

Bega Valley Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022



Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022



Bega Valley Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

Zingel Place,
BEGA NSW 2550

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

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

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

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

Bega Valley Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 15 February 2023.



Cr. Russell Fitzpatrick
Mayor
15 February 2023



Cr. Liz Seckold
Councillor
15 February 2023



Anthony McMahon
Chief Executive Officer
15 February 2023



Judith Jordan
Responsible Accounting Officer
15 February 2023

Bega Valley Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		57,937	34,399
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	130,615	3,898
Total items which will not be reclassified subsequently to the operating result		130,615	3,898
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		-	(1,027)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		-	(1,027)
Total other comprehensive income for the year		130,615	2,871
Total comprehensive income for the year attributable to Council		188,552	37,270

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

Bega Valley Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	10,093	85,189
Investments	C1-2	57,500	–
Receivables	C1-4	32,686	28,948
Inventories	C1-5	637	636
Other	C1-11	27	40
Total current assets		100,943	114,813
Non-current assets			
Investments	C1-2	37,500	–
Receivables	C1-4	9	9
Infrastructure, property, plant and equipment (IPPE)	C1-6	1,341,163	1,174,942
Total non-current assets		1,378,672	1,174,951
Total assets		1,479,615	1,289,764
LIABILITIES			
Current liabilities			
Payables	C3-1	15,396	15,036
Contract liabilities	C3-2	16,207	18,565
Borrowings	C3-3	4,691	3,776
Employee benefit provisions	C3-4	7,678	8,298
Provisions	C3-5	655	662
Total current liabilities		44,627	46,337
Non-current liabilities			
Borrowings	C3-3	28,146	23,999
Employee benefit provisions	C3-4	32	319
Provisions	C3-5	5,190	6,041
Total non-current liabilities		33,368	30,359
Total liabilities		77,995	76,696
Net assets		1,401,620	1,213,068
EQUITY			
Accumulated surplus		694,534	636,597
IPPE revaluation reserve	C4-1	707,086	576,471
Council equity interest		1,401,620	1,213,068
Total equity		1,401,620	1,213,068

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

Bega Valley Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		636,597	576,471	1,213,068	602,198	573,600	1,175,798
Restated opening balance		636,597	576,471	1,213,068	602,198	573,600	1,175,798
Net operating result for the year		57,937	–	57,937	34,399	–	34,399
Restated net operating result for the period		57,937	–	57,937	34,399	–	34,399
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-6	–	130,615	130,615	–	3,898	3,898
Other reserves movements	C3-5	–	–	–	–	(1,027)	(1,027)
Other comprehensive income		–	130,615	130,615	–	2,871	2,871
Total comprehensive income		57,937	130,615	188,552	34,399	2,871	37,270
Closing balance at 30 June		694,534	707,086	1,401,620	636,597	576,471	1,213,068

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

Bega Valley Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
55,592	Rates and annual charges		57,491	53,072
21,413	User charges and fees		23,651	21,084
1,155	Interest received		484	618
70,801	Grants and contributions		80,272	61,633
–	Bonds, deposits and retentions received		314	335
3,362	Other		11,627	3,596
<i>Payments:</i>				
(36,454)	Payments to employees		(38,387)	(37,994)
(42,355)	Payments for materials and services		(58,038)	(41,938)
(1,404)	Borrowing costs		(1,401)	(1,554)
(7,792)	Other		(1,180)	(1,625)
64,318	Net cash flows from operating activities	G1-1	74,833	57,227
Cash flows from investing activities				
<i>Receipts:</i>				
1,360	Proceeds from sale of IPPE		1,697	4,558
–	Deferred debtors receipts		14	–
<i>Payments:</i>				
–	Acquisition of term deposits		(95,000)	–
(89,970)	Payments for IPPE		(61,702)	(58,361)
–	Deferred debtors and advances made		–	(8)
(88,610)	Net cash flows from investing activities		(154,991)	(53,811)
Cash flows from financing activities				
<i>Receipts:</i>				
4,077	Proceeds from borrowings		8,930	–
<i>Payments:</i>				
(3,894)	Repayment of borrowings		(3,868)	(3,746)
183	Net cash flows from financing activities		5,062	(3,746)
(24,109)	Net change in cash and cash equivalents		(75,096)	(330)
67,698	Cash and cash equivalents at beginning of year		85,189	85,519
43,589	Cash and cash equivalents at end of year	C1-1	10,093	85,189
–	plus: Investments on hand at end of year	C1-2	95,000	–
43,589	Total cash, cash equivalents and investments		105,093	85,189

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

Bega Valley Shire Council

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Bega Valley 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 15 February 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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 C1-6
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

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
- Water service
- Sewerage service

Due to their immaterial value and nature, the following Committees have been excluded from consolidation:

A1-1 Basis of preparation (continued)

Twyford Hall Committee

The Trust Fund

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

Trust monies and property subject to Council's control have been included in these reports.

Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements:

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

Comparative figures

Adjustments have been made to the prior year comparatives for provision of remediation assets - Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements

New accounting standards adopted during the year

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

Those newly adopted standards had no material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Governance	–	2	1,007	530	(1,007)	(528)	–	–	–	–
Administration	7,830	3,446	16,145	19,547	(8,315)	(16,101)	6,409	5,560	220,834	196,392
Public Order and Safety	13,831	10,881	7,413	12,374	6,418	(1,493)	720	9,057	5,574	5,145
Health	385	297	392	342	(7)	(45)	–	36	–	–
Environment	15,313	15,583	15,076	12,396	237	3,187	3,350	1,741	–	–
Community Services and Education	9,513	9,585	9,748	9,913	(235)	(328)	6,989	6,936	4,696	4,772
Housing and Community Amenities	1,831	1,089	3,362	2,710	(1,531)	(1,621)	311	138	60,877	76,257
Water Supplies	16,223	16,223	13,515	14,011	2,708	2,212	5,101	–	198,108	170,281
Sewerage Supplies	19,663	20,117	21,010	16,672	(1,347)	3,445	232	3,378	196,719	145,378
Recreation and Culture	6,549	5,960	9,724	6,786	(3,175)	(826)	2,037	5,682	147,526	137,862
Mining, Manufacturing and Construction	920	1,387	738	1,110	182	277	–	59	1,124	1,124
Transport and Communication	34,115	24,385	12,264	9,899	21,851	14,486	35,236	25,299	637,565	545,905
Economic Affairs	792	589	1,187	1,358	(395)	(769)	580	327	6,592	6,648
General Purpose Income	42,553	32,503	–	–	42,553	32,503	10,494	5,230	–	–
Other	–	–	–	–	–	–	19,022	2,249	–	–
Total functions and activities	169,518	142,047	111,581	107,648	57,937	34,399	90,481	65,692	1,479,615	1,289,764

B1-2 Components of functions or activities

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

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

Administration

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

Public Order and Safety

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

Health

Inspection, immunisations, food control, health centres, other, administration.

Environment

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

Community Services and Education

Administration, family day care, child care, youth services, other family and children, aged and disabled, Aboriginal services, other community services, education.

Housing and Community Amenities

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

Water Supply Service

Sewerage Services

Recreation and Culture

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

Mining Manufacturing and Construction

Building control, quarries and pits, other.

Transport and Communication

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

Economic Affairs

Camping areas, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	21,596	20,951
Farmland	1,826	1,822
Business	2,347	2,243
Less: pensioner rebates (mandatory)	(359)	(365)
Less: pensioner rebates (Council policy)	(293)	(298)
Rates levied to ratepayers	25,117	24,353
Pensioner rate subsidies received	357	362
Total ordinary rates	25,474	24,715
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	9,835	8,982
Stormwater management services	300	298
Water supply services	3,756	3,998
Sewerage services	16,913	16,220
Waste management services (non-domestic)	-	12
Other	6	7
Less: pensioner rebates (mandatory)	(37)	(404)
Less: pensioner rebates (Council policy)	(334)	(331)
Annual charges levied	30,439	28,782
Pensioner subsidies received:		
– Water	138	139
– Sewerage	120	120
– Domestic waste management	149	142
Total annual charges	30,846	29,183
Total rates and annual charges	56,320	53,898

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

\$ '000	Timing	2022	2021
Specific user charges			
<small>(per s.502 - specific 'actual use' charges)</small>			
Domestic waste management services	2	2	-
Water supply services	2	7,670	7,740
Sewerage services	2	1,861	2,073
Other	2	6	44
Total specific user charges		9,539	9,857

Other user charges and fees

B2-2 User charges and fees (continued)

\$ '000	Timing	2022	2021
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	1,768	2,102
Private works – section 67	2	452	131
Regulatory/ statutory fees	2	3	2
Regulatory fees	2	40	6
Section 603 certificates	2	117	132
Tapping fees	2	267	208
Other		11	4
Total fees and charges – statutory/regulatory		2,658	2,585
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	192	191
Cemeteries	2	429	389
Child care	2	533	586
Community centres	2	225	295
Lease rentals	2	580	514
Leaseback fees – Council vehicles	2	495	419
Leisure centre	2	70	81
Library and art gallery	2	68	53
Recycling income (non-domestic)	2	557	438
Refuse and effluent disposal	2	70	56
Swimming centres	2	703	708
Waste disposal tipping fees	2	3,300	4,220
Food shop inspections	2	1	–
Planning and building – discretionary	2	84	110
Other	2	12	46
Total fees and charges – other		7,319	8,106
Total other user charges and fees		9,977	10,691
Total user charges and fees		19,516	20,548
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		19,516	20,548
Total user charges and fees		19,516	20,548

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.

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Fines	2	287	220
Legal fees recovery – rates and charges (extra charges) #	2	321	–
Legal fees recovery – other	2	2	5
Commissions and agency fees	2	21	–
Diesel rebate	2	169	94
Insurance claims recoveries	2	1,753	218
Sales – general	2	9	–
Fundraising and donations	2	2	93
Other	2	59	272
Total other revenue		2,623	902
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		2,623	902
Total other revenue		2,623	902

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.

(#) Council adopted a policy to not pursue overdue Rates and Charges for the 2021 year, due to Black Summer fires and COVID19

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,849	2,527	–	–
Financial assistance – local roads component	2	1,216	960	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	4,338	2,703	–	–
Financial assistance – local roads component	2	1,733	1,031	–	–
Amount recognised as income during current year		10,136	7,221	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Water supplies	2	29	65	4,513	2,848
Sewerage services	2	11	–	2	498
Bushfire and emergency services	2	144	6,872	510	–
Child care	2	2,170	1,998	–	–
Community care	2	6,767	6,767	381	48
Community centres	2	–	–	–	1,149
Economic development	2	361	296	–	–
Employment and training programs	2	–	5	–	–
Environmental programs	2	373	414	–	–
Heritage and cultural	2	620	219	6	–
Library	2	179	174	–	1
LIRS subsidy	2	76	49	–	–
Noxious weeds	2	216	292	–	–
Public halls	2	–	67	192	297
Recreation and culture	2	203	372	3,194	3,351
Health	2	90	36	–	–
Planning	2	40	83	–	–
Regulatory	2	58	59	–	–
Waste	2	192	926	296	7
Wharves and jetties	2	–	–	755	989
Other (enter details...)	2	652	392	31	–
Street lighting	2	55	55	–	–
Natural Disaster	2	23,945	1,603	59	–
Transport (roads to recovery)	2	–	–	548	133
Transport (other roads and bridges funding)	2	244	4,159	18,193	18,039
Other specific grants	2	556	104	–	–
Previously contributions:					
Bushfire services	2	92	2,192	–	–
Community services	2	28	130	1	180
Recreation and culture	2	48	19	–	–
Tourism	2	9	31	–	–
Water supplies (excl. section 64 contributions)	2	8	–	–	–
Other contributions	2	65	9	–	–
Administration	2	21	92	1	51
Airport	2	–	–	11,953	–
Library	2	54	50	–	–
Total special purpose grants and non-developer contributions – cash		37,306	27,530	40,635	27,591
Non-cash contributions					
Other	2	–	–	–	20

continued on next page ...

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Total other contributions – non-cash		–	–	–	20
Total special purpose grants and non-developer contributions (tied)		37,306	27,530	40,635	27,611
Total grants and non-developer contributions		47,442	34,751	40,635	27,611
Comprising:					
– Commonwealth funding		38,490	21,986	16,440	15,834
– State funding		8,209	6,958	23,160	2,008
– Other funding		743	5,807	1,035	9,769
		47,442	34,751	40,635	27,611

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G4					
Cash contributions						
S 7.11 – contributions towards amenities/services		1058	–	–	1,011	1,383
S 64 – water supply contributions		1058	–	–	665	859
S 64 – sewerage service contributions		1058	–	–	728	1,088
Total developer contributions – cash			–	–	2,404	3,330
Total developer contributions			–	–	2,404	3,330
Total contributions			–	–	2,404	3,330
Total grants and contributions			47,442	34,751	43,039	30,941
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			47,442	34,751	43,039	30,941
Total grants and contributions			47,442	34,751	43,039	30,941

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	2,806	2,207	15,759	12,361
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Add: Funds received and not recognised as revenue in the current year	2,026	8,172	13,883	18,021
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	-	(7,573)	-	(14,623)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(2,709)	-	(15,558)	-
Unspent funds at 30 June	2,123	2,806	14,084	15,759
Contributions				
Unspent funds at 1 July	-	-	-	-
Unspent contributions at 30 June	-	-	-	-

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	230	15
– Overdue user fees and charges	8	–
– Cash and investments	313	582
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	–	6
Finance income on the net investment in the lease	–	–
Total interest and investment income (losses)	551	603
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	93	–
General Council cash and investments	296	603
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	7	–
– Section 64	52	–
Water fund operations	46	–
Sewerage fund operations	31	–
Domestic waste management operations	26	–
Total interest and investment income	551	603

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 when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	31,935	30,756
Travel expenses	27	27
Employee leave entitlements (ELE)	4,276	4,024
Superannuation	3,613	3,519
Workers' compensation insurance	754	724
Fringe benefit tax (FBT)	34	27
Payroll tax	322	351
Training costs (other than salaries and wages)	261	346
Protective clothing	30	43
Other	6	21
Total employee costs	41,258	39,838
Less: capitalised costs	(3,732)	(3,186)
Total employee costs expensed	37,526	36,652
Number of 'full-time equivalent' employees (FTE) at year end	348	345

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

\$ '000	Notes	2022	2021
Raw materials and consumables		3,606	6,920
Contractor and consultancy costs		36,063	27,879
Audit Fees	F2-1	87	121
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	247	212
Advertising		184	76
Bank charges		205	208
Computer software charges		1,787	1,672
Electricity and heating		1,530	1,700
Insurance		1,413	1,285
Postage		138	142
Printing and stationery		256	286
Street lighting		431	387
Subscriptions and publications		292	251
Telephone and communications		378	605
Valuation fees		129	251
Other expenses		14	11
Legal expenses:			
Expenses from short-term leases		13	13
Expenses from leases of low value assets		269	213

continued on next page ...

B3-2 Materials and services (continued)

\$ '000		2022	2021
– Legal expenses: planning and development		434	28
– Legal expenses: debt recovery		321	40
– Legal expenses: other		114	68
Total materials and services		47,911	42,368
Total materials and services		47,911	42,368

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		1,415	1,537
Total interest bearing liability costs		1,415	1,537
Total interest bearing liability costs expensed		1,415	1,537
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	C3-5	(856)	–
Total other borrowing costs		(856)	–
Total borrowing costs expensed		559	1,537

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		1,861	1,851
Office equipment		27	78
Land improvements (depreciable)		(8)	8
Infrastructure:	C1-6		
– Buildings – specialised		1,325	1,680
– Roads		6,077	7,857
– Bridges		1,979	1,964
– Footpaths		349	302
– Stormwater drainage		716	715
– Water supply network		4,067	3,886
– Sewerage network		4,251	3,941
– Swimming pools		209	205
– Other open space/recreational assets		1,441	1,406
– Other infrastructure		872	1,441
Other assets:			
– Library books		72	126
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	1,188	–
Total gross depreciation and amortisation costs		24,426	25,460
Total depreciation and amortisation costs		24,426	25,460

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

Total depreciation, amortisation and impairment for non-financial assets	24,426	25,460
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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.

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

\$ '000	Notes	2022	2021
Impairment of receivables			
User charges and fees		8	145
Other		2	–
Total impairment of receivables	C1-4	10	145
Other			
Contributions/levies to other levels of government			
Contributions/levies to other levels of government		154	98
– Emergency services levy (includes FRNSW, SES, and RFS levies)		394	–
– NSW rural fire service levy		398	1,057
– Other contributions/levies		–	7
Donations, contributions and assistance to other organisations (Section 356)		203	324
Total other		1,149	1,486
Total other expenses		1,159	1,631

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		562	3,040
Less: carrying amount of property assets sold/written off		(1,025)	(868)
Gain (or loss) on disposal		(463)	2,172
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		1,135	1,518
Less: carrying amount of plant and equipment assets sold/written off		(491)	(1,282)
Gain (or loss) on disposal		644	236
Gain (or loss) on disposal of infrastructure			
	C1-6		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(154)	(2,004)
Gain (or loss) on disposal		(154)	(2,004)
Net gain (or loss) from disposal of assets		27	404

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

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

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	55,592	56,320	728	1%	F
User charges and fees	20,591	19,516	(1,075)	(5)%	U
Other revenues	3,366	2,623	(743)	(22)%	U
Council received lower than anticipated other revenue.					
Operating grants and contributions	31,326	47,442	16,116	51%	F
Council has received higher than anticipated operating grants and contributions - opportunity for funding becomes available throughout the year and is difficult to budget for.					
DRFA funds are only budgeted when approval has been granted by the funding body, these are significant as we recover from multiple natural disasters.					
Council also received 75% of its Financial Assistance Grant (expected in FY23) paid early in FY22.					
Capital grants and contributions	44,884	43,039	(1,845)	(4)%	U
Interest and investment revenue	1,155	551	(604)	(52)%	U
Council overestimated the return on investment, with lower than expected interest rates and cash holdings impacting the return.					
Net gains from disposal of assets	-	27	27	∞	F
Expenses					
Employee benefits and on-costs	36,312	37,526	(1,214)	(3)%	U
Materials and services	41,856	47,911	(6,055)	(14)%	U
Increases in materials and contracts are reflective of additional operating grants, the majority of which can be attributed to the rectification of natural disaster damages.					
Recategorisation of expense type to materials and contracts from other expenses has also impacted this figure.					
Borrowing costs	1,404	559	845	60%	F
Depreciation, amortisation and impairment of non-financial assets	26,239	24,426	1,813	7%	F
Other expenses	7,791	1,159	6,632	85%	F
Recategorisation of expense type from other expenses to materials and contracts has impacted this figure.					

Statement of cash flows

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Cash flows from operating activities	64,318	74,833	10,515	16% F
Increases in grant income and materials and contracts have impacted the cash flow budget				
Cash flows from investing activities	(88,610)	(154,991)	(66,381)	75% U
Changes in investment strategy has seen Council invest in funds longer term, these changes are recorded in this cash flow. Council also did not deliver all capital works proposed in the original budget.				
Cash flows from financing activities	183	5,062	4,879	2,666% F
Council, throughout the year, approved additional loan funding to support capital improvements at Merimbula Airport.				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	2,967	8,850
Cash equivalent assets		
– Short-term deposits	7,126	76,339
Total cash and cash equivalents	10,093	85,189

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,093	85,189
Balance as per the Statement of Cash Flows	10,093	85,189

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Long term deposits	57,500	37,500	–	–
Total	57,500	37,500	–	–
Total financial investments	57,500	37,500	–	–
Total cash assets, cash equivalents and investments	67,593	37,500	85,189	–

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.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	105,093	85,189
Less: Externally restricted cash, cash equivalents and investments	<u>(82,077)</u>	<u>(83,965)</u>
Cash, cash equivalents and investments not subject to external restrictions	23,016	1,224
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	1,989	–
Specific purpose unexpended grants – general fund	<u>16,137</u>	<u>18,565</u>
External restrictions – included in liabilities	18,126	18,565
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	2,280	4,017
Developer contributions – water fund	4,603	4,444
Developer contributions – sewer fund	9,129	9,631
Water fund	17,065	18,764
Sewer fund	29,646	27,934
Domestic waste management	<u>1,228</u>	<u>610</u>
External restrictions – other	63,951	65,400
Total external restrictions	82,077	83,965

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	23,016	1,224
Less: Internally restricted cash, cash equivalents and investments	<u>(22,515)</u>	<u>(1,224)</u>
Unrestricted and unallocated cash, cash equivalents and investments	501	–
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Infrastructure replacement	11,500	–
Employees leave entitlement	1,582	1,224
Childcare services (excl. ELE shown above)	1,104	–
Environmental management	530	–
Gravel pit operations	657	–
Financial Assistance Grant - paid in advance	6,142	–
Other	<u>1,000</u>	<u>–</u>
Total internal allocations	22,515	1,224

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

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	501	–

C1-4 Receivables

\$ '000	2022		2021	
	Current	Non-current	Current	Non-current
Rates and annual charges	3,002	–	3,964	–
Interest and extra charges	240	–	173	–
User charges and fees	1,546	–	3,383	–
Private works	713	–	1,299	–
Contributions to works	6	–	6	–
Accrued revenues				
– Interest on investments	4	–	4	–
Children services	342	–	286	–
Deferred debtors	9	–	23	–
Government grants and subsidies	24,768	–	16,917	–
Loans to non-profit organisations	370	–	–	–
Loans to sporting clubs	–	9	–	9
Net GST receivable	1,930	–	3,137	–
Total	32,930	9	29,192	9
Less: provision for impairment				
User charges and fees	(244)	–	(244)	–
Total provision for impairment – receivables	(244)	–	(244)	–
Total net receivables	32,686	9	28,948	9
Externally restricted receivables				
Water supply				
– Other	2,317	–	2,952	–
Sewerage services				
– Other	773	–	2,998	–
Total external restrictions	3,090	–	5,950	–
Unrestricted receivables	29,596	9	22,998	9
Total net receivables	32,686	9	28,948	9

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Opening impairment allowance calculated under AASB 9	244	–
Impairment loss recognised	10	–
Amounts written off as uncollectible	(10)	–
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	244
Balance at the end of the year	244	244

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.

C1-4 Receivables (continued)

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	637	-	636	-
Total inventories at cost	637	-	636	-
Total inventories	637	-	636	-

Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Water				
Stores and materials	26	-	26	-
Total water	26	-	26	-
Sewerage				
Stores and materials	75	-	75	-
Total sewerage	75	-	75	-
Total externally restricted assets	101	-	101	-
Total internally restricted assets	-	-	-	-
Total unrestricted assets	536	-	535	-
Total inventories	637	-	636	-

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 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	32,090	–	32,090	30,626	–	–	–	(17,443)	–	–	–	45,273	–	45,273
Office equipment	1,739	(1,454)	285	–	–	–	(27)	–	–	–	4	1,789	(1,527)	262
Plant and equipment	23,568	(11,434)	12,134	6	2,024	(491)	(1,861)	–	–	–	943	24,944	(12,189)	12,755
Land:														
– Operational land	44,506	–	44,506	–	–	(1,025)	–	–	16	(12,684)	–	30,813	–	30,813
– Community land	49,423	–	49,423	–	–	–	–	–	(16)	–	17,758	67,165	–	67,165
– Land under roads (post 30/6/08)	540	–	540	–	–	–	–	–	–	–	–	540	–	540
Land improvements – depreciable	–	(8)	(8)	–	–	–	8	–	–	–	–	–	–	–
Infrastructure:														
– Buildings – specialised	87,221	(16,736)	70,485	482	28	–	(1,325)	26	–	–	8,411	98,445	(20,338)	78,107
– Roads	294,553	(102,023)	192,530	6,444	10,968	(132)	(6,077)	14,424	5,071	–	19,586	368,325	(125,511)	242,814
– Bridges	221,741	(81,064)	140,677	495	495	–	(1,979)	1,048	–	–	14,714	247,239	(91,789)	155,450
– Footpaths	26,074	(5,005)	21,069	58	1,183	–	(349)	32	–	–	2,377	30,302	(5,932)	24,370
– Bulk earthworks (non-depreciable)	174,423	–	174,423	25	–	–	–	–	–	–	18,854	193,302	–	193,302
– Stormwater drainage	74,715	(21,888)	52,827	–	157	–	(716)	–	–	–	5,633	82,948	(25,047)	57,901
– Water supply network	301,640	(131,373)	170,267	1,925	483	–	(4,067)	773	–	–	29,469	331,927	(133,077)	198,850
– Sewerage network	264,658	(119,942)	144,716	2,949	316	–	(4,251)	861	–	–	19,080	254,156	(90,485)	163,671
– Swimming pools	12,672	(8,784)	3,888	77	–	–	(209)	–	–	–	773	16,110	(11,581)	4,529
– Other open space/recreational assets	66,784	(26,415)	40,369	704	2,171	(22)	(1,441)	279	–	–	8,338	86,674	(36,276)	50,398
– Other infrastructure	34,151	(12,565)	21,586	–	–	–	(872)	–	(5,071)	–	(2,641)	24,468	(11,466)	13,002
Other assets:														
– Library books	1,729	(1,279)	450	–	86	–	(72)	–	–	–	–	1,815	(1,351)	464
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	6,494	(3,809)	2,685	–	–	–	(1,188)	–	–	–	–	6,494	(4,997)	1,497
Total infrastructure, property, plant and equipment	1,718,721	(543,779)	1,174,942	43,791	17,911	(1,670)	(24,426)	–	–	(12,684)	143,299	1,912,729	(571,566)	1,341,163

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	15,731	–	15,731	23,415	–	–	–	(7,056)	–	–	32,090	–	32,090
Plant and equipment	22,579	(10,640)	11,939	3,341	–	(1,295)	(1,851)	–	–	–	23,568	(11,434)	12,134
Office equipment	1,717	(1,375)	342	21	–	–	(78)	–	–	–	1,739	(1,454)	285
Land:													
– Operational land	45,390	–	45,390	–	–	(867)	–	–	(17)	–	44,506	–	44,506
– Community land	49,407	–	49,407	–	–	–	–	–	16	–	49,423	–	49,423
– Land under roads (post 30/6/08)	540	–	540	–	–	–	–	–	–	–	540	–	540
Land improvements – depreciable	–	–	–	–	–	–	(8)	–	–	–	–	(8)	(8)
Infrastructure:													
– Buildings – specialised	87,078	(15,063)	72,015	183	–	(181)	(1,680)	148	–	–	87,221	(16,736)	70,485
– Roads	305,886	(101,107)	204,779	10,500	–	–	(7,857)	255	(15,147)	–	294,553	(102,023)	192,530
– Bridges	220,921	(79,286)	141,635	1,136	–	(130)	(1,964)	–	–	–	221,741	(81,064)	140,677
– Footpaths	19,889	(4,703)	15,186	–	5,055	–	(302)	1,129	1	–	26,074	(5,005)	21,069
– Bulk earthworks (non-depreciable)	174,239	–	174,239	190	–	–	–	–	(6)	–	174,423	–	174,423
– Stormwater drainage	74,148	(21,172)	52,976	485	–	–	(715)	81	–	–	74,715	(21,888)	52,827
– Water supply network	298,682	(127,361)	171,321	1,804	–	(885)	(3,886)	361	–	1,552	301,640	(131,373)	170,267
– Sewerage network	259,873	(115,364)	144,509	2,965	–	(794)	(3,941)	658	–	1,319	264,658	(119,942)	144,716
– Swimming pools	12,530	(8,580)	3,950	143	–	–	(205)	–	–	–	12,672	(8,784)	3,888
– Other open space/recreational assets	59,928	(25,009)	34,919	5,396	–	–	(1,406)	1,460	–	–	66,784	(26,415)	40,369
– Other infrastructure	5,753	(4,196)	1,557	3,353	–	–	(1,441)	2,964	15,153	–	34,151	(12,565)	21,586
Other assets:													
– Library books	2,047	(1,843)	204	372	–	–	(126)	–	–	–	1,729	(1,279)	450
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	5,467	(3,809)	1,658	–	–	–	–	–	–	1,027	6,494	(3,809)	2,685
Total infrastructure, property, plant and equipment	1,661,805	(519,508)	1,142,297	53,304	5,055	(4,152)	(25,460)	–	–	3,898	1,718,721	(543,779)	1,174,942

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

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

Accounting policy

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

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

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.

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

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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land and buildings, but will not recognise plant and vehicles

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/22			as at 30/06/21		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	15,151	–	15,151	4,469	–	4,469
Plant and equipment	–	–	–	40	27	13
Land						
Infrastructure	331,926	133,077	198,849	301,640	131,373	170,267
Total water supply	347,077	133,077	214,000	306,149	131,400	174,749
Sewerage services						
WIP	3,789	–	3,789	6,408	–	6,408
Plant and equipment	–	–	–	2,380	1,720	660
Land						
– Operational land	–	–	–	2	–	2
Infrastructure	254,155	90,485	163,670	264,658	119,942	144,716
Total sewerage services	257,944	90,485	167,459	273,448	121,662	151,786
Domestic waste management						
Land						
Other assets	6,494	4,997	1,497	5,467	3,809	1,658
Total domestic waste management	6,494	4,997	1,497	5,467	3,809	1,658
Total restricted infrastructure, property, plant and equipment	611,515	228,559	382,956	585,064	256,871	328,193

C2 Leasing activities

C2-1 Council as a lessee

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

Buildings

Council leases land and buildings for their corporate offices and Rural Fire buildings.

Council's building leases are either of low value or are month to month tenancy.

Vehicles

Council leases vehicles and equipment with lease terms of 2 years; the lease payments are fixed during the lease term and there is generally no renewal option. These leases relate to the Natural Disaster team that will operate following recent natural disaster events.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 1 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

(a) Income Statement

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

\$ '000	2022	2021
Expenses relating to short-term leases	13	13
Expenses relating to low-value leases	269	213
	282	226

(b) Statement of Cash Flows

Total cash outflow for leases	282	226
	282	226

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

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

- Lease of land for Rural Fire Service Stations

The leases require payments of a maximum amount of \$300 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

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

Accounting policy

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

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

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

C2-1 Council as a lessee (continued)

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	10,690	–	11,016	–
Accrued expenses:				
– Borrowings	225	–	209	–
– Salaries and wages	786	–	639	–
Security bonds, deposits and retentions	2,210	–	1,896	–
Prepaid rates	1,485	–	1,276	–
Total payables	15,396	–	15,036	–

Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Water	–	–	84	–
Sewer	219	–	925	–
Payables relating to externally restricted assets	219	–	1,009	–
Total payables relating to restricted assets	219	–	1,009	–
Total payables relating to unrestricted assets	15,177	–	14,027	–
Total payables	15,396	–	15,036	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	14,085	–	15,756	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,122	–	2,809	–
Total grants received in advance		16,207	–	18,565	–
Total contract liabilities		16,207	–	18,565	–

Notes

C3-2 Contract Liabilities (continued)

(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 24 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Contract liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Water	-	-	26	-
Sewer	70	-	-	-
Unspent grants held as contract liabilities (excl. Water & Sewer)	13,639	-	18,539	-
Contract liabilities relating to externally restricted assets	13,709	-	18,565	-
Total contract liabilities relating to restricted assets	13,709	-	18,565	-
Total contract liabilities relating to unrestricted assets	2,498	-	-	-
Total contract liabilities	16,207	-	18,565	-

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	15,558	5,462
Operating grants (received prior to performance obligation being satisfied)	2,709	2,123
Total revenue recognised that was included in the contract liability balance at the beginning of the period	18,267	7,585

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

\$ '000	2022		2021	2021
	Current	Non-current	Current	Non-current
Loans – secured ¹	4,691	28,146	3,750	23,999
Finance lease liabilities (2019 only)	–	–	26	–
Total borrowings	4,691	28,146	3,776	23,999

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

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

Borrowings relating to restricted assets

\$ '000	2022		2021	2021
	Current	Non-current	Current	Non-current
Externally restricted assets				
Sewer	1,141	13,557	1,071	14,698
Borrowings relating to externally restricted assets	1,141	13,557	1,071	14,698
Total borrowings relating to restricted assets	1,141	13,557	1,071	14,698
Total borrowings relating to unrestricted assets	3,550	14,589	2,705	9,301
Total borrowings	4,691	28,146	3,776	23,999

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements			2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	27,749	5,088	–	–	–	32,837
Lease liability (Note C2-1b)	26	(26)	–	–	–	–
Total liabilities from financing activities	27,775	5,062	–	–	–	32,837

\$ '000	2020		Non-cash movements			2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	31,495	(3,746)	–	–	–	27,749
Lease liability (Note C2-1b)	26	–	–	–	–	26
Total liabilities from financing activities	31,521	(3,746)	–	–	–	27,775

(b) Financing arrangements

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Council loans are secured over future cash flows

C3-3 Borrowings (continued)

Bank overdrafts

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	3,618	–	3,571	–
Long service leave	3,910	32	4,576	319
Other leave	150	–	151	–
Total employee benefit provisions	7,678	32	8,298	319

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	4,626	4,996
	4,626	4,996

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works) ^{1.}	655	5,190	662	6,041
Sub-total – asset remediation/restoration	655	5,190	662	6,041
Total provisions	655	5,190	662	6,041

(1.) Comparative Information -Except when an Australian Accounting Standard permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements

C3-5 Provisions (continued)

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Provisions relating to restricted assets				
Total provisions relating to restricted assets	—	—	—	—
Total provisions relating to unrestricted assets	655	5,190	662	6,041
Total provisions	655	5,190	662	6,041

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

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	6,703	6,703
Changes to provision:		
– Revised discount rate	(858)	(858)
Total other provisions at end of year	5,845	5,845
2021		
At beginning of year	5,675	5,675
Other	1,028	1,028
Total other provisions at end of year	6,703	6,703

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tips and quarry.

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

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.

C3-5 Provisions (continued)

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	38,700	3,504	14,116
User charges and fees	5,927	8,893	4,696
Interest and investment revenue	440	63	48
Other revenues	2,594	22	7
Grants and contributions provided for operating purposes	47,213	164	65
Grants and contributions provided for capital purposes	37,061	5,248	730
Net gains from disposal of assets	27	–	–
Total income from continuing operations	131,962	17,894	19,662
Expenses from continuing operations			
Employee benefits and on-costs	30,588	3,355	3,583
Materials and services	36,464	5,133	6,314
Borrowing costs	(514)	–	1,073
Depreciation, amortisation and impairment of non-financial assets	16,108	4,067	4,251
Other expenses	23	427	709
Total expenses from continuing operations	82,669	12,982	15,930
Operating result from continuing operations	49,293	4,912	3,732
Net operating result for the year	49,293	4,912	3,732
Net operating result attributable to each council fund	49,293	4,912	3,732
Net operating result for the year before grants and contributions provided for capital purposes	12,232	(336)	3,002

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	(5,780)	11,167	4,706
Investments	13,000	10,501	33,999
Receivables	29,596	2,317	773
Inventories	536	26	75
Other	27	–	–
Total current assets	37,379	24,011	39,553
Non-current assets			
Investments	37,500	–	–
Receivables	9	–	–
Infrastructure, property, plant and equipment	959,028	209,706	172,429
Total non-current assets	996,537	209,706	172,429
Total assets	1,033,916	233,717	211,982
LIABILITIES			
Current liabilities			
Payables	15,177	–	219
Contract liabilities	16,137	–	70
Borrowings	3,550	–	1,141
Employee benefit provision	7,678	–	–
Provisions	655	–	–
Total current liabilities	43,197	–	1,430
Non-current liabilities			
Borrowings	14,589	–	13,557
Employee benefit provision	32	–	–
Provisions	5,190	–	–
Total non-current liabilities	19,811	–	13,557
Total liabilities	63,008	–	14,987
Net assets	970,908	233,717	196,995
EQUITY			
Accumulated surplus	476,328	114,362	103,844
Revaluation reserves	494,580	119,355	93,151
Council equity interest	970,908	233,717	196,995
Total equity	970,908	233,717	196,995

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,093	85,189	105,093	–
Receivables	32,695	28,957	32,694	–
Fair value through profit and loss				
Investments				
– Held for trading	95,000	–	–	–
Total financial assets	137,788	114,146	137,787	–
Financial liabilities				
Payables	15,396	15,036	15,480	–
Loans/advances	32,837	27,749	32,837	–
Total financial liabilities	48,233	42,785	48,317	–

Fair value is determined as follows:

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

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

Council's finance area manages the cash and Investments portfolio.

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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	105	85
Impact of a 10% movement in price of investments		
– Equity / Income Statement	1,050	851

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	2,665	337	3,002
2021				
Gross carrying amount	–	3,755	209	3,964

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
Gross carrying amount	26,504	544	529	15	2,345	29,937
Expected loss rate (%)	0.12%	0.11%	0.07%	1.42%	2.45%	0.30%
ECL provision	32	1	-	-	57	90
2021						
Gross carrying amount	12,919	10,993	163	-	1,162	25,237
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	-	-	-	-	-	-

(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.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2022							
Payables	0.00%	2,210	-	-	-	2,210	15,396
Borrowings	4.26%	-	4,691	18,702	9,444	32,837	32,837
Total financial liabilities		2,210	4,691	18,702	9,444	35,047	48,233
2021							
Payables	0.00%	1,896	-	-	-	1,896	13,786
Borrowings	0.00%	-	3,749	13,312	10,688	27,749	27,749
Total financial liabilities		1,896	3,749	13,312	10,688	29,645	41,535

Loan agreement breaches

There have been no breaches to loan agreements during the reporting year,

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

The table below shows the assigned level for each asset and liability held at fair value by Council:

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		2022	2021
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Infrastructure, property, plant and equipment		C1-6					
Capital work in progress		–	–	45,273	32,090	45,273	32,090
Plant and equipment		–	–	12,755	12,134	12,755	12,134
Land operational		43,497	44,506	–	–	43,497	44,506
Land community and land improvements		–	–	49,407	49,955	49,407	49,955
Buildings and other structures		–	–	78,107	70,485	78,107	70,485
Roads (incl bridges footpaths and bulk earthworks)		–	–	603,112	528,699	603,112	528,699
Stormwater drainage		–	–	56,287	52,827	56,287	52,827
Water supply network		–	–	198,850	170,267	198,850	170,267
Sewer network		–	–	163,671	144,716	163,671	144,716
Recreational assets		–	–	51,063	40,369	51,063	40,369
Library books		–	–	464	450	464	450
Other infrastructure		–	–	12,357	21,585	12,357	21,585
Total infrastructure, property, plant and equipment		43,497	44,506	1,271,346	1,123,577	1,314,843	1,168,083

Non-recurring fair value measurements

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 and equipment, and office equipment

E2-1 Fair value measurement (continued)

Plant & equipment, and office equipment are valued at cost but are disclosed at fair value in the notes in accordance with the Code of Accounting practice. The carrying amounts of these assets is assumed to approximate fair value due to the nature of the items. The unobservable inputs for these items are the estimated remaining useful life and the residual value.

An assessment has been undertaken resulting in an indexation applied to plant and equipment and office equipment for 30 June 2022.

Operational land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The most recent valuation was 30 June 2019 carried out by APV valuers. The unobservable input is the reliance on estimates but was based on market values available. There has been no change to the valuation process during the reporting period.

Community land and land improvements

This asset class comprises all of Council's land classified as Community Land under the NSW Local Government Act 1993. The most recent valuation was 30 June 2016 carried out by APV valuers.. These valuations are achieved through unobservable inputs and are reported in Level 3. Land improvements include assets such as landscaping and streetscaping. There has been no change to the valuation process during the reporting period.

Buildings and other structures

The most recent fair value for the Building asset class was 30 June 2019 and was carried out by APV Valuers. The method used was fair value (market-based measurement). It is categorised in Level 3 as although the fair value measurement was carried out by professional valuers, and based on market movement, it is still open to subjective assessment. There has been no change to the valuation process during the reporting period.

Other structures were valued in-house using the replacement cost method, reviewing condition and remaining useful life. As these were subjective estimates using unobservable inputs, they are reported in Level 3. There has been no change in the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied for 30 June 2022.

Roads infrastructure

This asset class, including roads surface, substructure, earthworks, kerb and gutter and footpaths was revalued for 30 June 2020. This roads revaluation was carried out by Shepherd Asset Management Solutions. As there are unobservable inputs (including condition and remaining useful life and residual values) this class has been reported in Level 3. There has been no change in the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied for 30 June 2022.

Stormwater drainage

This asset class was also revalued for 30 June 2020 using Shepherd Asset Management Solutions. As with roads infrastructure there are unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

An assessment has been undertaken resulting in an indexation applied for 30 June 2022.

Water supply network and sewer network

The most recent valuation was carried out by Shepherd Asset Management Solutions in 2022.

The asset data for valuation was derived mainly from Council's asset management system and engineering drawings of facilities supplied by council.

Recreational assets

This class of assets was revalued for 30 June 2016 by in-house professionals and so has also been categorised in Level 3 due to the unobservable inputs of estimated useful life, condition assessment and replacement values. Council was due for a revalue in 2021, but delayed the revaluation to link in with the implementation of improved asset software, this is expected by 2024.

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

An assessment has been undertaken resulting in an indexation applied for 30 June 2022.

Library books

Library books 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.

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

An assessment has been undertaken resulting in an indexation applied for 30 June 2022.

E2-1 Fair value measurement (continued)

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8.0% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$186,276. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2021.

The amount of additional contributions included in the total employer contribution advised above is \$94,635. Council's expected contribution to the plan for the next annual reporting period is \$128,666.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.47%

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

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

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

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2022.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

E3-1 Contingencies (continued)

(iv) Other guarantees

Council has provided no Other Guarantees outside of those listed above.

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,095	1,279
Total	1,095	1,279

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	41	41
Councillors' fees	168	160
Other Councillors' expenses (including Mayor)	38	11
Total	247	212

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	86	76
Remuneration for audit and other assurance services	86	76
Total Auditor-General remuneration	86	76
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	1	45
Remuneration for audit and other assurance services	1	45
Total remuneration of non NSW Auditor-General audit firms	1	45
Total audit fees	87	121

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2022	2021
Net operating result from Income Statement	57,937	34,399
Add / (less) non-cash items:		
Depreciation and amortisation	24,426	25,460
(Gain) / loss on disposal of assets	(27)	(404)
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	–	(6)
Unwinding of discount rates on reinstatement provisions	(858)	–
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(3,752)	(12,012)
(Increase) / decrease of inventories	(1)	(64)
(Increase) / decrease of other current assets	13	(40)
Increase / (decrease) in payables	(326)	6,594
Increase / (decrease) in accrued interest payable	16	(17)
Increase / (decrease) in other accrued expenses payable	147	(830)
Increase / (decrease) in other liabilities	523	394
Increase / (decrease) in contract liabilities	(2,358)	4,265
Increase / (decrease) in employee benefit provision	(907)	(512)
Net cash flows from operating activities	74,833	57,227

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Sewerage and water infrastructure	11,446	10,649
Buildings	3,473	617
Plant and equipment	1,335	509
Infrastructure	3,544	2,540
Road infrastructure	6,382	6,310
Total commitments	26,180	20,625
These expenditures are payable as follows:		
Within the next year	26,180	20,625
Total payable	26,180	20,625
Sources for funding of capital commitments:		
Future grants and contributions	12,096	9,976
Externally restricted reserves	14,084	10,649
Total sources of funding	26,180	20,625

G3-1 Events occurring after the reporting date

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

G4 Statement of developer contributions as at 30 June 2022

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	1,166	495	–	1	(1,555)	–	107	–
Open space	313	99	–	1	(145)	–	268	–
Community facilities	305	64	–	1	(113)	–	257	–
Other	134	35	–	–	(62)	–	107	–
Land acquisition	86	14	–	–	(16)	–	84	–
S7.11 contributions – under a plan	2,004	707	–	3	(1,891)	–	823	–
S7.12 levies – under a plan	974	303	–	3	(482)	–	798	–
Total S7.11 and S7.12 revenue under plans	2,978	1,010	–	6	(2,373)	–	1,621	–
S7.11 not under plans	1,039	1	–	4	(385)	–	659	–
S64 contributions	14,075	1,393	–	52	(1,788)	–	13,732	–
Total contributions	18,092	2,404	–	62	(4,546)	–	16,012	–

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.

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Section 7.11 and 7.12 Contributions Plan 2014								
Roads	1,166	495	–	1	(1,555)	–	107	–
Open space	313	99	–	1	(145)	–	268	–
Community facilities	305	64	–	1	(113)	–	257	–
Land acquisition	86	14	–	–	(16)	–	84	–
Other	134	35	–	–	(62)	–	107	–
Total	2,004	707	–	3	(1,891)	–	823	–

S7.12 Levies – under a plan

G4-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN								
Other	974	303	-	3	(482)	-	798	-
Total	974	303	-	3	(482)	-	798	-

G4-3 Contributions not under plans

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

Parking	611	1	-	2	(385)	-	229	-
Public reserve acquisition	428	-	-	2	-	-	430	-
Total	1,039	1	-	4	(385)	-	659	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	14,881	11.77%	2.89%	2.14%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	126,452				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	79,010	46.62%	53.62%	58.78%	> 60.00%
Total continuing operating revenue ¹	169,491				
3. Unrestricted current ratio					
Current assets less all external restrictions	53,175	2.13x	1.20x	1.13x	> 1.50x
Current liabilities less specific purpose liabilities	24,932				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	39,866	9.01x	5.72x	5.33x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,427				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,242	5.31%	7.23%	5.96%	< 10.00%
Rates and annual charges collectable	61,008				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	105,093	12.26 months	11.77 months	12.14 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	8,573				

(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

G5-2 Statement of performance measures by fund

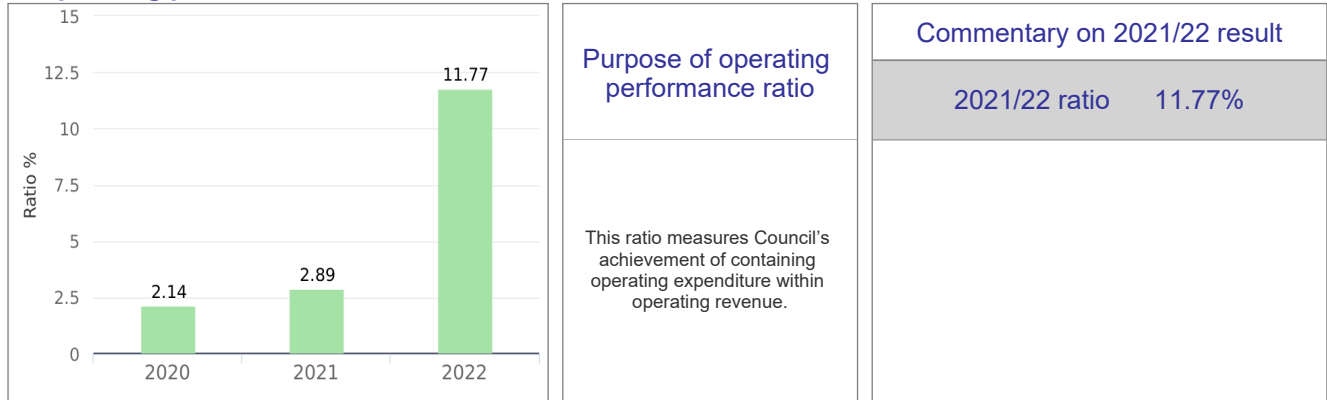
\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	12.87%	3.52%	(2.66)%	(11.65)%	15.86%	10.03%	> 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	36.12%	42.99%	69.76%	75.63%	95.96%	91.52%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.13x	1.20x	∞	224.53x	176.28x	42.26x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	12.18x	4.92x	∞	∞	3.88x	6.62x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	5.61%	11.05%	4.87%	0.00%	4.60%	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	12.59 months	3.37 months	10.09 months	∞	12.33 months	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



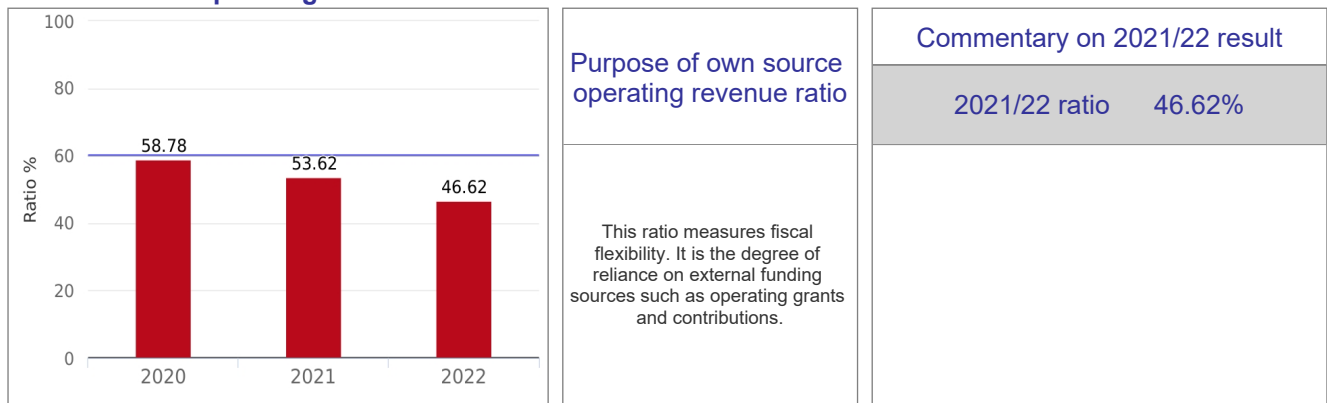
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



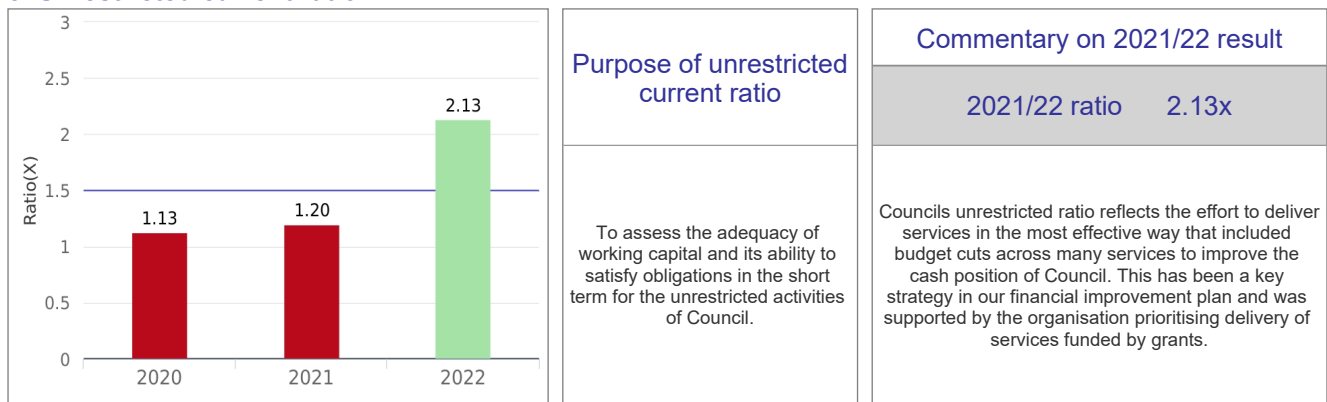
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Benchmark: — > 1.50x

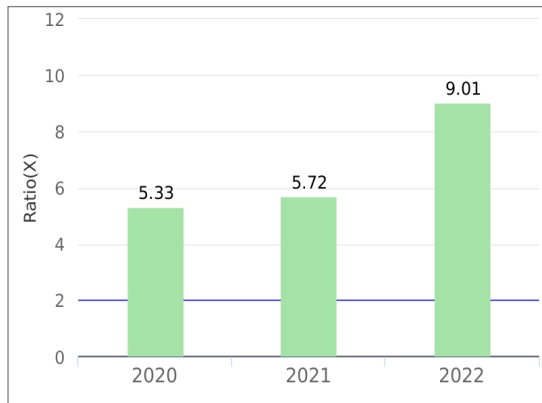
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio	9.01x
----------------------	--------------

The ratio is well above the benchmark and reflects the additional use of debt as a funding source to complete capital improvements at the Merimbula Airport.

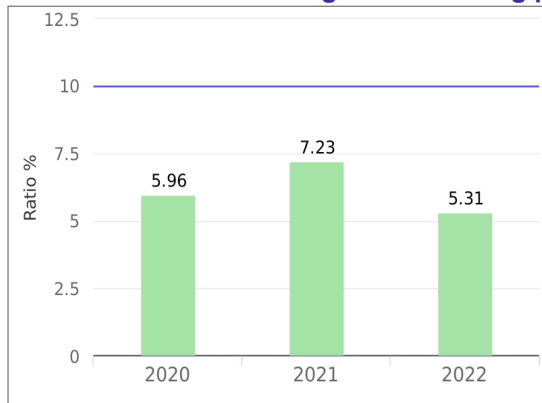
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2021/22 result

2021/22 ratio	5.31%
----------------------	--------------

Council has seen a reduction of this ratio in 2022. The ratio deteriorated in 2021 as Council made the decision to halt debt collection to allow our community effected by Black summer fires, natural disasters and Covid recover.

In 2022 Council actively worked with our community to reduce the amount outstanding.

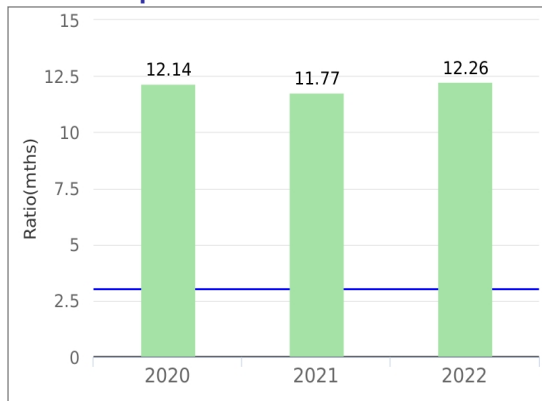
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio	12.26 months
----------------------	---------------------

Councils cash expense ratio remains steady and above the benchmark

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

Zingel Place
BEGA nsw 2550

Contact details

Mailing Address:

PO Box 492
BEGA NSW 2550

Telephone: 02 6499 2222

Facsimile: 02 6499 2200

Opening hours:

9:00am - 4:30pm
Monday to Friday

Internet: www.begavalley.gov.au

Email: council@council.nsw.gov.au

Officers

Chief Executive Officer

Anthony McMahon

Responsible Accounting Officer

Judith Jordan

Public Officer

Iliada Bolton, Director of Business and Governance

Elected members

Mayor

Cr. Russell Fitzpatrick

Councillors

Cr. Tony Allen
Cr. Cathy Griff
Cr. Mitchell Nadin
Cr. Helen O'Neil
Cr. David Porter
Cr. Joy Robyn
Cr. Liz Seckold
Cr. Karen Wright

Other information

ABN: 26 987 935 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Qualified Opinion

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

In my opinion, except for the effects of the matter described in the 'Basis for Qualified Opinion' section of my report:

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C 1-6 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 5 May 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G5-1 'Statement of performance measures – consolidated results' and Note G5-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a small horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

28 February 2023
SYDNEY



Mr Anthony McMahon
Chief Executive Officer
Bega Valley Shire Council
PO Box 492
BEGA NSW 2550

Contact: Lisa Berwick
Phone no: 02 9275 7165
Our ref: D2302852/1690

28 February 2023

Dear Mr McMahon

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

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

I expressed a modified opinion on the Council's GPFS.

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting

equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 05 May 2011

- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

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

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

INCOME STATEMENT

Operating result

	2022	2021*	Variance
	\$m	\$m	%
Rates and annual charges revenue	56.3	53.9	↑ 4.5
Grants and contributions revenue	90.5	65.7	↑ 37.7
Operating result from continuing operations	57.9	34.4	↑ 68.3
Net operating result before capital grants and contributions	14.9	3.5	↑ 325.7

Rates and annual charges revenue (\$56.3 million) increased by \$2.4 million (4.5per cent) in 2021–22 due to:

- increased general rates revenue by 2.0 per cent in 2021-22
- increase in rateable properties by 1.0 percent (20,294 rateable properties in 2021-22 compared to 20,102 properties in 2020-21)

Grants and contributions revenue (\$90.5 million) increased by \$24.8 million (37.7 per cent) in 2021–22 due to:

- increase of \$2.9 million in the Financial Assistance Grant
- increase of \$22.4 million in Natural Disaster grants

- decrease of \$3.3 million in Transport grants.

The Council's operating result from continuing operations (\$57.9 million including depreciation and amortisation expense of \$24.4 million) was \$23.5 million higher than the 2020–21 result. This was primarily due to:

The increase in income from continuing operations of \$27.5 million arose due to:

- \$2.4 million increase in rates and annual charges
- \$24.8 million increase in grants and contribution revenue
- \$1.7 million increase in other revenue
- \$1.0 million decrease in user charges and fees
- \$429,000 decrease in interest and investment income and net gain from disposal of asset.

The increase in total expenses from continuing operations of \$3.9 million arose due to:

- \$874,000 increase in employee benefits and oncosts
- \$5.6 million increase in materials and services
- \$1.0 million increase in depreciation and amortisation
- \$978,000 decrease in borrowing costs
- \$472,000 million decrease in other expenses.

The net operating result before capital grants and contributions (\$14.9 million) was \$11.4 million higher than the 2020–21 result.

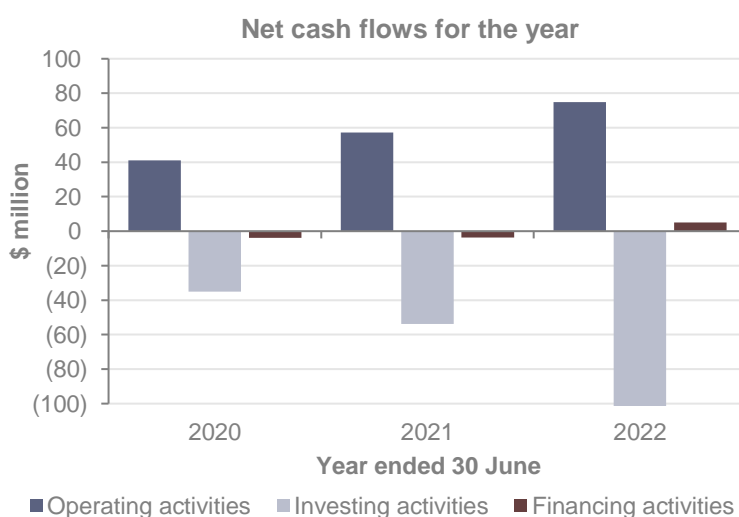
STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The Council's cash decreased by \$75.1 million at the close of the year. This decrease was primarily due to \$95 million being held as Investments rather than Cash in 2021-22.

Cash inflows from operating activities increased by \$17.6 million from \$57.2 million in 2021-22 to \$74.8 million in 2022. This is due to cash inflow from receipts of \$173.8 million offset by increase in cash outflow from expenses by \$99.0 million.

The increase in cash outflows from investing activities increased by \$101.2 million from \$53.8 million in 2020-21 to \$155.0 million in 2021-22. This was due to increase of cash outflow from purchase of term deposits of \$95.0 million and purchases of infrastructure, property, plant and equipment of \$61.7 million offset by decrease in cash inflow of



\$2.9 million from sale of infrastructure, property, plant and equipment.

Cash inflows from financing activities increase from (\$3.7 million) to \$5.1 million. This is primarily due to increase in proceeds from borrowings of \$8.9 million.

FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	105.1	85.2	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies, and planning agreements. The externally restricted cash balance has decreased by approximately \$1.9 million, mainly due to lower developer contribution received. Balances are internally restricted due to Council policy or decisions for forward plans including works program. Internal restrictions have increased by \$ 21.3 million.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	82.1	84.0	
• Internal allocations	22.5	1.2	
• Unrestricted	0.5	0.0	

PERFORMANCE

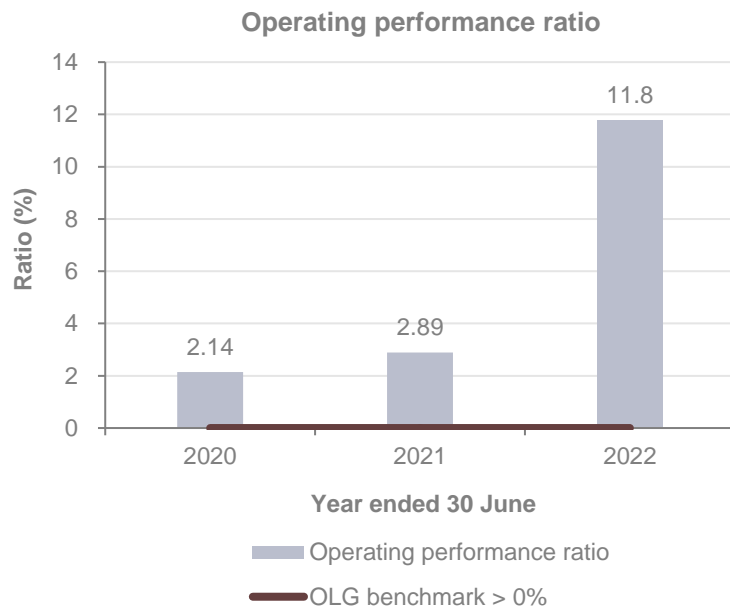
Performance measures

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

Operating performance ratio

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

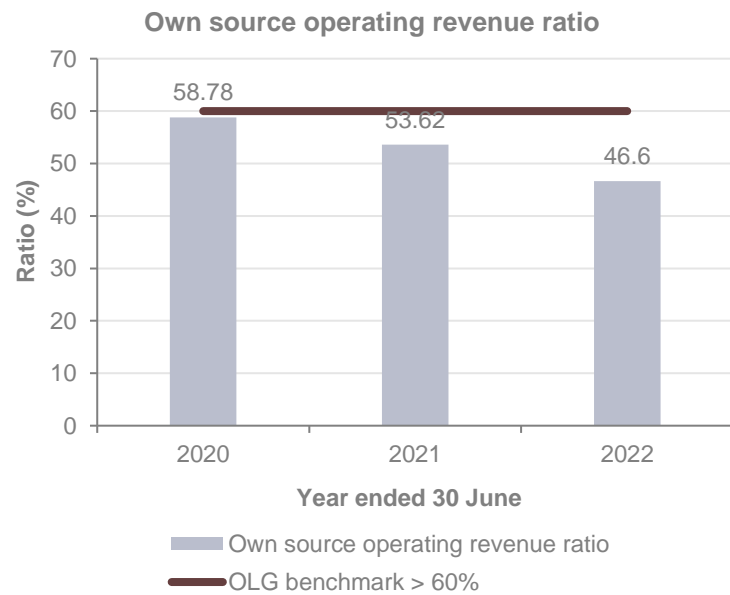
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

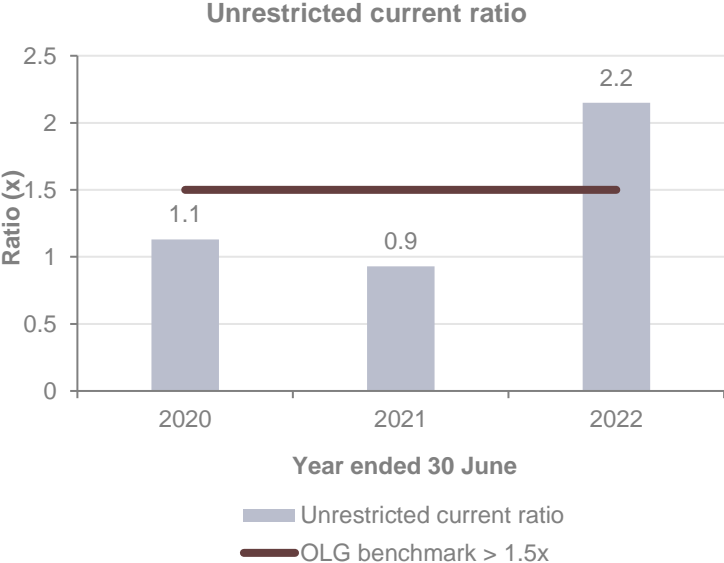
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

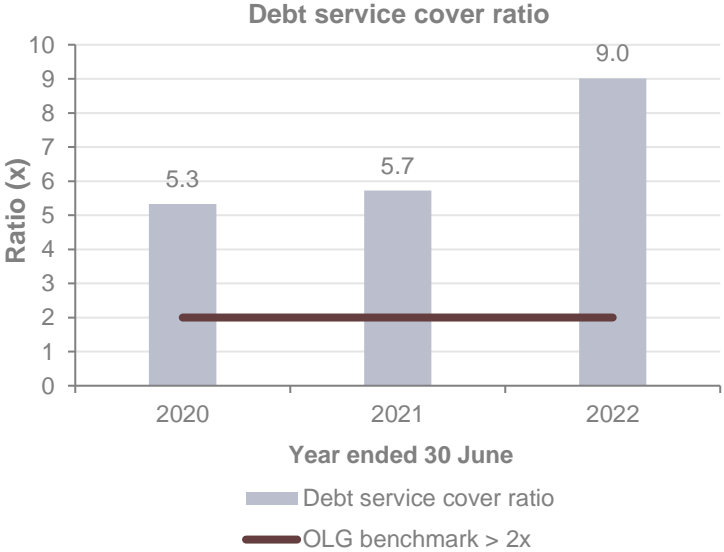
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

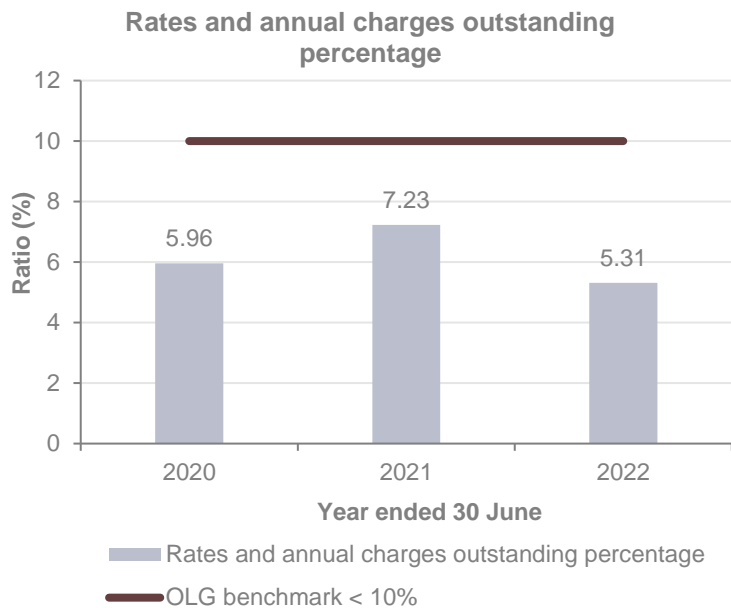
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

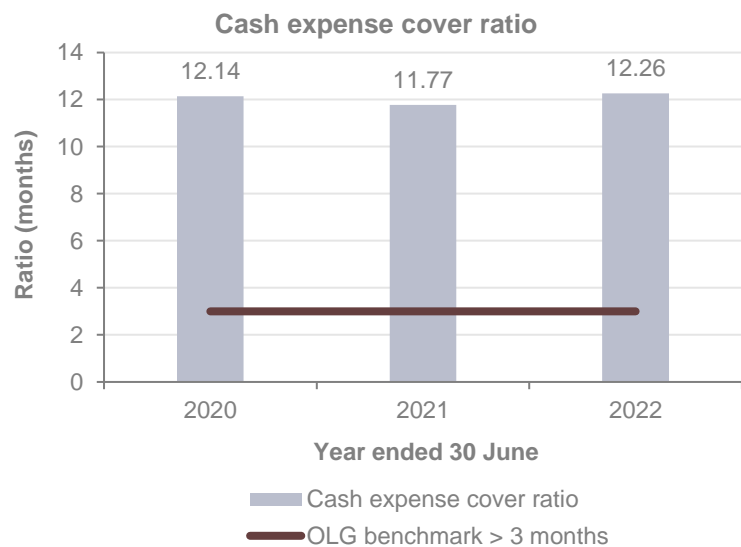
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Infrastructure, property plant and equipment renewals in 2021-22 amounted to \$43.8 million in 2021-22 compared to \$53.3 million 2020-21. The decrease in \$9.5 million is due to lower roads and other open space and recreation assets renewal in the current year.

OTHER MATTERS

My audit procedures identified that comprehensive valuations on Other Infrastructure, Open Space/Recreational and Swimming Pool assets have not been performed since 30 June 2016. Council reassessed the fair value of these assets and applied an indexation to estimate the fair value as at 30 June 2022. Comprehensive valuations should be performed by Council with sufficient regularity (on average between 2-3 years).

Legislative compliance

My audit procedures identified the Council did not recognise RFS firefighting equipment in the accounts. The Council performed limited verification procedures on the RFS listing and as such, we were unable to determine the carrying values of RFS equipment assets and related amounts that should be recorded and recognised for the 2021-22 financial year. .

The Council's:

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath.

Lisa Berwick
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2022



Bega Valley Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

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

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

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

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

Bega Valley Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 15 February 2023.



Cr. Russell Fitzpatrick
Mayor
15 February 2023



Cr. Liz Serkold
Councillor
15 February 2023



Anthony McMahon
Chief Executive Officer
15 February 2023



Judith Jordan
Responsible Accounting Officer
15 February 2023

Bega Valley Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	3,504	3,744
User charges	8,402	8,116
Fees	491	389
Interest and investment income	63	15
Grants and contributions provided for operating purposes	164	279
Other income	22	6
Total income from continuing operations	12,646	12,549
Expenses from continuing operations		
Employee benefits and on-costs	3,355	2,906
Materials and services	5,133	5,722
Depreciation, amortisation and impairment	4,067	3,887
Net loss from the disposal of assets	-	885
Other expenses	427	611
Total expenses from continuing operations	12,982	14,011
Surplus (deficit) from continuing operations before capital amounts	(336)	(1,462)
Grants and contributions provided for capital purposes	5,248	3,674
Surplus (deficit) from continuing operations after capital amounts	4,912	2,212
Surplus (deficit) from all operations before tax	4,912	2,212
Surplus (deficit) after tax	4,912	2,212
Plus accumulated surplus	109,450	107,240
Plus adjustments for amounts unpaid:		
Less:		
Closing accumulated surplus	114,362	109,452
Return on capital %	(0.2)%	(0.8)%
Subsidy from Council	8,011	4,066
Calculation of dividend payable:		
Surplus (deficit) after tax	4,912	2,212
Less: capital grants and contributions (excluding developer contributions)	(5,248)	(3,674)
Surplus for dividend calculation purposes	-	-
Potential dividend calculated from surplus	-	-

Bega Valley Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	14,116	16,013
User charges	4,538	2,215
Fees	158	148
Interest and investment income	48	34
Grants and contributions provided for operating purposes	65	120
Other income	7	–
Total income from continuing operations	18,932	18,530
Expenses from continuing operations		
Employee benefits and on-costs	3,583	3,360
Borrowing costs	1,073	1,056
Materials and services	6,314	6,654
Depreciation, amortisation and impairment	4,251	4,074
Net loss from the disposal of assets	–	794
Other expenses	709	733
Total expenses from continuing operations	15,930	16,671
Surplus (deficit) from continuing operations before capital amounts	3,002	1,859
Grants and contributions provided for capital purposes	730	1,586
Surplus (deficit) from continuing operations after capital amounts	3,732	3,445
Surplus (deficit) from all operations before tax	3,732	3,445
Less: corporate taxation equivalent (25%) [based on result before capital]	(751)	(483)
Surplus (deficit) after tax	2,981	2,962
Plus accumulated surplus	100,112	96,666
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	751	483
Less:		
Closing accumulated surplus	103,844	100,111
Return on capital %	2.4%	1.9%
Subsidy from Council	2,236	–
Calculation of dividend payable:		
Surplus (deficit) after tax	2,982	2,962
Less: capital grants and contributions (excluding developer contributions)	(730)	(1,586)
Surplus for dividend calculation purposes	2,252	1,376
Potential dividend calculated from surplus	1,126	688

Bega Valley Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	11,167	23,208
Investments	10,501	–
Receivables	2,317	1,464
Inventories	26	26
Total current assets	24,011	24,698
Non-current assets		
Infrastructure, property, plant and equipment	209,706	174,750
Total non-current assets	209,706	174,750
Total assets	233,717	199,448
LIABILITIES		
Current liabilities		
Contract liabilities	–	26
Payables	–	84
Total current liabilities	–	110
Total liabilities	–	110
Net assets	233,717	199,338
EQUITY		
Accumulated surplus	114,362	109,452
Revaluation reserves	119,355	89,886
Total equity	233,717	199,338

Bega Valley Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	4,706	37,565
Investments	33,999	–
Receivables	773	1,451
Inventories	75	75
Total current assets	39,553	39,091
Non-current assets		
Infrastructure, property, plant and equipment	172,429	151,786
Total non-current assets	172,429	151,786
Total assets	211,982	190,877
LIABILITIES		
Current liabilities		
Contract liabilities	70	–
Payables	219	925
Borrowings	1,141	–
Total current liabilities	1,430	925
Non-current liabilities		
Borrowings	13,557	15,769
Total non-current liabilities	13,557	15,769
Total liabilities	14,987	16,694
Net assets	196,995	174,183
EQUITY		
Accumulated surplus	103,844	100,111
Revaluation reserves	93,151	74,072
Total equity	196,995	174,183

Note – Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Comprising the operations and net assets of Council's water supply activities that services the Bega Valley Shire.

b. Sewerage Services

Comprising the operations and net assets of Council's sewerage reticulation and treatment activities that services the Bega Valley Shire.

Category 2

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

Nil

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):

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

Note – Significant Accounting Policies (continued)

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(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 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
Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath the name.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

28 February 2023
SYDNEY

Bega Valley Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Bega Valley Shire Council

Special Schedules

for the year ended 30 June 2022

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Bega Valley Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	25,186	25,840
Plus or minus adjustments ²	b	120	203
Notional general income	c = a + b	25,306	26,043
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.57%
Or plus rate peg amount	i = e x (c + g)	506	669
Sub-total	k = (c + g + h + i + j)	25,812	26,712
Plus (or minus) last year's carry forward total	l	121	93
Sub-total	n = (l + m)	121	93
Total permissible income	o = k + n	25,933	26,805
Less notional general income yield	p	25,840	26,444
Catch-up or (excess) result	q = o - p	93	361
Carry forward to next year ⁶	t = q + r + s	93	361

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'Lisa Berwick', with a horizontal line underneath.

Lisa Berwick
Delegate of the Auditor-General for New South Wales

28 February 2023
SYDNEY

Bega Valley Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	909	909	1,178	604	78,107	98,415	35.0%	19.9%	38.2%	6.6%	0.2%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	909	909	1,178	604	78,107	98,415	35.0%	19.9%	38.2%	6.6%	0.2%
Other structures	Other structures	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads Surface	771	771	1,182	984	34,947	52,828	28.5%	52.2%	9.6%	7.3%	2.4%
	Sealed roads Pavement	6,496	6,496	786	1,813	139,786	211,316	32.5%	41.5%	13.2%	5.2%	7.6%
	Unsealed roads	63	63	2,282	3,353	6,022	6,118	6.3%	14.2%	77.0%	2.4%	0.2%
	Bridges	1,284	1,284	627	691	155,451	247,239	15.9%	64.4%	14.5%	5.2%	0.0%
	Footpaths	223	223	208	128	24,371	30,302	61.4%	35.9%	0.6%	0.5%	1.6%
	Kerb & Gutter	3,013	3,013	104	41	27,772	45,894	59.8%	13.1%	7.6%	3.8%	15.7%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	193,302	193,302	100.0%	0.0%	0.0%	0.0%	0.0%
	Airport	711	711	–	55	11,225	14,920	71.7%	12.1%	0.3%	0.0%	15.9%
	Other - Marine assets	–	–	–	–	8,107	13,053	0.0%	0.0%	0.0%	0.0%	100.0%
	Other road assets incl carparks and access rds	415	415	15	37	14,953	24,106	62.3%	28.8%	2.1%	0.9%	6.0%
Sub-total	12,976	12,976	5,204	7,102	615,936	839,078	46.3%	35.9%	9.3%	3.6%	5.0%	
Water supply network	Water supply network	–	–	5,407	4,188	198,850	331,927	19.0%	60.0%	11.0%	10.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	5,407	4,188	198,850	331,927	19.0%	60.0%	11.0%	10.0%	0.0%
Sewerage network	Sewerage network	–	–	7,394	5,334	163,671	254,156	14.0%	55.0%	22.0%	9.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	7,394	5,334	163,671	254,156	14.0%	55.0%	22.0%	9.0%	0.0%

Bega Valley Shire Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	1,167	1,167	258	366	57,901	82,948	41.6%	48.4%	5.1%	1.4%	3.5%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,167	1,167	258	366	57,901	82,948	41.6%	48.4%	5.1%	1.4%	3.5%
Open space / recreational assets	Swimming pools	3,749	3,749	127	145	4,529	16,110	0.6%	5.6%	43.3%	42.4%	8.1%
	Other Open Space/Recreation	8,141	8,141	982	1,291	50,398	86,674	19.0%	14.4%	37.7%	22.1%	6.7%
	Sub-total	11,890	11,890	1,109	1,436	54,927	102,784	16.1%	13.0%	38.6%	25.3%	7.0%
Other infrastructure assets	Saleyards	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	570	160	13,002	24,468	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	–	–	570	160	13,002	24,468	0.0%	0.0%	0.0%	0.0%	100.0%
Total – all assets		26,942	26,942	21,120	19,190	1,182,394	1,733,776	33.0%	41.1%	14.5%	6.9%	4.4%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Bega Valley Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators		Benchmark
			2021	2020	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	30,608	143.79%	91.40%	71.55%	>= 100.00%
Depreciation, amortisation and impairment	21,286				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	26,942	2.19%	2.07%	2.74%	< 2.00%
Net carrying amount of infrastructure assets	1,227,667				
Asset maintenance ratio					
Actual asset maintenance	19,190	90.86%	111.91%	98.10%	> 100.00%
Required asset maintenance	21,120				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,942	1.55%	1.40%	1.89%	
Gross replacement cost	1,733,776				

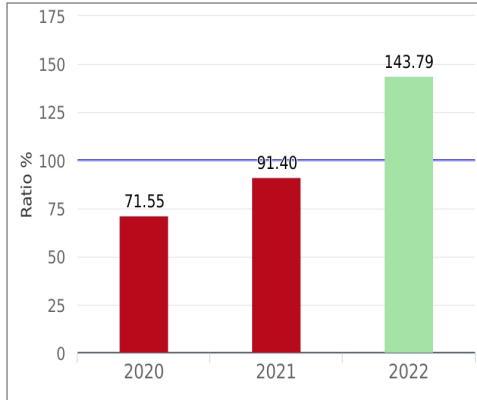
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Bega Valley Shire Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
21/22 ratio	143.79%
Council's ratio for FY22 is impacted by the grant funded capital works, this grant funding is not sustainable.	

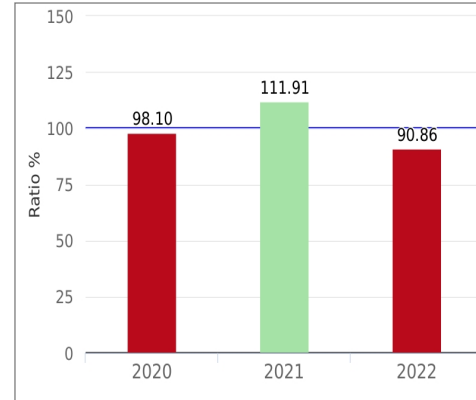
Benchmark: — $\geq 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
21/22 ratio	90.86%

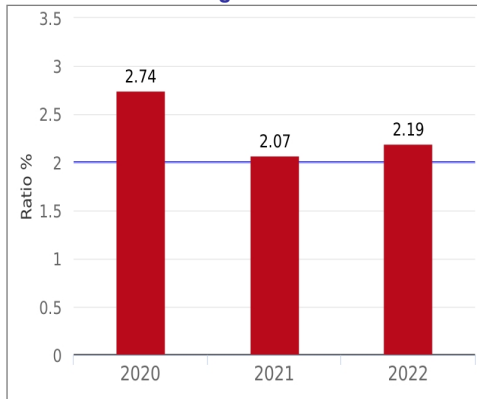
Benchmark: — $> 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
21/22 ratio	2.19%
Council's backlog ratio has declined. Included in the backlog are increases in recreation and leisure assets, including pools, that are reaching end of life.	

Benchmark: — $< 2.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result	
21/22 ratio	1.55%

Bega Valley Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	185.84%	106.72%	66.34%	46.42%	89.63%	75.23%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.18%	2.99%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	116.22%	136.01%	77.46%	120.18%	72.14%	63.72%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.35%	2.19%	0.00%	0.00%	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.