

Glen Innes Severn Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Embracing Change, Building on History"



Glen Innes Severn Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Embracing Change, Building on History"



Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Understanding Council's Financial Statements	3
Statement by Councillors and Management	4
Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	85
On the Conduct of the Audit (Sect 417 [3])	88

Overview

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

265 Grey Street
Glen Innes NSW 2370

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.gisc.nsw.gov.au.

Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- 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 23 September 2021.



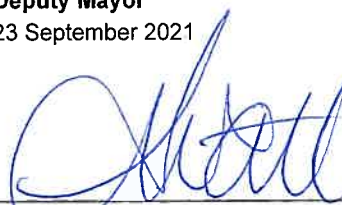
Carol Sparks
Mayor
23 September 2021



Craig Bennett
General Manager
23 September 2021



Dianne Newman
Deputy Mayor
23 September 2021



Anna Watt
Responsible Accounting Officer
23 September 2021

Glen Innes Severn Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Income from continuing operations				
11,752	Rates and annual charges	B2-1	11,978	11,390
3,356	User charges and fees	B2-2	3,430	3,319
6,622	Other revenue	B2-3	3,555	2,518
10,293	Grants and contributions provided for operating purposes	B2-4	11,166	11,637
2,243	Grants and contributions provided for capital purposes	B2-4	4,687	2,774
607	Interest and investment income	B2-5	187	398
148	Other income	B2-6	176	177
35,021	Total income from continuing operations		35,179	32,213
Expenses from continuing operations				
11,805	Employee benefits and on-costs	B3-1	10,795	10,351
13,198	Materials and services	B3-2	12,130	10,774
284	Borrowing costs	B3-3	792	887
6,506	Depreciation, amortisation and impairment for non-financial assets	B3-4	7,629	7,482
951	Other expenses	B3-5	819	543
–	Net losses from the disposal of assets	B4-1	4,241	1,276
32,744	Total expenses from continuing operations		36,406	31,313
2,277	Operating result from continuing operations		(1,227)	900
2,277	Net operating result for the year attributable to Council		(1,227)	900
35	Net operating result for the year before grants and contributions provided for capital purposes		(5,914)	(1,874)

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

Glen Innes Severn Council

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Net operating result for the year – from Income Statement		(1,227)	900
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	1,291	36,773
Total items which will not be reclassified subsequently to the operating result		1,291	36,773
Total other comprehensive income for the year		1,291	36,773
Total comprehensive income for the year attributable to Council		64	37,673

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

Glen Innes Severn Council

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	9,970	7,227
Investments	C1-2	16,100	13,400
Receivables	C1-4	2,052	2,158
Inventories	C1-5	1,779	2,969
Contract assets and contract cost assets	C1-6	338	502
Other		11	9
Total current assets		30,250	26,265
Non-current assets			
Receivables	C1-4	41	122
Infrastructure, property, plant and equipment	C1-7	313,986	314,083
Investment property	C1-8	205	170
Right of use assets	C2-1	1,088	814
Total non-current assets		315,320	315,189
Total assets		345,570	341,454
LIABILITIES			
Current liabilities			
Payables	C3-1	2,529	1,938
Contract liabilities	C3-2	7,532	2,755
Lease liabilities	C2-1	256	174
Borrowings	C3-3	1,642	1,598
Employee benefit provisions	C3-4	2,449	2,347
Total current liabilities		14,408	8,812
Non-current liabilities			
Payables	C3-1	171	175
Lease liabilities	C2-1	1,167	737
Borrowings	C3-3	9,715	11,358
Employee benefit provisions	C3-4	206	217
Provisions	C3-5	3,736	4,052
Total non-current liabilities		14,995	16,539
Total liabilities		29,403	25,351
Net assets		316,167	316,103
EQUITY			
Accumulated surplus		145,761	146,988
IPPE revaluation reserve	C4-1	170,406	169,115
Council equity interest		316,167	316,103
Total equity		316,167	316,103

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

Glen Innes Severn Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		146,988	169,115	316,103	146,448	132,342	278,790
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(360)	–	(360)
Restated opening balance		146,988	169,115	316,103	146,088	132,342	278,430
Net operating result for the year		(1,227)	–	(1,227)	900	–	900
Restated net operating result for the period		(1,227)	–	(1,227)	900	–	900
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	1,291	1,291	–	36,773	36,773
Other comprehensive income		–	1,291	1,291	–	36,773	36,773
Total comprehensive income		(1,227)	1,291	64	900	36,773	37,673
Closing balance at 30 June		145,761	170,406	316,167	146,988	169,115	316,103

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

Glen Innes Severn Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021 \$ '000		Notes	Actual 2021 \$ '000	Actual 2020 \$ '000
Cash flows from operating activities				
Receipts:				
11,752	Rates and annual charges		12,030	11,511
3,356	User charges and fees		4,004	2,127
607	Investment and interest revenue received		207	511
12,536	Grants and contributions		20,794	16,304
6,770	Other		2,665	5,847
Payments:				
(11,805)	Employee benefits and on-costs		(11,018)	(10,486)
(13,198)	Materials and services		(11,348)	(11,052)
(284)	Borrowing costs		(736)	(821)
—	Bonds, deposits and retention amounts refunded		—	(1)
(951)	Other		—	(6,138)
8,783	Net cash flows from operating activities	G1-1	16,598	7,802
Cash flows from investing activities				
Receipts:				
—	Sale of investment securities		—	3,600
—	Sale of infrastructure, property, plant and equipment		312	160
Payments:				
—	Acquisition of term deposits		(2,700)	—
(850)	Purchase of infrastructure, property, plant and equipment		(9,670)	(8,200)
(850)	Net cash flows from investing activities		(12,058)	(4,440)
Cash flows from financing activities				
Payments:				
(1,599)	Repayment of borrowings		(1,599)	(1,536)
(343)	Principal component of lease payments		(198)	(110)
(1,942)	Net cash flows from financing activities		(1,797)	(1,646)
5,991	Net change in cash and cash equivalents		2,743	1,716
6,974	Cash and cash equivalents at beginning of year	C1-1	7,227	5,511
12,965	Cash and cash equivalents at end of year	C1-1	9,970	7,227
13,400	plus: Investments on hand at end of year	C1-2	16,100	13,400
26,365	Total cash, cash equivalents and investments		26,070	20,627

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

Glen Innes Severn Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

A About Council and these financial statements	12
A1-1 Basis of preparation	12
B Financial Performance	16
B1 Functions or activities	16
B1-1 Functions or activities – income, expenses and assets	16
B1-2 Components of functions or activities	17
B2 Sources of income	18
B2-1 Rates and annual charges	18
B2-2 User charges and fees	19
B2-3 Other revenue	20
B2-4 Grants and contributions	21
B2-5 Interest and investment income	25
B2-6 Other income	26
B3 Costs of providing services	27
B3-1 Employee benefits and on-costs	27
B3-2 Materials and services	28
B3-3 Borrowing costs	29
B3-4 Depreciation, amortisation and impairment of non-financial assets	30
B3-5 Other expenses	31
B4 Gains or losses	32
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	32
B5 Performance against budget	33
B5-1 Material budget variations	33
C Financial position	35
C1 Assets we manage	35
C1-1 Cash and cash equivalents	35
C1-2 Financial investments	35
C1-3 Restricted cash, cash equivalents and investments	36
C1-4 Receivables	38
C1-5 Inventories	40
C1-6 Contract assets	40
C1-7 Infrastructure, property, plant and equipment	41
C1-8 Owned Investment property	45
C2 Leasing activities	46
C2-1 Council as a lessee	46
C2-2 Council as a lessor	48
C3 Liabilities of Council	49
C3-1 Payables	49
C3-2 Contract Liabilities	50
C3-3 Borrowings	51
C3-4 Employee benefit provisions	53
C3-5 Provisions	55

Glen Innes Severn Council

Contents for the notes to the Financial Statements for the year ended 30 June 2021

C4 Reserves	57
C4-1 Nature and purpose of reserves	57
D Council structure	58
D1 Results by fund	58
D1-1 Income Statement by fund	58
D1-2 Statement of Financial Position by fund	59
D2 Interests in other entities	60
D2-5 Subsidiaries, joint arrangements and associates not recognised	60
E Risks and accounting uncertainties	61
E1-1 Risks relating to financial instruments held	61
E2-1 Fair value measurement	64
E3-1 Contingencies	69
F People and relationships	72
F1 Related party disclosures	72
F1-1 Key management personnel (KMP)	72
F1-2 Councillor and Mayoral fees and associated expenses	73
F1-3 Other related parties	74
F2 Other relationships	75
F2-1 Audit fees	75
G Other matters	76
G1-1 Statement of Cash Flows information	76
G2-1 Commitments	77
G3-1 Events occurring after the reporting date	78
G4 Statement of developer contributions as at 30 June 2021	79
G4-1 Summary of developer contributions	79
G4-2 Developer contributions by plan	79
G4-3 Contributions not under plans	79
G5 Statement of performance measures	80
G5-1 Statement of performance measures – consolidated results	80
G5-2 Statement of performance measures by fund	81
H Additional Council disclosures (unaudited)	82
H1-1 Statement of performance measures – consolidated results (graphs)	82
H1-2 Council information and contact details	84

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 23 September 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity for the purpose of preparing these financial statements.

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

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

- Income statement
- Statement of cash flows
- Note B5-1 – Material budget variations

and are clearly marked.

COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Council did not identify any potential material adjustments required to be done as a result of the pandemic. Even though the pandemic had a widespread effect on slowing down economies around the world, as at 30 June 2021 it is hard to predict any significant future implications on Council's business. Council's business operations remain on the same pattern. Council is not aware of any post balance sheet date events which would result in separate disclosures or adjustments to the 30 June 2021 financial results. Hence, 30 June 2021 financial statements were prepared on a going concern basis.

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.

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(v) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Australia Day Committee
- Australian Standing Stones Management Board
- Emmaville Mining Museum Committee
- Glen Innes and District Sports Council
- Minerama Committee
- Pinkett Recreation Reserve Management Committee
- Stonehenge Recreation Reserve Trust
- Emmaville War Memorial Hall Committee
- Open Space Committee
- Glen Elgin Federation Sports Committee

The Trust Fund

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

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

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 volunteer service within Economic Affairs and Community Services. Council cannot measure the value of volunteer services reliably therefore volunteer services are not required to be recognised.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

A1-1 Basis of preparation (continued)

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

This Standard amends AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

For example the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current.

This standard has an effective date for the 30 June 2024 reporting period.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments

This Standard amends a number of standards as follows:

- AASB 1 to simplify the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences,
- AASB 3 to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations,
- AASB 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability,
- AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset,
- AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making and
- AASB 141 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards.

Council does not expect any material impact from the above amendments.

This standard has an effective date for the 30 June 2023 reporting period.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2020:

- AASB 1059 Service Concession Arrangements: Grantor and associated amendments
- AASB 2018- 6 Amendments to Australian Accounting Standards – Definition of a business
- AASB 2018 – 7 Amendments to Australian Accounting Standards – Definition of material
- AASB 2019 – 3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform
- AASB 2019 -5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

A1-1 Basis of preparation (continued)

- AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations
- AASB 2020 – 4 Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions

None of the above newly adopted standards had a material impact on Council's reported financial position, financial performance and/or associated financial statements disclosures.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses ¹		Operating result		Grants and contributions		Carrying amount of assets	
	2021 \$ '000	2020 ¹ \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 \$ '000	2021 \$ '000	2020 ² \$ '000	2021 \$ '000	2020 \$ '000
Functions or activities										
Administration	1,634	817	10,537	6,087	(8,903)	(5,270)	–	125	26,496	30,891
Community services and education	3,456	3,150	4,152	3,466	(696)	(316)	3,192	2,986	2,107	2,177
Economic affairs	1,776	2,437	3,197	2,399	(1,421)	38	1,503	2,395	6,299	4,120
Environment	3,140	2,415	2,157	1,474	983	941	657	–	15,046	17,829
General Purpose	10,084	9,790	37	112	10,047	9,678	2,948	2,900	–	–
Governance	204	6	557	440	(353)	(434)	10	–	–	–
Health	20	17	97	110	(77)	(93)	–	–	–	–
Housing and community amenities	379	297	459	392	(80)	(95)	28	12	686	–
Mining, manufacturing and construction	2,226	2,172	2,587	2,978	(361)	(806)	–	–	6,329	5,874
Public order and safety	420	762	1,853	1,857	(1,433)	(1,095)	356	4	975	88
Recreation and culture	1,152	1,566	2,218	2,489	(1,066)	(923)	1,029	1,379	20,973	17,245
Sewerage services	1,786	1,820	1,434	1,669	352	151	32	–	27,154	26,819
Transport and communication	6,405	4,582	4,790	5,460	1,615	(878)	6,078	4,585	206,369	203,519
Water supplies	2,497	2,382	2,331	2,380	166	2	20	25	33,136	32,891
Total functions and activities	35,179	32,213	36,406	31,313	(1,227)	900	15,853	14,411	345,570	341,453

(1) 2020 figures were adjusted on internal sales of gravel by \$987 thousand

(2) \$2,377 thousand of contributions were added to 2020 for comparability

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 policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

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

Public order and safety

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

Health

Includes immunisation, food control, health centres etc.

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 provision of water services to the community.

Sewerage services

Includes provision of sewerage services to the community.

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, mineral resources, and abattoirs.

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.

General Purpose

General purpose activity.

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2021 \$ '000	2020 \$ '000
Ordinary rates			
Residential	2	3,295	3,109
Farmland	2	3,184	3,082
Business	2	681	711
Less: pensioner rebates (mandatory)		(143)	(143)
Less: pensioner rebates (Council policy)		(117)	(117)
Rates levied to ratepayers		6,900	6,642
Pensioner rate subsidies received		114	112
Total ordinary rates		7,014	6,754
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	2	1,241	1,196
Water supply services	2	1,169	1,129
Sewerage services	2	1,688	1,654
Drainage	2	529	316
Less: pensioner rebates (mandatory)		(79)	(76)
Less: pensioner rebates (Council policy)		(60)	(62)
Waste facility management levies	2	372	363
Annual charges levied		4,860	4,520
Pensioner subsidies received:			
– Water	2	39	40
– Sewerage	2	37	39
– Domestic waste management	2	28	37
Total annual charges		4,964	4,636
Total rates and annual charges		11,978	11,390
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised at a point in time (2)		11,978	11,390
Total rates and annual charges		11,978	11,390

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

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance, a rates payment.

B2-2 User charges and fees

	Timing	2021 \$ '000	2020 \$ '000
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	1,302	1,133
Sewerage services	1	32	31
Waste management services (non-domestic)	2	432	436
Other	1	3	3
Total specific user charges		1,769	1,603
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	105	49
Private works – section 67	1	143	275
Regulatory/ statutory fees	2	93	67
Town planning	2	95	46
Total fees and charges – statutory/regulatory		436	437
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	119	147
Child care	1	232	187
Leaseback fees – Council vehicles	2	24	–
Saleyards	2	159	182
Swimming centres	2	110	119
Quarries and gravel pits	2	552	598
Trade waste fees	2	26	43
Other	2	3	3
Total fees and charges – other		1,225	1,279
Total user charges and fees		3,430	3,319
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		1,712	1,629
User charges and fees recognised at a point in time (2)		1,718	1,690
Total user charges and fees		3,430	3,319

Accounting policy

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

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

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

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

B2-3 Other revenue

	Timing	2021 \$ '000	2020 \$ '000
Rental income – other council properties (2019 only)	1	–	1
Fines	2	68	13
Legal fees recovery – rates and charges (extra charges)	2	92	63
Legal fees recovery – other	2	21	29
Commissions and agency fees	1	19	27
Diesel rebate	2	94	118
Recycling income (non-domestic)	2	83	39
Sales – general	2	47	52
Aged and disabled	2	19	32
Insurance rebates and incentives	2	135	65
Sales – quarries and gravel pits ¹	2	1,617	1,512
Tourism sales	2	236	103
Found and transferred to Council assets	2	687	286
Other	2	263	178
Adjustment of overdepreciated assets	2	174	–
Total other revenue		3,555	2,518

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	19	28
Other revenue recognised at a point in time (2)	3,536	2,490
Total other revenue	3,555	2,518

Accounting policy for other revenue

Where the revenue related to a contract with a customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

(1) \$986,554 of internal quarry sales in 2020 were eliminated against material and services.

B2-4 Grants and contributions

		Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,424	1,409	–	–
Financial assistance – local roads component	2	687	697	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	1,524	1,492	–	–
Financial assistance – local roads component	2	738	741	–	–
Amount recognised as income during current year		4,373	4,339	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Aerodromes	2	–	–	–	100
Aged care	1	2,456	2,242	–	–
Water supplies	2	–	–	–	25
Child care	2	65	81	–	–
Employment and training programs	2	–	5	–	–
Library	2	86	85	–	–
LIRS subsidy	2	113	138	–	–
Noxious weeds	1	582	–	–	–
Recreation and culture	1 & 2	–	432	502	861
Storm/flood damage	2	–	–	389	–
Transport (roads to recovery)	2	1,344	1,273	–	–
Transport (other roads and bridges funding)	1 & 2	–	325	1,869	280
Aboriginal services	2	45	44	–	–
Tourism and area promotion	1 & 2	259	1,011	1,122	685
Town planning	2	12	11	–	–
Youth services	2	28	87	–	–
Other specific grants	2	–	6	34	–
Animal	2	–	4	–	–
Previously contributions:					
Bushfire services	2	75	–	–	–
Recreation and culture	2	(4)	16	–	–
Transport for NSW contributions (regional roads, block grant)	2	595	230	138	633
Sewerage (excl. section 64 contributions)	2	–	–	4	13
Tourism	1	–	–	99	–
Water supplies (excl. section 64 contributions)	2	–	–	1	3
Other contributions	2	60	–	–	–
Aged and disabled	2	586	447	–	–
Child care	2	12	10	–	–
Fire Protection	2	356	698	–	–
Library/learning centre	2	38	37	–	1
Section 355 committees	2	85	115	–	–
Youth Services	2	–	1	–	–
Total special purpose grants and non-developer contributions – cash		6,793	7,298	4,158	2,601
Non-cash contributions					
Buildings	2	–	–	316	–
Total other contributions – non-cash		–	–	316	–

B2-4 Grants and contributions (continued)

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Timing				
Total special purpose grants and non-developer contributions (tied)	6,793	7,298	4,474	2,601
Total grants and non-developer contributions	11,166	11,637	4,474	2,601
Comprising:				
– Commonwealth funding	10,631	7,803	3,494	–
– State funding	535	1,917	664	1,157
– Other funding	–	1,917	316	1,444
	11,166	11,637	4,474	2,601

Developer contributions

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Notes				
Timing				
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	2	–	166	169
S 64 – water supply contributions	2	–	19	2
S 64 – sewerage service contributions	2	–	28	2
Total developer contributions – cash	–	–	213	173
Total developer contributions	–	–	213	173
Total contributions	–	–	213	173
Total grants and contributions	11,166	11,637	4,687	2,774
Timing of revenue recognition for grants and contributions				
Grants and contributions recognised over time (1)	3,038	2,242	99	–
Grants and contributions recognised at a point in time (2)	8,128	9,395	4,588	2,774
Total grants and contributions	11,166	11,637	4,687	2,774

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

	Operating 2021 \$ '000	Operating 2020 \$ '000	Capital 2021 \$ '000	Capital 2020 \$ '000
Notes				
Unspent grants				
Unspent funds at 1 July	37	40	1,059	–
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,884	–	8	–
Add: Funds received and not recognised as revenue in the current year	801	–	5,341	1,439
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(298)	(3)	(629)	(380)
Unspent grants at 30 June	2,424	37	5,779	1,059
Contributions				
G4				
Unspent funds at 1 July	–	–	780	598
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	213	182
Add: contributions received and not recognised as revenue in the current year	–	–	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	(438)	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	–	–
Unspent contributions at 30 June	–	–	555	780

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.

B2-4 Grants and contributions (continued)

completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

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

B2-4 Grants and contributions (continued)

Capital grants

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

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

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

Developer contributions

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

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

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

Other grants and contributions

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

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

B2-5 Interest and investment income

	2021 \$ '000	2020 \$ '000
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	17	56
– Overdue user fees and charges	4	6
– Cash and investments	166	336
Total interest and investment income (losses)	187	398

Accounting policy

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

Dividends are recognised as income in profit or loss when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

	Notes	2021 \$ '000	2020 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties		35	—
Total fair value increment on investment properties	C1-8	35	—
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		106	121
Total Investment properties		106	121
Other lease income			
Leaseback fees - council vehicles		35	56
Total Other lease income		35	56
Total rental income	C2-2	141	177
Total other income		176	177

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$ '000	2020 \$ '000
Salaries and wages	8,662	8,391
Employee leave entitlements (ELE)	1,614	1,411
Superannuation	996	940
Workers' compensation insurance	211	158
Fringe benefit tax (FBT)	45	3
Total employee costs	11,528	10,903
Less: capitalised costs	(733)	(552)
Total employee costs expensed	10,795	10,351

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2021 \$ '000	2020 \$ '000
Raw materials and consumables ¹		7,316	6,309
Contractor and consultancy costs		334	209
Audit Fees	F2-1	58	41
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	140	141
Advertising		245	205
Bank charges		60	54
Cleaning		236	47
Computer software charges		577	519
Election expenses		1	—
Electricity and heating		453	557
Insurance		293	255
Postage		55	65
Printing and stationery		63	54
Street lighting		78	109
Subscriptions and publications		219	134
Telephone and communications		159	208
Protective clothing		75	10
Travel expenses		164	157
Annual rates and charges		266	286
Training costs (other than salaries and wages)		186	153
Other expenses		585	656
Freight and cartage		348	300
Lease fees and rentals		26	26
Photocopying		11	9
Promotions and trade fairs		62	100
Asset adjustments		—	(24)
Section 355 committees		10	23
Security services		22	22
Valuation fees		43	42
Legal expenses:			
– Legal expenses: debt recovery		21	119
– Legal expenses: other		24	17
Variable lease expense relating to usage		—	(29)
Total materials and services		12,130	10,774
Total materials and services		12,130	10,774

Accounting policy

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

(1) \$986,554 of internal gravel sales in 2020 were eliminated against Other Revenue.

B3-3 Borrowing costs

	Notes	2021 \$ '000	2020 \$ '000
(i) Interest bearing liability costs			
Interest on leases		37	30
Interest on loans		685	779
Total interest bearing liability costs		722	809
Total interest bearing liability costs expensed		722	809
(ii) Other borrowing costs			
– Remediation liabilities	C3-5	70	76
– Other liabilities		–	2
Total other borrowing costs		70	78
Total borrowing costs expensed		792	887

Accounting policy

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

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

	Notes	2021 \$ '000	2020 \$ '000
Depreciation and amortisation			
Plant and equipment	C1-7	757	1,121
Office equipment		11	53
Furniture and fittings		14	17
Infrastructure:			
	C1-7		
– Buildings		1,002	981
– Other structures		263	301
– Roads (general)		2,700	2,321
– Roads (causeways)		84	83
– Roads (carparks)		22	16
– Bridges		562	565
– Footpaths		57	33
– Stormwater drainage		194	150
– Water supply network		538	519
– Sewerage network		477	467
– Swimming pools		43	47
– Other open space/recreational assets		62	52
– Kerb and gutter		139	155
– Major street furniture		62	55
Right of use assets	C2-1	411	311
Other assets:			
– Library books		44	47
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-7	171	188
Total gross depreciation and amortisation costs		7,613	7,482
Less: capitalised costs		(190)	–
Total depreciation and amortisation costs		7,423	7,482
Impairment / revaluation decrement of IPPE			
Crown land		206	–
Total gross IPPE impairment / revaluation decrement costs		206	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		206	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS		7,629	7,482

Accounting policy for depreciation, amortisation and impairment of non-financial assets

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.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

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

B3-5 Other expenses

	Notes	2021 \$ '000	2020 \$ '000
Receivables write-off			
Other		37	26
Total impairment of receivables	C1-4	37	26
Other			
Contributions/levies to other levels of government			
Contributions/levies to other levels of government		228	111
– Emergency services levy (includes FRNSW, SES, and RFS levies)		17	14
– NSW fire brigade levy		82	74
– NSW rural fire service levy		455	318
Total other		782	517
Total other expenses		819	543

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2021 \$ '000	2020 \$ '000
Gain (or loss) on disposal of property (excl. investment property)	C1-7		
Less: carrying amount of property assets sold/written off		(422)	(1,196)
Gain (or loss) on disposal		(422)	(1,196)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		292	–
Less: carrying amount of plant and equipment assets sold/written off		(85)	–
Gain (or loss) on disposal		207	–
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	160
Less: carrying amount of infrastructure assets sold/written off		(3,941)	(1)
Gain (or loss) on disposal		(3,941)	159
Buildings			
Proceeds from disposal – Buildings		20	–
Less: carrying amount of Buildings assets sold/written off		(105)	–
Gain (or loss) on disposal		(85)	–
Other sewer assets			
Less: carrying amount of Sewer assets sold/written off		–	(239)
Gain (or loss) on disposal		–	(239)
Net gain (or loss) on disposal of assets		(4,241)	(1,276)

Accounting policy

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is derecognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 25/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	11,752	11,978	226	2% F
User charges and fees	3,356	3,430	74	2% F
Other revenues	6,622	3,555	(3,067)	(46)% U
Actual figures do not include internal gravel sales.				
Operating grants and contributions	10,293	11,166	873	8% F
Capital grants and contributions	2,243	4,687	2,444	109% F
Mainly due to Council being successful in obtaining additional grants above those budgeted. A number of the projects are still not complete and as some funding is only received based on the milestones in the grant agreements not all funding was received in the financial year.				
Interest and investment revenue	607	187	(420)	(69)% U
Significant drop due to decreased interest rates as a result of pandemic.				
Other income	148	176	28	19% F
The favourable balance has occurred as a result of the net gain from fair value adjustment of investment property.				
EXPENSES				
Employee benefits and on-costs	11,805	10,795	1,010	9% F
Materials and services	13,198	12,130	1,068	8% F
Borrowing costs	284	792	(508)	(179)% U
Unexpectedly low budgeted figures which were adjusted later as part of quarterly budget reviews.				
Depreciation, amortisation and impairment of non-financial assets	6,506	7,629	(1,123)	(17)% U
Increase mostly due to revaluation of road assets in 2020 financial year.				
Other expenses	951	819	132	14% F
Some of the other expenses were reclassified to Material and Services as a result of the FS template restructure.				
Net losses from disposal of assets	–	4,241	(4,241)	∞ U
This line represents de-recognition of undepreciated components of assets which were replaced or renewed in current year. It is not possible to accurately budget for this figure. In 2021 financial year Council spent two times the level of renewal expenditure on infrastructure assets compared to previous year.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	8,783	16,598	7,815	89% F
Due to unexpected receipt of new operating grants.				
Cash flows from investing activities	(850)	(12,058)	(11,208)	1,319% U
Due to the timing of capital projects and cash flow payments.				
Cash flows from financing activities	(1,942)	(1,797)	145	(7)% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2021 \$ '000	2020 \$ '000
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Cash and cash equivalents

Cash on hand and at bank	9,970	7,227
Total cash and cash equivalents	9,970	7,227

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	9,970	7,227
Balance as per the Statement of Cash Flows	9,970	7,227

Accounting policy

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

C1-2 Financial investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Financial assets at amortised cost				
Term deposits	16,100	–	13,400	–
Total	16,100	–	13,400	–
Total financial investments	16,100	–	13,400	–
Total cash assets, cash equivalents and investments	26,070	–	20,627	–

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

C1-2 Financial investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

C1-3 Restricted cash, cash equivalents and investments

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Total cash, cash equivalents and investments	26,070	–	20,627	–
attributable to:				
External restrictions	23,836	–	15,462	–
Internal restrictions	4,234	–	4,876	–
Unrestricted ¹	(2,000)	–	289	–

(1) Council's unrestricted negative cash at 30 June 2021 was a result of a timing issue with approving internal reserves loans. Council made sure this process is implemented in line with the council's budget requirements in 2022 financial year.

	2021 \$ '000	2020 \$ '000
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	6,040	1,059
Specific purpose unexpended loans – general	687	165
Trust funds	170	175
Life Choices Program - CHSP & HCP	1,390	1,259
External restrictions – included in liabilities	8,287	2,658

External restrictions – other

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

Developer contributions – general	554	780
Specific purpose unexpended grants (recognised as revenue) – general fund	2,163	37
Water fund	3,043	2,654
Sewer fund	4,359	3,941
Waste management	3,174	3,975
Glen Innes Aggregates	1,984	1,155
Council committees	272	262
External restrictions – other	15,549	12,804
Total external restrictions	23,836	15,462

Building Fees - Bushfire Grant	42	34
Drainage – Operational	818	293
Economic	–	743
Employees leave entitlement	500	489
Infrastructure – Other	819	1,269

continued on next page ...

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

	2021	2020
	\$ '000	\$ '000
Parks	105	146
Special projects	1,950	1,901
Other	–	1
Total internal restrictions	4,234	4,876
Total restrictions	28,070	20,338

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

C1-4 Receivables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Purpose				
Rates and annual charges ¹	664	65	637	146
User charges and fees	1,022	–	1,253	–
Accrued revenues				
– Interest on investments	40	–	60	–
– Other income accruals	251	–	118	–
Net GST receivable	115	–	133	–
Other debtors	1	–	–	–
Total	2,093	65	2,201	146
Less: provision of impairment				
Rates and annual charges	(37)	(24)	(39)	(24)
User charges and fees	(4)	–	(4)	–
Total provision for impairment – receivables	(41)	(24)	(43)	(24)
Total net receivables	2,052	41	2,158	122

(1) \$339,169 of water consumption charges were reclassified from rates and annual charges to user charges debtors in 2020 financial year.

Externally restricted receivables

Water supply

– Rates and availability charges	384	–	352	–
– Other	4	–	–	–

Sewerage services

– Rates and availability charges	110	–	119	–
– Other	11	–	–	–

Total external restrictions	509	–	471	–
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Unrestricted receivables	1,543	41	1,687	122
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Total net receivables	2,052	41	2,158	122
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	2021 \$ '000	2020 \$ '000
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	67	41
Balance at the end of the year	67	41

Accounting policy

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

Impairment

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

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

C1-4 Receivables (continued)

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

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

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

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

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

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

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

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

Receivables with a contractual amount of \$500.00 written off during the reporting period are still 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

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
(i) Inventories at cost				
Stores and materials	378	–	359	–
Trading stock (Quarry & Visitor Information Stock)	1,401	–	2,610	–
Total inventories at cost	1,779	–	2,969	–
Total inventories	1,779	–	2,969	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets

	2021 \$ '000	2020 \$ '000
Contract assets	338	502
Total contract assets	338	502

Contract assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Accrued Income	–	–	63	–
Grant Contract Assets	338	–	439	–
Total contract assets	338	–	502	–

Significant changes in contract assets

No significant changes year over year.

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period												At 30 June 2021		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Reclassifications \$ '000	Carrying value of contributed assets \$ '000	Carrying Value of Found Assets to Income Statements \$ '000	Revaluation decrements to profit and loss \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	1,480	—	1,480	2,291	—	—	—	(1,037)	(7)	—	—	—	—	—	—	2,726	—	2,726
Plant and equipment	12,889	(8,155)	4,734	921	238	(85)	(757)	—	—	—	—	—	—	—	487	11,333	(5,797)	5,536
Office equipment	305	(283)	22	—	—	—	(11)	—	37	—	—	—	—	—	—	305	(257)	48
Furniture and fittings	263	(195)	68	13	15	—	(14)	—	1	—	—	—	—	—	—	291	(208)	83
Plant and equipment (under finance lease)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Land:																		
– Crown land	1,657	—	1,657	—	—	—	—	—	—	453	—	—	(206)	—	—	1,905	—	1,905
– Operational land	9,873	—	9,873	—	—	(422)	—	—	—	(453)	—	—	—	—	—	8,997	—	8,997
– Community land	3,000	—	3,000	—	—	—	—	—	—	—	—	—	—	—	—	2,999	—	2,999
Infrastructure:																		
– Buildings	44,638	(25,135)	19,503	148	36	(105)	(1,002)	—	—	—	316	541	—	—	—	45,694	(26,256)	19,438
– Other structures	10,818	(6,273)	4,545	629	60	(1,153)	(263)	—	118	231	—	—	—	—	—	10,245	(6,083)	4,162
– Roads (general)	135,772	(49,943)	85,829	3,395	63	(2,056)	(2,700)	383	—	—	—	101	—	(3,903)	—	136,273	(55,160)	81,113
– Roads (causeways)	7,167	(4,247)	2,920	—	—	—	(84)	—	—	—	—	—	—	—	—	7,166	(4,331)	2,835
– Roads (carparks)	1,395	(426)	969	—	76	—	(22)	—	—	—	—	—	—	—	—	1,488	(448)	1,040
– Bridges	58,581	(22,684)	35,897	1,132	—	(655)	(562)	654	—	—	—	—	—	—	4,268	64,840	(24,106)	40,734
– Footpaths (road related)	4,544	(1,204)	3,340	9	—	(2)	(57)	—	12	—	—	—	—	—	—	4,547	(1,245)	3,302
– Bulk earthworks (non-depreciable)	64,708	—	64,708	—	—	—	—	—	—	—	—	46	—	—	—	64,754	—	64,754
– Stormwater drainage	17,589	(7,098)	10,491	—	—	—	(194)	—	—	—	—	—	—	—	—	17,589	(7,293)	10,296
– Water supply network	40,705	(13,706)	26,999	312	123	(27)	(538)	—	—	—	—	—	—	—	243	41,449	(14,336)	27,113
– Sewerage network	31,933	(10,168)	21,765	47	6	—	(477)	—	—	(3)	—	—	—	—	196	32,281	(10,743)	21,538
– Swimming pools	3,144	(1,367)	1,777	—	—	—	(43)	—	4	—	—	—	—	—	—	3,142	(1,405)	1,737
– Other open space/recreational assets (general)	3,562	(897)	2,665	126	81	(48)	(62)	—	—	(72)	—	—	—	—	—	3,642	(953)	2,689
– Other infrastructure (kerb and gutter)	11,330	(5,542)	5,788	—	17	—	(139)	—	—	—	—	—	—	—	—	11,330	(5,681)	5,649
– Other infrastructure (major street furniture)	2,516	(394)	2,122	—	—	(1)	(62)	—	—	(156)	—	—	—	—	—	2,331	(427)	1,904
Other assets:																		
– Library books	957	(448)	509	—	—	—	(44)	—	1	—	—	—	—	—	—	958	(491)	467
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																		
– Tip assets	3,610	(188)	3,422	—	—	—	(171)	—	(329)	—	—	—	—	—	—	3,263	(342)	2,921
Total infrastructure, property, plant and equipment	472,436	(158,353)	314,083	9,023	715	(4,554)	(7,202)	—	(163)	—	316	688	(206)	(3,903)	5,194	479,548	(165,562)	313,986

(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 2019			Asset movements during the reporting period										At 30 June 2020		
	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000	Additions renewals ¹ \$ '000	Additions new assets \$ '000	Carrying value of disposals \$ '000	Depreciation expense \$ '000	WIP transfers \$ '000	Adjustments and transfers \$ '000	Carrying Value of Found Assets \$ '000	Transfers to right of use assets \$ '000	Revaluation decrements to equity (ARR) \$ '000	Revaluation increments to equity (ARR) \$ '000	Gross carrying amount \$ '000	Accumulated depreciation and impairment \$ '000	Net carrying amount \$ '000
Capital work in progress	288	—	288	—	1,480	—	—	(288)	—	—	—	—	—	1,480	—	1,480
Plant and equipment	11,899	(7,037)	4,862	749	121	—	(1,121)	—	(5)	128	—	—	—	12,889	(8,155)	4,734
Office equipment	303	(230)	73	—	2	—	(53)	—	—	—	—	—	—	305	(283)	22
Furniture and fittings	241	(178)	63	11	11	—	(17)	—	—	—	—	—	—	263	(195)	68
Plant and equipment (under finance lease)	562	(47)	515	—	—	—	—	—	10	—	(525)	—	—	—	—	—
Land:																
– Operational land	9,873	—	9,873	—	—	—	—	—	—	—	—	—	—	9,873	—	9,873
– Community land	2,975	—	2,975	—	—	—	—	—	—	25	—	—	—	3,000	—	3,000
– Crown land	1,657	—	1,657	—	—	—	—	—	—	—	—	—	—	1,657	—	1,657
Infrastructure:																
– Buildings	43,895	(24,156)	19,739	—	758	—	(981)	—	(13)	—	—	—	—	44,638	(25,135)	19,503
– Other structures	10,028	(5,902)	4,126	519	115	(19)	(301)	—	105	—	—	—	—	10,818	(6,273)	4,545
– Roads	128,113	(34,917)	93,196	1,648	—	(445)	(2,321)	191	—	—	—	(6,440)	—	135,772	(49,943)	85,829
– Bridges	58,588	(22,409)	36,179	492	—	(446)	(565)	27	—	—	—	—	210	58,581	(22,684)	35,897
– Footpaths	3,144	(1,190)	1,954	119	10	(24)	(33)	—	—	—	—	—	1,314	4,544	(1,204)	3,340
– Bulk earthworks (non-depreciable)	24,845	—	24,845	—	—	—	—	—	—	—	—	—	39,863	64,708	—	64,708
– Stormwater drainage	13,889	(5,391)	8,498	—	—	5	(150)	—	—	—	—	—	2,138	17,589	(7,098)	10,491
– Water supply network	39,958	(13,676)	26,282	427	440	(234)	(519)	54	169	123	—	—	257	40,705	(13,706)	26,999
– Sewerage network	31,536	(9,757)	21,779	441	40	(239)	(467)	—	—	—	—	—	211	31,933	(10,168)	21,765
– Swimming pools	3,143	(1,319)	1,824	—	—	—	(47)	—	—	—	—	—	—	3,144	(1,367)	1,777
– Other open space/recreational assets	3,324	(916)	2,408	299	117	(18)	(52)	16	(105)	—	—	—	—	3,562	(897)	2,665
– Roads (causeways)	7,122	(4,134)	2,988	—	—	—	(83)	—	—	—	—	—	15	7,167	(4,247)	2,920
– Roads (carparks)	1,283	(338)	945	—	—	—	(16)	—	—	—	—	—	41	1,395	(426)	969
– Other infrastructure (kerb and gutter)	12,941	(6,192)	6,749	—	40	—	(155)	—	—	—	—	(847)	—	11,330	(5,542)	5,788
– Other infrastructure (major street furniture)	2,236	(336)	1,900	—	257	—	(55)	—	—	10	—	—	11	2,516	(394)	2,122
Other assets:																
– Library books	935	(411)	524	39	3	(10)	(47)	—	—	—	—	—	—	957	(448)	509
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																
– Tip assets	4,000	—	4,000	—	—	—	(188)	—	(390)	—	—	—	—	3,610	(188)	3,422
Total infrastructure, property, plant and equipment	416,778	(138,536)	278,242	4,744	3,394	(1,430)	(7,171)	—	(229)	286	(525)	(7,287)	44,060	472,436	(158,353)	314,083

(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 Department of Industry (DoI) - Water.

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 15	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Vehicles	5 to 10		
Plant	7 to 40	Buildings	
Heavy Plant	10 to 30	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Reservoirs	25 to 150	Conduits	60 to 90
Reticulation pipes	90	Pits	90
Treatment Works	10 to 120		
Weirs	25 to 100	Other infrastructure assets	
Pump Stations	10 to 100	Bulk earthworks	Infinite
Bores	35 to 75	Swimming pools	50
Transportation assets		Other open space/recreational assets	20
Sealed roads: surface	15	Other infrastructure	20
Sealed roads: base	45	Monuments	100
Unsealed roads: surface	30		
Sub-base	Infinite		
Bridge: concrete	60 to 120		
Bridge: timber	60 to 100		
Kerb, gutter and footpaths	80		

Depreciation starts in the year following the year of acquisition of an asset

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.

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

Crown reserves

Crown reserves under Council's care and control as well as Crown land devolved to Council are recognised as assets of the council. While ownership of the land remains with the Crown, Council retains operational control of the land and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown land is under a lease arrangement they are accounted for under AASB 16 *Leases*.

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 Rural Fire Fighting Plant and Equipment (Red Fleet Assets) and Land and Buildings (Premises) purchased or constructed wholly or partly 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 Red Fleet Assets and Premises have been purchased or constructed. Furthermore, council must not sell or otherwise dispose of any of the above assets purchased or constructed wholly or partly from money to the credit of the Fund without the written consent of the Commissioner. In case of disposal, all proceeds are to be paid to the credit of the Fund.

In light of the above legislative requirements and based on the analysis of the existing Council's Rural Fire District Service Agreement with the Commissioner of the NSW Rural Fire Service, Council determined that, in substance, the Commissioner bears substantially all risks and rewards as well as rights and obligations in respect to all the Rural Fire Fighting Plant and Equipment (Red Fleet Assets) and Land and Buildings (Premises) "vested" in the Council, for the foreseeable future.

Council concludes that the abovementioned assets do not meet asset definition and recognition criteria as required by the Australian Accounting Standards due to lack of control over economic benefits which are expected to flow from the asset. As a result, council has continued not to recognise in its Financial Statements any Rural Fire Fighting Plant and Equipment (Red Fleet Assets) or any Rural Fire Service Land and Buildings (Premises) that have been "vested" in Council.

C1-8 Owned Investment property

	2021 \$ '000	2020 \$ '000
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Owned investment property

Investment property on hand at fair value

	205	170
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Total owned investment property	205	170
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Owned investment property

At fair value

Opening balance at 1 July

	170	170
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Net gain/(loss) from fair value adjustments

	35	—
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Closing balance at 30 June	205	170
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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.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of lease

Terms and conditions of leases are detailed in the Lease Agreement.

Vehicles

Council leases vehicles and equipment with lease terms varying from 5 to 10 years; the lease payments are fixed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

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

Potential future lease payments are not included in lease liabilities as Council has assessed that the exercise of the option is not reasonably certain.

(a) Right of use assets

	Plant & Equipment \$ '000	Total \$ '000
2021		
Opening balance at 1 July	814	814
Additions to right-of-use assets	696	696
Depreciation charge	(411)	(411)
Other movement	(11)	(11)
Balance at 30 June	1,088	1,088
2020		
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	190	190
Adoption of AASB 16 at 1 July 2019 – transfer of IPPE from Note C1-7	525	525
Additions to right-of-use assets	416	416
Adjustments to right-of-use assets due to re-measurement of lease liability	(6)	(6)
Depreciation charge	(311)	(311)
Balance at 30 June	814	814

(b) Lease liabilities

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Lease liabilities	256	1,167	174	737
Total lease liabilities	256	1,167	174	737

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2021					
Cash flows	300	1,265	–	1,565	1,423
2020					
Cash flows	206	867	–	1,073	911

(d) Income Statement

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

	2021 \$ '000	2020 \$ '000
Interest on lease liabilities	37	30
Variable lease payments based on usage not included in the measurement of lease liabilities	–	(29)
Depreciation of right of use assets	411	311
	448	312

(e) Statement of Cash Flows

Total cash outflow for leases	198	110
	198	110

Accounting policy

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

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

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

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

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

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

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

C2-1 Council as a lessee (continued)

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 in this note part (v) below) in the Statement of Financial Position.

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

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

(i) Assets held as investment property

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)	106	121
Total income relating to operating leases for investment property assets	106	121

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	35	56
Total income relating to operating leases for Council assets	35	56

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Payables				
Goods and services – operating expenditure	1,805	–	1,000	–
Accrued expenses:				
– Borrowings	78	–	92	–
– Salaries and wages ¹	129	–	443	–
Prepaid rates	428	–	378	–
Other	89	171	25	175
Total payables	2,529	171	1,938	175
Total payables	2,529	171	1,938	175

(1) \$442,831 of accrued payroll expenses in 2020 were reclassified from goods and services payables to accrued salaries and wages.

Payables relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	23	–	24	–
Sewer	9	–	11	–
Payables relating to externally restricted assets	32	–	35	–
Total payables relating to restricted assets	32	–	35	–
Total payables relating to unrestricted assets	2,497	171	1,903	175
Total payables	2,529	171	1,938	175

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

	2021 \$ '000	2020 \$ '000
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Other liabilities	–	1,284
Total payables	–	1,284

C3-1 Payables (continued)

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

	Notes	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,040	–	1,059	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	102	–	495	–
Life Choice Program upfront fees	(iii)	1,390	–	1,201	–
Total grants received in advance		7,532	–	2,755	–
Total contract liabilities		7,532	–	2,755	–

Notes

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

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

(iii) Upfront client fees and grant funds for the CHP and CHSP programs are payments for delivery of services to external customers. Therefore the funds received are recorded as a contract liability on receipt and recognised as revenue when services are delivered.

C3-2 Contract Liabilities (continued)

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

	2021 \$ '000	2020 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	1,642	361
Total revenue recognised that was included in the contract liability balance at the beginning of the period	1,642	361

Significant changes in contract liabilities

Increase by \$5M is mostly due to advance payments for new capital grants. The major impact was from the following programs/projects with the unspent grant money as at 30 June 2021 as follows:

- a) Fixing Local Roads - Round 2: \$2M
- b) Fixing Country Roads - \$0.5M
- c) Centennial Parklands Skywalk - \$0.3M
- d) Local Roads Community Infrastructure Program - \$0.5M

Accounting policy

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

C3-3 Borrowings

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Loans – secured ¹	1,642	9,715	1,598	11,358
Total borrowings	1,642	9,715	1,598	11,358

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

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

Borrowings relating to restricted assets

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Externally restricted assets				
Water	112	1,602	112	1,714
Sewer	180	854	169	1,034
Borrowings relating to externally restricted assets	292	2,456	281	2,748
Total borrowings relating to restricted assets	292	2,456	281	2,748
Total borrowings relating to unrestricted assets	1,350	7,259	1,317	8,610
Total borrowings	1,642	9,715	1,598	11,358

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	12,956	(1,599)	–	–	–	–	11,357
Lease liability (Note C2-1b)	911	(183)	695	–	–	–	1,423
Total liabilities from financing activities	13,867	(1,782)	695	–	–	–	12,780

	2019		Non-cash movements				2020
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	14,492	(1,536)	–	–	–	–	12,956
Lease liability (Note C2-1b)	421	490	–	–	–	–	911
Total liabilities from financing activities	14,913	(1,046)	–	–	–	–	13,867

(b) Financing arrangements

	2021 \$ '000	2020 \$ '000
Total facilities		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	115	115
Total financing arrangements	315	315
Drawn facilities		
– Credit cards/purchase cards	40	30
Total drawn financing arrangements	40	30
Undrawn facilities		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	75	85
Total undrawn financing arrangements	275	285

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loan liabilities are secured over the asset that were funded and future Council rates.
Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by a charge over Council rates.
Acceptance/Resolution by council of terms and conditions contained in the Letter of Offer and Statutory Declaration of General Manager.

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

C3-3 Borrowings (continued)

Accounting policy

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

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

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

C3-4 Employee benefit provisions

	2021 Current \$ '000	2021 Non-current \$ '000	2020 Current \$ '000	2020 Non-current \$ '000
Annual leave	835	–	797	–
Long service leave	1,553	205	1,473	216
Other leave	61	1	77	1
Total employee benefit provisions	2,449	206	2,347	217

Employee benefit provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

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

	2021 \$ '000	2020 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,301	1,284
	1,301	1,284

C3-4 Employee benefit provisions (continued)

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

	2021 Current \$ '000	2021 Non-Current \$ '000	2020 Current \$ '000	2020 Non-Current \$ '000
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,736	–	4,052
Sub-total – asset remediation/restoration	–	3,736	–	4,052
Total provisions	–	3,736	–	4,052

Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	–	3,736	–	4,052
Total provisions	–	3,736	–	4,052

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Net carrying amount \$ '000
2021		
At beginning of year	4,052	4,052
Unwinding of discount	70	70
Amounts used (payments)	(57)	(57)
Remeasurement effects	(329)	(329)
Total other provisions at end of year	3,736	3,736
2020		
At beginning of year	4,390	4,390
- Revised costs	(414)	(414)
Unwinding of discount	76	76
Total other provisions at end of year	4,052	4,052

Nature and purpose of provisions

Asset remediation

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

Self-insurance

Council does not self-insure.

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.

C3-5 Provisions (continued)

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment 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

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
Income from continuing operations			
Rates and annual charges	9,185	1,136	1,657
User charges and fees	2,044	1,324	62
Interest and investment revenue	137	17	33
Other revenues	3,551	1	3
Grants and contributions provided for operating purposes	11,166	–	–
Grants and contributions provided for capital purposes	4,636	19	32
Other income	176	–	–
Total income from continuing operations	30,895	2,497	1,787
Expenses from continuing operations			
Employee benefits and on-costs	10,324	354	117
Materials and services	11,592	313	225
Borrowing costs	582	136	74
Depreciation, amortisation and impairment of non-financial assets	6,404	738	487
Other expenses	(360)	649	530
Net losses from the disposal of assets	4,100	141	–
Total expenses from continuing operations	32,642	2,331	1,433
Operating result from continuing operations	(1,747)	166	354
Net operating result for the year	(1,747)	166	354
Net operating result attributable to each council fund	(1,747)	166	354
Net operating result for the year before grants and contributions provided for capital purposes	(6,383)	147	322

D1-2 Statement of Financial Position by fund

	General 2021 \$ '000	Water 2021 \$ '000	Sewer 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	7,181	1,668	1,121
Investments	11,487	1,375	3,238
Receivables	1,543	388	121
Inventories	1,779	—	—
Contract assets and contract cost assets	338	—	—
Contract assets	—	—	—
Contract cost assets	—	—	—
Other	11	—	—
Total current assets	22,339	3,431	4,480
Non-current assets			
Receivables	41	—	—
Infrastructure, property, plant and equipment	261,600	29,703	22,683
Investment property	205	—	—
Contract assets	—	—	—
Contract cost assets	—	—	—
Right of use assets	1,088	—	—
Right of use assets	—	—	—
Total non-current assets	262,934	29,703	22,683
TOTAL ASSETS	285,273	33,134	27,163
LIABILITIES			
Current liabilities			
Payables	2,497	23	9
Contract liabilities	—	—	—
Contract liabilities	7,532	—	—
Lease liabilities	—	—	—
Lease liabilities	256	—	—
Borrowings	1,350	112	180
Employee benefit provision	2,449	—	—
Total current liabilities	14,084	135	189
Non-current liabilities			
Payables	171	—	—
Contract liabilities	—	—	—
Lease liabilities	—	—	—
Lease liabilities	1,167	—	—
Borrowings	7,259	1,602	854
Employee benefit provision	206	—	—
Provisions	3,736	—	—
Total non-current liabilities	12,539	1,602	854
TOTAL LIABILITIES	26,623	1,737	1,043
Net assets	258,650	31,397	26,120
EQUITY			
Accumulated surplus	117,796	14,536	13,429
Revaluation reserves	140,854	16,861	12,691
Council equity interest	258,650	31,397	26,120
Total equity	258,650	31,397	26,120

D2 Interests in other entities

D2-5 Subsidiaries, joint arrangements and associates not recognised

New England Joint Organisation (NEJO)

The NEJO was established on 11 May 2018 and is a separately constituted entity pursuant to Part 7 (Sections 400O to 400ZH) of the Local Government Act (NSW) 1993, as amended, and the Local Government (General) Regulation 2008.

The principle purpose of the NEJO is to establish strategic regional priorities and to provide regional leadership to the geographical area for which it serves, and to identify and take up opportunities for intergovernmental cooperation on matters relating to the joint organisation area.

NEJO comprises of seven voting member councils: Armidale Regional Council, Glen Innes Severn Council, Inverell Shire Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council and Uralla Shire Council.

The Board of NEJO consists of:

- The Mayors of each Member Council, who are entitled to one (1) vote at Meetings;
- A non-voting representative of the NSW Government, who is the Regional Director of the Department of Premier and Cabinet.

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. Chairperson does not have a casting vote.

A decision of the Board is supported by a majority at which a quorum is present is a decision of NEJO.

Glen Innes Severn Council, as a member of the NEJO, has a one seventh voting right in respect to the decisions of the Board. Considering the fact that decision making is based on majority votes, council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the Charter each member of the NEJO contributes annual fees towards the operation of the joint organisation. In 2019/2021 the payments made by Glen Innes Severn Council was \$18,874.

New England Weeds Authority

New England Weeds Authority (NEWA) is the registered trading name of The New England Tablelands Noxious Plants County Council. NEWA is a single purpose Council which is a Local Control Authority for priority and invasive weeds under the NSW Biosecurity Act, 2015. The present area of operation of NEWA is the local government areas of Uralla Shire Council, Armidale Regional Council, Walcha Shire Council, and Glen Innes Severn Council (under a Memorandum of Understanding). These Councils are located in the Northern Tablelands region of New South Wales.

The County Council's governance is in accordance with the Local Government Act 1993 (LGA 1993) with the Country Council first proclaimed in 1947.

NEWA is funded by contributions from its four Constituent Councils, grants and private works. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

Council does not have control, joint control or significant influence over decision making or the overall activities of the organisation.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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 Council.

Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy which complies with s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to NSW Council setting out the make-up and performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of receivables, loans, investments and financial liabilities approximates the carrying amount. The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

	2021 \$ '000	2020 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	133	204

(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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.

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

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

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

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

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

A profile of Council's receivables credit risk at balance date follows:

Credit risk profile

Receivables – rates and annual charges

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

	Not yet overdue \$ '000	< 1 year overdue \$ '000	1 - 2 years overdue \$ '000	2 - 5 years overdue \$ '000	> 5 years overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	396	136	58	115	24	729
2020						
Gross carrying amount	341	221	88	80	53	783

Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
2021						
Gross carrying amount	1	898	44	381	105	1,429
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.00%	0.29%
ECL provision	—	—	—	—	4	4
2020						
Gross carrying amount	660	530	153	133	88	1,564
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.00%	0.06%
ECL provision	—	—	—	—	1	1

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

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
2021							
Trade/other payables	0.00%	–	2,502	171	–	2,673	2,700
Loans	5.73%	–	2,126	7,829	3,740	13,695	11,357
Total financial liabilities		–	4,628	8,000	3,740	16,368	14,057
2020							
Trade/other payables	0.00%	–	1,937	175	–	2,112	2,113
Loans	5.73%	–	2,289	7,988	3,900	14,177	12,956
Total financial liabilities		–	4,226	8,163	3,900	16,289	15,069

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets and liabilities

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).

Recurring fair value measurements

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Investment property	C1-8								
Jamesies Fuel and Fix		30/06/21	30/06/18	205	–	–	170	205	170
Total investment property				205	–	–	170	205	170
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/16	30/06/16	–	–	5,536	4,734	5,536	4,734
Office equipment		30/06/18	30/06/18	–	–	48	22	48	22
Furniture and fittings		30/06/18	30/06/18	–	–	83	68	83	68
– Crown Land		30/06/18	30/06/18	–	–	1,905	1,657	1,905	1,657
– Operational land		30/06/18	30/06/18	–	–	8,997	9,873	8,997	9,873
– Community land		30/06/18	30/06/18	–	–	2,999	3,000	2,999	3,000
Buildings		30/06/18	30/06/18	–	–	19,438	19,503	19,438	19,503
Other structures		30/06/18	30/06/18	–	–	4,162	4,545	4,162	4,545
– Roads (General)		30/06/20	30/06/20	–	–	81,113	85,829	81,113	85,829
– Roads (Causeways)		30/06/20	30/06/20	–	–	2,835	2,920	2,835	2,920
– Roads (Car Parks)		30/06/20	30/06/20	–	–	1,040	969	1,040	969
– Bridges		30/06/21	30/06/20	–	–	40,734	35,897	40,734	35,897
– Footpaths (Road Related)		30/06/20	30/06/18	–	–	3,302	3,340	3,302	3,340
– Bulk earthworks (non-depreciable)		30/06/20	30/06/18	–	–	64,754	64,708	64,754	64,708
– Stormwater drainage		30/06/20	30/06/20	–	–	10,296	10,491	10,296	10,491
– Water supply network		30/06/18	30/06/18	–	–	27,113	26,999	27,113	26,999
– Sewerage network		30/06/18	30/06/18	–	–	21,538	21,765	21,538	21,765
– Swimming pools		30/06/18	30/06/18	–	–	1,737	1,777	1,737	1,777
– Other open space/recreational assets (General)		30/06/18	30/06/18	–	–	2,689	2,665	2,689	2,665
– Other infrastructure (Kerb and Gutter)		30/06/20	30/06/20	–	–	5,649	5,788	5,649	5,788
– Other infrastructure (Major Street Furniture)		30/06/20	30/06/20	–	–	1,904	2,122	1,904	2,122
– Library books		30/06/16	30/06/16	–	–	467	509	467	509
Total infrastructure, property, plant and equipment				–	–	308,339	309,181	308,339	309,181

continued on next page ...

E2-1 Fair value measurement (continued)

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.

Valuation techniques

Fair value Hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following hierarchy:

-Level 1 – Quoted prices (unadjusted) 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 – Unobservable inputs for asset or liability.

Fair Value – Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost Approach: A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

Income Approach: Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market Approach: A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Valuation techniques used to derive Level 2 and Level 3 Fair Values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. 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:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input which were determined based on whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for a similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used:

- Pattern of consumption
- Residual Value
- Asset Condition
- Unit rates
- Useful life

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

Glen Innes Severn Council currently holds one investment property (known as Jamesies Fuel and Fix). Council obtains an independent valuation of its investment property on a regular basis and at the end of each reporting period the financial statements reflect the latest valuation.

E2-1 Fair value measurement (continued)

The best evidence of Fair Value is the current price in an active market for similar assets. The following information is used where necessary;

- Current prices in an active market for different types of properties or similar properties in a less active market.
- Expected future rental income generated from the property based on a discounted cash flow.

The investment property held by Council has been valued with the Valuer using calculation techniques that are appropriate minimising unobservable inputs (namely level 2 inputs).

The property was valued by Mike Williams Valuations (Glen Innes Valuation Services) AAPI, FREAV, Registered Valuer 619, Certified Practising Valuer on 30 June 2021.

There are no valuation changes from prior years.

Infrastructure, property, plant and equipment (IPPE)

Transportation assets

Transportation assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note C1-7: roads, bridges, footpaths, bulk earthworks, stormwater drainage, kerb and gutter, major street furniture.

Transportation assets have been valued internally in 2020 except bridges. Also, council performed update of the values of unsealed roads on new condition data. Council engaged external valuer APV Valuers and Asset Management to perform comprehensive valuation of bridges as at 30 June 2021.

Council's pavement Asset Management System contains detailed dimensions and specification for all Council roads. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations carried out in 2010 utilising the in house NAMS PLUS Asset management system for detailed pavement information residing in Council's Pavement Management System Council fair values, road infrastructure assets using, Level 3 inputs at a component level.

The 'Cost Approach' is used to value transportation assets by componentising the assets into significant parts and then rolling up these component values to provide an overall asset valuation within Council's Asset System. In between full revaluations, Council undertakes annual indexation of stormwater drainage assets in accordance with the latest indices provided in the Rates Reference Manual issued by Crown Lands and Water (CLAW); and up-to-date ABS Road & Bridge construction index for all other transportation assets.

There were no changes in valuation technique from prior year.

Due to specialised nature and significant judgement involved, the transportation assets have been valued using unobservable Level 3 inputs which include:

- Unit rates per measurement basis (m2, m, etc)
- Useful life
- Asset Condition

Buildings

Buildings assets are valued externally. Council engaged Scott Fullarton Valuations Pty Ltd to perform a comprehensive valuation of buildings assets as at 30 June 2018.

Most of the Council's buildings are specialised by nature and were valued utilising the cost approach. The approach estimated the replacement cost of each building and componentising of significant parts of specific buildings with different useful lives and taking into account a range of factors. Where the unit rates could be supported by market evidence, Level 2 inputs were utilised. Other inputs (such as estimates of useful life, asset condition and componentisation) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued utilising Level 3 inputs.

There were no changes in valuation technique from prior year.

Land

Land is valued externally. Council engaged Scott Fullarton Valuations Pty Ltd to perform a comprehensive valuation of its land as at 30 June 2018.

Land is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note C1-8: Operational Land and Community Land.

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

E2-1 Fair value measurement (continued)

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition from the LG Act 1993 is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Indeed, Community Land cannot be sold; cannot be leased, licensed, or any other estate granted over the land for more than 21 years; and must have a plan of management for it.

Land has been valued at market value, having regard to the "highest and best use", after identifying all elements (restrictions) that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning (zoning) and other constraints on development; and
- The potential for alternative use.

The criteria that highest and best use must meet are physical possibility, legal permissibility and financial feasibility. Implied within these criteria is the recognition of the contribution of that specific use to community environment or to community development goals, in addition to wealth maximisation of the individual property owner.

Council's community land has been zoned for public open space, conservation areas and other similar locality specific areas. Council has placed these zonings on their land and they, predominantly, only apply to Council owned land. These zonings are not representative of surrounding land uses and their level of development restrictions may not be considered normal in the open market. As a result of that, fair value of community land represents the cost to Council to acquire the property, i.e. in an open market situation, if it is considered feasible that these properties could be zoned similarly to surrounding use areas in the relatively near future (say 5 years) rather than at some remote future date.

There were no changes in valuation technique from prior year.

Office Equipment and Furniture and Fittings

This class of assets was externally revalued by independent valuer, Andrew Nock AAPI (P&M) MAVAA, as at 30 June 2018.

Assets were valued using cost approach with a combination of depreciated replacement cost and market valuation techniques. Level 3 input was applied to most of the assets due to the significant professional judgment involved in determination of the obsolescence factor.

There were no changes in valuation technique from prior year.

Water and Sewerage assets

Council engaged APV Valuers & Asset Management, independent professional valuer firm, to perform a comprehensive revaluation of its water and sewerage supply network assets as at 30 June 2018.

Due to specialised nature of the assets all water and sewer network assets were valued using cost approach with the Level 3 input dominating the valuation.

Valuer applied significant judgement in determining following inputs into the valuation process:

- Unit rates
- Condition assessment and obsolescence
- Useful life.

Though previously Council valued this class of assets internally, the valuation technique has not changed.

Other Assets

Other Assets is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note C1-7: Library Books and Tip Assets.

These assets are valued at depreciated historical cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the short useful life. Therefore, the main significant unobservable Level 3 input utilised in valuation is condition of the assets.

There were no changes in valuation technique from prior year.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

There were no movement between valuation hierarchy levels during the year. Therefore, for all the changes in value of assets please refer to Note C1-7.

Highest and best use

Council's determined that current use of its assets are at highest and best use.

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 7% 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 \$40.0 million for 1 July 2020 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2020. 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 2021 was \$80,011.81. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA as at 30 June 2020, and covers the period ended 30 June 2021.

E3-1 Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$100,367.76.

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

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

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

The share of any funding surplus or deficit that can be attributed to council is 0.15%.

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 2021 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

(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:

	2021 \$ '000	2020 \$ '000
Compensation:		
Short-term benefits	1,332	1,410
Post-employment benefits	111	101
Total	1,443	1,511

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021					
Donations	17	–	Standard terms	–	–
Plumbing	12	–	Standard terms	–	–
Freight and delivery	1	–	Standard terms	–	–
2020					
Donations	–	–	Standard terms	–	–
Plumbing	95	–	Standard terms	–	–
Freight and delivery	16	–	Standard terms	–	–

F1-2 Councillor and Mayoral fees and associated expenses

	2021	2020
	\$ '000	\$ '000

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

Mayoral fee	51	51
Councillors' fees	61	61
Other Councillors' expenses (including Mayor)	28	29
Total	140	141

F1-3 Other related parties

	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2021					
Payments to staff related to Key Management Personnel	–	–	Standard terms	–	–
2020					
Payments to staff related to Key Management Personnel	114	–	Standard terms	–	–

F2 Other relationships

F2-1 Audit fees

	2021 \$ '000	2020 \$ '000
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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

Remuneration for audit and other assurance services

Total Auditor-General remuneration

Total audit fees

	58	41
	58	41
	58	41
	58	41

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2021 \$ '000	2020 \$ '000
Net operating result from Income Statement	(1,227)	900
Adjust for non-cash items:		
Depreciation and amortisation	7,423	7,482
Net losses/(gains) on disposal of assets	4,241	1,276
Adoption of AASB 15/1058	–	(360)
Found assets	(688)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(35)	–
– Revaluation decrements / impairments of IPP&E direct to P&L	206	–
Unwinding of discount rates on reinstatement provisions	70	76
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	189	634
Increase/(decrease) in provision for impairment of receivables	(2)	26
Decrease/(increase) in inventories	1,190	(927)
Decrease/(increase) in other current assets	(2)	13
Decrease/(increase) in contract assets	164	(502)
Increase/(decrease) in payables	805	(2,385)
Increase/(decrease) in accrued interest payable	(14)	(10)
Increase/(decrease) in other accrued expenses payable	(314)	–
Increase/(decrease) in other liabilities	110	(827)
Increase/(decrease) in contract liabilities	4,777	2,755
Increase/(decrease) in provision for employee benefits	91	65
Increase/(decrease) in other provisions	(386)	(414)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	16,598	7,802

G2-1 Commitments

Capital commitments (exclusive of GST)

	2021 \$ '000	2020 \$ '000
--	-----------------	-----------------

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

Property, plant and equipment

Bridges	796	404
Roads	118	19
Water Infrastructure	177	–
Sewer Infrastructure	1	–
Plants	148	–
Other	–	548
Total commitments	1,240	971

These expenditures are payable as follows:

Within the next year	1,240	971
Total payable	1,240	971

Sources for funding of capital commitments:

Unrestricted general funds	1,240	548
Externally restricted reserves	–	19
Unexpended loans	–	404
Total sources of funding	1,240	971

Details of capital commitments

Capital commitments relate to a range of capital items where purchase orders have been raised but invoices not received as at 30 June 2021.

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed. No other matters have arisen subsequent to balance date that would require these financial statements to be amended.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
Other	67	16	–	–	–	–	83	–
S7.11 contributions – under a plan	67	16	–	–	–	–	83	–
Total S7.11 and S7.12 revenue under plans	67	16	–	–	–	–	83	–
S7.11 not under plans	565	150	–	–	(239)	–	476	–
S64 contributions	148	47	–	–	(200)	–	(5)	–
Total contributions	780	213	–	–	(439)	–	554	–

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

G4-2 Developer contributions by plan

	Opening balance at 1 July 2020 \$ '000	Contributions received during the year		Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2021 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash \$ '000					
CONTRIBUTION PLAN NUMBER 1 - Community facilities								
Other	67	16	–	–	–	–	83	–
Total	67	16	–	–	–	–	83	–

G4-3 Contributions not under plans

Roads								
Roads	565	150	–	–	(239)	–	476	–
Total	565	150	–	–	(239)	–	476	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1,465)	(4.81)%	(1.94)%	0.72%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	30,457				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	19,291	54.89%	55.26%	60.84%	> 60.00%
Total continuing operating revenue ¹	35,144				
3. Unrestricted current ratio					
Current assets less all external restrictions	5,905	0.88x	2.14x	2.93x	> 1.50x
Current liabilities less specific purpose liabilities	6,707				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,750	2.61x	3.08x	3.12x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,589				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	668	5.22%	5.67%	9.90%	< 10.00%
Rates and annual charges collectable	12,807				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	26,070	12.56	8.21	12.35	> 3.00
Monthly payments from cash flow of operating and financing activities	2,075	mths	mths	mths	mths

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020 ⁴	2021	2020 ⁴	2021	2020 ⁴	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(7.37)%	(3.05)%	5.93%	1.23%	18.35%	9.36%	> 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	48.79%	48.71%	99.24%	98.74%	98.21%	99.18%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	0.88x	2.14x	25.41x	22.10x	23.70x	22.56x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.07x	2.78x	7.13x	4.80x	11.51x	8.18x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	6.67%	7.23%	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	11.22	7.08	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths					mths

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

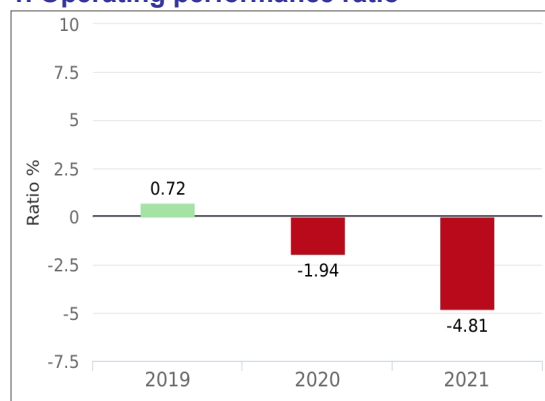
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(4) Please refer to Note 13 for Prior Period Adjustments.

H Additional Council disclosures (unaudited)

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (4.81)%

Council did not meet the benchmark for the current reporting period, due to a negative net operating result, caused by increases in operating expenses compared to 2019/2020.

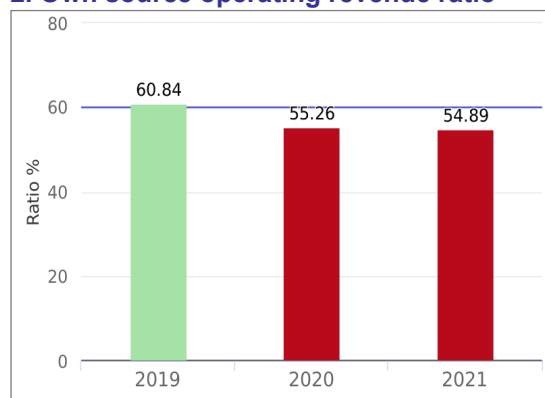
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 54.89%

Council is very close to meeting the 60% benchmark. The drop in 2020 relates to a decrease in operating revenue due to bushfires, drought and Covid-19.

There has been a slight improvement in 2021. Council has been very successful in the number and dollar value of grants received, and believes that the benefit to the community of the grants outweighs any concerns about the lowering of this ratio.

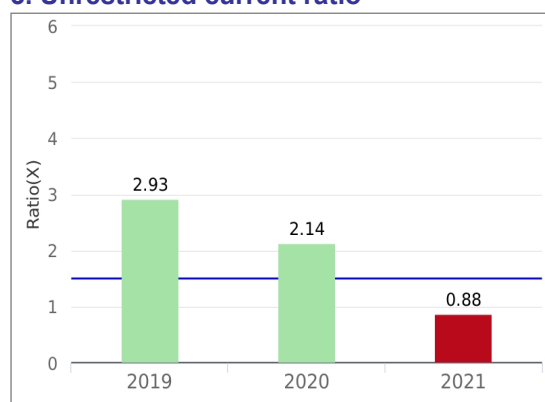
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 0.88x

Council is very close to meeting the > 1.5x benchmark. Council will focus on moving this ratio back above benchmark in 2022.

Benchmark: — > 1.50x

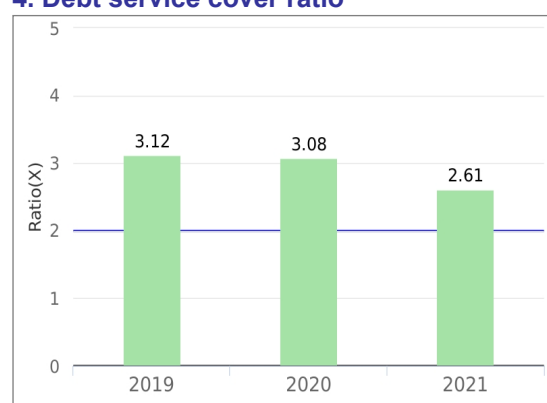
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.61x

No significant variance.

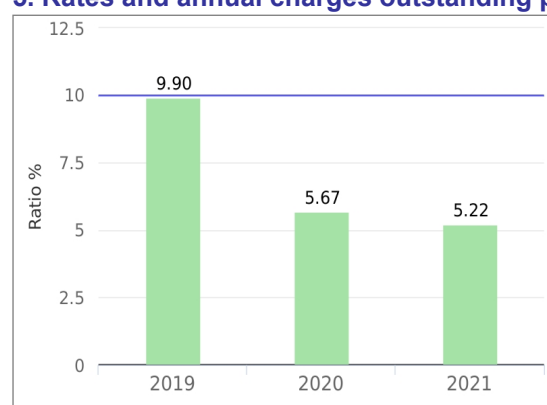
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 5.22%

Council continues to perform well in this area and is well under the benchmark, noting further improvement on prior year.

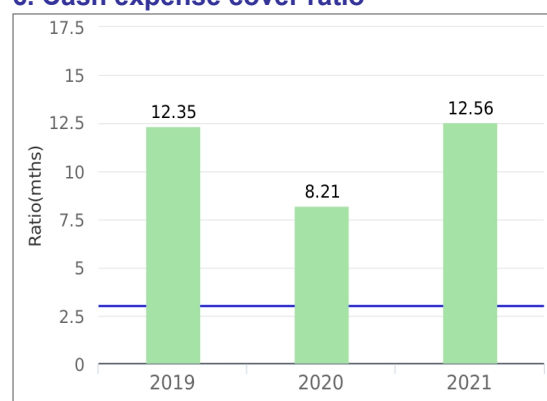
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 12.56 mths

This ratio is still well above the required benchmark.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

265 Grey Street
Glen Innes NSW 2370

Contact details

PO Box 61
Glen Innes NSW 2370

8.30 am - 4.30 pm
Monday - Friday

Telephone: (02) 6730-2300

Facsimile: (02) 6732-3764

Internet: www.gisc.nsw.gov.au

Email: council@gisc.nsw.gov.au

Officers

GENERAL MANAGER

Craig BENNETT

RESPONSIBLE ACCOUNTING OFFICER

Anna WATT

PUBLIC OFFICER

Dennis MCINTYRE

AUDITORS

The Audit Office of New South Wales
Darling Park Tower 2,
Level 19, 201 Sussex Street
GPO Box 12,
SYDNEY NSW 2001

Elected members

MAYOR

Carol SPARKS

COUNCILLORS

Deputy Mayor Dianne NEWMAN
Councillor Steve TOMS
Councillor Glenn FRENDON
Councillor Andrew PARSONS
Councillor Colin PRICE
Councillor Jeff SMITH

Other information

ABN: 81 365 002 718



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Opinion

I have audited the accompanying financial statements of Glen Innes Severn Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY



Cr Carol Sparks
Mayor
Glen Innes Severn Council
PO Box 61
GLEN INNES NSW 2370

Contact: Chris Harper
Phone no: 02 9275 7374
Our ref: D2122503/1730

28 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Glen Innes Severn Council**

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural Fire Services Assets not recognised in the financial statements

Council did not record rural fire service assets in the financial statements.

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

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural fire service assets are not controlled by the NSW Rural Fire Service.

INCOME STATEMENT

Operating result

	2021 \$m	2020 \$m	Variance %
Rates and annual charges revenue	12.0	11.4	↑ 5.3
Grants and contributions revenue	15.9	14.4	↑ 10.4
Operating result from continuing operations	(1.2)	0.9	↓ 233.3
Net operating result before capital grants and contributions	(5.9)	(1.9)	↓ 210.5

The Council's net deficit operating result from continuing operations (\$1.2 million) including depreciation and amortisation expense of \$7.6 million was \$2.1 million lower than the 2019–20 result.

This is mainly due to an increase in expenses from continuing operations of \$5.1 million attributable to:

- \$3.0 million increase in net losses from the disposal of assets due to infrastructure renewals
- \$1.4 million increase in materials and services due to increased maintenance works
- \$276,000 increase in other expenses due to increased payments and levies to other levels of government.

Offset, by a \$2.9 million increase in total income from continuing operations of attributable to:

- \$1.9 million increase in grants and contributions for capital purposes due to additional funds received for specific infrastructure projects
- \$1.0 million increase in other revenue due to increased gravel and tourism sales and infrastructure assets recognised for the first time.

The net deficit operating result before capital grants and contributions (\$5.9 million) was \$4.0 million lower than the 2019-20 result. This is due to the same factors as the reduction in operating result from continuing operations.

Rates and annual charges revenue (\$12.0 million) increased by \$588,000 (5.3 per cent) in 2020–21 due mainly to the normal rate peg allowance increases and increases in annual charges in the year.

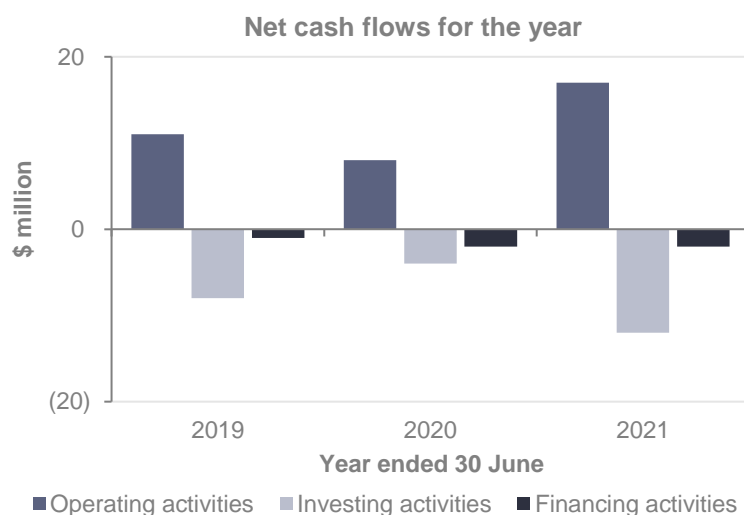
Grants and contributions revenue (\$15.9 million) increased by \$1.5 million (10.4 per cent) in 2020–21 due to additional funding received for specific infrastructure projects.

STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$9.5 million due to increased cash inflows for grants and contributions and user charges and fees and a reduction in other expenditure.

Cash outflows from investing activities increased by \$8.3 million due to an increase in capital expenditure on IPPE and acquisition of term deposits.

Cash from financing activities remained comparable to prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020*	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	26.0	20.6	• Major external restrictions include water, sewer and aggregates operations as well as grants for specific purposes, unexpended loans and developer contributions. The main increase related to unspent grant funding received for a specific purpose.
Restricted cash and investments:			• Council has disclosed a negative unrestricted cash position of \$2 million at 30 June 2021. This is attributable to utilising internal restrictions for general expenditure.
• External restrictions	23.8	15.5	
• Internal and unrestricted	2.2	5.1	

* The 2020 comparatives have been restated to reallocate funds from internal to external restrictions.

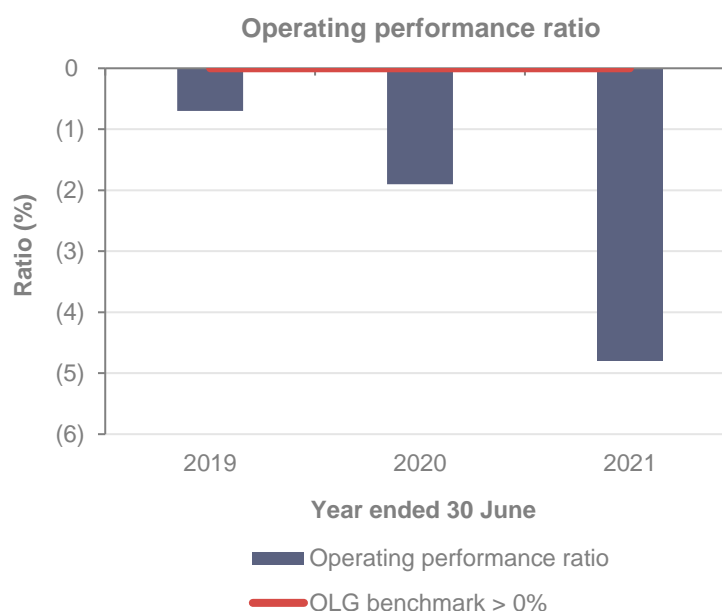
Performance measures

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

Operating performance ratio

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

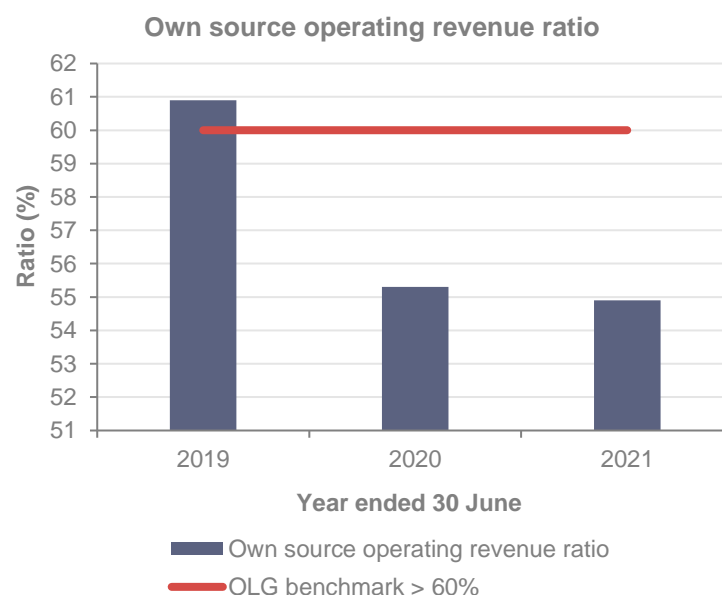
Council did not meet the OLG benchmark for the current reporting period due to the deterioration in Council's operating result.



Own source operating revenue ratio

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

The Council did not meet the OLG benchmark for the current reporting period due to the high levels of grants and contributions received.

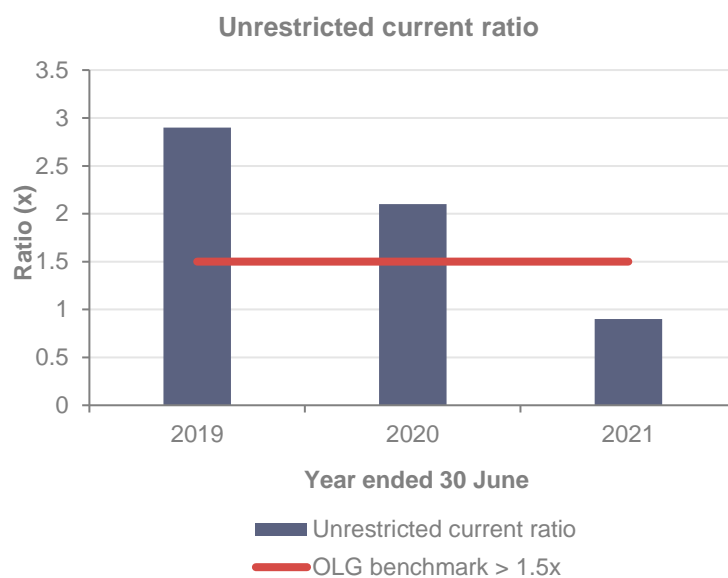


Unrestricted current ratio

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

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

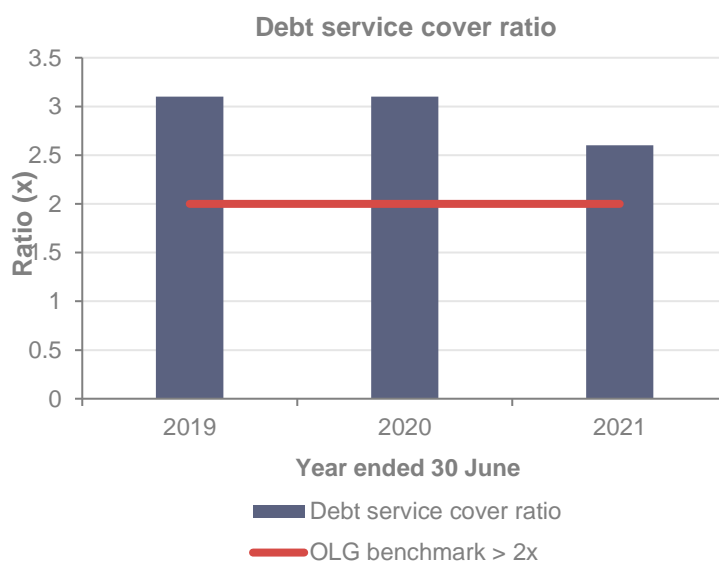
The ratio has declined from prior years due to the level of external restrictions at year end relating to unspent grants received for a specific purpose.



Debt service cover ratio

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

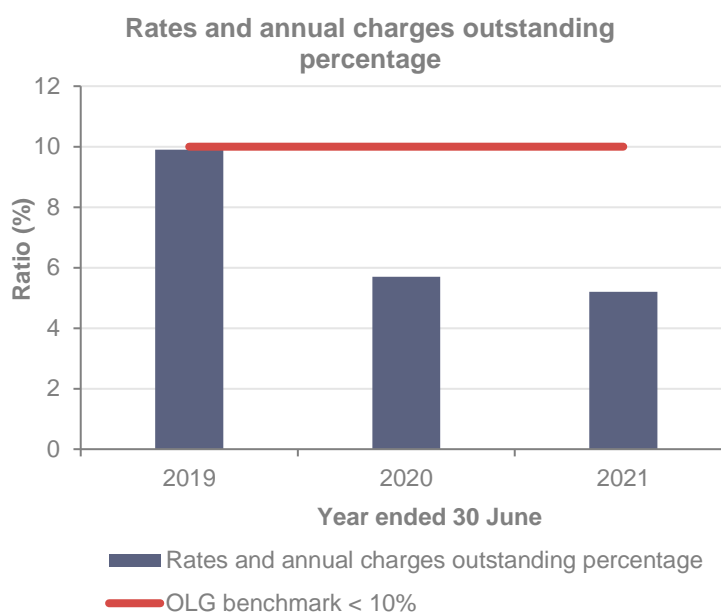
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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

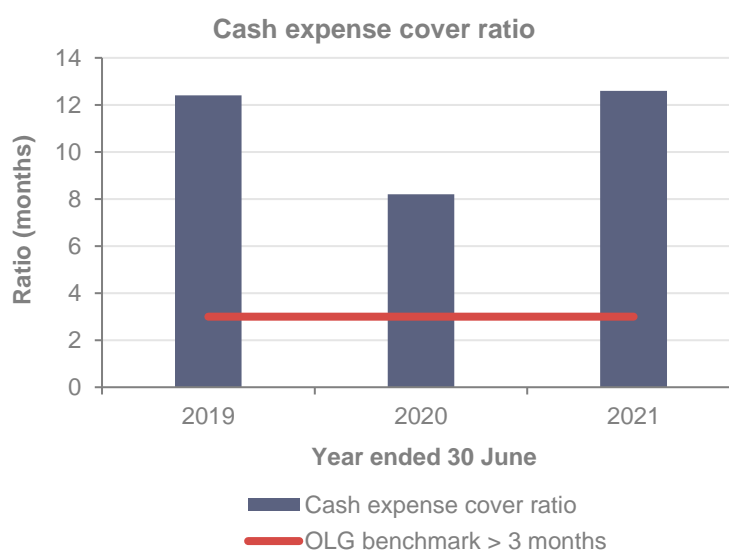
The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$9.0 million. This increased by \$4.3 million compared to 2019–20 due to Council increasing its renewal works on receipt of specific purpose grant funding. Renewal expenditure was above depreciation for the year by \$1.8 million.

OTHER MATTERS

Legislative compliance

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

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



Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY

cc: Mr Craig Bennett, General Manager
Mr Stephen Coates, Chair of the Audit, Risk and Improvement Committee
Ms Ann Newsome, Chief Financial Officer
Ms Anna Watt, Director of Corporate and Community Services
Mr Geoff Allen, Principal, Forsyths
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Glen Innes Severn Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Embracing Change, Building on History"



Special Purpose Financial Statements

for the year ended 30 June 2021

Contents	Page
Statement by Councillors and Management	3
Special Purpose Financial Statements:	
Income Statement of water supply business activity	4
Income Statement of sewerage business activity	5
Income Statement of Glen Innes Aggregates	6
Statement of Financial Position of water supply business activity	7
Statement of Financial Position of sewerage business activity	8
Statement of Financial Position of Glen Innes Aggregates	9
Note – Significant Accounting Policies	10
Auditor's Report on Special Purpose Financial Statements	13

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).

Glen Innes Severn Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 September 2021.



Carl Sparks
Mayor
23 September 2021



Craig Bennett
General Manager
23 September 2021



Dianne Newman
Deputy Mayor
23 September 2021



Anna Watt
Responsible Accounting Officer
23 September 2021

Glen Innes Severn Council

Income Statement of water supply business activity

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	1,136	1,099
User charges	1,306	1,137
Fees	18	–
Interest	17	104
Other income	1	13
Total income from continuing operations	2,478	2,353
Expenses from continuing operations		
Employee benefits and on-costs	354	325
Borrowing costs	136	145
Materials and services	313	364
Depreciation, amortisation and impairment	738	578
Loss on sale of assets	141	235
Debt guarantee fee (if applicable)	52	56
Other expenses	649	677
Total expenses from continuing operations	2,383	2,380
Surplus (deficit) from continuing operations before capital amounts	95	(27)
Grants and contributions provided for capital purposes	19	30
Surplus (deficit) from continuing operations after capital amounts	114	3
Surplus (deficit) from all operations before tax	114	3
Less: corporate taxation equivalent [based on result before capital]	(25)	–
Surplus (deficit) after tax	89	3
Plus accumulated surplus	14,423	14,499
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	25	–
Plus/less: reallocation of inter-fund transactions	–	(79)
Closing accumulated surplus	14,537	14,423
Return on capital %	0.8%	0.4%
Subsidy from Council	212	145
Calculation of dividend payable:		
Surplus (deficit) after tax	89	3
Less: capital grants and contributions (excluding developer contributions)	(19)	(30)
Surplus for dividend calculation purposes	70	–
Potential dividend calculated from surplus	35	–

Glen Innes Severn Council

Income Statement of sewerage business activity for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Income from continuing operations		
Access charges	1,657	1,625
User charges	36	34
Liquid trade waste charges	26	43
Interest	33	100
Other income	3	3
Total income from continuing operations	1,755	1,805
Expenses from continuing operations		
Employee benefits and on-costs	117	147
Borrowing costs	74	85
Materials and services	225	196
Depreciation, amortisation and impairment	487	477
Loss on sale of assets	–	239
Debt guarantee fee (if applicable)	31	36
Other expenses	530	492
Total expenses from continuing operations	1,464	1,672
Surplus (deficit) from continuing operations before capital amounts	291	133
Grants and contributions provided for capital purposes	32	15
Surplus (deficit) from continuing operations after capital amounts	323	148
Surplus (deficit) from all operations before tax	323	148
Less: corporate taxation equivalent [based on result before capital]	(76)	(37)
Surplus (deficit) after tax	247	111
Plus accumulated surplus	13,106	13,047
Plus/less: reallocation of inter-fund transactions	–	(89)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	76	37
Closing accumulated surplus	13,429	13,106
Return on capital %	1.6%	1.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	247	111
Less: capital grants and contributions (excluding developer contributions)	(32)	(15)
Surplus for dividend calculation purposes	215	96
Potential dividend calculated from surplus	108	48

Glen Innes Severn Council

Income Statement of Glen Innes Aggregates

for the year ended 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
Income from continuing operations		
User charges	559	605
Other income	2,730	2,554
Total income from continuing operations	3,289	3,159
Expenses from continuing operations		
Employee benefits and on-costs	411	543
Borrowing costs	113	111
Materials and services	1,829	1,596
Depreciation, amortisation and impairment	91	97
Debt guarantee fee (if applicable)	53	67
Other expenses	453	419
Total expenses from continuing operations	2,950	2,833
Surplus (deficit) from continuing operations before capital amounts	339	326
Surplus (deficit) from continuing operations after capital amounts	339	326
Surplus (deficit) from all operations before tax	339	326
Less: corporate taxation equivalent [based on result before capital]	(88)	(90)
Surplus (deficit) after tax	251	236
Plus accumulated surplus	3,089	2,901
Plus/less: reallocation of inter-fund transactions	–	(138)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	88	90
Less:		
Closing accumulated surplus	3,428	3,089
Return on capital %	17.4%	18.4%

Glen Innes Severn Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,668	1,627
Investments	1,375	1,027
Receivables	388	352
Total current assets	3,431	3,006
Non-current assets		
Infrastructure, property, plant and equipment	29,703	29,885
Total non-current assets	29,703	29,885
Total assets	33,134	32,891
LIABILITIES		
Current liabilities		
Payables	23	24
Borrowings	112	112
Total current liabilities	135	136
Non-current liabilities		
Borrowings	1,602	1,714
Total non-current liabilities	1,602	1,714
Total liabilities	1,737	1,850
Net assets	31,397	31,041
EQUITY		
Accumulated surplus	14,536	14,423
Revaluation reserves	16,861	16,618
Total equity	31,397	31,041

Glen Innes Severn Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

	2021 \$ '000	2020 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,121	1,219
Investments	3,238	2,722
Receivables	121	119
Total current assets	4,480	4,060
Non-current assets		
Infrastructure, property, plant and equipment	22,683	22,755
Total non-current assets	22,683	22,755
Total assets	27,163	26,815
LIABILITIES		
Current liabilities		
Payables	9	11
Borrowings	180	169
Total current liabilities	189	180
Non-current liabilities		
Borrowings	854	1,034
Total non-current liabilities	854	1,034
Total liabilities	1,043	1,214
Net assets	26,120	25,601
EQUITY		
Accumulated surplus	13,429	13,106
Revaluation reserves	12,691	12,495
Total equity	26,120	25,601

Glen Innes Severn Council

Statement of Financial Position of Glen Innes Aggregates

as at 30 June 2021

	2021 Category 1 \$ '000	2020 Category 1 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,984	797
Receivables	154	136
Inventories	1,356	2,560
Total current assets	3,494	3,493
Non-current assets		
Infrastructure, property, plant and equipment	2,594	2,379
Total non-current assets	2,594	2,379
Total assets	6,088	5,872
LIABILITIES		
Current liabilities		
Lease liabilities	36	34
Payables	53	54
Borrowings	54	52
Total current liabilities	143	140
Non-current liabilities		
Lease liabilities	329	365
Borrowings	1,675	1,772
Total non-current liabilities	2,004	2,137
Total liabilities	2,147	2,277
Net assets	3,941	3,595
EQUITY		
Accumulated surplus	3,429	3,089
Revaluation reserves	512	506
Total equity	3,941	3,595

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. Glen Innes Aggregates is a Category 1 business of Council.

b. Glen Innes Severn Council Water Supply

A provision for augmented water supplies to the communities of Deepwater and Glen Innes, and, surrounding residential and farmland holdings.

Category 2

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

a. Glen Innes Severn Council Sewerage Services

A provision for sewerage services to the communities of Deepwater and Glen Innes, and, surrounding residential and farmland holdings.

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 – **26%** (19/20 27.5%)

Note – Significant Accounting Policies (continued)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

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

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

(iii) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines

Note – Significant Accounting Policies (continued)

and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIE – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Glen Innes Aggregates.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY

Glen Innes Severn Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

"Embracing Change, Building on History"



Glen Innes Severn Council

Special Schedules

for the year ended 30 June 2021

Contents

Page

Special Schedules:

Permissible income for general rates

3

Report on infrastructure assets as at 30 June 2021

7

Glen Innes Severn Council

Permissible income for general rates

	Notes	Calculation 2020/21 \$ '000	Calculation 2021/22 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	7,005	7,208
Plus or minus adjustments ²	b	27	(18)
Notional general income	c = a + b	7,032	7,190
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	183	144
Sub-total	k = (c + g + h + i + j)	7,215	7,334
Plus (or minus) last year's carry forward total	l	1	8
Sub-total	n = (l + m)	1	8
Total permissible income	o = k + n	7,216	7,342
Less notional general income yield	p	7,208	7,342
Catch-up or (excess) result	q = o - p	8	-
Carry forward to next year ³	t = q + r + s	8	-

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.
- (3) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Glen Innes Severn Council (the Council) for the year ending 30 June 2022.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Chris Harper
Director, Financial Audit

Delegate of the Auditor General for New South Wales

28 October 2021
SYDNEY

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2021

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	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
Buildings	Buildings	4,220	4,220	222	258	14,089	29,523	26.0%	0.0%	73.0%	0.0%	1.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Buildings - Quarry	129	129	32	12	263	659	4.0%	0.0%	92.0%	3.0%	1.0%
	Buildings - Water	458	458	—	—	1,142	2,587	10.0%	1.0%	88.0%	0.0%	1.0%
	Buildings - Sewer	84	84	—	—	268	495	27.0%	0.0%	55.0%	18.0%	0.0%
	Buildings - Public Halls	2,487	2,487	2	1	3,676	12,430	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	7,378	7,378	256	271	19,438	45,694	17.7%	0.1%	81.3%	0.2%	0.7%
Other structures	Other structures	11	11	99	108	4,162	10,245	11.0%	89.0%	0.0%	0.0%	0.0%
	Sub-total	11	11	99	108	4,162	10,245	11.0%	89.0%	0.0%	0.0%	0.0%
Roads	Roads – Local Rural Sealed	4,117	4,117	399	304	47,256	77,275	61.0%	17.0%	5.0%	3.0%	14.0%
	Roads – Local Urban Sealed	1,143	1,144	338	348	14,796	22,855	64.0%	20.0%	7.0%	1.0%	8.0%
	Roads – Local Rural Unsealed	8,527	8,527	1,892	2,641	14,458	36,166	25.0%	12.0%	7.0%	15.0%	41.0%
	Roads – Other Urban Sealed	230	230	—	—	1,236	2,222	43.0%	28.0%	0.0%	24.0%	5.0%
	Roads – Regional Rural Sealed	694	694	98	85	13,412	18,538	65.0%	22.0%	7.0%	1.0%	5.0%
	Roads – Regional Urban Sealed	25	25	—	—	877	1,041	94.0%	0.0%	0.0%	0.0%	6.0%
	Bulk earthworks	16	16	—	—	64,707	64,707	100.0%	0.0%	0.0%	0.0%	0.0%
	Footpaths	264	264	45	30	3,302	4,547	43.0%	32.0%	17.0%	7.0%	1.0%
	Carparks	36	36	2	—	947	1,395	58.0%	30.0%	11.0%	1.0%	0.0%
	Causeways	716	716	—	—	2,834	7,165	3.0%	53.0%	35.0%	6.0%	3.0%
	Bridges – Local Rural Concrete/Steel	2,425	2,425	4	6	16,165	25,498	14.0%	41.0%	41.0%	1.0%	3.0%
	Bridges – Local Rural Timber	639	639	64	41	170	2,102	4.0%	3.0%	19.0%	51.0%	23.0%
	Bridges – Local Urban Concrete/Steel	157	157	—	—	999	1,540	0.0%	50.0%	49.0%	1.0%	0.0%
	Bridges – Local Urban Timber	58	58	—	—	19	309	0.0%	6.0%	94.0%	0.0%	0.0%
	Bridges – Regional Concrete/Steel	272	272	—	—	2,010	2,928	15.0%	40.0%	44.0%	0.0%	1.0%
	Culverts - Local Sealed Rural	157	157	—	—	3,538	5,328	6.0%	80.0%	14.0%	0.0%	0.0%
	Culverts - Local Sealed Urban	5	5	—	—	361	733	0.0%	98.0%	1.0%	1.0%	0.0%
	Culverts - Local Unsealed Rural	122	122	—	—	1,597	2,517	1.0%	76.0%	21.0%	2.0%	0.0%
	Culverts - Regional Sealed	250	250	—	—	1,219	2,202	0.0%	44.0%	54.0%	2.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	2.0%	0.0%
	Sub-total	19,853	19,854	2,842	3,455	189,903	279,068	56.2%	18.9%	10.2%	3.9%	10.8%

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2021 (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	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Water supply network	Bores	—	—	4	4	346	400	100.0%	0.0%	0.0%	0.0%	0.0%
	Dams/Weirs	—	—	—	—	3,243	5,024	1.0%	99.0%	0.0%	0.0%	0.0%
	Off Stream Storages	—	—	—	—	440	564	100.0%	0.0%	0.0%	0.0%	0.0%
	Pumping Stations	—	—	16	14	871	1,835	59.0%	41.0%	0.0%	0.0%	0.0%
	Rising Mains	34	34	—	—	1,930	2,579	23.0%	71.0%	6.0%	0.0%	0.0%
	Total Reticulation	1,310	1,310	156	184	9,610	14,032	38.0%	24.0%	24.0%	14.0%	0.0%
	Treatment	—	—	63	66	8,097	12,576	53.0%	47.0%	0.0%	0.0%	0.0%
	Reservoirs	144	144	—	—	2,576	4,439	42.0%	40.0%	18.0%	0.0%	0.0%
	Sub-total	1,488	1,488	239	268	27,113	41,449	39.9%	44.9%	10.4%	4.7%	0.0%
Sewerage network	Rising Mains	22	22	—	—	1,182	1,374	83.0%	9.0%	8.0%	0.0%	0.0%
	Total Reticulation	3,951	3,951	101	77	15,745	23,176	23.0%	10.0%	39.0%	27.0%	1.0%
	Treatment	—	—	—	—	4,345	7,160	98.0%	2.0%	0.0%	0.0%	0.0%
	Pumping Stations	13	13	10	2	266	571	50.0%	38.0%	12.0%	0.0%	0.0%
	Sub-total	3,986	3,986	111	79	21,538	32,281	42.7%	8.7%	28.6%	19.4%	0.7%
Stormwater drainage	Stormwater Conduits	1,640	1,640	16	5	8,909	15,256	6.0%	41.0%	52.0%	0.0%	1.0%
	Inlet and Junction Pits	102	102	—	—	1,387	2,333	8.0%	72.0%	17.0%	3.0%	0.0%
	Sub-total	1,742	1,742	16	5	10,296	17,589	6.3%	45.1%	47.4%	0.4%	0.9%
Open space / recreational assets	Swimming pools	230	230	53	44	1,779	3,142	15.0%	51.0%	31.0%	2.0%	1.0%
	Other Recreation	156	156	20	21	2,647	3,642	56.0%	27.0%	14.0%	0.0%	3.0%
	Sub-total	386	386	73	65	4,426	6,784	37.0%	38.1%	21.9%	0.9%	2.1%
Other infrastructure assets	Kerb and Gutter	290	290	—	—	5,649	11,330	38.0%	51.0%	9.0%	2.0%	0.0%
	Major Street Furniture	6	6	—	—	1,904	2,331	89.0%	10.0%	1.0%	0.0%	0.0%
	Sub-total	296	296	—	—	7,553	13,661	46.7%	44.0%	7.6%	1.7%	0.0%
Total – all assets		35,140	35,141	3,636	4,251	284,429	446,771	46.2%	22.3%	20.1%	4.4%	6.9%

(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

continued on next page ...

Glen Innes Severn Council

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

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

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	8,089	137.15%	91.56%	100.90%	>= 100.00%
Depreciation, amortisation and impairment	5,898				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	35,140	12.57%	15.94%	11.66%	< 2.00%
Net carrying amount of infrastructure assets	279,602				
Asset maintenance ratio					
Actual asset maintenance	4,251	116.91%	102.29%	102.36%	> 100.00%
Required asset maintenance	3,636				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	35,141	7.87%	10.14%	32.66%	
Gross replacement cost	446,771				

(*) 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.

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	158.30%	93.79%	57.99%	74.13%	9.85%	92.07%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	12.85%	14.81%	5.49%	15.19%	18.51%	28.75%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	118.81%	98.92%	112.13%	190.00%	71.17%	111.84%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	7.95%	9.35%	3.59%	9.81%	12.35%	19.60%	
Gross replacement cost							

(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.