

Bathurst Regional Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2022

*A vibrant regional centre that enjoys a rural lifestyle
A Region full of community spirit and shared prosperity.*



Bathurst Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*A vibrant regional centre that enjoys a rural lifestyle
A Region full of community spirit and shared prosperity.*



Bathurst Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

Bathurst Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:
158 Russell Street
Bathurst NSW 2795

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.bathurst.nsw.gov.au.

Bathurst Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

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

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

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

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

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



Robert Taylor
Mayor
21 September 2022



Benjamin Fry
Deputy Mayor
21 September 2022



David Sherley
General Manager
21 September 2022



Aaron Jones
Responsible Accounting Officer
21 September 2022

Bathurst Regional Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
51,370	Rates and annual charges	B2-1	51,039	49,230
29,685	User charges and fees	B2-2	24,928	23,486
2,633	Other revenues	B2-3	1,942	2,179
12,571	Grants and contributions provided for operating purposes	B2-4	15,882	12,905
20,078	Grants and contributions provided for capital purposes	B2-4	18,151	14,719
1,178	Interest and investment income	B2-5	872	812
2,400	Other income	B2-6	2,393	2,324
18,366	Net gain from the disposal of assets	B4-1	7,257	13,202
—	Fair value increment on investment properties	C1-8	982	590
138,281	Total income from continuing operations		123,446	119,447
	Expenses from continuing operations			
32,346	Employee benefits and on-costs	B3-1	36,092	34,677
44,617	Materials and services	B3-2	43,927	42,604
1,095	Borrowing costs	B3-3	1,098	1,224
26,785	Depreciation, amortisation and impairment of non-financial assets	B3-4	34,449	33,479
2,697	Other expenses	B3-5	1,729	1,906
107,540	Total expenses from continuing operations		117,295	113,890
30,741	Operating result from continuing operations		6,151	5,557
30,741	Net operating result for the year attributable to Council		6,151	5,557
10,664	Net operating result for the year before grants and contributions provided for capital purposes		(12,000)	(9,162)

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

Bathurst Regional 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		6,151	5,557
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	117,044	19,039
Total items which will not be reclassified subsequently to the operating result		117,044	19,039
Total other comprehensive income for the year		117,044	19,039
Total comprehensive income for the year attributable to Council		123,195	24,596

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

Bathurst Regional Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	7,265	6,154
Investments	C1-2	71,730	62,100
Receivables	C1-4	10,609	9,581
Inventories	C1-5	4,164	4,580
Contract assets and contract cost assets	C1-6	2,484	2,304
Other	C1-9	1,072	675
Total current assets		97,324	85,394
Non-current assets			
Investments	C1-2	27,000	24,980
Receivables	C1-4	663	623
Inventories	C1-5	11,569	11,487
Infrastructure, property, plant and equipment (IPPE)	C1-7	1,535,175	1,421,297
Investment property	C1-8	17,093	16,111
Right of use assets	C2-1	169	219
Total non-current assets		1,591,669	1,474,717
Total assets		1,688,993	1,560,111
LIABILITIES			
Current liabilities			
Payables	C3-1	9,522	7,109
Contract liabilities	C3-2	9,666	7,069
Lease liabilities	C2-1	51	83
Borrowings	C3-3	5,107	5,056
Employee benefit provisions	C3-4	13,978	12,877
Provisions	C3-5	155	111
Total current liabilities		38,479	32,305
Non-current liabilities			
Payables	C3-1	1,242	1,218
Lease liabilities	C2-1	123	143
Borrowings	C3-3	29,317	31,123
Employee benefit provisions	C3-4	143	179
Provisions	C3-5	3,128	1,777
Total non-current liabilities		33,953	34,440
Total liabilities		72,432	66,745
Net assets		1,616,561	1,493,366
EQUITY			
Accumulated surplus	C4-1	702,366	696,215
IPPE revaluation reserve	C4-1	914,195	797,151
Council equity interest		1,616,561	1,493,366
Total equity		1,616,561	1,493,366

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

Bathurst Regional 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		696,215	797,151	1,493,366	690,658	778,112	1,468,770
Net operating result for the year		6,151	–	6,151	5,557	–	5,557
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	117,044	117,044	–	19,039	19,039
Other comprehensive income		–	117,044	117,044	–	19,039	19,039
Total comprehensive income		6,151	117,044	123,195	5,557	19,039	24,596
Closing balance at 30 June		702,366	914,195	1,616,561	696,215	797,151	1,493,366

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

Bathurst Regional Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
51,109	Rates and annual charges		51,497	49,296
29,668	User charges and fees		27,292	24,703
1,178	Interest received		777	864
32,649	Grants and contributions		34,800	29,148
–	Bonds, deposits and retentions received		543	–
4,741	Other		7,643	8,666
Payments:				
(32,717)	Payments to employees		(35,147)	(37,024)
(42,376)	Payments for materials and services		(48,959)	(48,013)
(1,095)	Borrowing costs		(1,087)	(1,224)
–	Bonds, deposits and retentions refunded		–	(346)
(2,670)	Other		(614)	(2,560)
40,487	Net cash flows from operating activities	G1-1	36,745	23,510
Cash flows from investing activities				
Receipts:				
–	Sale of investments		165,300	120,960
18,366	Sale of real estate assets		8,026	16,286
–	Proceeds from sale of IPPE		1,968	300
Payments:				
–	Purchase of investments		(166,450)	(117,760)
–	Acquisition of term deposits		(10,500)	(16,500)
(49,542)	Payments for IPPE		(31,611)	(21,763)
(4,000)	Purchase of real estate assets		(482)	(240)
–	Deferred debtors and advances made		(48)	(126)
(35,176)	Net cash flows from investing activities		(33,797)	(18,843)
Cash flows from financing activities				
Receipts:				
3,300	Proceeds from borrowings		3,300	3,875
Payments:				
(5,074)	Repayment of borrowings		(5,055)	(5,475)
–	Principal component of lease payments		(82)	(110)
(1,774)	Net cash flows from financing activities		(1,837)	(1,710)
3,537	Net change in cash and cash equivalents		1,111	2,957
13,103	Cash and cash equivalents at beginning of year		6,154	3,197
16,640	Cash and cash equivalents at end of year	C1-1	7,265	6,154
82,500	plus: Investments on hand at end of year	C1-2	98,730	87,080
99,140	Total cash, cash equivalents and investments		105,995	93,234

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

Bathurst Regional 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 26 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain 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 investment properties – refer Note C1-8
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

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

A1-1 Basis of preparation (continued)

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.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council relies on some volunteer services in the operation of various Museums. The volunteer services, whilst helping the facilities, would not be purchased if not voluntarily provided and the value of those services cannot be reliably measured.

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

As at the date of authorisation of these financial statements Council does not consider that any of these standards and interpretations had a material impact on the Council's financial statements, financial position, financial performance or cash flows.

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	15	–	3,883	3,475	(3,868)	(3,475)	8,392	6,457	68	68
Administration	794	1,198	15,508	13,527	(14,714)	(12,329)	346	353	27,330	89,621
Public order and safety	564	481	1,832	1,951	(1,268)	(1,470)	280	291	12,167	8,543
Environment	14,192	10,682	12,305	9,220	1,887	1,462	938	230	225,299	172,149
Community services and education	2,900	2,714	3,629	2,437	(729)	277	2,273	2,365	12,042	11,241
Housing and community amenities	966	452	3,335	2,657	(2,369)	(2,205)	780	980	6,461	5,430
Water supplies	15,524	15,957	14,361	18,256	1,163	(2,299)	1,601	2,771	297,156	279,009
Sewerage services	16,056	15,064	12,293	14,559	3,763	505	1,335	1,066	189,388	194,209
Recreation and culture	7,829	9,561	18,573	17,402	(10,744)	(7,841)	4,941	2,763	266,489	234,252
Mining, manufacturing and construction	1,265	1,022	1,457	1,268	(192)	(246)	–	–	248	222
Transport and communication	15,944	11,899	25,528	25,134	(9,584)	(13,235)	12,678	10,135	609,264	556,171
Economic affairs	11,237	15,942	4,591	4,004	6,646	11,938	469	213	43,081	9,196
General Purpose Revenues	36,160	34,475	–	–	36,160	34,475	–	–	–	–
Total functions and activities	123,446	119,447	117,295	113,890	6,151	5,557	34,033	27,624	1,688,993	1,560,111

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

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy

Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Includes maintenance and operation of dams, water filtration plant, reservoirs and the reticulation of the water supply.

Sewerage services

Includes maintenance and operation of the sewerage network of pipes, pump stations and treatment works.

Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	20,416	19,688
Farmland	2,189	2,168
Mining	11	11
Business	6,190	5,994
Less: pensioner rebates (mandatory)	(664)	(664)
Rates levied to ratepayers	28,142	27,197
Pensioner rate subsidies received	365	365
Total ordinary rates	28,507	27,562
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,810	6,508
Stormwater management services	398	390
Water supply services	3,265	3,367
Sewerage services	11,405	10,822
Waste management services (non-domestic)	1,000	922
Section 611 charges	39	40
Less: pensioner rebates (mandatory)	(427)	(424)
Less: pensioner rebates (Council policy)	(193)	(190)
Annual charges levied	22,297	21,435
Pensioner subsidies received:		
– Water	114	113
– Sewerage	111	110
– Domestic waste management	10	10
Total annual charges	22,532	21,668
Total rates and annual charges	51,039	49,230

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	2022	2021
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	10,132	9,641
Sewerage services	1,636	1,613
Waste management services (non-domestic)	3,733	3,339
Total specific user charges	15,501	14,593
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,585	1,393
Private works – section 67	32	43
Section 603 certificates	121	138
Total fees and charges – statutory/regulatory	1,738	1,574
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	86	87
Advertising	4	1
Cemeteries	5	9
Art gallery	12	15
Child care	816	709
Bathurst rail museum	179	293
Chifley home	1	1
Entertainment centre	316	417
Library and art gallery	11	15
Mount panorama	1,533	1,009
National motor racing museum	254	381
Tourism	751	398
Transport for NSW works (state roads not controlled by Council)	2,543	3,093
Sewerage	840	622
Water	259	200
Other	79	69
Total fees and charges – other	7,689	7,319
Total other user charges and fees	9,427	8,893
Total user charges and fees	24,928	23,486

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 the aquatic centre, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

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

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

B2-3 Other revenues

\$ '000	2022	2021
Fines	60	49
Fines – parking	48	132
Legal fees recovery – other	17	–
Commissions and agency fees	96	83
Diesel rebate	5	–
Insurance claims recoveries	26	29
Recycling income (non-domestic)	446	135
Insurance rebates	119	106
Mount Panorama	434	430
Recovery of Lehman Brothers investment	5	3
Reversal of tip remediation provision	–	237
Other	346	667
Sales – miscellaneous	340	308
Total other revenue	1,942	2,179

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Financial assistance	3,931	3,118	–	–
Payment in advance - future year allocation				
Financial assistance	4,461	3,339	–	–
Amount recognised as income during current year	8,392	6,457	–	–
Special purpose grants and non-developer contributions (tied)				
Bushfire and emergency services	280	291	–	–
Community care	1,983	2,053	243	19
Community centres	–	–	(3)	38
Economic development	91	50	378	47
Environmental programs	188	202	–	28
Heritage and cultural	660	661	1,859	994
Kerb and gutter	–	–	21	–
LIRS subsidy	12	12	–	–
Mount Panorama	–	–	7	88
Other contributions	3	27	39	–
Other councils – joint works/services	190	235	–	–
Recreation and culture	31	56	2,176	964
Other specific grants	5	29	109	312
Sewerage services	–	–	275	–
Storm/flood damage	–	–	747	574
Strategic planning	780	12	–	–
Street lighting	108	108	–	–
Tourism	–	–	–	116
Transport (aerodrome)	–	–	2,090	–
Transport (cycleways)	–	–	1,435	512
Transport (other roads and bridges funding)	1,113	62	1,134	1,081
Transport (roads to recovery)	1,338	1,575	171	–
Transport for NSW contributions (regional roads, block grant)	705	1,016	1,663	619
Waste management	3	13	–	–
Water supplies	–	46	671	1,695
Total special purpose grants and non-developer contributions – cash	7,490	6,448	13,015	7,087
Non-cash contributions				
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	–	–	1,377	1,848
Heritage/cultural	–	–	208	293
Other	–	–	–	1,100
Total other contributions – non-cash	–	–	1,585	3,241
Total special purpose grants and non-developer contributions (tied)	7,490	6,448	14,600	10,328
Total grants and non-developer contributions	15,882	12,905	14,600	10,328
Comprising:				
– Commonwealth funding	12,836	10,268	1,653	2,415
– State funding	2,104	2,376	11,123	4,457
– Other funding	942	261	1,824	3,456
	15,882	12,905	14,600	10,328

Developer contributions

B2-4 Grants and contributions (continued)

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:	G3				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,511	2,295
S 64 – water supply contributions		–	–	930	1,030
S 64 – sewerage service contributions		–	–	1,060	1,066
Other developer contributions		–	–	50	–
Total developer contributions – cash		–	–	3,551	4,391
Total developer contributions		–	–	3,551	4,391
Total contributions		–	–	3,551	4,391
Total grants and contributions		15,882	12,905	18,151	14,719

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				
Unspent funds at 1 July	786	—	322	5,100
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	634	879	5,231	—
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(247)	(93)	(769)	(4,778)
Unspent funds at 30 June	1,173	786	4,784	322
Unspent contributions				
Unspent funds at 1 July	—	—	45,083	43,131
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	—	—	4,131	4,442
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	—	—	(4,533)	(2,490)
Unspent contributions at 30 June	—	—	44,681	45,083

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Developer contributions

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

B2-4 Grants and contributions (continued)

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	181	101
– Cash and investments	691	711
Total interest and investment income (losses)	872	812

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		678	663
Lease income relating to variable lease payments not dependent on an index or a rate		140	154
Total Investment properties		818	817
Other lease income			
Room/Facility Hire		1,376	1,302
Leaseback fees - council vehicles		199	205
Total other lease income		1,575	1,507
Total rental income	C2-2	2,393	2,324
Total other income		2,393	2,324

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	25,533	24,814
Travel expenses	483	508
Employee leave entitlements (ELE)	5,165	4,044
Superannuation	3,240	3,156
Workers' compensation insurance	1,142	1,597
Fringe benefit tax (FBT)	112	93
Payroll tax	298	286
Training costs (other than salaries and wages)	260	288
Protective clothing	1	4
Other	74	72
Total employee costs	36,308	34,862
Less: capitalised costs	(216)	(185)
Total employee costs expensed	36,092	34,677

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		30,956	29,021
Contractor and consultancy costs		1,440	2,157
Audit Fees	F2-1	109	179
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	321	298
Advertising		514	909
Bank charges		158	154
Cleaning		704	609
Election expenses		316	–
Electricity and heating		2,357	2,313
Fire control expenses		8	5
Insurance		1,476	1,469
Office expenses (including computer expenses)		78	80
Postage		135	128
Printing and stationery		212	195
Street lighting		600	646
Subscriptions and publications		1,561	1,677
Telephone and communications		491	476
Valuation fees		164	194
Other expenses		10	2

continued on next page ...

B3-2 Materials and services (continued)

\$ '000	2022	2021
Legal expenses:		
– Legal expenses: planning and development	92	–
– Legal expenses: debt recovery	83	47
– Legal expenses: other	489	490
Expenses from short-term leases	106	62
Expenses from leases of low value assets	115	114
Variable lease expense relating to usage	79	110
Recycling services	1,353	1,269
Total materials and services	43,927	42,604

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
(i) Interest bearing liability costs		
Interest on leases	21	13
Interest on overdraft	22	21
Interest on loans	1,055	1,190
Total interest bearing liability costs	1,098	1,224
Total borrowing costs expensed	1,098	1,224

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		2,586	2,629
Office equipment		519	439
Furniture and fittings		164	166
Land improvements (depreciable)		708	491
Infrastructure:	C1-7		
– Buildings		1,765	1,726
– Buildings – Leasehold Improvements		326	283
– Other structures		1,172	901
– Roads		14,364	14,256
– Bridges		1,009	994
– Footpaths		255	256
– Stormwater drainage		1,983	1,964
– Water supply network		4,561	4,459
– Sewerage network		4,342	4,281
– Swimming pools		158	158
Right of use assets	C2-1	80	114
Other assets:			
– Other		429	342
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	28	20
Total depreciation and amortisation costs		34,449	33,479

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

Total depreciation, amortisation and impairment for non-financial assets	34,449	33,479
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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. Useful lives are included in Note C1-7 for IPPE assets.

Impairment of non-financial assets

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		53	(98)
Total impairment of receivables	C1-4	53	(98)
Other			
Contributions/levies to other levels of government			
– NSW fire brigade levy		331	438
– NSW rural fire service levy		337	454
– Waste levy		35	65
– EPA payment for Sewerage Treatment		23	28
– Donations, contributions and assistance		429	654
– Footpath and gutter maintenance		74	93
– Somerville collection		148	(2)
Upper Macquarie County Council (Noxious Weeds)		299	274
Total other expenses		1,729	1,906

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
Infrastructure, property, plant & equipment			
Proceeds from disposal – property		1,388	95
Less: carrying amount of property assets sold/written off		(1,836)	–
Gain (or loss) on disposal		(448)	95
Gain (or loss) on disposal of plant and equipment			
	C1-7		
Proceeds from disposal – plant and equipment		580	205
Less: carrying amount of plant and equipment assets sold/written off		(157)	(188)
Gain (or loss) on disposal		423	17
Gain (or loss) on disposal of real estate assets held for sale			
	C1-5		
Proceeds from disposal – real estate assets		8,026	16,286
Less: carrying amount of real estate assets sold/written off		(744)	(3,196)
Gain (or loss) on disposal		7,282	13,090
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		58,200	60,480
Less: carrying amount of investments sold/redeemed/matured		(58,200)	(60,480)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		7,257	13,202

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 23/06/2021 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				
User charges and fees	29,685	24,928	(4,757)	(16)% U
Continuing La Nina and high-level water restrictions resulted in lower water usage of over \$2million from budget. Continuing COVID-19 restrictions saw User Charges down at many Council facilities, including BMEC \$544,000, Childrens Services \$290,000 and Mt Panorama \$1,439,000.				
Other revenues	2,633	1,942	(691)	(26)% U
Parking fines were \$318,000 below budget with reduced enforcement due to COVID. Other Revenues from Mt Panorama and other Council facilities were more than \$700,000 below budget with reduced events due to COVID.				
Operating grants and contributions	12,571	15,882	3,311	26% F
Prepayment of 2023 Financial Assistance Grant of \$4,461,000 received in 2022, less \$3,338,000 for 2022 received in 2021. Grant Milestones not achieved in 2021 saw an additional \$768,000 collected that was originally budgeted in 2021. Additional Grants received during the year of over \$2,161,000 for various projects.				
Capital grants and contributions	20,078	18,151	(1,927)	(10)% U
Delays in the planning and approval process for Council's Kelso Industrial Park development meant Grant revenue of \$3,554,752 will be delayed until 2023. Donated assets were \$1,281,000 below budget due to delays in private land development. Delays in achievement of Grant Milestones deferred receipt of \$2,871,000 into the 2023 year, while projects delayed in 2021 saw an additional \$1,334,000 collected that was originally budgeted in 2021. These were partially offset by additional Grants received during the year of over \$3,500,000 for various projects.				
Interest and investment revenue	1,178	872	(306)	(26)% U
The official Interest Rate remaining at historical lows for majority of the year resulted in Council's interest revenue being below budget.				
Net gains from disposal of assets	18,366	7,257	(11,109)	(60)% U
Delays in the planning and approval process for Council's land development program kept this income item under budget.				
Fair value increment on investment property	—	982	982	∞ F
Nil budget for this item due to ongoing uncertainties about improvements to CPI at time of budget preparation. CPI actually increased by 6.1% for the year.				
Expenses				
Depreciation, amortisation and impairment of non-financial assets	26,785	34,449	(7,664)	(29)% U
Revaluation increments in past 2 years not taken into account in preparing budget for 2022.				
Other expenses	2,697	1,729	968	36% F

B5-1 Material budget variations (continued)

	2022	2022	2022
\$ '000	Budget	Actual	----- Variance -----

Emergency Services Levy (ESL) paid for 2022 \$280,000 less than budget, plus received \$319,000 in advance for ESL refund of 2023 levy. Section 356 donations \$122,000 less than budget due to COVID restricting community events. Contribution to Somerville Collection was \$96,900 above budget due to decreased admissions, and higher costs, increasing Council's contribution expense.

Statement of cash flows

Cash flows from operating activities	40,487	36,745	(3,742)	(9)%	U
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A combination of above variances, mainly User Charges & Fees down \$4,207,000, Other revenues down \$2,100,000, with Grants and Contributions up \$2,161,000. Payments to employees also up \$2,269,000 despite Employee benefits & oncosts being on-budget - COVID and delays to capital projects saw Council undertake more operational work rather than capital, which saw wages expense in the operating statement instead of construction of assets, but this offset by large (non-cash) reduction in present value of leave entitlements due to high CPI at end of year.

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	7,265	6,154
Total cash and cash equivalents	7,265	6,154

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7,265	6,154
Balance as per the Statement of Cash Flows	7,265	6,154

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	2022	2021	2021
	Current	Non-current	Current	Non-current
Debt securities at amortised cost				
Long term deposits	71,730	13,500	57,000	17,730
NCD's, FRN's (with maturities > 3 months)	–	13,500	5,100	7,250
Total	71,730	27,000	62,100	24,980
Total financial investments	71,730	27,000	62,100	24,980
Total cash assets, cash equivalents and investments	78,995	27,000	68,254	24,980

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment. Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss. Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. Net gains or losses, including any interest or dividend income, are recognised in profit or loss. Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

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	105,995	93,234
Less: Externally restricted cash, cash equivalents and investments	(96,526)	(79,042)
Cash, cash equivalents and investments not subject to external restrictions	9,469	14,192

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended grants – general fund	5,950	1,101
Specific purpose unexpended grants – water fund	7	7
Specific purpose unexpended loans – general	10,045	2,272
External restrictions – included in liabilities	16,002	3,380

External restrictions – other

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

Developer contributions – general	13,623	15,559
Developer contributions – water fund	9,922	9,508
Developer contributions – sewer fund	21,137	20,016
Water fund	9,626	7,476
Sewer fund	22,889	20,551
Stormwater management	622	390
Domestic waste management	2,705	2,162
External restrictions – other	80,524	75,662
Total external restrictions	96,526	79,042

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
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(b) Internal allocations

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Employees leave entitlement	138	138
Aerodrome	51	–
Administration	230	321
Building maintenance and improvements	227	246
Carry over works	585	830
Cultural and community services	698	675
Environmental	81	8
Land development	6,615	10,818
Plant and vehicle replacement	545	847
Waste employee leave entitlements	251	251
Total internal allocations	9,421	14,134

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

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	1,994	171	2,170	168
Interest and extra charges	1,010	–	967	–
User charges and fees	3,434	–	3,353	–
Accrued revenues				
– Interest on investments	242	–	190	–
– Other income accruals	143	–	184	–
Deferred debtors	63	492	52	455
Government grants and subsidies	10	–	59	–
Net GST receivable	918	–	903	–
Sundry debtors	2,873	–	1,727	–
Total	10,687	663	9,605	623
Less: provision for impairment				
User charges and fees	(58)	–	(3)	–
Other debtors	(20)	–	(21)	–
Total provision for impairment – receivables	(78)	–	(24)	–
Total net receivables	10,609	663	9,581	623

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	24	134
+ new provisions recognised during the year	54	–
– amounts provided for but recovered during the year	–	(110)
Balance at the end of the year	78	24

Accounting policy

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

Impairment

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

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

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

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

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

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

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

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

C1-4 Receivables (continued)

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 1 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	3,320	11,569	3,664	11,487
Stores and materials	555	–	621	–
Trading stock	289	–	295	–
Total inventories at cost	4,164	11,569	4,580	11,487
Total inventories	4,164	11,569	4,580	11,487

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	2,484	–	2,304	–
Total contract assets and contract cost assets	2,484	–	2,304	–

Contract assets

Transport Assets	2,357	–	1,734	–
Flood Security Works	–	–	418	–
Other	127	–	152	–

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

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Total contract assets	2,484	—	2,304	—

Significant changes in contract assets

Contract Assets have increased from 2021 due to grant programs from other levels of Government, where we have incurred expenditure but not reached milestones listed in grant agreements for payment of income.

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period					At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Plant and equipment	29,097	(18,434)	10,663	1,549	–	(157)	(2,586)	–	29,556	(20,087)	9,469
Office equipment	3,179	(2,145)	1,034	–	187	–	(519)	–	3,367	(2,665)	702
Furniture and fittings	2,081	(1,483)	598	–	–	–	(164)	–	2,081	(1,647)	434
Land:											
– Operational land	103,917	–	103,917	–	152	(1,120)	–	13,574	116,523	–	116,523
– Community land	19,897	–	19,897	–	–	–	–	2,978	22,875	–	22,875
– Land under roads (post 30/6/08)	1,480	–	1,480	–	–	–	–	84	1,564	–	1,564
Land improvements – depreciable	30,571	(7,094)	23,477	–	489	(18)	(708)	2,449	34,313	(8,624)	25,689
Infrastructure:											
– Buildings	187,756	(58,298)	129,458	784	6,587	(661)	(1,765)	22,113	226,395	(69,879)	156,516
– Buildings – leasehold improvements	5,468	(306)	5,162	13	–	(31)	(326)	–	5,404	(586)	4,818
– Other structures	37,799	(13,626)	24,173	45	3,299	(6)	(1,172)	2,258	44,672	(16,075)	28,597
– Roads	483,787	(174,710)	309,077	4,486	1,440	–	(14,364)	31,676	541,817	(209,502)	332,315
– Bridges	99,939	(44,286)	55,653	–	1,272	–	(1,009)	5,910	112,016	(50,190)	61,826
– Footpaths	19,718	(6,661)	13,057	323	321	–	(255)	1,423	22,513	(7,644)	14,869
– Bulk earthworks (non-depreciable)	142,831	–	142,831	2,448	30	–	–	15,440	160,749	–	160,749
– Stormwater drainage	194,753	(50,899)	143,854	370	1,731	–	(1,983)	8,091	207,975	(55,912)	152,063
– Water supply network	377,000	(137,168)	239,832	3,573	870	–	(4,561)	14,169	390,897	(137,014)	253,883
– Sewerage network	237,077	(90,533)	146,544	52	1,266	–	(4,342)	(5,802)	259,967	(122,249)	137,718
– Swimming pools	15,945	(2,219)	13,726	–	–	–	(158)	1,316	17,492	(2,608)	14,884
Other assets:											
– Other	48,237	(13,150)	35,087	7	510	–	(429)	1,365	50,839	(14,299)	36,540
Reinstatement, rehabilitation and restoration assets (refer Note 15):											
– Tip assets	1,777	–	1,777	1,392	–	–	(28)	–	3,169	(28)	3,141
Total infrastructure, property, plant and equipment	2,042,309	(621,012)	1,421,297	15,042	18,154	(1,993)	(34,369)	117,044	2,254,184	(719,009)	1,535,175

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

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period						At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Plant and equipment	28,516	(16,268)	12,248	1,232	–	(188)	(2,629)	–	–	29,097	(18,434)	10,663
Office equipment	2,937	(1,715)	1,222	243	8	–	(439)	–	–	3,179	(2,145)	1,034
Furniture and fittings	2,081	(1,317)	764	–	–	–	(166)	–	–	2,081	(1,483)	598
Land:												
– Operational land	103,347	–	103,347	–	605	–	–	–	(35)	103,917	–	103,917
– Community land	17,542	–	17,542	–	–	–	–	–	2,355	19,897	–	19,897
– Land under roads (post 30/6/08)	1,247	–	1,247	–	233	–	–	–	–	1,480	–	1,480
Land improvements – depreciable	25,594	(5,446)	20,148	–	694	–	(491)	–	3,126	30,571	(7,094)	23,477
Infrastructure:												
– Buildings – non-specialised	186,474	(56,760)	129,714	343	1,402	–	(1,726)	–	(275)	187,756	(58,298)	129,458
– Buildings – specialised	5,325	(23)	5,302	143	–	–	(283)	–	–	5,468	(306)	5,162
– Other structures	29,202	(8,578)	20,624	351	983	–	(901)	(1,238)	4,354	37,799	(13,626)	24,173
– Roads	479,464	(160,454)	319,010	2,758	1,565	–	(14,256)	–	–	483,787	(174,710)	309,077
– Bridges	98,548	(43,292)	55,256	1,391	–	–	(994)	–	–	99,939	(44,286)	55,653
– Footpaths	18,912	(6,405)	12,507	350	456	–	(256)	–	–	19,718	(6,661)	13,057
– Bulk earthworks (non-depreciable)	140,499	–	140,499	532	1,800	–	–	–	–	142,831	–	142,831
– Stormwater drainage	193,586	(48,935)	144,651	5	1,162	–	(1,964)	–	–	194,753	(50,899)	143,854
– Water supply network	367,468	(131,459)	236,009	5,870	242	–	(4,459)	–	2,170	377,000	(137,168)	239,832
– Sewerage network	233,488	(85,427)	148,061	459	982	–	(4,281)	–	1,323	237,077	(90,533)	146,544
– Swimming pools	15,945	(2,061)	13,884	–	–	–	(158)	–	–	15,945	(2,219)	13,726
Other assets:												
– Other	40,978	(13,538)	27,440	39	691	–	(342)	1,238	6,021	48,237	(13,150)	35,087
Reinstatement, rehabilitation and restoration assets (refer Note 15):												
– Tip assets	1,434	(102)	1,332	–	–	–	(20)	465	–	1,777	–	1,777
Total infrastructure, property, plant and equipment	1,992,587	(581,780)	1,410,807	13,716	10,823	(188)	(33,365)	465	19,039	2,042,309	(621,012)	1,421,297

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

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

Accounting policy

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

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.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
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	Non-depreciable
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Other open space/recreational assets	20
Bridge: concrete	100	Other infrastructure	20
Bridge: other	50		
Road pavements	60		
Kerb, gutter and footpaths	80		

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

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

Land under roads

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

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.

C1-7 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".

Council recognises rural fire service assets including land and buildings however the fire fighting vehicles or "red fleet" are not considered to be under the control of Council and are therefore not recognised in these financial statements.

C1-8 Investment properties

\$ '000	2022	2021
Owned investment property		
Investment property on hand at fair value	17,093	16,111
Total owned investment property	17,093	16,111

Owned investment property

At fair value

Opening balance at 1 July	16,111	15,521
Net gain/(loss) from fair value adjustments	982	590
Closing balance at 30 June	17,093	16,111

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C1-9 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	1,072	—	675	—
Total other assets	1,072	—	675	—

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, 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 operational purposes; the leases are generally between 1 and 100 years and some of them include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

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

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. Leases are for between 1 and 3 years with no renewal option, payments are fixed, however some of the leases include variable payments based on usage.

Extension options

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

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

(a) Right of use assets

\$ '000	Office Equipment	Land	Buildings	Total
2022				
Opening balance at 1 July	184	35	–	219
Additions to right-of-use assets	30	–	–	30
Adjustments to right-of-use assets due to re-measurement of lease liability	–	–	–	–
Depreciation charge	(76)	(4)	–	(80)
Balance at 30 June	138	31	–	169
2021				
Opening balance at 1 July	590	40	2	632
Additions to right-of-use assets	181	–	–	181
Adjustments to right-of-use assets due to re-measurement of lease liability	(481)	–	–	(481)
Depreciation charge	(106)	(5)	(2)	(113)
Other movement	–	(1)	–	(1)
Balance at 30 June	184	35	–	219

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	51	123	83	143
Total lease liabilities	51	123	83	143

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	55	108	17	180	174
2021					
Cash flows	84	127	21	232	226

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	21	13
Variable lease payments based on usage not included in the measurement of lease liabilities	79	110
Depreciation of right of use assets	80	114
Expenses relating to short-term leases	106	62
Expenses relating to low-value leases	115	114
	401	413

(e) Statement of Cash Flows

Total cash outflow for leases	401	410
	401	410

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

Council has identified a number of right of use leases at significantly below market terms & conditions for land and buildings used for toilet facilities, underground pipes and RFS brigade stations.

Lease periods range up to 58 years remaining and require payments up to a maximum of \$1,000 per year. Market values for these assets are difficult to reliably estimate due to the nature of the asset (underground pipes and land within railway corridors), so Council has measured these assets at cost. Use of the right-to-use asset is restricted by lessors to specified community services which Council must provide, as 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

C2-1 Council as a lessee (continued)

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

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

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

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

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-8) and/or IPP&E (refer note C1-7) in the Statement of Financial Position.

\$ '000	2022	2021
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(i) Assets held as investment property

Investment property operating leases relate to Council's leasing of the Post Office building. The leases for each tenant range in term from 1 to 7 years, with some having options for further periods up to 15 years.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	678	663
Lease income relating to variable lease payments not dependent on an index or a rate	140	154
Total income relating to operating leases for investment property assets	818	817

Operating lease expenses

Direct operating expenses that generated rental income	396	400
Direct operating expenses that did not generate rental income	234	234
Total expenses relating to operating leases	630	634

Repairs and maintenance: investment property

Other	96	116
Total repairs and maintenance: investment property	96	116

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council land, buildings and facilities for the provision of services by various community organisations and groups. The leases for each tenant range in term from 1 to 5 years. The table below relates to operating leases on assets disclosed in note C1-7.

Lease income (excluding variable lease payments not dependent on an index or rate)	1,575	1,507
Total income relating to operating leases for Council assets	1,575	1,507

Amount of IPPE leased out by Council under operating leases

Plant & Equipment	1,041	—
Land	4,969	—
Buildings	46,460	—
Land Improvements	3,889	—
Structures	7,253	—
Total amount of IPPE leased out by Council under operating leases	63,612	—

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

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

< 1 year	598	831
1–2 years	358	569
2–3 years	279	320
3–4 years	286	242

C2-2 Council as a lessor (continued)

\$ '000	2022	2021
4–5 years	54	247
> 5 years	1	20
Total undiscounted lease payments to be received	1,576	2,229

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	4,709	–	3,175	–
Accrued expenses:				
– Borrowings	39	–	28	–
– Other expenditure accruals	364	–	300	–
Security bonds, deposits and retentions	2,323	1,242	1,804	1,218
Prepaid rates	2,087	–	1,802	–
Total payables	9,522	1,242	7,109	1,218

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Funds to construct Council controlled assets	(i)	8,890	–	6,061	–
Grant Funds received prior to performance obligation being satisfied	(ii)	556	–	931	–
Contributions received prior to performance obligation being satisfied	(ii)	42	–	13	–
Total grants received in advance		9,488	–	7,005	–
User fees and charges received in advance:					
Other		178	–	64	–
Total user fees and charges received in advance		178	–	64	–
Total contract liabilities		9,666	–	7,069	–

Notes

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

(ii) The contract liability relates to grants and contributions received but the revenue recognition criteria in AASB 15 have not been satisfied as the performance obligations are ongoing.

Significant changes in contract liabilities

Contract liabilities have increased significantly from 2021 due to grant programs from other levels of Government, where Council has received grant income but not completed the projects.

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 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	5,107	29,317	5,056	31,123
Total borrowings	5,107	29,317	5,056	31,123

(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 18.

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements			2022
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000						
Loans – secured	36,179	(1,755)	–	–	–	34,424
Lease liability (Note C2-1b)	226	(52)	–	–	–	174
Total liabilities from financing activities	36,405	(1,807)	–	–	–	34,598

	2020		Non-cash movements			2021
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000						
Loans – secured	37,779	(1,600)	–	–	–	36,179
Lease liability (Note C2-1b)	635	(409)	–	–	–	226
Total liabilities from financing activities	38,414	(2,009)	–	–	–	36,405

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	650	650
Credit cards/purchase cards	115	115
Total financing arrangements	765	765
Undrawn facilities		
– Bank overdraft facilities	650	650
– Credit cards/purchase cards	115	115
Total undrawn financing arrangements	765	765

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

C3-3 Borrowings (continued)

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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	4,287	–	3,523	–
Long service leave	9,691	143	9,354	179
Total employee benefit provisions	13,978	143	12,877	179

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	9,691	9,354
	9,691	9,354

Accounting policy

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.

The obligations are presented as current liabilities in the Statement of Financial Position if the 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.

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Other provisions				
Rostered Day Off	114	–	111	–
Sub-total – other provisions	114	–	111	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	41	3,128	–	1,777
Sub-total – asset remediation/restoration	41	3,128	–	1,777
Total provisions	155	3,128	111	1,777

Description of and movements in provisions

\$ '000	Other provisions		
	Asset remediation	Other	Total
2022			
At beginning of year	1,777	111	1,888
Other	1,392	7	1,399
Total other provisions at end of year	3,169	118	3,287
2021			
At beginning of year	1,548	93	1,641
Amounts used (payments)	–	18	18
Other	229	–	229
Total other provisions at end of year	1,777	111	1,888

Nature and purpose of provisions

Asset remediation

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

Restoration

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

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

Rehabilitation

C3-5 Provisions (continued)

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

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

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

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	36,534	3,184	11,321
User charges and fees	11,390	10,971	2,567
Interest and investment revenue	448	137	287
Other revenues	1,748	51	143
Grants and contributions provided for operating purposes	15,657	114	111
Grants and contributions provided for capital purposes	14,263	1,876	2,012
Net gains from disposal of assets	7,257	—	—
Fair value increment on investment property	982	—	—
Other income	2,393	—	—
Total income from continuing operations	90,672	16,333	16,441
Expenses from continuing operations			
Employee benefits and on-costs	27,705	4,361	4,026
Materials and services	28,619	8,797	6,511
Borrowing costs	890	208	—
Depreciation, amortisation and impairment of non-financial assets	25,113	4,821	4,515
Other expenses	2	910	817
Total expenses from continuing operations	82,329	19,097	15,869
Operating result from continuing operations	8,343	(2,764)	572
Net operating result for the year	8,343	(2,764)	572
Net operating result attributable to each council fund	8,343	(2,764)	572
Net operating result for the year before grants and contributions provided for capital purposes	(5,920)	(4,640)	(1,440)

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	(25,174)	9,633	22,806
Investments	71,730	–	–
Receivables	6,244	3,244	1,121
Inventories	4,164	–	–
Contract assets and contract cost assets	2,484	–	–
Other	1,019	53	–
Total current assets	60,467	12,930	23,927
Non-current assets			
Investments	(4,142)	9,922	21,220
Receivables	583	42	38
Inventories	11,569	–	–
Infrastructure, property, plant and equipment	1,116,632	273,788	144,755
Investment property	17,093	–	–
Right of use assets	168	–	1
Total non-current assets	1,141,903	283,752	166,014
Total assets	1,202,370	296,682	189,941
LIABILITIES			
Current liabilities			
Payables	8,908	490	124
Contract liabilities	4,666	5,000	–
Lease liabilities	51	–	–
Borrowings	4,833	274	–
Employee benefit provision	12,387	948	643
Provisions	155	–	–
Total current liabilities	31,000	6,712	767
Non-current liabilities			
Payables	1,242	–	–
Lease liabilities	122	–	1
Borrowings	24,008	5,309	–
Employee benefit provision	134	7	2
Provisions	3,128	–	–
Total non-current liabilities	28,634	5,316	3
Total liabilities	59,634	12,028	770
Net assets	1,142,736	284,654	189,171
EQUITY			
Accumulated surplus	469,006	137,902	95,458
Revaluation reserves	673,730	146,752	93,713
Council equity interest	1,142,736	284,654	189,171
Total equity	1,142,736	284,654	189,171

D2 Interests in other entities

D2-1 Subsidiaries

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

Name of Operation/Entity	Principal activity
The Somerville Collection Ltd	Australian Fossil and Mineral Museum 224 Howick Street, Bathurst

Interests in Subsidiary	Ownership 2022	Ownership 2021	Voting rights 2022	Voting rights 2021
Council's interest in Subsidiary	0%	0%	20%	20%
Non-controlling interest in Subsidiary	100%	100%	80%	80%

The nature and extent of significant restrictions relating to the Subsidiary

The specimen collection is owned by the Australian Museum Trust.

The fixtures and fittings are owned by The Somerville Collection Limited, a company limited by guarantee.

The nature of risks associated with Council's interests in the Subsidiary

Council controls the day to day financial and operating activities of the museum including the receipt of its income, payment of its expenses and employment of staff, including the liability for the leave entitlements of those staff.

Council has resolved, to support the operations of the museum to a maximum subsidy of \$250,000 each year into the future.

Other disclosures

Although Council's voting rights are only 20% and it owns none of the assets, because of the support of the day to day operations, Council considers that it has control over the operations.

Reporting dates of Subsidiary

The Somerville Collection balance date is 30 June.

Summarised financial information for the Subsidiary

\$ '000	2022	2021
Summarised statement of comprehensive income		
Revenue	454	434
Expenses	(481)	(489)
Profit for the period	(27)	(55)
Total comprehensive income	(27)	(55)
Summarised statement of financial position		
Current assets	114	114
Non-current assets	105	132
Total assets	219	246
Current liabilities	6	6
Total liabilities	6	6
Net assets	213	240

D2-1 Subsidiaries (continued)

\$ '000	2022	2021
Summarised statement of cash flows		
Cash flows from operating activities	–	1
Net increase (decrease) in cash and cash equivalents	–	1

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

D2-2 Interests in joint arrangements

County Councils

County Councils as joint ventures

Council is a member of the Upper Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control weeds. Council is one of 4 constituent members and does not control the County Council. Accordingly, the County Council has not been consolidated in these Financial Statements.

Accounting policy

The council has determined that it has only joint operations.

Council is only one of several Councils involved in the Joint Operation. The assets and liabilities of the joint operations are immaterial to Council's operations and are therefore not included in these Financial Statements.

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.

(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	1,014	848
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

(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 secure a charge over the land relating to the debts – 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 the payment of debt.

Council has a policy in the case of an aged pensioner who elects to do so, Council shall allow unpaid rates to accumulate and be paid from the estate of such aged pensioner or from the sale of the house.

\$ '000	Not yet overdue rates and annual charges			Total
	Not yet overdue	< 5 years	≥ 5 years	
2022				
Gross carrying amount	–	1,994	171	2,165
2021				
Gross carrying amount	–	2,170	168	2,338

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

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	11,038	364	1	249	17	11,669
Expected loss rate (%)	0.00%	0.00%	0.00%	24.60%	100.00%	0.67%
ECL provision	—	—	—	61	17	78
2021						
Gross carrying amount	10,121	32	—	1	40	10,194
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	60.00%	0.24%
ECL provision	—	—	—	—	24	24

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
\$ '000							
2022							
Payables	0.00%	9,522	1,242	—	—	10,764	10,764
Borrowings	3.19%	—	6,018	19,537	13,331	38,886	34,424
Total financial liabilities		9,522	7,260	19,537	13,331	49,650	45,188
2021							
Payables	0.00%	3,022	—	—	—	3,022	8,327
Borrowings	3.12%	—	5,056	20,859	10,265	36,180	36,179
Total financial liabilities		3,022	5,056	20,859	10,265	39,202	44,506

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
- Investment property

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).

Fair value measurement hierarchy							
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021
Recurring fair value measurements							
Investment property	C1-8						
230 Howick Street, Bathurst		17,093	16,111	—	—	17,093	16,111
Total investment property		17,093	16,111	—	—	17,093	16,111
Infrastructure, property, plant and equipment							
	C1-7						
Plant and equipment		—	—	9,469	10,663	9,469	10,663
Office equipment		—	—	702	1,034	702	1,034
Furniture and fittings		—	—	434	598	434	598
Operational land		—	—	116,523	103,917	116,523	103,917
Community land		—	—	22,875	19,897	22,875	19,897
Land under roads (post 30/6/08)		—	—	1,564	1,480	1,564	1,480
Land improvements – depreciable		—	—	25,689	23,477	25,689	23,477
Buildings		—	—	156,516	129,458	156,516	129,458
Leasehold Improvements		—	—	4,818	5,162	4,818	5,162
Other structures		—	—	28,597	24,173	28,597	24,173
Roads		—	—	332,315	309,077	332,315	309,077
Bridges		—	—	61,826	55,653	61,826	55,653
Footpaths		—	—	14,869	13,057	14,869	13,057
Bulk earthworks (non-depreciable)		—	—	160,749	142,831	160,749	142,831
Stormwater drainage		—	—	152,063	143,854	152,063	143,854
Water supply network		—	—	253,883	239,832	253,883	239,832
Sewerage network		—	—	137,718	146,544	137,718	146,544
Swimming pools		—	—	14,884	13,726	14,884	13,726
Other assets		—	—	36,540	35,087	36,540	35,087
Tip		—	—	1,752	1,777	1,752	1,777
Total infrastructure, property, plant and equipment		—	—	1,533,786	1,421,297	1,533,786	1,421,297

Transfers between level 1 and level 2 fair value hierarchies

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

E2-1 Fair value measurement (continued)

Valuation techniques

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

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

Investment property

The investment property at 230 Howick Street, Bathurst was valued by Liquid Pacific Pty Ltd, registered valuers, in June 2018. The 2022 fair value includes an indexation using the Consumer Price Index, as shown in Note C1-8.

Infrastructure, property, plant and equipment (IPPE)

Land and Buildings

The buildings asset class includes any 'enclosable' roofed structure (4 walls), otherwise assets are classified as Other Structures. Land is classified as either operational or community by Council when acquired. Operational land includes those parcels that are used or earmarked for future use in Council's operations. Community land typically includes road and drainage reserves and open space areas.

Community land is valued at the current valuation provided by the Valuer General of NSW in 2021 and does not have an active market. As such, these assets were classified as having been valued using level 3 valuation inputs. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Operational land and buildings were valued by Liquid Pacific Pty Ltd, Registered Valuers, in June 2018 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the financial year Council completed the construction of a number of buildings. While the costs were current and the impact of depreciation was negligible, buildings have been classified as Level 3 as they were immaterial in relation to the overall value of this asset class. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Other Structures

This asset class includes any non-enclosable roofed or non-roofed structure (fewer than 4 walls). Other Structures were revalued in 2021 using the cost approach. This was derived via a number of methods, depending on the information available (historical cost, actual quotes/tenders, published component rates). Due to the highly varied nature of this asset class, only very small subsets of assets can be valued using the same basis. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Roads

This asset class comprises the Road Carriageway, Guardrails, Kerb and Gutter, Signs and Traffic facilities.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter or other roadside drainage. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure.

Roads were revalued by Council staff on 30 June 2020. Valuations for the road carriageway, comprising surface, pavement and formation earthworks were based on calculations carried out by the Assets Team, utilising internal cost rates and the detailed asset information residing in Council's Asset Management System - "Confirm". Other Road Infrastructure was valued the same way.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimated pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

E2-1 Fair value measurement (continued)

Bridges

Bridges were valued in 2020 by Bridge Knowledge using the cost approach and also included a condition assessment. The approach estimated the replacement for each bridge in its entirety; deck, approaches, railings and abutments.

All bridges were physically inspected and an assessment made of the component condition. Unit rates based on deck areas could be supported from market evidence (level 2) however other inputs (pattern of consumption, site-specific technical design issues) require extensive professional judgement and impact on the final determination of fair value. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Footpaths

Footpaths were revalued by Council Staff on 30 June 2020 using the cost approach using internal unit cost inputs (Level 3). Footpaths are inspected on either an annual or semi-annual basis for defects and condition and the results are included in the asset register (Confirm) system. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Parking areas

Parking areas are valued and assessed on the same basis as roads.

Bus Shelters

Bus Shelters are valued and assessed on the same basis as Other Structures.

Aerodrome

This comprises the infrastructure assets that form the aerodrome. Equivalent asset classes have been valued using the same conditions and parameters as described above (runway surface, pavement and earthworks as for roads; parking areas, other structures and drainage like for like). Revalued by Council staff on 30 June 2020. Substantial professional judgement has been required to undertake this work and this class is therefore classified as Level 3. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Water Supply network

Assets within this class comprise the infrastructure to supply a reticulated potable drinking water service to Bathurst and adjoining suburbs/villages. There is also a small non-potable service at Hillview Estate Napoleon Reef and a raw-water supply from Winburndale Dam used for irrigation of parks and playing fields in town.

In Bathurst, there is the Filtration Plant, Pump Stations, Reservoirs and reticulation pipe network. A revaluation was made as at 30 June 2022; the reticulation network valued on the basis outlined in the DPI NSW Reference Rates Manual and all other assets were revalued as part of a CNSWJO-wide contract with Australis Valuers. While this provides some degree of observability, a substantial amount of professional judgement is required due to limitations in the historical records of very long lived assets as there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3.

Sewerage network

Assets within this class comprise the infrastructure to supply a reticulated waste water (sewerage) service to Bathurst and adjoining suburbs/villages. This is the Reticulation Pipe Network, Pump Stations and Treatment Plant. A revaluation was made as at 30 June 2022; the reticulation network valued on the basis outlined in the DPI NSW Reference Rates Manual and all other assets were revalued as part of a CNSWJO-wide contract with Australis Valuers. While this provides some degree of observability, a substantial amount of professional judgement is required due to limitations in the historical records of very long lived assets as there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

Drainage assets were revalued by Council staff on 30 June 2020. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

E2-1 Fair value measurement (continued)

While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. In June 2022, Council has undertaken a fair value assessment to index this asset class to ensure the carrying value approximates the fair value.

Fair value measurements using significant unobservable inputs (level 3)

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

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

\$ '000	Fair value (30/6/22) 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Land & Buildings	–	Independent Market Valuation by a Registered Valuer	Land value, land area, restricted use
Infrastructure	–	Internal Valuation	Based on actual costs and indexed where required. Estimation of remaining asset lives where infrastructure is below ground. Condition.
Other Assets	–	Internal Valuation and Independent Market Valuation where available	Based on actual costs and indexed where required.

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

\$ '000	Land and buildings (level 3)		Infrastructure assets (level 3)		Other assets (level 3)		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	307,564	297,924	1,064,574	1,069,877	49,159	43,006	1,421,297	1,410,807
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	43,456	9,525	72,145	3,493	1,365	6,021	116,966	19,039
Other movements								
Transfers from/(to) another asset class	–	(1,238)	–	–	–	1,703	–	465
Purchases (GBV)	11,369	4,754	18,182	17,572	2,253	2,213	31,804	24,539
Disposals (WDV)	(1,836)	–	–	–	(157)	(188)	(1,993)	(188)
Depreciation and impairment	(3,971)	(3,401)	(26,672)	(26,368)	(3,723)	(3,596)	(34,366)	(33,365)
Closing balance	356,582	307,564	1,128,229	1,064,574	48,897	49,159	1,533,708	1,421,297

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

- For 180 Point Members, Employers are required to contribute 7.5% of salaries 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 million per annum 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.

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 \$467,451.56. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30/06/2021, and covers the period ended 30 June 2022.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$413,722.08.

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 this deficit that is broadly attributed to Council is estimated to be in the order of 0.83% as at 30 June 2022.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

Council had 1 bank guarantee at 30 June 2022 held by the Commonwealth Bank.

1. Rental bond for the premises used as the Bathurst Rail Museum for \$50,000

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

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

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

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

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

(iii) Somerville collection

The Council is a member of a company Limited by Guarantee called the Somerville Collection.

The company was established to manage & maintain the Somerville Collection (made up of fossils, minerals and other features) which are exhibited in Bathurst at the Australian Fossil and Mineral Museum. The Company is a non profit entity. In the event that the Company is wound up, Council's liability is limited to a maximum of \$100.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/2008.

(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	1,659	1,597
Post-employment benefits	127	121
Total	1,786	1,718

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
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The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:

Mayoral fee	56	60
Councillors' fees	213	219
Other Councillors' expenses (including Mayor)	52	19
Total	321	298

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
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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

	83	77
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Remuneration for audit and other assurance services	83	77
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Total Auditor-General remuneration	83	77
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements

	1	—
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Remuneration for audit and other assurance services	1	—
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(ii) Non-assurance services

Internal audit

	25	102
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Remuneration for non-assurance services	25	102
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Total remuneration of non NSW Auditor-General audit firms	26	102
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Total audit fees	109	179
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G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	6,151	5,557
Add / (less) non-cash items:		
Depreciation and amortisation	34,449	33,479
(Gain) / loss on disposal of assets	(7,257)	(13,202)
Non-cash capital grants and contributions	(1,585)	(3,241)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(982)	(590)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(1,074)	1,494
Increase / (decrease) in provision for impairment of receivables	54	(110)
(Increase) / decrease of inventories	72	(2)
(Increase) / decrease of other current assets	(397)	(87)
(Increase) / decrease of contract asset	(180)	(965)
Increase / (decrease) in payables	1,534	(1,534)
Increase / (decrease) in accrued interest payable	11	–
Increase / (decrease) in other accrued expenses payable	64	(543)
Increase / (decrease) in other liabilities	828	(200)
Increase / (decrease) in contract liabilities	2,597	3,255
Increase / (decrease) in employee benefit provision	1,065	(48)
Increase / (decrease) in other provisions	1,395	247
Net cash flows from operating activities	36,745	23,510

(b) Non-cash investing and financing activities

Other dedications	1,585	3,241
Total non-cash investing and financing activities	1,585	3,241

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	2,014	7,460
Plant and equipment	–	1,059
Roads	166	2,041
Sewer	517	–
Stormwater Drainage	52	228
Structures	541	3,112
Water	3,553	130
Total commitments	6,843	14,030

These expenditures are payable as follows:

Within the next year	6,843	14,030
Total payable	6,843	14,030

Sources for funding of capital commitments:

Unrestricted general funds	78	–
Future grants and contributions	1,251	5,694
Section 7.11 and 64 funds/reserves	2,546	3,012
Unexpended grants	–	1,402
Externally restricted reserves	2,693	584
Internally restricted reserves	–	1,059
Unexpended loans	275	2,279
Total sources of funding	6,843	14,030

G3 Statement of developer contributions as at 30 June 2022

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	5,190	304	–	38	(53)	–	5,479	–
Roads	38	28	–	–	–	(66)	–	–
Traffic facilities	8	2	–	–	–	–	10	–
Parking	207	39	–	1	–	–	247	–
Open space	1,159	113	–	9	(170)	–	1,111	–
Community facilities	4,199	742	–	12	(3,047)	–	1,906	–
S7.11 contributions – under a plan	10,801	1,228	–	60	(3,270)	(66)	8,753	–
Total S7.11 and S7.12 revenue under plans	10,801	1,228	–	60	(3,270)	(66)	8,753	–
S7.11 not under plans	4,758	524	–	33	(560)	66	4,821	–
S7.4 planning agreements	–	50	–	–	–	–	50	–
S64 contributions	29,524	1,990	–	214	(670)	–	31,058	–
Total contributions	45,083	3,792	–	307	(4,500)	–	44,682	–

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.

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN – Jordan Creek Stormwater Drainage Management								
Drainage	556	56	–	5	(15)	–	602	–
Total	556	56	–	5	(15)	–	602	–

G3-2 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 – Raglan Creek Stormwater Drainage								
Drainage	3,030	229	–	23	(15)	–	3,267	–
Total	3,030	229	–	23	(15)	–	3,267	–
CONTRIBUTION PLAN – Sawpit Creek Drainage								
Drainage	702	5	–	2	(15)	–	694	–
Total	702	5	–	2	(15)	–	694	–
CONTRIBUTION PLAN – Reconstruct Hereford Street								
Roads	38	28	–	–	–	(66)	–	–
Total	38	28	–	–	–	(66)	–	–
CONTRIBUTION PLAN – Central Carparking Strategies								
Parking	207	39	–	1	–	–	247	–
Total	207	39	–	1	–	–	247	–
CONTRIBUTION PLAN – Community Facilities and Services Bathurst								
Community facilities	4,199	742	–	12	(3,047)	–	1,906	–
Total	4,199	742	–	12	(3,047)	–	1,906	–
CONTRIBUTION PLAN – Robin Hill Drainage								
Drainage	474	–	–	4	–	–	478	–
Total	474	–	–	4	–	–	478	–

G3-2 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 – Eglinton Open Space & Drainage								
Drainage	428	14	–	4	(8)	–	438	–
Open space	483	16	–	4	(9)	–	494	–
Total	911	30	–	8	(17)	–	932	–
CONTRIBUTION PLAN – Bathurst Regional Open Space								
Open space	676	97	–	5	(161)	–	617	–
Total	676	97	–	5	(161)	–	617	–
CONTRIBUTION PLAN - Bathurst Regional Traffic Generating Development								
Traffic facilities	8	2	–	–	–	–	10	–
Total	8	2	–	–	–	–	10	–

G3-3 Contributions not under plans

CONTRIBUTIONS NOT UNDER A PLAN

Roads	4,327	479	–	31	(411)	66	4,492	–
Other	431	45	–	2	(149)	–	329	–
Total	4,758	524	–	33	(560)	66	4,821	–

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(20,186)	(20.80)%	(25.35)%	(21.74)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	97,056				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	81,174	70.46%	73.85%	71.37%	> 60.00%
Total continuing operating revenue ¹	115,207				
3. Unrestricted current ratio					
Current assets less all external restrictions	23,380	1.15x	1.47x	0.95x	> 1.50x
Current liabilities less specific purpose liabilities	20,352				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,361	2.46x	1.71x	1.06x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,235				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,175	5.82%	6.29%	6.49%	< 10.00%
Rates and annual charges collectable	54,525				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	92,495	12.20	10.24	7.81	> 3.00
Monthly payments from cash flow of operating and financing activities	7,579	months	months	months	months

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

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

G4-2 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}	(20.69)%	(29.29)%	(32.10)%	(25.38)%	(9.98)%	(6.54)%	> 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	63.70%	69.40%	87.82%	81.90%	87.09%	86.15%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.15x	1.47x	1.93x	7.67x	31.20x	31.57x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	1.99x	1.07x	1.38x	4.80x	∞	∞	> 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	7.93%	8.57%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.92	6.69	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	months	months					months

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

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

158 Russell Street
BATHURST NSW 2795

Contact details

Mailing Address:

Private Mail Bag 17
BATHURST NSW 2795

Telephone: 02 6333 6111

Facsimile: 02 6331 7211

Opening hours:

General Office, Departments and Cashiers
8.30am to 4.45pm weekdays

Internet: www.bathurst.nsw.gov.au

Email: council@bathurst.nsw.gov.au

Officers

General Manager

David Sherley

Responsible Accounting Officer

Aaron Jones

Public Officer

Aaron Jones

Auditors

Auditor General of NSW
Level 19, Darling Park Tower 2
201 Sussex St, Sydney NSW 2000

Elected members

Mayor

Robert Taylor

Councillors

Warren Aubin

Kirralee Burke

Ben Fry

Graeme Hanger

Margaret Hogan

Jess Jennings

Ian North

Andrew Smith

Other information

ABN: 42 173 522 302



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bathurst Regional Council

To the Councillors of Bathurst Regional Council

Qualified Opinion

I have audited the accompanying financial statements of Bathurst Regional 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. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

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 C1-7 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 20 June 2012
- 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 G4-1 'Statement of performance measures – consolidated results' and Note G4-2 '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/ar3.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.



Karen Taylor
Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY



Mr Robert Taylor
Mayor
Bathurst Regional Council
Private Mail Bag 17
BATHURST NSW 2795

Contact: Karen Taylor
Phone no: 02 9275 7311
Ref no: D2221693/1688

27 October 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Bathurst Regional Council**

I have audited the general purpose financial statements (GPFS) of the Bathurst Regional 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.

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 20 June 2012.

- 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 for 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 G4-1 'Statement of Performance Measures – consolidated results' and Note G4-2 'Statement of Performance Measures - by fund'.

INCOME STATEMENT

Operating result

	2022 \$m	2021 \$m	Variance %
Rates and annual charges revenue	51.0	49.2	 3.7
Grants and contributions revenue	34.0	27.6	 23.2
Operating result from continuing operations	6.2	5.6	 10.7
Net operating result before capital grants and contributions	(12.0)	(9.2)	 30.4

The Council's operating result from continuing operations (\$6.2 million including depreciation and amortisation expense of \$34.4 million) was \$0.6 million higher than the 2020–21 result.

The net operating result before capital grants and contributions (\$12.0 million deficit) was \$2.8 million lower than the 2020–21 result (\$9.2 million deficit).

Rates and annual charges revenue (\$51.0 million) increased by \$1.8 million (3.7 per cent) in 2021–22. This was the result of the approved rate peg of 2.0 per cent and increases in annual charges for sewer and waste management.

Grants and contributions revenue (\$34.0 million) increased by \$6.4 million (23.2 per cent) in 2021–22 mainly due to:

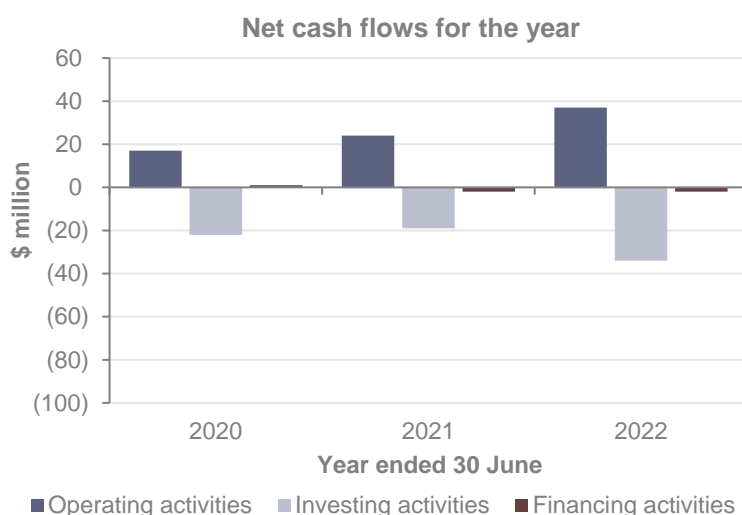
- receiving 75 per cent of 2022-23 financial year allocation of financial assistance grants in advance (\$1.1 million increase)
- a \$3.4 million increase of capital grants and contributions recognised for upgrades to Bathurst airport, cycleways, roads and bridges.

STATEMENT OF CASH FLOWS

Cash balances increased from \$6.2 million to \$7.3 million at 30 June 2022.

Net cash generated from operating activities increased and cash used in investing activities also increased in the current year.

Council drew down \$3.3 million in new borrowing during the 2021–22 financial year for the construction of the Hereford St sports complex and road construction.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	106.0	93.2	Externally restricted balances included water and sewer fund and unexpended grants.
Restricted and allocated cash, cash equivalents and investments:			Balances are internally allocated due to Council policy or decisions for forward plans including work programs.
• external restrictions	96.5	79.0	
• internal allocations	9.4	14.1	

Debt

Council has an approved overdraft facility of \$0.65 million and an approved credit card facility of \$0.12 million. At 30 June 2022, Council had utilised neither its credit card or overdraft facility.

PERFORMANCE

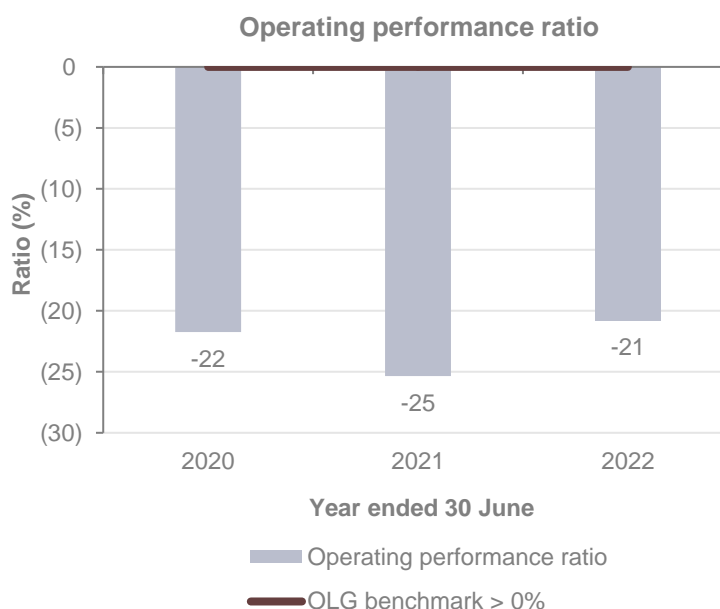
Performance measures

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

Council's result is consistently below the benchmark due to its reliance on land sales as source of general fund revenue. Gains on asset sales are excluded from the numerator of this measure.

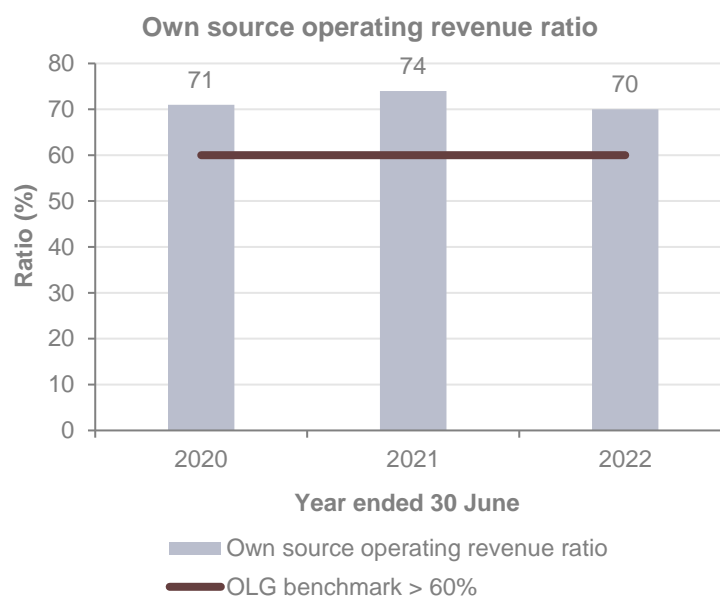
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

Council exceeded the benchmark for the current reporting period.

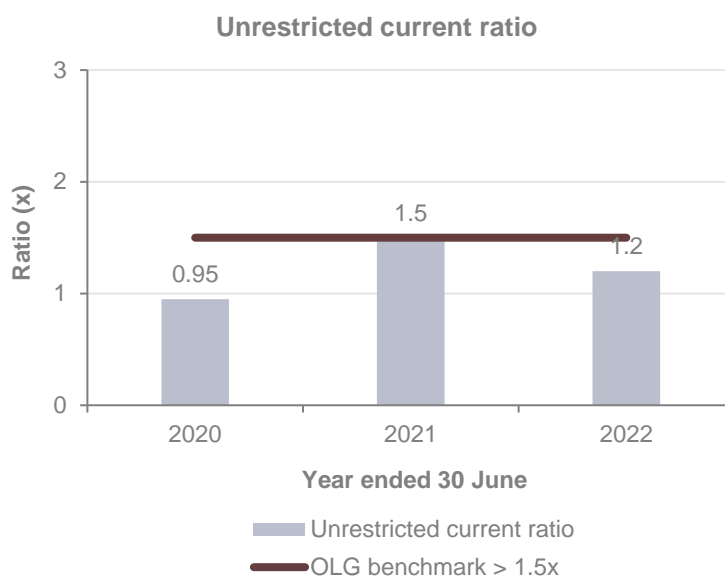
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

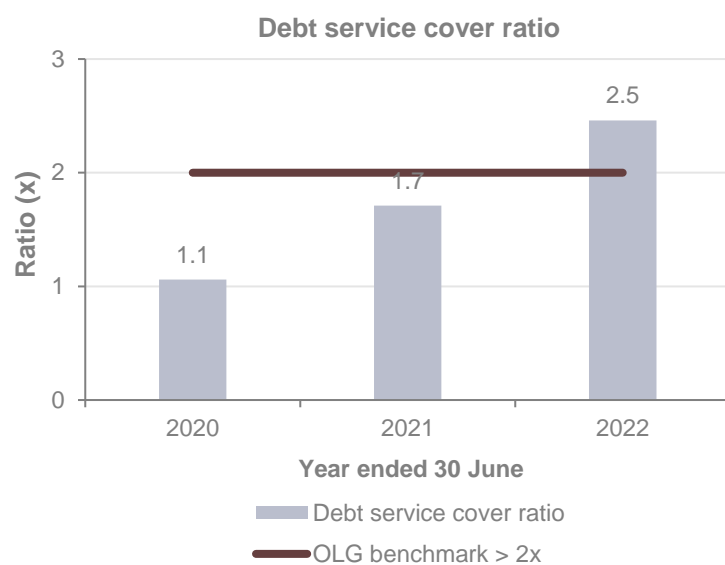
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

For the first time in several years, the Council exceeded the benchmark for the current reporting period.

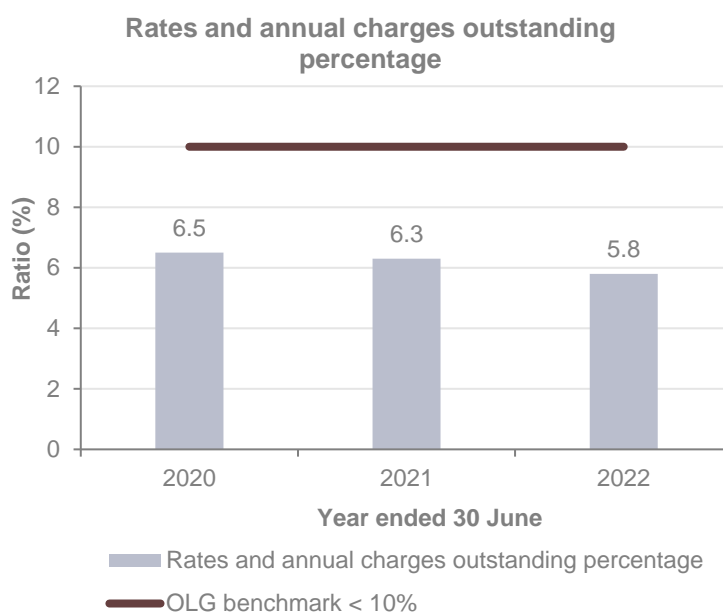
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Council has continued to effectively manage its debt recovery, maintaining a ratio which is well below the benchmark for regional councils.

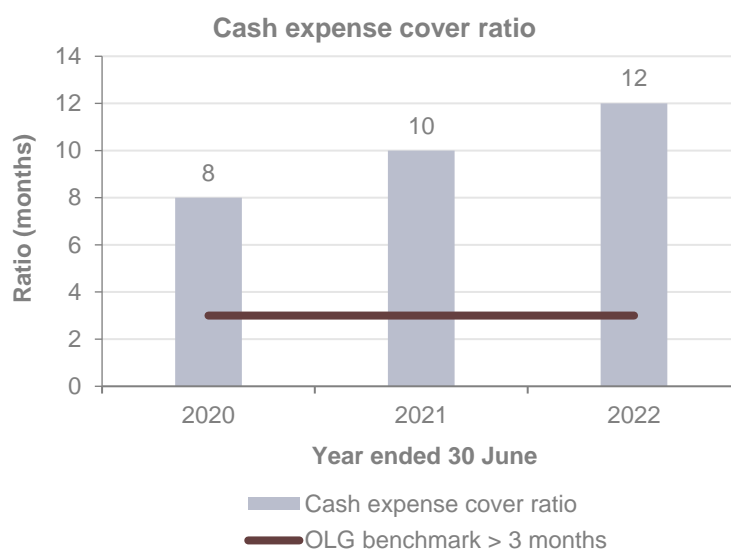
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council has exceeded the 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

Council has renewed \$15.0 million of assets in the 2020-22 financial year, compared with \$13.7 million in the 2020-21 financial year. A large portion of this was spent on roads infrastructure. A further \$18.2 million was spent on new assets during the 2021-22 financial year. This included \$6.6 million in new buildings, in particular the animal control and collections facilities buildings.

OTHER MATTERS

Legislative compliance

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

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

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



Karen Taylor

Delegate of the Auditor-General for New South Wales

Bathurst Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022

*A vibrant regional centre that enjoys a rural lifestyle
A Region full of community spirit and shared prosperity.*



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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).

Bathurst Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

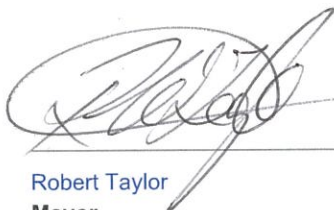
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

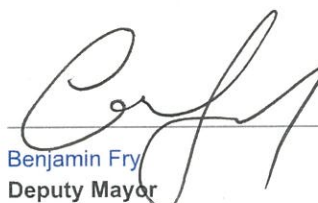
Signed in accordance with a resolution of Council made on 21 September 2022.



Robert Taylor

Mayor

21 September 2022



Benjamin Fry

Deputy Mayor

21 September 2022



David Sherley

General Manager

21 September 2022



Aaron Jones

Responsible Accounting Officer

21 September 2022

Bathurst Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	3,184	3,277
User charges	10,751	10,439
Fees	220	166
Interest and investment income	137	75
Grants and contributions provided for operating purposes	114	159
Other income	51	54
Total income from continuing operations	14,457	14,170
Expenses from continuing operations		
Employee benefits and on-costs	4,361	3,930
Borrowing costs	208	217
Materials and services	8,734	8,011
Depreciation, amortisation and impairment	4,821	4,686
Calculated taxation equivalents	103	94
Debt guarantee fee (if applicable)	–	170
Other expenses	973	923
Total expenses from continuing operations	19,200	18,031
Surplus (deficit) from continuing operations before capital amounts	(4,743)	(3,861)
Grants and contributions provided for capital purposes	1,876	2,937
Surplus (deficit) from continuing operations after capital amounts	(2,867)	(924)
Surplus (deficit) from all operations before tax	(2,867)	(924)
Surplus (deficit) after tax	(2,867)	(924)
Plus accumulated surplus	140,666	141,326
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	103	94
– Debt guarantee fees	–	170
Closing accumulated surplus	137,902	140,666
Return on capital %	(1.7)%	(1.4)%
Subsidy from Council	14,556	7,499
Calculation of dividend payable:		
Surplus (deficit) after tax	(2,867)	(924)
Less: capital grants and contributions (excluding developer contributions)	(1,876)	(2,937)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Bathurst Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	11,321	10,716
User charges	1,684	1,647
Liquid trade waste charges	715	547
Fees	168	116
Interest and investment income	287	145
Grants and contributions provided for operating purposes	111	110
Other income	143	29
Total income from continuing operations	14,429	13,310
Expenses from continuing operations		
Employee benefits and on-costs	4,026	3,622
Materials and services	6,511	5,370
Depreciation, amortisation and impairment	4,515	4,432
Calculated taxation equivalents	18	15
Other expenses	817	756
Total expenses from continuing operations	15,887	14,195
Surplus (deficit) from continuing operations before capital amounts	(1,458)	(885)
Grants and contributions provided for capital purposes	2,012	2,012
Surplus (deficit) from continuing operations after capital amounts	554	1,127
Surplus (deficit) from all operations before tax	554	1,127
Surplus (deficit) after tax	554	1,127
Plus accumulated surplus	94,886	93,744
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	18	15
Closing accumulated surplus	95,458	94,886
Return on capital %	(1.0)%	(0.6)%
Subsidy from Council	6,756	3,158
Calculation of dividend payable:		
Surplus (deficit) after tax	554	1,127
Less: capital grants and contributions (excluding developer contributions)	(2,012)	(2,012)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Bathurst Regional Council

Income Statement of Waste

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
Annual charges	7,808	7,427
Fees	8,174	7,271
Interest and investment income	134	129
Grants and contributions provided for operating purposes	26	40
Net gain from the disposal of assets	44	–
Other income	–	(1)
Total income from continuing operations	16,186	14,866
Expenses from continuing operations		
Employee benefits and on-costs	3,396	3,010
Borrowing costs	–	(237)
Materials and services	7,570	7,243
Depreciation, amortisation and impairment	575	581
Net loss from the disposal of assets	–	94
Calculated taxation equivalents	83	111
Other expenses	29	36
Total expenses from continuing operations	11,653	10,838
Surplus (deficit) from continuing operations before capital amounts	4,533	4,028
Surplus (deficit) from continuing operations after capital amounts	4,533	4,028
Surplus (deficit) from all operations before tax	4,533	4,028
Less: corporate taxation equivalent (25%) [based on result before capital]	(1,133)	(1,047)
Surplus (deficit) after tax	3,400	2,981
Plus accumulated surplus	41,326	37,187
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	83	111
– Corporate taxation equivalent	1,133	1,047
Closing accumulated surplus	45,942	41,326
Return on capital %	33.8%	30.1%

Bathurst Regional 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	9,633	7,483
Receivables	3,244	3,216
Other	53	25
Total current assets	12,930	10,724
Non-current assets		
Investments	9,922	9,508
Receivables	42	44
Infrastructure, property, plant and equipment	273,788	258,734
Total non-current assets	283,752	268,286
Total assets	296,682	279,010
LIABILITIES		
Current liabilities		
Contract liabilities	5,000	—
Payables	490	282
Borrowings	274	264
Employee benefit provisions	948	852
Total current liabilities	6,712	1,398
Non-current liabilities		
Borrowings	5,309	5,583
Employee benefit provisions	7	3
Total non-current liabilities	5,316	5,586
Total liabilities	12,028	6,984
Net assets	284,654	272,026
EQUITY		
Accumulated surplus	137,902	140,666
Revaluation reserves	146,752	131,360
Total equity	284,654	272,026

Bathurst Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	22,806	20,551
Receivables	1,121	1,077
Total current assets	23,927	21,628
Non-current assets		
Right of use assets	1	1
Investments	21,220	20,016
Receivables	38	39
Infrastructure, property, plant and equipment	144,755	152,525
Total non-current assets	166,014	172,581
Total assets	189,941	194,209
LIABILITIES		
Current liabilities		
Payables	124	132
Employee benefit provisions	643	553
Total current liabilities	767	685
Non-current liabilities		
Lease liabilities	1	1
Employee benefit provisions	2	—
Total non-current liabilities	3	1
Total liabilities	770	686
Net assets	189,171	193,523
EQUITY		
Accumulated surplus	95,458	94,886
Revaluation reserves	93,713	98,637
Total equity	189,171	193,523

Bathurst Regional Council

Statement of Financial Position of Waste

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	42,319	36,388
Receivables	1,065	873
Other	8	8
Total current assets	43,392	37,269
Non-current assets		
Receivables	106	141
Infrastructure, property, plant and equipment	13,416	12,592
Total non-current assets	13,522	12,733
Total assets	56,914	50,002
LIABILITIES		
Current liabilities		
Payables	25	38
Employee benefit provisions	584	513
Total current liabilities	609	551
Non-current liabilities		
Remediation Provision	3,131	1,780
Total non-current liabilities	3,131	1,780
Total liabilities	3,740	2,331
Net assets	53,174	47,671
EQUITY		
Accumulated surplus	45,942	41,326
Revaluation reserves	7,232	6,345
Total equity	53,174	47,671

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. Bathurst Regional Council Water Supplies

Council's water supply activities (established as separate Special Rate Funds) servicing the region of Bathurst

b. Bathurst Regional Council Sewerage Service

Council's sewerage reticulation & treatment activities (established as a Special Rate Fund) servicing the region of Bathurst

c. Bathurst Regional Council Waste Services

Council's domestic waste service & solid waste depot activities servicing the region of Bathurst

Note – Significant Accounting Policies (continued)

Category 2

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

Council has no Category 2 businesses.

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **25%**

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 – **4.85%** on the value of taxable salaries and wages in excess of \$850,000.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (2020/2021 26%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

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'.

Note – Significant Accounting Policies (continued)

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bathurst Regional Council

To the Councillors of Bathurst Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Bathurst Regional 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.



Karen Taylor
Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY

Bathurst Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2022

*A vibrant regional centre that enjoys a rural lifestyle
A Region full of community spirit and shared prosperity.*



Bathurst Regional Council

Special Schedules

for the year ended 30 June 2022

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Bathurst Regional 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	28,452	29,316
Plus or minus adjustments ²	b	318	208
Notional general income	c = a + b	28,770	29,524
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	575	738
Sub-total	k = (c + g + h + i + j)	29,345	30,262
Plus (or minus) last year's carry forward total	l	3	19
Less valuation objections claimed in the previous year	m	(13)	—
Sub-total	n = (l + m)	(10)	19
Total permissible income	o = k + n	29,335	30,281
Less notional general income yield	p	29,316	30,281
Catch-up or (excess) result	q = o - p	19	1
Carry forward to next year ⁶	t = q + r + s	19	1

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

Bathurst Regional Council

To the Councillors of Bathurst Regional Council

Opinion

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



Karen Taylor
Delegate of the Auditor-General for New South Wales

27 October 2022
SYDNEY

Bathurst Regional Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
Buildings	Buildings	2,918	1,081	1,098	946	161,334	231,799	10.0%	67.0%	19.0%	2.0%	2.0%
	Sub-total	2,918	1,081	1,098	946	161,334	231,799	10.0%	67.0%	19.0%	2.0%	2.0%
Other structures	Other structures	2,185	1,267	353	128	28,597	44,672	21.0%	37.0%	22.0%	15.0%	5.0%
	Sub-total	2,185	1,267	353	128	28,597	44,672	21.0%	37.0%	22.0%	15.0%	5.0%
Roads	Sealed roads	62,698	32,191	8,106	4,561	332,315	541,817	13.0%	24.0%	21.0%	29.0%	13.0%
	Unsealed roads	2,822	836	411	1,461	—	—	7.0%	13.0%	39.0%	37.0%	0.0%
	Bridges	7,560	1,802	1,455	13	61,826	112,016	10.0%	32.0%	40.0%	13.0%	5.0%
	Footpaths	1,025	125	254	279	14,869	22,513	35.0%	21.0%	34.0%	10.0%	0.0%
	Bulk earthworks	2,745	1,218	575	—	160,749	160,749	25.0%	29.0%	31.0%	13.0%	2.0%
	Sub-total	76,850	36,172	10,801	6,314	569,759	837,095	15.5%	25.9%	25.8%	23.3%	9.5%
Water supply network	Water supply network	20,589	7,555	4,814	3,455	253,805	390,738	45.0%	26.0%	19.0%	8.0%	2.0%
	Other	—	—	—	—	78	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	20,589	7,555	4,814	3,455	253,883	390,738	45.0%	26.0%	19.0%	8.0%	2.0%
Sewerage network	Sewerage network	30,535	19,038	4,597	3,619	137,185	259,967	13.0%	19.0%	40.0%	19.0%	9.0%
	Other	—	—	—	—	533	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	30,535	19,038	4,597	3,619	137,718	259,967	13.0%	19.0%	40.0%	19.0%	9.0%

Bathurst Regional Council

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

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Stormwater drainage	Stormwater drainage	2,952	550	1,791	992	152,063	207,975	29.0%	35.0%	32.0%	4.0%	0.0%
	Sub-total	2,952	550	1,791	992	152,063	207,975	29.0%	35.0%	32.0%	4.0%	0.0%
Open space / recreational assets	Swimming pools	—	—	16	—	14,884	17,492	1.0%	99.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	16	—	14,884	17,492	1.0%	99.0%	0.0%	0.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Total – all assets	136,029	65,663	23,470	15,454	1,318,238	1,989,738	21.7%	31.7%	25.9%	14.8%	5.9%

(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

Bathurst Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	13,650	45.60%	46.85%	75.58%	>= 100.00%
Depreciation, amortisation and impairment	29,935				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	136,029	10.32%	10.54%	9.03%	< 2.00%
Net carrying amount of infrastructure assets	1,318,238				
Asset maintenance ratio					
Actual asset maintenance	15,454	65.85%	54.79%	159.36%	> 100.00%
Required asset maintenance	23,470				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	65,663	3.30%	3.16%	1.60%	
Gross replacement cost	1,989,738				

(*) 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.

Bathurst Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

	General fund		Water fund		Sewer fund		Benchmark
\$ '000	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	47.67%	35.97%	78.34%	131.64%	1.20%	10.72%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	9.16%	10.07%	8.11%	7.37%	22.17%	18.41%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	59.61%	51.76%	71.77%	63.01%	78.73%	59.09%	> 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	2.92%	2.89%	1.93%	1.37%	7.32%	7.37%	

(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.