other provisions at end of year	4,716	7	4,723

Nature and purpose of provisions

Asset remediation/restoration

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

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

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

Council notes that Phytocap is only in testing phase with 5 Councils and EPA have not yet given approval for Gunnedah Shire Council to use Phytocap technology therefore providing a risk, if not accepted by the EPA, that our provision is understated. This approach is reviewed each year by the Manager Waste. No change has been made during 2020/21.

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

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

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

Rehabilitation

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

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

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

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

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

During 2020/21 as per Note B3-3 ii - Other Borrowing Costs - Council recognised borrowing costs of \$64,000 compared to \$78,000 in 2019/20. Whilst in Note B3-4 - Depreciation, amortisation and impairment of intangible assets & IPP&E an amount was recognised for \$479,000 in 2020/21 & \$451,000 in 2019/20 for the future remediation and restoration of council's tip & quarry assets.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	16,024	1,050	2,227
User charges and fees	9,930	2,658	913
Interest and investment revenue	684	197	172
Other revenues	1,209	1	–
Grants and contributions provided for operating purposes	13,502	50	34
Grants and contributions provided for capital purposes	14,273	401	364
Other income	101	–	–
Total income from continuing operations	55,723	4,357	3,710
Expenses from continuing operations			
Employee benefits and on-costs	15,639	890	442
Materials and services	12,666	1,831	1,183
Borrowing costs	674	–	–
Depreciation, amortisation and impairment of non-financial assets	9,256	944	898
Other expenses	458	–	–
Net losses from the disposal of assets	1,306	124	272
Total expenses from continuing operations	39,999	3,789	2,795
Operating result from continuing operations	15,724	568	915
Net operating result for the year	15,724	568	915
Net operating result attributable to each council fund	15,724	568	915
Net operating result for the year before grants and contributions provided for capital purposes	1,451	167	551

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	8,763	783	659
Investments	8,574	11,320	10,870
Receivables	4,822	389	167
Inventories	719	105	–
Contract assets and contract cost assets	5,505	–	–
Other	310	–	–
Total current assets	28,693	12,597	11,696
Non-current assets			
Investments	27,514	–	–
Receivables	18	–	–
Infrastructure, property, plant and equipment	376,773	50,209	36,935
Right of use assets	683	–	–
Total non-current assets	404,988	50,209	36,935
TOTAL ASSETS	433,681	62,806	48,631
LIABILITIES			
Current liabilities			
Payables	4,519	149	–
Contract liabilities	6,822	–	–
Lease liabilities	46	–	–
Borrowings	600	–	–
Employee benefit provision	5,304	6	–
Provisions	7	–	–
Total current liabilities	17,298	155	–
Non-current liabilities			
Lease liabilities	590	–	–
Borrowings	10,861	–	–
Employee benefit provision	240	–	–
Provisions	4,762	–	–
Total non-current liabilities	16,453	–	–
TOTAL LIABILITIES	33,751	155	–
Net assets	399,930	62,651	48,631
EQUITY			
Accumulated surplus	191,138	41,248	22,295
Revaluation reserves	208,792	21,403	26,336
Council equity interest	399,930	62,651	48,631
Total equity	399,930	62,651	48,631

D2 Interests in other entities

D2-5 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 2021 \$ '000	Carrying value 2020 \$ '000	Fair value 2021 \$ '000	Fair value 2020 \$ '000
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,205	5,422	10,205	5,422
Receivables	5,396	8,894	5,396	8,894
Investments				
– 'Financial assets - 'amortised cost'	58,278	56,265	58,278	56,265
Total financial assets	73,879	70,581	73,879	70,581
Financial liabilities				
Payables	4,668	5,701	4,668	5,701
Lease Liabilities	636	678	636	678
Loans/advances - 'amortised cost'	11,461	12,031	11,461	12,031
Total financial liabilities	16,765	18,410	16,765	18,410

Fair value is determined as follows:

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

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

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

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

The risks associated with the instruments held are:

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

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

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

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '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	644	585
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(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.

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on 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	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	–	679	159	94	52	984
2020						
Gross carrying amount	–	694	118	63	44	919

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

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	3,503	245	238	78	429	4,493
Expected loss rate (%)	0.00%	0.00%	0.00%	40.10%	9.86%	1.64%
ECL provision	–	–	–	31	42	73
2020						
Gross carrying amount	7,281	241	25	9	497	8,053
Expected loss rate (%)	0.00%	0.00%	2.12%	0.00%	7.66%	0.48%
ECL provision	–	–	1	–	38	39

(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	≤ 1 Year \$ '000	payable in: 1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	–	4,052	–	–	4,052	4,053
Loans and advances	5.31%	–	1,172	4,678	10,195	16,045	11,461
Total financial liabilities		–	5,224	4,678	10,195	20,097	15,514
2020							
Trade/other payables	0.00%	–	5,084	–	–	5,084	5,084
Loans and advances	5.06%	–	1,172	4,681	11,365	17,218	12,031
Total financial liabilities		–	6,256	4,681	11,365	22,302	17,115

Loan agreement breaches

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

E2 Fair value measurement

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment	30/06/2017	30/06/2017	–	–	10,339	10,073	10,339	10,073	
Office equipment	30/06/2017	30/06/2017	–	–	550	743	550	743	
Furniture and fittings	30/06/2017	30/06/2017	–	–	590	485	590	485	
Crown Land	30/06/2017	30/06/2017	–	–	3,918	3,918	3,918	3,918	
Operational land	30/06/2018	30/06/2018	–	–	8,532	8,667	8,532	8,667	
Community land	30/06/2017	30/06/2017	–	–	2,412	2,412	2,412	2,412	
Land Under Roads (post 30/6/2008)	30/06/2016	30/06/2016	–	–	3,268	3,268	3,268	3,268	
Land Improvements	30/06/2018	30/06/2018	–	–	2,238	2,238	2,238	2,238	
Buildings – non specialised	30/06/2018	30/06/2018	–	–	11,257	11,860	11,257	11,860	
Buildings – specialised	30/06/2018	30/06/2018	–	–	20,311	20,550	20,311	20,550	
Other structures ¹	30/06/2016	30/06/2016	–	–	4,017	3,941	4,017	3,941	
Roads	30/06/2018	30/06/2018	–	–	195,674	187,474	195,674	187,474	
Bridges ¹	30/06/2020	30/06/2020	–	–	29,414	29,610	29,414	29,610	
Footpaths	30/06/2020	30/06/2020	–	–	7,185	7,087	7,185	7,087	
Other Road Assets	30/06/2020	30/06/2020	–	–	3,849	3,508	3,849	3,508	
Stormwater drainage ¹	30/06/2021	30/06/2015	–	–	40,802	36,443	40,802	36,443	
Water supplies networks ¹	30/06/2017	30/06/2017	–	–	47,542	45,439	47,542	45,439	
Sewerage networks	30/06/2017	30/06/2017	–	–	34,800	34,778	34,800	34,778	
Swimming pools	30/06/2019	30/06/2019	–	–	9,097	9,279	9,097	9,279	
Other open space/recreational assets	30/06/2016	30/06/2016	–	–	7,197	4,762	7,197	4,762	
Other Infrastructure	30/06/2020	30/06/2020	–	–	2,417	2,583	2,417	2,583	
Library books	30/06/2019	30/06/2019	–	–	131	149	131	149	
Other assets	30/06/2019	30/06/2019	–	–	2,475	2,561	2,475	2,561	
Tip remediation assets	30/06/2019	30/06/2019	–	–	3,349	3,769	3,349	3,769	
Quarry remediation assets	30/06/2018	30/06/2018	–	–	298	375	298	375	
Total infrastructure, property, plant and equipment					451,662	435,972	451,662	435,972	

(1) Restated refer note G4-1

Transfers between level 1 and level 2 fair value hierarchies

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

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

E2 Fair value measurement (continued)

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Plant & Equipment, Office Equipment and Furniture & Fittings

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

Example of assets in these classes are as follows:

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

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

The Plant & Equipment, Office Equipment and Furniture & Fittings asset classes will be revalued during 2021/22 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.

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

Community Land

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

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

Crown Land

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

Council will progressively review its Crown Land Asset Class against information from Crown Land listing 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 Fair value measurement (continued)

Buildings - Non Specialised and Specialised

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

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

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

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

Other Structures

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

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

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. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. A full revaluation of the Roads have been completed as at 30th June 2018 by APV Valuers & Asset Management.

Other Road Assets

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

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

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

E2 Fair value measurement (continued)

Bridges, Causeways & Culverts

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

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

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

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.

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.

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

Water Supplies

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

Due to the nature of much of the Water Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

The Water asset class will be revalued during 2021/22 year.

Sewerage Systems

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

Due to the nature of much of the Sewer Network being inaccessible (subsurface) there are limitations in the inputs such as pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impact significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

The Sewer asset class will be revalued during 2021/22 year.

E2 Fair value measurement (continued)

Swimming Pools

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

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

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

Other Open Space/ Recreational Assets

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

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

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

Library Book/Other Assets

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

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

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

Other Infrastructure

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

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

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

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.

E2 Fair value measurement (continued)

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

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

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

Quarries Remediation

Council currently uses 11 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.

E2 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

During 2020/21 Gunnedah Shire Council have undertaken valuations of Stormwater and Kerb & Gutter Assets.

Gunnedah Shire Council has valued these asset classes on a fair value basis in accordance with Australian Accounting Standards - AASB13 "Fair Value Measurement" and AASB116 "Property, Plant and Equipment" and in conjunction with NSW Local Government Code of Accounting Practice and NSW Treasury Policy TPP 07-01 "Valuation of Physical Non-Current Assets at Fair Value". Due to the nature of Local Government Assets the cost approach has been taken and is deemed a Level 3 Input.

As there is no market for these assets, the net current value is calculated as the current replacement value less accumulated depreciation that reflects the consumed or expired service potential of the asset.

The estimate has been determined by independent valuers based on the depreciated replacement cost with depreciation taking into consideration reduction for physical wear and tear and functional obsolescence.

The valuation for Stormwater and Kerb & Gutter was completed by Andrew Suddards BEng Mech MIPWEA from Australis Asset Advisory Group.

Valuations are recorded in Gunnedah Shire Council's Asset Management System (Biz E Assets).

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

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

	Fair value (30/6/21) 2021 \$ '000	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	10,339	Approximate Fair Value	Remaining Life, Long life component - non depreciable.
Office equipment	550	Approximate Fair Value	Remaining Life, Long life component - non depreciable.
Furniture and fittings	590	Approximate Fair Value	Remaining Life, Long life component - non depreciable.
Crown Land	3,918	Fair Value (highest & best use)	Not considered to have observable market evidence.
Land - Operational	8,532	Fair Value (highest & best use)	Price per square metre.
Land - Community	2,412	Fair Value (highest & best use)	Not considered to have observable market evidence.
Land under roads (post 30/6/2008)	3,268	Highest and best possible use.	Based on physically possible, legally permissible and financially feasible use.
Buildings - non specialised	11,257	Depreciated replacement costs taking into account physical wear and tear.	Estimates of Long life component - non depreciable and pattern of consumption require extensive judgement.
Buildings - Specialised	20,311	Depreciated replacement costs taking into account physical wear and tear.	Estimates of Long life component - non depreciable and pattern of consumption require extensive judgement.
Other Structures	4,017	Replacement cost taking into a range of factors.	Pattern of consumption, Long life component - non depreciable, asset condition and useful life.
Roads	195,674	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.

E2 Fair value measurement (continued)

	Fair value (30/6/21) 2021 \$ '000	Valuation technique/s	Unobservable inputs
Bridges	29,414	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Footpaths	7,185	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Stormwater Drainage	40,802	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement.
Water Supply Network	47,542	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement. The nature of water assets is they are unassessable being subsurface.
Sewerage Network	34,800	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement. The nature of sewer assets is they are unassessable being subsurface.
Swimming Pools	9,097	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Library Books	131	Approximate Fair Value	Remaining Life, Long Life component - non depreciable
Other Open Space	7,197	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Other Assets	2,475	Approximate Fair Value	Remaining Life, Long Life component - non depreciable
Tip Assets	3,349	Evaluation of costs for the landfill closure as per closure plan	Discount Rates, excavation rates, timing and future environmental requirements.
Quarry Assets	298	Evaluation of costs for the quarry closure.	Discount Rates, excavation rates, timing and future environmental requirements.
Other Road Assets	3,849	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Other Infrastructure	2,417	Cost Approach	Pattern of consumption, Long Life component - non depreciable, asset condition and useful life, requiring professional judgement
Land Improvements	2,238	Cost Approach	Non Depreciable.

E2 Fair value measurement (continued)

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

	Plant and equipment		Office equipment		Furniture and fittings		Crown Land	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	10,073	10,212	743	795	485	405	3,918	4,059
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,468	1,958	58	235	203	166	-	-
Disposals (WDV)	(553)	(511)	-	-	-	-	-	(141)
Depreciation and impairment	(1,649)	(1,586)	(251)	(287)	(98)	(86)	-	-
Closing balance	10,339	10,073	550	743	590	485	3,918	3,918

	Operational Land		Community Land		Land under roads (post 1/7/2008)		Land improvement	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	8,667	8,511	2,412	2,412	3,268	3,268	2,238	2,238
Total gains or losses for the period								
Other movements								
Purchases (GBV)	-	162	-	-	-	-	-	-
Disposals (WDV)	(135)	(6)	-	-	-	-	-	-
Closing balance	8,532	8,667	2,412	2,412	3,268	3,268	2,238	2,238

E2 Fair value measurement (continued)

	Buildings non-specialised		Building specialised		Other structures		Roads	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	11,860	12,149	20,550	20,854	3,941	3,989	187,474	186,183
Total gains or losses for the period								
Other movements								
Purchases (GBV)	25	5	301	196	249	83	12,737	6,867
Disposals (WDV)	(259)	–	(14)	–	–	–	(1,145)	(2,319)
Depreciation and impairment	(369)	(294)	(526)	(500)	(173)	(131)	(3,392)	(3,257)
Closing balance	11,257	11,860	20,311	20,550	4,017	3,941	195,674	187,474

	Bridges		Footpaths		Other road assets		Stormwater	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	29,610	25,558	7,087	6,017	3,508	2,707	36,443	36,968
Total gains or losses for the period								
Other movements								
Purchases (GBV)	279	617	212	131	404	14	1,193	215
Disposals (WDV)	(18)	–	–	(20)	–	–	(169)	(43)
Depreciation and impairment	(457)	(376)	(114)	(96)	(63)	(51)	(702)	(697)
Revaluations to Equity	–	3,811	–	1,055	–	838	4,037	–
Closing balance	29,414	29,610	7,185	7,087	3,849	3,508	40,802	36,443

E2 Fair value measurement (continued)

	Water supply network		Sewerage network		Swimming pools		Open space recreational assets	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	45,439	40,702	34,778	34,997	9,279	9,344	4,762	3,049
Total gains or losses for the period								
Other movements								
Purchases (GBV)	2,735	6,882	842	302	3	116	2,798	1,935
Disposals (WDV)	(120)	(1,611)	(271)	–	–	–	(134)	(13)
Depreciation and impairment	(921)	(895)	(856)	(845)	(185)	(181)	(229)	(209)
Revaluations to Equity	409	361	307	324	–	–	–	–
Closing balance	47,542	45,439	34,800	34,778	9,097	9,279	7,197	4,762

	Other infrastructure		Library books		Other Assets		Tip remediation assets	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Opening balance	2,583	1,652	149	140	2,561	2,250	3,769	4,190
Total gains or losses for the period								
Other movements								
Purchases (GBV)	–	86	20	39	270	574	–	–
Disposals (WDV)	–	–	(10)	–	–	–	–	–
Depreciation and impairment	(166)	(132)	(28)	(30)	(356)	(263)	(420)	(421)
Revaluations to Equity	–	977	–	–	–	–	–	–
Closing balance	2,417	2,583	131	149	2,475	2,561	3,349	3,769

E2 Fair value measurement (continued)

	Quarry remediation assets		Total	
	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000
Opening balance	375	405	435,972	423,054
Purchases (GBV)	–	–	24,797	20,583
Disposals (WDV)	–	–	(2,828)	(4,664)
Depreciation and impairment	(59)	(30)	(11,014)	(10,367)
Adjustment in Remediation Provision	(18)	–	(18)	–
Revaluations to Equity	–	–	4,753	7,366
Closing balance	298	375	451,662	435,972

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2019 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$326,617.06. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2020.

The amount of expected contributions to the fund for the next annual reporting period are \$305,218.68.

E3-1 Contingencies (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.49% as at 30 June 2021.

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

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

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

* Plus promotional increases

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

(ii) 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

Council has provided no other guarantees other than 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.

ASSETS NOT RECOGNISED

(i) Land under roads

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	1,634	1,452
Post-employment benefits	154	136
Other long-term benefits	43	38
Termination benefits	4	20
Total	1,835	1,646

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

	2021 \$ '000	2020 \$ '000
Mayoral fee	27	27
Councillors' fees	110	114
Other Councillors' expenses (including Mayor)	41	49
Total	178	190

The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	72	50
Remuneration for audit and other assurance services	72	50
Total Auditor-General remuneration	72	50
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	5	2
Internal Audit	27	40
Total remuneration of non NSW Auditor-General audit firms	32	42
Total audit fees	104	92

G Other matters

G1-1 Statement of Cash Flows information

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

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	17,207	13,432
Adjust for non-cash items:		
Depreciation and amortisation	11,081	10,434
Net losses/(gains) on disposal of assets	1,702	3,310
Non-cash capital grants and contributions	-	(617)
Adoption of AASB 15/1058	-	(2,075)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
- Revaluation decrements / impairments of IPP&E direct to P&L	17	5
- Landfill provision adjustment	-	-
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	3,492	(4,896)
Increase/(decrease) in provision for impairment of receivables	3	(60)
Decrease/(increase) in inventories	(261)	(20)
Decrease/(increase) in other current assets	(160)	44
Decrease/(increase) in contract assets	(3,684)	(1,821)
Increase/(decrease) in payables	(854)	1,345
Increase/(decrease) in accrued interest payable	(1)	-
Increase/(decrease) in other accrued expenses payable	(87)	297
Increase/(decrease) in other liabilities	(2)	1
Increase/(decrease) in contract liabilities	3,631	3,191
Increase/(decrease) in provision for employee benefits	(158)	527
Increase/(decrease) in other provisions	46	78
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	31,972	23,175

(b) Non-cash investing and financing activities

Culvert Assets	-	617
Total non-cash investing and financing activities	-	617

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage and water infrastructure	8,734	–
Buildings	115	–
Bridges	2,060	–
Plant and equipment	635	1,414
Sewerage Network	–	141
Other Assets	171	18
Waste Management facility	16	–
Roads	491	168
Other Infrastructure	5	–
Water	–	1,446
Koala Park	114	–
Office Equipment	45	4
Open Space/recreational assets	255	869
Other Structures	–	–
Stormwater/Kerb & Gutter	21	–
Saleyards	341	–
Total commitments	13,003	4,060
These expenditures are payable as follows:		
Within the next year	13,003	4,060
Total payable	13,003	4,060
Sources for funding of capital commitments:		
Unrestricted general funds	671	–
Future grants and contributions	11,027	167
Unexpended grants	140	–
Externally restricted reserves	540	1,592
Internally restricted reserves	625	2,301
Total sources of funding	13,003	4,060

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

Nature of prior-period error

During the annual review of Councils Infrastructure, property, plant and equipment (ref C1-7) the following assets were corrected from the previous year or were newly discovered as being omitted from the previous years asset register or additional information received to more accurately value the asset to reflect actual. The changes are as follows:

- During the revaluation of the Bridges & Culverts during the 2019/20 revaluation process 6 Culverts were deemed too large to be a culvert and should be classified as a bridge. The culvert reconciliation was already completed and the 6 culverts were not added to the bridges asset register. Net value increase to bridges was \$2,535,007.
- During Council's extensive annual reviews of Assets it was identified that Culvert 131 - Voca Road had been incorrectly entered in the asset register. The length of the Culvert was recorded as 100 meters where it should have been recorded as 10 meters. Net Value Reduction to culverts was \$244,223.
- During the revaluation of stormwater during the 2020/21 revaluation process additional information was received as to the length of the stormwater network. This results in the length of the stormwater pipes reduced from 48,811m to 46,546m. The net value deduction to stormwater was \$2,253,205.
- In reviewing the water network, 2 pipes had been recorded with the incorrect diameter. The pipes were recorded and costed as 20mm pipes whereas they were 150mm pipes. The net value increase to the water network was \$260,453.
- During the review of the assets at the depot, the depot fence was identified as not being transferred to the current asset register. This fence has been added with a net value of \$96,064.

The errors identified above have been reflected in two separate accounting periods. The culvert, stormwater, water assets and fence asset have all been recognised in the earlier period effective 1 July 2019 being the earliest period of recognition, \$2.1 million. The bridges assets, being as a result of the 2019/20 revaluation process, earliest period effected is 30 June 2020, \$2.5 million.

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

	Original Balance 1 July, 2019 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 1 July, 2019 \$ '000
Infrastructure, property, plant and equipment	437,131	(2,141)	434,990
Total non-current assets	457,157	(2,141)	455,016
Total assets	498,912	(2,141)	496,771
Total liabilities	26,242	–	26,242
Net assets	472,670	(2,141)	470,529
Accumulated surplus	228,258	(2,141)	226,117
Revaluation Reserves	244,412	–	244,412
Total equity	472,670	(2,141)	470,529

G4-1 Correction of errors (continued)

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

Statement of Financial Position

	Original Balance 30 June, 2020 \$ '000	Impact Increase/ (decrease) \$ '000	Restated Balance 30 June, 2020 \$ '000
Infrastructure, property and equipment	447,038	393	447,431
Total non-current assets	472,796	393	473,189
Total assets	520,891	393	521,284
Total liabilities	32,032	–	32,032
Net assets	488,859	393	489,252
Accumulated surplus	239,615	(2,141)	237,474
Revaluation Reserves	249,244	2,534	251,778
Total equity	488,859	393	489,252

G4-2 Changes in accounting estimates

Nature and effect of changes in accounting estimates on current year

During the 2021 financial year council has recognised an immaterial accounting estimate change with changes to assumptions in the life and remaining value of assets held

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Drainage	652	68	–	10	–	–	730	–
Parking	117	–	–	2	–	–	119	–
Open space	1	–	–	–	–	–	1	–
S7.11 contributions – under a plan	770	68	–	12	–	–	850	–
S7.12 levies – under a plan	1,495	380	–	24	(60)	–	1,839	–
Total S7.11 and S7.12 revenue under plans	2,265	448	–	36	(60)	–	2,689	–
S7.4 planning agreements	–	673	–	–	–	–	673	–
S64 contributions	6,574	764	–	98	(9)	–	7,427	–
Total contributions	8,839	1,885	–	134	(69)	–	10,789	–

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

G5-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN NUMBER 1								
Drainage	652	68	–	10	–	–	730	–
Parking	117	–	–	2	–	–	119	–
Open space	1	–	–	–	–	–	1	–
Total	770	68	–	12	–	–	850	–

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

	Opening balance at 1 July 2020 \$ '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 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN NUMBER 01								
Community facilities	1,495	380	–	24	(60)	–	1,839	–
Total	1,495	380	–	24	(60)	–	1,839	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,897	7.99%	10.66%	18.91%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	48,752				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	35,166	55.13%	60.36%	67.91%	> 60.00%
Total continuing operating revenue ¹	63,790				
3. Unrestricted current ratio					
Current assets less all external restrictions	15,296	2.17x	3.32x	2.75x	> 1.50x
Current liabilities less specific purpose liabilities	7,059				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,652	12.06x	11.78x	14.85x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,298				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,083	5.33%	5.05%	4.28%	< 10.00%
Rates and annual charges collectable	20,314				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	68,483	20.62	20.95	19.16	> 3.00
Monthly payments from cash flow of operating and financing activities	3,321	mths	mths	mths	mths

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

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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	7.67%	9.61%	4.22%	5.28%	16.47%	32.62%	> 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	50.16%	55.13%	89.65%	83.04%	89.27%	97.26%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.17x	3.32x	81.27x	102.66x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10.09x	9.53x	∞	∞	∞	∞	> 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	6.36%	6.01%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	20.19 mths	20.77 mths	∞	∞	∞	∞	> 3.00 mths
Monthly payments from cash flow of operating and financing activities							

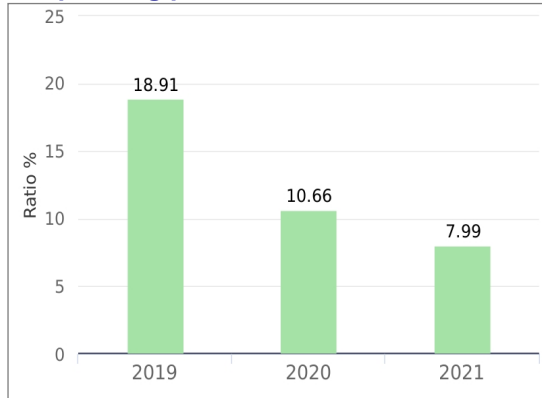
(1) - (2) Refer to Notes at Note 6-1 on the prior page.

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

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio 7.99%

Council continues to maintain operating expenditures within operating revenues. Whilst the graph shows a decrease from last financial year the ratio still remains positive and well above the industry benchmark.

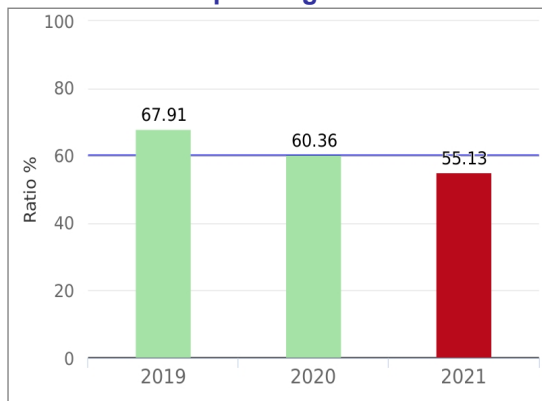
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 55.13%

This ratio reflects council's reliance on rating income. Whilst the ratio has decreased from the previous year, the amount of grants received is similar to the previous year, council has received reduced revenues from Water supply with the easing of drought conditions, reduced revenue from Transport NSW works on state roads and lower interest from investments with interest rates now at historic lows. The effect of this reduced income has put Council below the Local Government Benchmark of 60%.

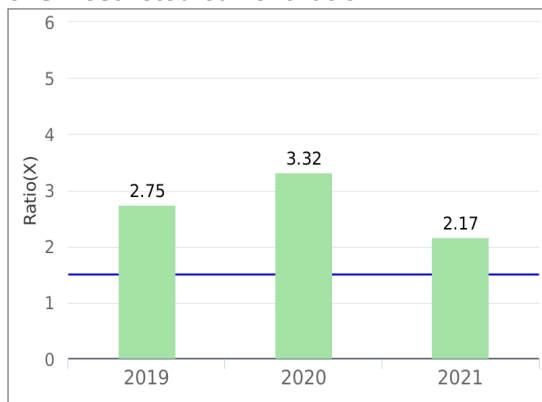
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.17x

Council continues to remain above the Industry benchmark of 1.5 in regards to the Unrestricted Current Ratio. Council should have no problems in meeting it's short term obligations as they fall due.

Benchmark: — > 1.50x

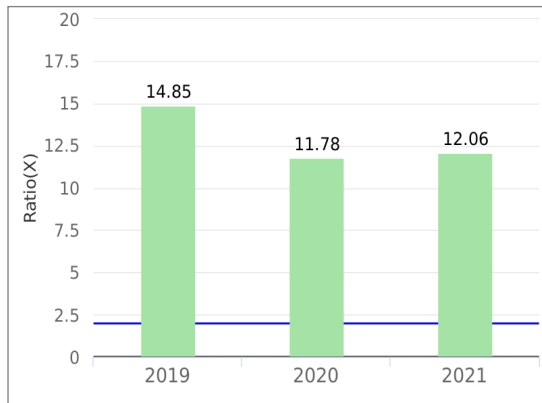
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 12.06x

Council continues to maintain a strong position in relation to the Debt service cover ratio. Council did not take out any additional loans during the 2020/21 year. Council has projected to continue above the Local Government Benchmark of 2% and remains in a strong position to borrow in the future in line with the Long Term Financial Plan.

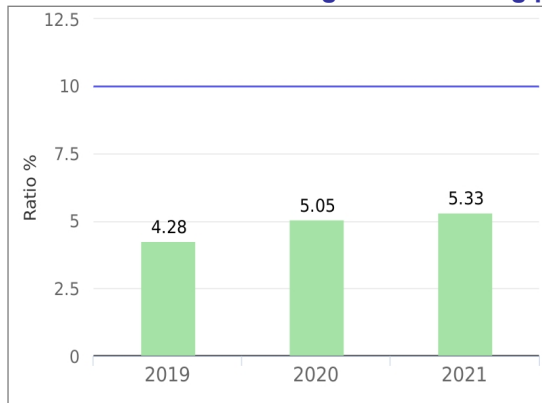
Benchmark: — > 2.00x

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 2020/21 result

2020/21 ratio 5.33%

Council has maintained a strong Rates and Annual Charges outstanding ratio again this year. The ratio remains well under the Local Government Benchmark of 10% for rural councils. There has been a slight increase during the year due to Council putting a hold on collection of outstanding rates and annual charges in April 2020 as a response to the COVID 19 virus and the flow on effects to the ratepayers.

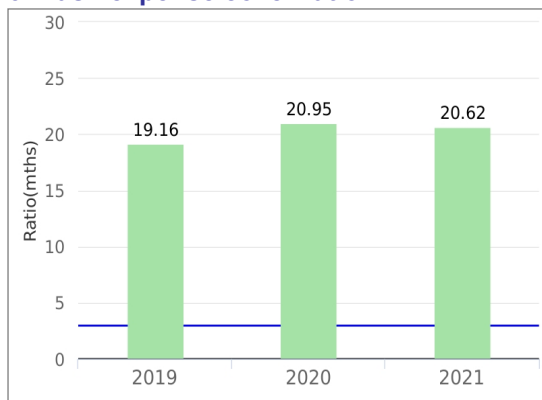
Benchmark: — < 10.00%

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 2020/21 result

2020/21 ratio 20.62 mths

Council's Cash Expense Ratio is well above the benchmark of 3 months. This is reflected in Council investing in safe and liquid term deposits. Council's investments has increased by \$6.796 million to \$68.453 million during 2020/21.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

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

C GREEN

Auditors

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

Elected members

Mayor

J CHAFFEY

Councillors

R HOOKE
G SWAIN
J CAMPBELL
C FULLER
O HASLER
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 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

26 October 2021
SYDNEY



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

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2121919/1735

26 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Gunnedah Shire Council**

I have audited the general purpose financial statements (GPFS) of Gunnedah Shire Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements





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

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

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

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	19.3	18.8	 2.7
Grants and contributions revenue	28.6	24.2	 18.2
Operating result from continuing operations	17.2	13.4	 28.4
Net operating result before capital grants and contributions	2.2	1.9	 15.8

The Council's operating result from continuing operations (\$17.2 million including depreciation and amortisation expense of \$11.1 million) was \$3.8 million higher than the 2019–20 result. This major reasons for the increase include:

- \$3.5 million increase in grants and contributions for capital purposes mainly from Transport (other roads and bridges) funding for Council's Mystery Road, Kelvin Road, Grain Valley Way and Rangari Road upgrade projects
- \$918,000 increase in grants and contributions for operating purposes due to additional contributions received in the year to repair coal haulage transport routes and VPA contributions for provision of facilities
- \$1.6 million decrease in loss on disposals of non-current assets due to a reduction in disposals of infrastructure from renewals.

These increases were offset by:

- \$2.2 million decrease in user charges and fees mainly attributed to a decrease in water usage charges of \$1.1 million in the year as the region received significant rainfall
- \$1.3 million decrease in charges from Transport for NSW as Council completed projects on state roads and focused on council roads, offset by other minor fee increases of \$200,000.

The net operating result before capital grants and contributions of \$2.2 million was \$0.3 million higher than the 2019-20 result. This is due to the \$1.6 million reduction in loss on disposal of assets, offset by an increase of \$659,000 in depreciation and amortisation because of an increase in asset additions in the prior year and increases in grants for operating purposes of \$918,000.

Rates and annual charges revenue (\$19.3 million) increased by \$500,000 (2.7 per cent) in 2020–21 mainly due to the normal rate peg allowance increases in the year.

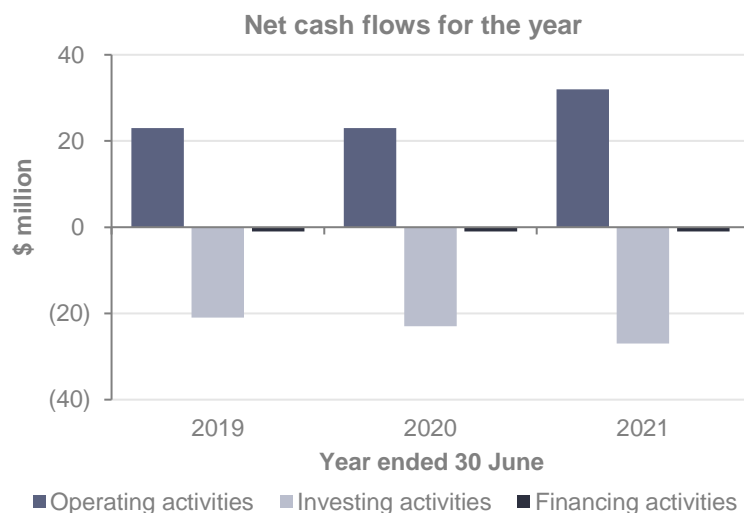
Grants and contributions revenue (\$28.6 million) increased by \$4.4 million (18.2 per cent) in 2020–21 due to the receipt of the additional funding discussed above.

STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$8.8 million due to increased cash inflows from grants and contributions.

Cash outflows from investing activities increased by \$4.0 million due to higher capital expenditure on infrastructure, property, plant and equipment of \$6.4 million, offset by an increase in redemption of funds from investments of \$2.0 million.

Cash outflows from financing activities related to repayment of borrowings and remained similar to prior years.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	68.5	61.7	Major external restrictions include water, sewer and domestic waste operations as well as grants for specific purposes, and developer contributions.
Restricted cash and investments:			The main increase of \$3.6 million related to specific purpose unexpended grants. This included \$2.8 million for the Kelvin Road upgrade.
• External restrictions	47.0	41.6	
• Internal restrictions	18.3	18.9	

PERFORMANCE

Performance measures

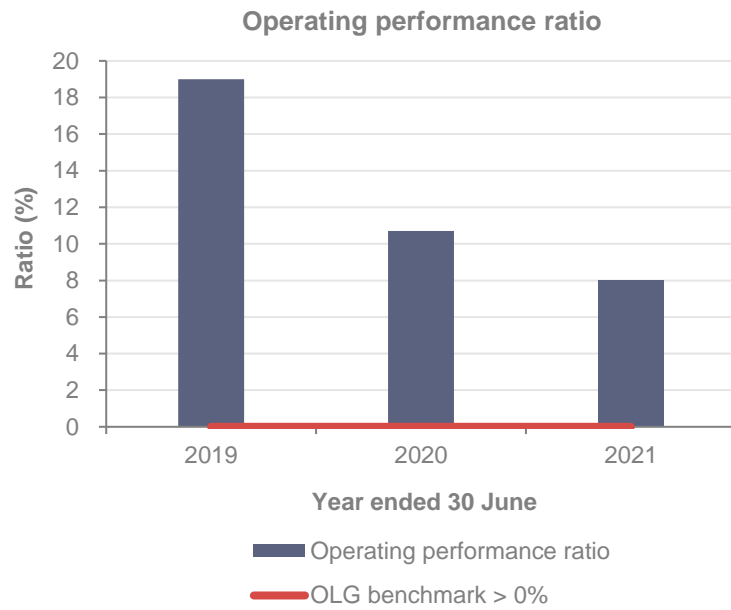
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

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

The decrease in the 2020-21 operating performance ratio arose from a decrease in revenue, especially user charges and fees and interest income and an increase in operating expenses, especially depreciation and employee benefit and on-costs.

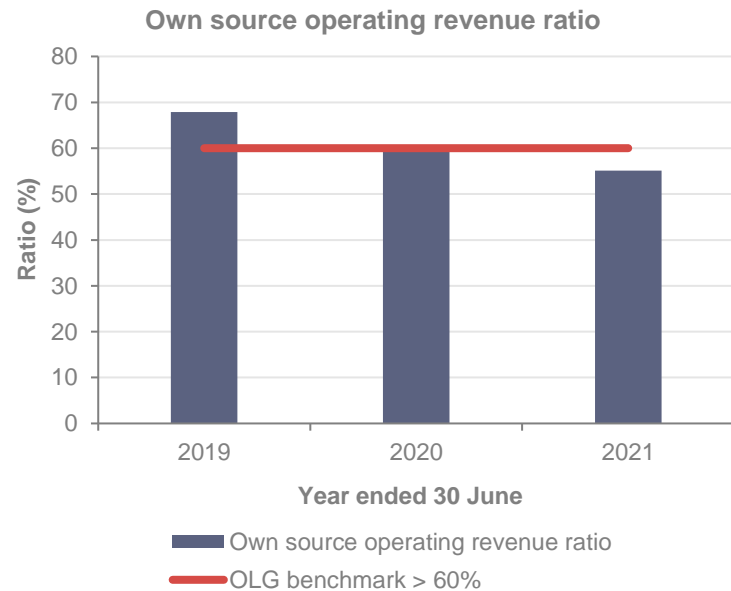


Own source operating revenue ratio

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 OLG benchmark for the current reporting period.

This was due to the impact of an increase in grants and contributions compared to prior year.

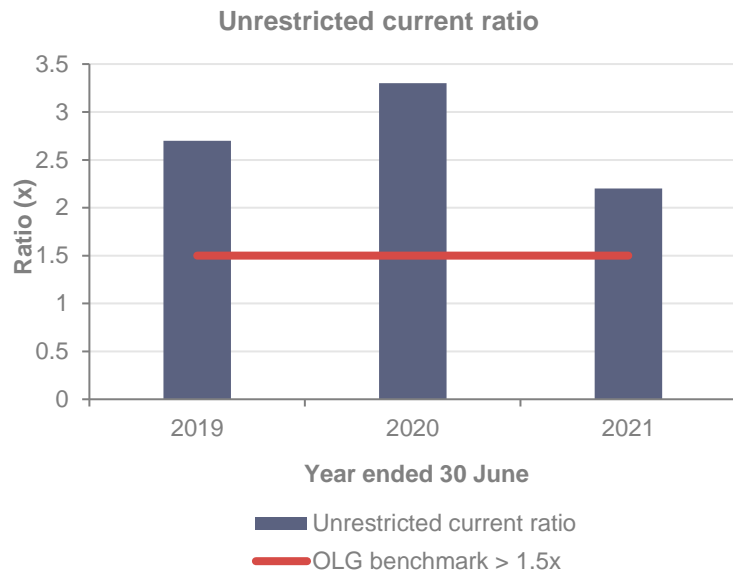


Unrestricted current ratio

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

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

The unrestricted current ratio decreased compared to prior year. This was due to a significant increase in the current restricted cash resulting from the volume of capital works projects.

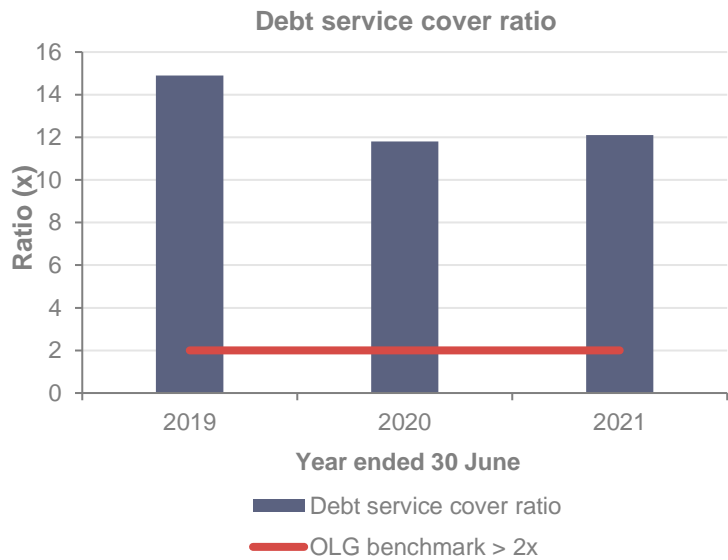


Debt service cover ratio

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

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

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

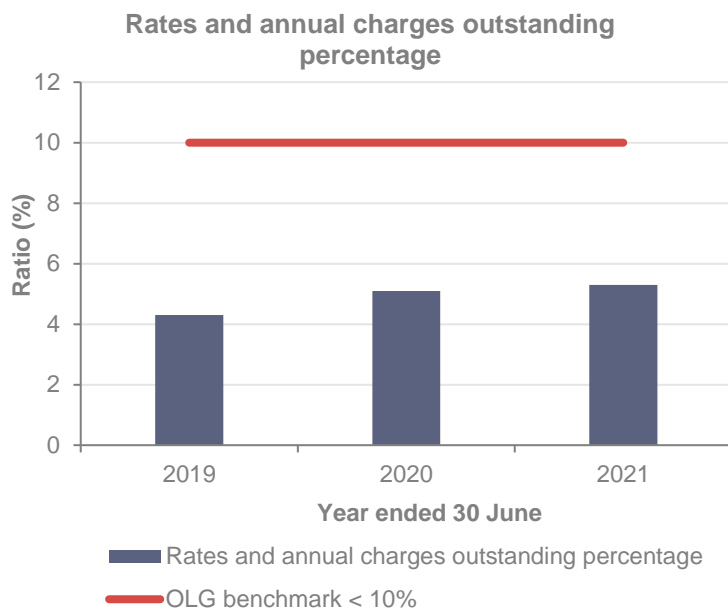


Rates and annual charges outstanding percentage

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

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

The rates and annual charges outstanding percentage remains consistent with prior year.

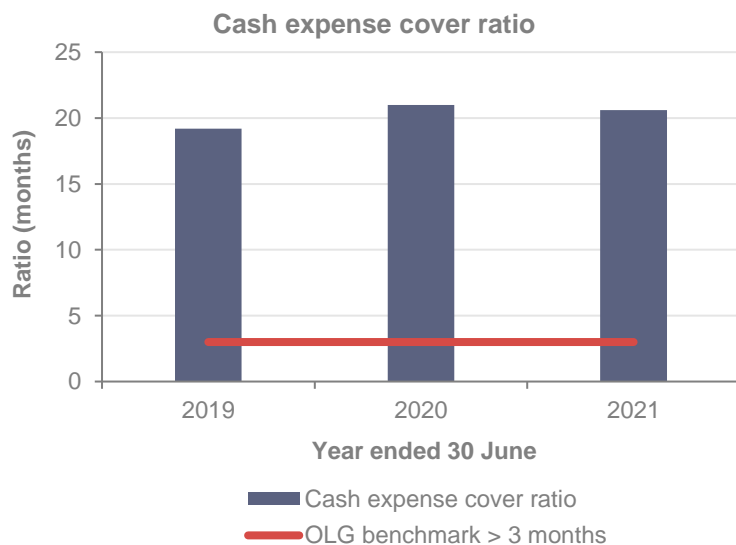


Cash expense cover ratio

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

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

The cash expense cover ratio remains consistent with prior year.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$24.4 million. This increased by \$10.1 million compared to 2019–20 due to Council increasing its renewal works in accordance with its infrastructure management plans.

This included a \$3.9 million increase to capital works in progress and a \$3.8 million increase in road renewals. Major projects included the sealing of Mystery Road and Grain Valley Way. Renewal expenditure was above depreciation for the year by \$13.4 million.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

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

Legislative compliance

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

cc: Mr Eric Groth, General Manager
Mr Grahame Marchant, Chair, Audit Risk and Improvement Committee
Mr Colin Green, Co-ordinator, Accounting and Treasury
Mr Paul Cornall, Principal, Forsyths
Ms Kiersten Fishburn, Secretary, Department of Planning Industry and Environment



Gunnedah Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

“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 2021

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Background

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

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

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

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

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

Gunnedah Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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 15 September 2021.



J CHAFFEY

Mayor

20 October 2021



R HOOKE

Councillor

20 October 2021



E J GROTH

General Manager

20 October 2021



C GREEN

Responsible Accounting Officer

20 October 2021

Gunnedah Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	1,050	1,015
User charges	2,658	3,914
Interest	197	259
Grants and contributions provided for non-capital purposes	50	32
Other income	1	157
Total income from continuing operations	3,956	5,377
Expenses from continuing operations		
Materials and services	1,831	1,761
Depreciation, amortisation and impairment	944	917
Employee benefits and on-costs	890	804
Loss on sale of assets	124	1,611
Total expenses from continuing operations	3,789	5,093
Surplus (deficit) from continuing operations before capital amounts	167	284
Grants and contributions provided for capital purposes	401	1,060
Surplus (deficit) from continuing operations after capital amounts	568	1,344
Surplus (deficit) from all operations before tax	568	1,344
Less: corporate taxation equivalent [based on result before capital]	(43)	(78)
Surplus (deficit) after tax	525	1,266
Plus accumulated surplus	40,420	39,076
Plus/less: prior period adjustments	260	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	43	78
Closing accumulated surplus	41,248	40,420
Return on capital %	0.3%	0.6%
Subsidy from Council	581	137
Calculation of dividend payable:		
Surplus (deficit) after tax	525	1,266
Less: capital grants and contributions (excluding developer contributions)	(401)	(1,060)
Surplus for dividend calculation purposes	124	206
Potential dividend calculated from surplus	62	103

Gunnedah Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	2,227	2,145
User charges	913	865
Interest	172	204
Grants and contributions provided for non-capital purposes	34	34
Other income	–	11
Total income from continuing operations	3,346	3,259
Expenses from continuing operations		
Employee benefits and on-costs	442	367
Materials and services	1,183	797
Depreciation, amortisation and impairment	898	885
Loss on sale of assets	272	147
Total expenses from continuing operations	2,795	2,196
Surplus (deficit) from continuing operations before capital amounts	551	1,063
Grants and contributions provided for capital purposes	364	57
Surplus (deficit) from continuing operations after capital amounts	915	1,120
Surplus (deficit) from all operations before tax	915	1,120
Less: corporate taxation equivalent [based on result before capital]	(143)	(292)
Surplus (deficit) after tax	772	828
Plus accumulated surplus	21,380	20,260
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	143	292
Closing accumulated surplus	22,295	21,380
Return on capital %	1.5%	2.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	772	828
Less: capital grants and contributions (excluding developer contributions)	(364)	(57)
Surplus for dividend calculation purposes	408	771
Potential dividend calculated from surplus	204	386

Gunnedah Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	783	456
Investments	11,320	12,608
Receivables	389	492
Inventories	105	98
Total current assets	12,597	13,654
Non-current assets		
Infrastructure, property, plant and equipment	50,209	47,895
Total non-current assets	50,209	47,895
Total assets	62,806	61,549
LIABILITIES		
Current liabilities		
Payables	149	130
Employee benefit provisions	6	3
Total current liabilities	155	133
Total liabilities	155	133
Net assets	62,651	61,416
EQUITY		
Accumulated surplus	41,248	40,420
Revaluation reserves	21,403	20,996
Total equity	62,651	61,416

Gunnedah Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	659	72
Investments	10,870	10,839
Receivables	167	210
Total current assets	11,696	11,121
Non-current assets		
Infrastructure, property, plant and equipment	36,935	36,289
Total non-current assets	36,935	36,289
Total assets	48,631	47,410
Net assets	48,631	47,410
EQUITY		
Accumulated surplus	22,295	21,380
Revaluation reserves	26,336	26,030
Total equity	48,631	47,410

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

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

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

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

Nil

Note – Significant Accounting Policies (continued)

Taxation equivalent charges

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

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

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

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

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

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

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

The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

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 1.49% at 30/6/21.

(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 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of Gunnedah Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

26 October 2021
SYDNEY



Gunnedah Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

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



Gunnedah Shire Council

Special Schedules

for the year ended 30 June 2021

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Gunnedah Shire Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	13,279	13,618
Plus or minus adjustments ²	b	(9)	18
Notional general income	c = a + b	13,270	13,636
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	345	273
Sub-total	k = (c + g + h + i + j)	13,615	13,909
Plus (or minus) last year's carry forward total	l	3	-
Sub-total	n = (l + m)	3	-
Total permissible income	o = k + n	13,618	13,909
Less notional general income yield	p	13,618	13,891
Catch-up or (excess) result	q = o - p	-	18
Plus income lost due to valuation objections claimed ⁴	r	-	1
Carry forward to next year ⁶	t = q + r + s	-	19

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.
- (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 *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

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 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

26 October 2021
SYDNEY

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Buildings	Buildings	–	–	909	244	31,632	52,237	18.9%	48.4%	32.0%	0.7%	0.1%
	Sub-total	–	–	909	244	31,568	52,237	18.9%	48.4%	32.0%	0.7%	0.1%
Other structures	Other structures	–	–	146	296	4,017	6,750	9.6%	77.1%	2.3%	11.0%	0.0%
	Sub-total	–	–	146	296	4,017	6,750	9.6%	77.1%	2.3%	11.0%	0.0%
Roads	Urban Roads	–	–	1,381	451	41,569	54,291	55.5%	20.8%	23.5%	0.2%	0.0%
	Rural Sealed Roads	–	–	1,529	834	75,909	88,691	72.8%	13.9%	13.0%	0.3%	0.0%
	Rural Unsealed Roads	–	–	706	2,740	78,281	91,121	66.3%	8.7%	24.6%	0.4%	0.0%
	Bridges / Culverts	685	685	181	15	29,415	46,538	43.3%	39.4%	7.6%	9.7%	0.0%
	Footpaths	–	–	117	49	7,185	9,325	58.7%	25.3%	15.7%	0.3%	0.0%
	Other road assets	–	–	21	8	3,850	4,855	40.5%	40.6%	18.9%	0.0%	0.0%
	Sub-total	685	685	3,935	4,097	236,122	294,821	62.0%	18.4%	17.8%	1.8%	0.0%
Water supply network	Water supply network	1,886	1,886	1,146	851	47,543	75,753	37.0%	39.5%	12.1%	10.0%	1.4%
	Sub-total	1,886	1,886	1,146	851	47,542	75,753	37.0%	39.5%	12.1%	10.0%	1.4%
Sewerage network	Sewerage network	–	–	856	562	34,800	64,340	31.3%	32.4%	7.0%	29.3%	0.0%
	Sub-total	–	–	856	562	34,800	64,340	31.3%	32.4%	7.0%	29.3%	0.0%
Stormwater drainage	Stormwater drainage	–	–	333	47	29,241	38,574	5.7%	93.2%	1.1%	0.0%	0.0%
	Kerb & Gutter	–	–	469	57	11,561	29,152	19.4%	70.6%	9.9%	0.1%	0.0%
	Sub-total	–	–	802	104	40,802	67,726	11.6%	83.5%	4.9%	0.0%	0.0%

Gunnedah Shire Council

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

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Open space / recreational assets	Swimming pools	–	–	350	77	9,097	10,396	5.7%	93.2%	1.1%	0.0%	0.0%	
	Other Recreational Assets	566	566	94	1,071	7,197	10,057	19.4%	70.6%	9.9%	0.1%	0.0%	
	Sub-total	566	566	444	1,148	16,294	20,453	12.4%	82.1%	5.4%	0.0%	0.0%	
Other infrastructure assets	Aerodrome	–	–	128	17	1,848	6,971	1.8%	0.4%	97.2%	0.6%	0.0%	
	Car Parking	–	–	29	14	569	1,349	6.3%	3.2%	90.5%	0.0%	0.0%	
	Sub-total	–	–	157	31	2,417	8,320	2.5%	0.9%	96.1%	0.5%	0.0%	
Total – all assets		3,137	3,137	8,395	7,333	413,562	590,400	42.7%	35.4%	16.2%	5.6%	0.2%	

(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 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	10,606	130.09%	63.58%	164.94%	>= 100.00%
Depreciation, amortisation and impairment	8,153				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	3,137	0.74%	0.77%	1.67%	< 2.00%
Net carrying amount of infrastructure assets	425,817				
Asset maintenance ratio					
Actual asset maintenance	7,333	87.35%	98.70%	107.93%	> 100.00%
Required asset maintenance	8,395				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	3,137	0.53%	0.56%	1.19%	
Gross replacement cost	590,400				

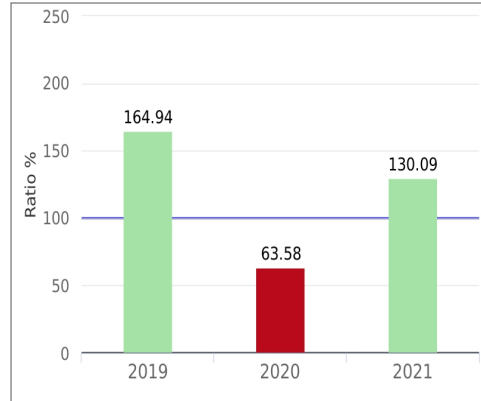
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

20/21 ratio 130.09%

Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. This year Council exceeded the 100% benchmark and remains on track to be over 100% in the long term.

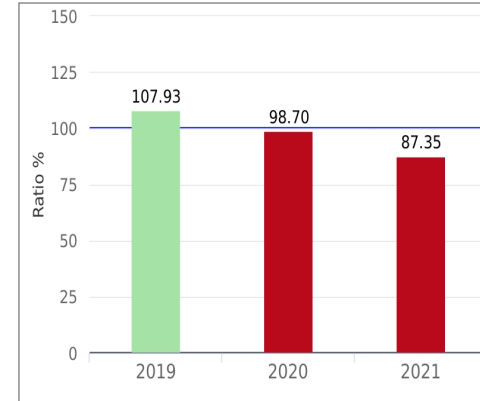
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

20/21 ratio 87.35%

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

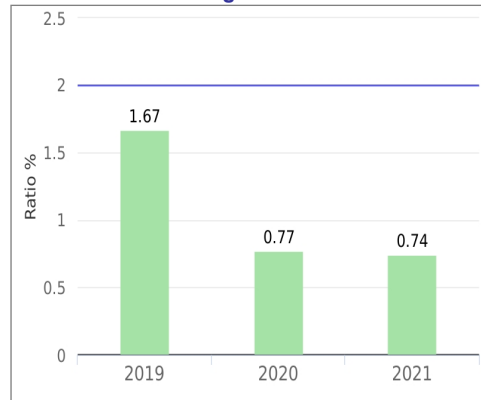
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

20/21 ratio 0.74%

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

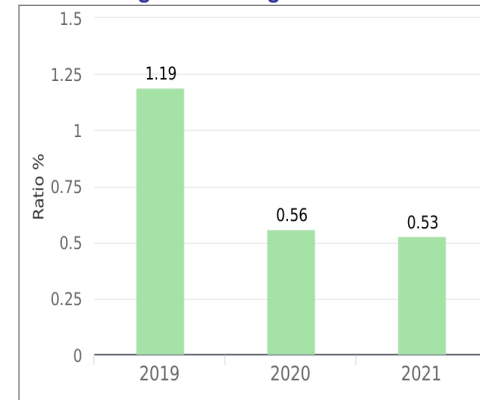
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

20/21 ratio 0.53%

The ratio shows an improvement as Council continues to maintain assets to agreed service levels. This year remains similar to last year and reflects the significant amount of work Council has carried out to reduce the backlog to agreed service levels.

Gunnedah Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	166.34%	75.07%	0.00%	47.60%	0.00%	0.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.36%	0.39%	3.97%	4.11%	0.00%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	92.60%	97.89%	74.26%	148.33%	65.65%	58.65%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.28%	0.30%	2.49%	2.58%	0.00%	0.00%	

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