

Clarence Valley Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Clarence Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

2 Prince St
GRAFTON NSW 2460

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.clarence.nsw.gov.au.

Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2022

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

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

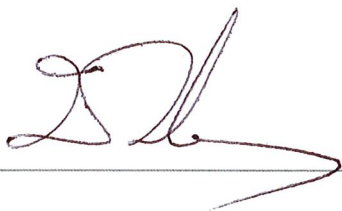
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 28 March 2023.



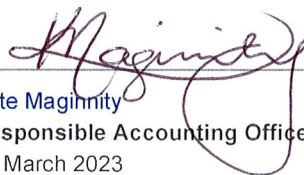
Ian Tiley
Mayor
28 March 2023



Greg Clancy
Councillor
28 March 2023



Laura Black
General Manager
28 March 2023



Kate Maginnity
Responsible Accounting Officer
28 March 2023

Clarence Valley Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Restated Actual 2021 ¹
Income from continuing operations				
67,550	Rates and annual charges	B2-1	68,736	66,472
43,123	User charges and fees	B2-2	35,380	42,253
1,452	Other revenues	B2-3	1,500	1,701
22,685	Grants and contributions provided for operating purposes	B2-4	36,246	25,823
42,105	Grants and contributions provided for capital purposes	B2-4	39,473	43,870
1,250	Interest and investment income	B2-5	1,788	1,910
925	Other income	B2-6	687	772
1,760	Net gain from the disposal of assets	B4-1	—	—
180,850	Total income from continuing operations		183,810	182,801
Expenses from continuing operations				
38,674	Employee benefits and on-costs	B3-1	37,053	38,605
47,227	Materials and services	B3-2	46,794	46,164
6,007	Borrowing costs	B3-3	6,418	6,531
44,816	Depreciation, amortisation and impairment of non-financial assets	B3-4	48,751	48,085
5,083	Other expenses	B3-5	5,101	5,007
—	Net loss from the disposal of assets	B4-1	13,694	13,261
141,807	Total expenses from continuing operations		157,811	157,653
39,043	Operating result from continuing operations		25,999	25,148
39,043	Net operating result for the year attributable to Council		25,999	25,148
(3,062)	Net operating result for the year before grants and contributions provided for capital purposes		(13,474)	(18,722)

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Clarence Valley Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021 ¹
Net operating result for the year – from Income Statement		25,999	25,148
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	191,217	39,155
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-8	(38,675)	(899)
Other comprehensive income – joint ventures and associates	D2-2	–	(42)
Total items which will not be reclassified subsequently to the operating result		152,542	38,214
Total other comprehensive income for the year		152,542	38,214
Total comprehensive income for the year attributable to Council		178,541	63,362

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Clarence Valley Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021 ¹
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	38,625	34,836
Investments	C1-2	112,000	52,000
Receivables	C1-4	23,215	28,120
Inventories	C1-5	2,039	1,526
Contract assets and contract cost assets	C1-6	7,472	4,856
Non-current assets classified as 'held for sale'	C1-7	1,147	1,147
Other	C1-10	131	126
Total current assets		184,629	122,611
Non-current assets			
Investments	C1-2	10,000	46,000
Receivables	C1-4	1,452	1,394
Inventories	C1-5	156	156
Infrastructure, property, plant and equipment (IPPE)	C1-8	2,181,076	2,033,340
Intangible assets	C1-9	2,143	876
Right of use assets	C2-1	–	90
Total non-current assets		2,194,827	2,081,856
Total assets		2,379,456	2,204,467
LIABILITIES			
Current liabilities			
Payables	C3-1	14,271	14,536
Contract liabilities	C3-2	17,121	5,905
Lease liabilities	C2-1	–	93
Borrowings	C3-3	8,739	8,256
Employee benefit provisions	C3-4	12,346	13,013
Total current liabilities		52,477	41,803
Non-current liabilities			
Borrowings	C3-3	78,391	86,951
Employee benefit provisions	C3-4	344	478
Provisions	C3-5	10,289	15,821
Total non-current liabilities		89,024	103,250
Total liabilities		141,501	145,053
Net assets		2,237,955	2,059,414
EQUITY			
Accumulated surplus	C4-1	909,896	883,897
IPPE revaluation reserve	C4-1	1,328,059	1,175,517
Council equity interest		2,237,955	2,059,414
Total equity		2,237,955	2,059,414

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Clarence Valley Council

Statement of Changes in Equity

for the year ended 30 June 2022

		2022			2021		
		Accumulated surplus	IPPE revaluation reserve ¹	Total equity	Accumulated surplus	IPPE revaluation reserve ¹	Total equity
\$ '000	Notes				Restated	Restated	Restated
Opening balance at 1 July		883,897	1,175,517	2,059,414	858,791	1,137,261	1,996,052
Restated opening balance		883,897	1,175,517	2,059,414	858,791	1,137,261	1,996,052
Net operating result for the year		25,999	–	25,999	19,319	–	19,319
Correction of prior period errors	G4-1	–	–	–	5,829	–	5,829
Restated net operating result for the period		25,999	–	25,999	25,148	–	25,148
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	191,217	191,217	–	39,155	39,155
– Impairment (loss) reversal relating to IPP&E	C1-8	–	(38,675)	(38,675)	–	(899)	(899)
Joint ventures and associates	D2-2	–	–	–	(42)	–	(42)
Other comprehensive income		–	152,542	152,542	(42)	38,256	38,214
Total comprehensive income		25,999	152,542	178,541	25,106	38,256	63,362
Closing balance at 30 June		909,896	1,328,059	2,237,955	883,897	1,175,517	2,059,414

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Clarence Valley Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
67,489	Rates and annual charges		69,120	66,783
42,590	User charges and fees		36,826	44,599
1,210	Interest received		1,492	2,364
59,783	Grants and contributions		85,220	60,852
–	Bonds, deposits and retentions received		872	638
2,520	Other		4,979	6,290
Payments:				
(36,870)	Payments to employees		(37,921)	(38,633)
(33,263)	Payments for materials and services		(51,096)	(55,415)
(6,054)	Borrowing costs		(6,335)	(6,569)
–	Bonds, deposits and retentions refunded		(237)	(722)
(14,997)	Other		(12,656)	(8,806)
82,408	Net cash flows from operating activities	G1-1	90,264	71,381
Cash flows from investing activities				
Receipts:				
8,189	Sale of investments		29,000	74,542
1,673	Proceeds from sale of IPPE		2,334	2,743
Payments:				
(458)	Purchase of investments		(29,000)	(68,890)
–	Acquisition of term deposits		(24,000)	–
(83,292)	Payments for IPPE		(55,139)	(57,691)
(265)	Purchase of intangible assets		(1,500)	(159)
(74,153)	Net cash flows from investing activities		(78,305)	(49,455)
Cash flows from financing activities				
Payments:				
(8,256)	Repayment of borrowings		(8,077)	(8,928)
–	Principal component of lease payments		(93)	(282)
(8,256)	Net cash flows from financing activities		(8,170)	(9,210)
(1)	Net change in cash and cash equivalents		3,789	12,716
14,000	Cash and cash equivalents at beginning of year		34,836	22,120
13,999	Cash and cash equivalents at end of year	C1-1	38,625	34,836
91,749	plus: Investments on hand at end of year	C1-2	122,000	98,000
105,748	Total cash, cash equivalents and investments		160,625	132,836

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

Clarence Valley Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 March 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements.

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

- General purpose operations
- Water Supply
- Sewerage service

A1-1 Basis of preparation (continued)

- Clarence Regional Library

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 has many volunteers working in various areas. These volunteer services have not been recognised as income as per AASB 1058. This is because the fair value of such services cannot be reliably measured and it would not have been purchased if they were not donated.

Coronavirus (COVID 19) Impact

Council is required to assess whether and how it may be affected by COVID 19 and the impact on its Financial Reports. Council first experienced a disruption in business practices early in 2020 and that continued throughout the Financial Year ended 30 June 2021 and 30 June 2022. Various services and activities were impacted however Council continued to operate and provide services without a material increase in costs.

While it is difficult to determine what the ongoing impact of COVID 19 on Council and the community we operate in, at this stage no material impact has been identified and Council continues to operate as a going concern.

Natural Disaster (Floods) February/March 2022.

Council is required to assess whether and how it may be affected by the natural disasters of February and March 2022, including the impact on its Financial Reports, impacts to Council's business and revenues streams and the potential cashflow impact. The events have had a significant impact on Council including but not limited to a disruption in its business operations, ability to deliver services, damage to infrastructure, damage to plant and equipment and significant impact on the residential and business communities of Clarence Valley.

Council undertook an analysis of the impacts of Floods on Council's financial reports and Going Concern assumption.

The following items were analysed:

- Asset impairment/changes in assumptions for impairment testing (AASB 136)
- Change in fair value of assets (AASB 13)
- Material uncertainties that cast significant doubt on the ability to continue as a going concern such as extent of the impact on future costs and revenues (AASB 101 and AASB 110) and unknown duration of the impact.
- Indirect impacts such as customers, suppliers, financiers or investments in other entities may be affected leading to impairments, increased costs or reduced revenues
- Cashflow

Council and the Community have received Commonwealth and State funding in relation to the floods which will address the issues around restoration of assets, cashflow of residents and the provision of essential services to the community.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods (and which have not been early adopted by Council).

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

A1-1 Basis of preparation (continued)

New accounting standards adopted during the year

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2022.

None of these standards had a significant impact on the Council's reported position or performance.

B Financial Performance

B1 Functions or activities

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

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

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021 ¹	2022	2021 ¹ Restated	2022	2021 ¹ Restated	2022	2021 ¹	2022	2021 ¹ Restated
\$ '000										
Functions or activities										
Leadership	6,877	1,972	28,882	25,907	(22,005)	(23,935)	5,597	622	300,534	270,434
Infrastructure	87,593	96,797	87,458	89,435	135	7,362	45,836	48,833	1,878,992	1,745,826
Society	13,143	11,070	20,089	21,625	(6,946)	(10,555)	7,858	6,456	138,841	130,449
Environment	16,875	16,875	15,695	14,841	1,180	2,034	847	1,052	27,034	33,194
Economy	7,106	8,537	5,686	5,845	1,420	2,692	500	1,120	34,054	24,562
General purpose income	52,216	47,550	–	–	52,216	47,550	15,081	11,610	–	–
Other	–	–	–	–	–	–	–	–	1	2
Total functions and activities	183,810	182,801	157,810	157,653	26,000	25,148	75,719	69,693	2,379,456	2,204,467

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

B1-2 Components of functions or activities

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

Leadership

- Continuous Improvement
- Accountability and Compliance
- Participation and Communication
- Resourcing and Support

Infrastructure

- Quality Built Environment and Places
- Efficient Transport and Access
- Effective Essential Services

Society

- Community Health and Welbeing
- Creative Culture and Recreation
- Good Community Relations
- Community Resilience

Environment

- Protecting the Land
- Maintaining Healthy Waterways
- Protecting Biodiversity

Economy

- Efficient and Careful Resource Use
- Healthy Economic Activity
- Meaningful Work and Employment

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	28,824	28,026
Farmland	3,814	3,741
Business	4,548	4,465
Less: pensioner rebates (mandatory)	(1,093)	(1,128)
Rates levied to ratepayers	36,093	35,104
Pensioner rate subsidies received	594	623
Total ordinary rates	36,687	35,727
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,595	7,360
Water supply services	3,065	2,969
Sewerage services	19,441	18,789
Waste management services (non-domestic)	2,401	2,229
Less: pensioner rebates (mandatory)	(962)	(1,212)
Annual charges levied	31,540	30,135
Pensioner subsidies received:		
– Water	171	247
– Sewerage	165	180
– Domestic waste management	173	183
Total annual charges	32,049	30,745
Total rates and annual charges	68,736	66,472

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	1	11,701	14,161
Sewerage services	1	1,494	1,882
On-site septic management services	1	386	364
Total specific user charges		13,581	16,407
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67	1	752	17
Regulatory/ statutory fees	2	3,057	2,492
Registration fees		(2)	–
Section 10.7 certificates (EP&A Act)	2	150	150
Section 603 certificates	2	143	152
Total fees and charges – statutory/regulatory		4,100	2,811
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	2	43	51
Caravan park	2	6,144	6,976
Cemeteries	2	818	710
Community centres	2	22	37
Leaseback fees – Council vehicles	2	345	342
Quarry revenues	2	560	223
Transport for NSW works (state roads not controlled by Council)	1	1,314	4,779
Saleyards	2	368	308
Swimming centres	2	270	316
Art gallery	2	125	84
Other sewer fees	2	557	787
Other water fees	2	907	1,811
Other waste management	2	256	324
Regional landfill	2	5,147	5,393
Water tapping fees	2	431	494
Other	2	392	400
Total fees and charges – other		17,699	23,035
Total other user charges and fees		21,799	25,846
Total user charges and fees		35,380	42,253
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		13,581	16,698
User charges and fees recognised at a point in time (2)		21,799	25,555
Total user charges and fees		35,380	42,253

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 a leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Fines	2	176	112
Legal fees recovery – rates and charges (extra charges)	2	119	163
Commissions and agency fees	2	55	43
Container Deposit Scheme Sharing	2	108	99
Diesel rebate	2	245	304
Insurance claims recoveries	2	85	204
Sales – general	2	63	136
Commonwealth emissions reduction fund	2	162	116
State waste rebate	2	87	88
Other	2	400	436
Total other revenue		1,500	1,701

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,500	1,701
Total other revenue	1,500	1,701

Accounting policy for other revenue

Where the revenue relates to a contract with 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.

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021 ¹
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	4,113	3,698	–	–
Financial assistance – local roads component	2	1,830	1,607	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	6,316	3,956	–	–
Financial assistance – local roads component	2	2,822	1,726	–	–
Amount recognised as income during current year		15,081	10,987	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Economic development	1	–	235	806	7,063
Employment and training programs	2	183	28	–	–
Community care	2	(8)	1,349	–	–
Community centres	2	134	–	–	–
Floodplain management	2	97	294	–	–
Environmental services	2	177	532	2,396	–
Library	2	204	242	275	–
Harwood Precinct Upgrade	1	–	–	–	–
Heritage and cultural	1	61	80	–	4,546
LIRS subsidy	2	–	21	–	–
Maclean Showground	1	–	–	–	470
Noxious weeds	2	274	25	–	–
Recreation and culture	1	–	–	660	289
NSW rural fire services	1	2,505	1,572	2,204	480
Saleyad upgrade	2	–	–	–	36
Storm/flood damage	2	10,060	2,878	–	–
Street lighting	2	–	106	–	–
Transport (roads to recovery)	2	2,051	2,051	–	–
Transport (other roads and bridges funding)	1	–	–	15,603	10,499
Other specific grants	2	418	183	6,180	535
Clarence regional library	2	277	241	–	–
Previously contributions:					
Paving	1	–	–	–	9
Roads and bridges	1	–	–	1	9
Transport for NSW contributions (regional roads, block grant)	2	3,893	4,288	701	2,288
Other contributions	2	1,206	666	20	367
Rural fire services	2	(367)	(80)	–	–
Work health and safety	2	–	125	–	–
Total special purpose grants and non-developer contributions – cash		21,165	14,836	28,846	26,591
Non-cash contributions					
Dedications – subdivisions (other than by s7.4 and s7.11 – EP&A Act, s64 of the LGA)	2	–	–	5,303	10,758
Sewerage (excl. section 64 contributions)	2	–	–	–	1,131
Water supplies (excl. section 64 contributions)	2	–	–	–	336
Total other contributions – non-cash		–	–	5,303	12,225

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021 ¹
Total special purpose grants and non-developer contributions (tied)		21,165	14,836	34,149	38,816
Total grants and non-developer contributions		36,246	25,823	34,149	38,816
Comprising:					
– Commonwealth funding		17,030	14,502	10,512	4,217
– State funding		18,010	10,531	18,314	21,990
– Other funding		1,206	790	5,323	12,609
		36,246	25,823	34,149	38,816

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021 ¹
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	1,740	1,608
S 7.12 – fixed development consent levies		2	–	–	167	165
S 64 – water supply contributions		2	–	–	1,335	1,282
S 64 – sewerage service contributions		2	–	–	2,082	1,999
Total developer contributions – cash			–	–	5,324	5,054
Total developer contributions			–	–	5,324	5,054
Total contributions			–	–	5,324	5,054
Total grants and contributions			36,246	25,823	39,473	43,870
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			21,165	1,877	34,176	23,365
Grants and contributions recognised at a point in time (2)			15,081	23,946	5,297	20,505
Total grants and contributions			36,246	25,823	39,473	43,870

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	2,293	2,887	33,500	26,291
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,537	1,313	27,048	12,591
Add: Funds received and not recognised as revenue in the current year	–	–	–	–
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,599)	(1,907)	(3,886)	(5,382)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	–	–
Unspent funds at 30 June	5,231	2,293	56,662	33,500

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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

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

Developer contributions

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

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.

B2-4 Grants and contributions (continued)

Other grants and contributions

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

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	372	118
– Cash and investments	1,416	1,792
Total interest and investment income (losses)	1,788	1,910

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2022	2021
Rental income			
Other lease income			
Room/Facility Hire		687	772
Total other lease income		687	772
Total rental income	C2-2	687	772
Total other income		687	772

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	28,354	29,806
Employee leave entitlements (ELE)	6,911	6,676
Superannuation	3,633	3,794
Workers' compensation insurance	780	744
Fringe benefit tax (FBT)	27	39
Payroll tax	298	321
Training costs (other than salaries and wages)	301	459
Other	236	255
Total employee costs	40,540	42,094
Less: capitalised costs	(3,487)	(3,489)
Total employee costs expensed	37,053	38,605

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		8,412	11,155
Contractor and consultancy costs		26,950	26,137
Audit Fees	F2-1	98	164
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	431	281
Advertising		280	243
Bank charges		254	239
Election expenses		362	—
Electricity and heating		1,815	1,982
Insurance		2,069	1,882
Postage		217	156
Printing and stationery		156	215
Street lighting		451	406
Subscriptions and publications		479	469
Telephone and communications		449	418
Valuation fees		205	182
Caravan park levies		441	330
Computer maintenance		1,215	1,253
Future reinstatement costs for contaminated roads		2,119	—
Other expenses		4	19
Quarry expenses		103	71
Contributions to other organisations		187	232
Legal expenses:			
Expenses from short-term leases		—	59
– Legal expenses: planning and development		8	15
– Legal expenses: debt recovery		—	159
– Legal expenses: other		89	97
Total materials and services		46,794	46,164

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on leases		—	3
Interest on loans		6,028	6,257
Other debts		2	2
Total interest bearing liability costs		6,030	6,262
Total interest bearing liability costs expensed		6,030	6,262
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	C3-5	388	269
Total other borrowing costs		388	269
Total borrowing costs expensed		6,418	6,531

Accounting policy

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

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

\$ '000	Notes	2022	2021 ¹ Restated
Depreciation and amortisation			
Plant and equipment		3,477	3,325
Office equipment		321	306
Furniture and fittings		138	143
Infrastructure:	C1-8		
– Buildings – non-specialised		1,465	1,323
– Buildings – specialised		1,423	1,573
– Other structures		1,343	1,173
– Roads		13,472	13,725
– Bridges		3,140	3,184
– Footpaths		646	619
– Other road assets		750	751
– Stormwater drainage		2,810	2,763
– Water supply network		6,911	6,343
– Sewerage network		8,366	8,796
– Swimming pools		308	179
– Other open space/recreational assets		1,663	1,837
– Other infrastructure		1,732	1,711
Right of use assets	C2-1	90	278
Other assets:			
– Library books		228	217
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-8	217	506
– Quarry assets	C3-5, C1-8	18	29
Intangible assets	C1-9	233	233
Total gross depreciation and amortisation costs		48,751	49,014
Less: capitalised costs		–	(929)
Total depreciation and amortisation costs		48,751	48,085
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-8		
– Roads		36,795	(279)
– Stormwater drainage		–	123
– Other infrastructure		1,880	1,055
Total gross IPPE impairment / revaluation decrement costs		38,675	899
Amounts taken through revaluation reserve	C1-8	(38,675)	(899)
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
Total depreciation, amortisation and impairment for non-financial assets		48,751	48,085

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since 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 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.

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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.

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

B3-5 Other expenses

\$ '000	2022	2021
Other		
Contributions/levies to other levels of government		
– Department of planning levy	267	119
– Emergency services levy (includes FRNSW, SES, and RFS levies)	752	1,131
– Waste levy	3,996	3,708
– Other contributions/levies	18	25
Donations, contributions and assistance to other organisations (Section 356)	68	24
Total other	5,101	5,007
Total other expenses	5,101	5,007

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

\$ '000	Notes	2022	2021 ¹
Gain (or loss) on disposal of plant and equipment	C1-8		
Proceeds from disposal – plant and equipment		2,334	2,743
Less: carrying amount of plant and equipment assets sold/written off		(1,025)	(1,551)
Gain (or loss) on disposal		1,309	1,192
Gain (or loss) on disposal of infrastructure	C1-8		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(15,003)	(14,495)
Gain (or loss) on disposal		(15,003)	(14,495)
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		29,000	74,542
Less: carrying amount of investments sold/redeemed/matured		(29,000)	(74,500)
Gain (or loss) on disposal		–	42
Net gain (or loss) from disposal of assets		(13,694)	(13,261)

Accounting policy

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

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 22/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Rates and annual charges	67,550	68,736	1,186	2% F
User charges and fees	43,123	35,380	(7,743)	(18)% U
RMCC Administration RTA Charges \$3,927k (U)				
Landfill Operations Other Waste Management Fees \$3,453k (U)				
Other revenues	1,452	1,500	48	3% F
Operating grants and contributions	22,685	36,246	13,561	60% F
RR Administration \$1,077k (F)				
Financial Assistance Grant \$5,521k (F)				
Roads and Transport \$1,500k (F)				
Capital grants and contributions	42,105	39,473	(2,632)	(6)% U
Grafton Waterfront Structural Works \$5,900k (U)				
HPk - Calypso Yamba HP Redevelopment \$6,340k (U)				
Interest and investment revenue	1,250	1,788	538	43% F
Council's favourable return is due to Council's investment portfolio returning 1.28% for the year, which outperformed most NSW Councils.				
Net gains from disposal of assets	1,760	–	(1,760)	(100)% U
At this stage, council's budget only allows for proceeds from sale of assets and does not attempt to predict any book profit or loss from disposals.				
Other income	925	687	(238)	(26)% U
Property Lease \$68k (U)				
Sporting Facility Leases \$91k (U)				

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Expenses					
Employee benefits and on-costs	38,674	37,053	1,621	4%	F
Materials and services	47,227	46,794	433	1%	F
Borrowing costs	6,007	6,418	(411)	(7)%	U
Depreciation, amortisation and impairment of non-financial assets	44,816	48,751	(3,935)	(9)%	U
Other expenses	5,083	5,101	(18)	0%	U
Net losses from disposal of assets	—	13,694	(13,694)	∞	U

At this stage, council's budget only allows for proceeds from sale of assets and does not attempt to predict any book profit or loss from disposals.

Statement of cash flows

Cash flows from operating activities	82,408	90,264	7,856	10%	F
Cash flows from investing activities	(74,153)	(78,305)	(4,152)	6%	U
Cash flows from financing activities	(8,256)	(8,170)	86	(1)%	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	12,542	11,074
Cash equivalent assets		
– Deposits at call	25,332	23,262
– Managed funds	490	490
– Short-term deposits	10	10
– Other financial assets	251	–
Total cash and cash equivalents	38,625	34,836

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	38,625	34,836
Balance as per the Statement of Cash Flows	38,625	34,836

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

	2022 Current	2022 Non-current	2021 Current	2021 Non-current
\$ '000				
Debt securities at amortised cost				
Long term deposits	112,000	10,000	52,000	46,000
Total	112,000	10,000	52,000	46,000
Total financial investments	112,000	10,000	52,000	46,000
Total cash assets, cash equivalents and investments	150,625	10,000	86,836	46,000

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

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

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

Fair value through other comprehensive income – equity instruments

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

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

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments of NCDs in the Statement of Financial Position.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	160,625	132,836
Cash, cash equivalents and investments not subject to external restrictions	41,125	42,803
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Deposits, bonds and retentions	2,743	2,108
Held as custodian	518	664
External restrictions – included in liabilities	3,261	2,772
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	11,164	9,136
Developer contributions – water fund	10,634	9,191
Developer contributions – sewer fund	11,076	8,886
Specific purpose unexpended grants (recognised as revenue) – general fund	26,751	8,537
Specific purpose unexpended grants – Holiday Parks	532	24
Specific purpose unexpended grants – Other	1,284	18
Water fund	36,740	38,891
Sewer fund	9,670	5,995
Domestic waste management	570	1,235
Holiday Parks	6,337	3,541
Clarence regional library	726	674
Other	755	1,133
External restrictions – other	116,239	87,261
Total external restrictions	119,500	90,033

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	41,125	42,803
Unrestricted and unallocated cash, cash equivalents and investments	1,600	519

Internal allocations

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

Building Asset renewals	446	209
Cemetery reserves	–	2
Coastal and estuary management	302	353
Commercial waste service reserve	1,402	1,418
Community cultural and heritage programs	16	22
Council s7.11 development funds	30	30
Election cost reserve	100	308

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

\$ '000	2022	2021
Emergency services reserves	661	88
Employee leave entitlements	4,074	3,982
Environmental and noxious weeds projects	554	696
Fleet plant reserve	6,597	7,311
Floodplain management reserves	298	377
Infrastructure assets renewals reserve	1,002	586
Insurance reserves	213	213
Maclean and district improvements	606	592
Other parks improvements	496	103
Public pool improvements	177	709
Public toilet refurbishment program	109	146
Quarries operations and rehabilitation	703	569
Regional development and tourism projects	19	—
Regional landfill reserves	2,756	9,282
Roads reserves	884	1,456
Saleyards asset replacement	162	313
Software implementation reserves	704	684
Sporting facilities improvements	309	281
Strategic building reserve	671	959
Strategic development programs	381	105
Unspent financial assistance grant	9,138	5,681
Unspent general loans floodplain infrastructure and natural resources	27	27
Waste management reserves	6,688	5,782
Total internal allocations	39,525	42,284

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	1,600	519

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	3,150	1,452	3,114	1,394
Interest and extra charges	448	–	377	–
User charges and fees	9,503	–	8,857	–
Accrued revenues				
– Interest on investments	812	–	587	–
Amounts due from other councils	–	–	53	–
Government grants and subsidies	6,572	–	12,543	–
Net GST receivable	1,469	–	826	–
Government departments (other than grants)	858	–	486	–
Other debtors	412	–	1,286	–
Total	23,224	1,452	28,129	1,394
Less: provision for impairment				
Rates and annual charges	(4)	–	(4)	–
Other debtors	(5)	–	(5)	–
Total provision for impairment – receivables	(9)	–	(9)	–
Total net receivables	23,215	1,452	28,120	1,394

C1-4 Receivables (continued)

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	9	9
Balance at the end of the year	9	9

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 estimating ECL, 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.

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

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

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

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

Where 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.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Real estate for resale	90	156	90	156
Stores and materials	1,949	–	1,436	–
Total inventories at cost	2,039	156	1,526	156
Total inventories	2,039	156	1,526	156

C1-5 Inventories (continued)

(i) Other disclosures

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(a) Details for real estate development				
Residential	90	156	90	156
Total real estate for resale	90	156	90	156
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	90	156	90	156
Total costs	90	156	90	156
Total real estate for resale	90	156	90	156
Movements:				
Real estate assets at beginning of the year	90	156	90	156
Total real estate for resale	90	156	90	156

(b) Current inventories not anticipated to be settled within the next 12 months

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

\$ '000	2022	2021
Real estate for resale	—	90
	—	90

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Contract assets and Contract cost assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Contract assets	7,472	—	4,856	—
Total contract assets and contract cost assets	7,472	—	4,856	—

Contract assets

Government grants	7,472	—	4,856	—
Total contract assets	7,472	—	4,856	—

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.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Non-current assets held for sale				
Land	559	–	342	–
Buildings	588	–	588	–
Other assets	–	–	217	–
Total non-current assets held for sale	1,147	–	1,147	–
Total non-current assets classified as held for sale	1,147	–	1,147	–

Details of assets and disposal groups

Council has resolved to sell the following parcel of land & building assets as part of its property rationalisation strategy:

- Previous Clarence Valley Tourist Information Centre, Spring Street, South Grafton

Council has engaged the services of a licenced real estate agent.

Reconciliation of non-current assets held for sale and disposal groups – i.e. discontinued operations

\$ '000	2022 Assets 'held for sale'	2021 Assets 'held for sale'
Opening balance	1,147	1,147
Balance still unsold after 12 months:	1,147	1,147
Closing balance of held for sale non-current assets and operations	1,147	1,147

Accounting policy

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

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021 ²			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	18,189	–	18,189	13,567	12,138	–	–	–	(13,980)	(421)	–	–	29,493	–	29,493
Plant and equipment	45,939	(19,768)	26,171	7,797	–	(1,026)	(3,477)	–	–	–	–	–	50,250	(20,785)	29,465
Office equipment	4,660	(3,790)	870	–	442	–	(321)	–	–	–	–	–	5,096	(4,105)	991
Furniture and fittings	3,953	(2,839)	1,114	–	198	–	(138)	–	–	–	–	–	4,151	(2,977)	1,174
Land:															
– Crown land	27,366	–	27,366	–	–	–	–	–	–	–	–	5,473	32,839	–	32,839
– Operational land	41,466	–	41,466	–	–	–	–	–	158	–	(208)	–	41,416	–	41,416
– Community land	9,304	–	9,304	–	–	–	–	–	–	–	–	1,741	11,045	–	11,045
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	20	–	20
Infrastructure:															
– Buildings – non-specialised	65,613	(21,601)	44,012	3,669	126	(3,018)	(1,465)	–	4,781	–	–	3,098	77,023	(25,820)	51,203
– Buildings – specialised	110,398	(31,271)	79,127	551	4	(202)	(1,423)	–	49	–	(350)	–	125,944	(48,188)	77,756
– Other structures	29,959	(9,748)	20,211	498	9	(6)	(1,343)	–	171	250	–	3,042	36,215	(13,383)	22,832
– Roads ²	619,002	(203,827)	415,175	4,591	1,285	(5,750)	(13,472)	(36,795)	6,831	(41)	–	52,529	700,029	(275,678)	424,351
– Bridges	152,963	(45,829)	107,134	555	–	(1,357)	(3,140)	–	638	–	–	13,455	173,453	(56,168)	117,285
– Footpaths	31,143	(11,118)	20,025	815	1,675	(150)	(646)	–	–	–	–	2,548	37,553	(13,286)	24,267
– Other road assets (including bulk earthworks)	36,119	(7,857)	28,262	1,061	216	(542)	(750)	–	–	41	–	3,557	41,405	(9,560)	31,845
– Bulk earthworks (non-depreciable)	202,472	–	202,472	2,451	–	(175)	–	–	–	–	–	26,702	231,450	–	231,450
– Stormwater drainage	220,779	(72,394)	148,385	4,701	–	(505)	(2,810)	–	–	–	–	19,171	255,235	(86,293)	168,942
– Water supply network	559,103	(154,375)	404,728	5,172	3,085	(1,373)	(6,911)	–	45	–	–	23,114	613,562	(185,702)	427,860
– Sewerage network	343,185	(111,124)	232,061	865	914	(128)	(8,366)	–	536	–	–	13,290	364,989	(125,817)	239,172
– Swimming pools	10,108	(4,388)	5,720	13	–	(1,420)	(308)	–	–	17	(54)	–	7,200	(3,232)	3,968
– Other open space/recreational assets	54,323	(21,760)	32,563	487	54	(130)	(1,663)	–	687	(272)	–	3,852	58,036	(22,458)	35,578
– Other infrastructure ²	201,442	(47,103)	154,339	873	–	(247)	(1,732)	(1,880)	84	–	–	20,257	228,593	(56,898)	171,695
Other assets:															
– Library books	6,693	(5,816)	877	305	–	–	(228)	–	–	–	–	–	6,995	(6,041)	954
– Other	4,086	–	4,086	–	–	–	–	–	–	–	–	–	4,086	–	4,086
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	12,538	(3,906)	8,632	–	–	–	(217)	–	–	(7,692)	–	–	4,846	(4,123)	723
– Quarry assets	1,205	(174)	1,031	–	–	–	(18)	–	–	(347)	–	–	858	(192)	666
Total infrastructure, property, plant and equipment	2,812,028	(778,688)	2,033,340	47,971	20,146	(16,029)	(48,428)	(38,675)	–	(8,465)	(612)	191,829	3,141,782	(960,706)	2,181,076

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

(2) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021 ²		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount ²
\$ '000														
Capital work in progress	21,506	–	21,506	2,599	13,446	–	–	(19,362)	–	–	–	18,189	–	18,189
Plant and equipment	44,483	(20,665)	23,818	7,224	–	(1,546)	(3,325)	–	–	–	–	45,939	(19,768)	26,171
Office equipment	4,396	(3,484)	912	237	27	–	(306)	–	–	–	–	4,660	(3,790)	870
Furniture and fittings	3,826	(2,699)	1,127	63	68	(1)	(143)	–	–	–	–	3,953	(2,839)	1,114
Land:														
– Operational land	41,201	–	41,201	3	–	–	–	4,131	262	(4,131)	–	41,466	–	41,466
– Community land	8,520	–	8,520	1,046	–	–	–	–	(262)	–	–	9,304	–	9,304
– Crown land	27,366	–	27,366	–	–	–	–	–	–	–	–	27,366	–	27,366
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	20	–	20
Infrastructure:														
– Buildings – non-specialised	58,855	(20,263)	38,592	9	3,774	(130)	(1,323)	3,090	–	–	–	65,613	(21,601)	44,012
– Buildings – specialised	109,033	(31,428)	77,605	1,459	1,271	(1,385)	(1,573)	1,750	–	–	–	110,398	(31,271)	79,127
– Other structures	29,557	(8,577)	20,980	72	335	(3)	(1,173)	–	–	–	–	29,959	(9,748)	20,211
– Roads ²	607,381	(192,448)	414,933	9,563	7,374	(4,486)	(13,725)	2,148	(201)	–	–	619,002	(203,827)	415,175
– Bridges	152,862	(43,676)	109,186	1,041	–	(997)	(3,184)	376	–	–	–	152,963	(45,829)	107,134
– Footpaths	30,367	(10,604)	19,763	123	870	(264)	(619)	121	31	–	–	31,143	(11,118)	20,025
– Other road assets (including bulk earthworks)	36,404	(7,245)	29,159	228	1,419	(954)	(751)	93	(932)	–	–	36,119	(7,857)	28,262
– Bulk earthworks (non-depreciable)	193,951	–	193,951	271	4,306	(1,739)	–	4,581	1,102	–	–	202,472	–	202,472
– Stormwater drainage	219,408	(69,671)	149,737	275	2,339	(1,557)	(2,763)	477	–	–	–	220,779	(72,394)	148,385
– Water supply network	496,971	(140,719)	356,252	1,142	841	(969)	(6,343)	432	–	–	53,373	559,103	(154,375)	404,728
– Sewerage network	365,456	(119,518)	245,938	2,387	2,051	(1,048)	(8,796)	1,483	–	(9,954)	–	343,185	(111,124)	232,061
– Swimming pools	9,783	(4,322)	5,461	503	–	(65)	(179)	–	–	–	–	10,108	(4,388)	5,720
– Other open space/recreational assets	52,665	(20,450)	32,215	1,233	1,379	(518)	(1,837)	91	–	–	–	54,323	(21,760)	32,563
– Other infrastructure ²	196,168	(40,687)	155,481	2,017	45	(381)	(1,711)	78	–	(133)	–	201,442	(47,103)	154,339
Other assets:														
– Library books	6,369	(5,599)	770	328	–	(4)	(217)	–	–	–	–	6,693	(5,816)	877
– Other	3,995	–	3,995	91	–	–	–	–	–	–	–	4,086	–	4,086
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	11,552	(3,400)	8,152	986	–	–	(506)	–	–	–	–	12,538	(3,906)	8,632
– Quarry assets	1,247	(145)	1,102	–	–	–	(29)	511	(553)	–	–	1,205	(174)	1,031
Total infrastructure, property, plant and equipment	2,733,342	(745,600)	1,987,742	32,900	39,545	(16,047)	(48,503)	–	(553)	(14,218)	53,373	2,812,028	(778,688)	2,033,340

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

(2) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

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

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

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.

Useful lives of IPPE

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	Buildings	Years
Office equipment	5 to 10	Buildings: specialised	37 to 284
Office furniture	10 to 30	Buildings: non specialised	59 to 158
Computer equipment	5		
Vehicles	5 yrs/ 150,000km	Other infrastructure assets	Years
Heavy plant/road making equipment	5 to 15	Bulk earthworks	Infinite
Other plant and equipment	5 to 15	Floodplain assets	19 to 174
Water and sewer assets	Years	Stormwater assets	Years
Dams and reservoirs	10 to 200	Pits	63 to 90
Water reticulation pipes: PVC	74 to 120	Culverts	62 to 90
Water reticulation pipes: other	20 to 160	Pipes	63 to 88
Water pumps and telemetry	5 to 30		
Regional water supply pipes	30 to 200	Other Structures	Years
Sewerage treatment plant	11 to 200	Lighting	19 to 28
Sewer reticulation pipes: PVC	70 to 210	Fences	11 to 42
Sewer reticulation pipes: other	50 to 210	Airport Structures	21 to 45
Sewer pumps and telemetry	5 to 30	Saleyards	23 to 92
Sewer pressure units	5 to 50		
Transportation assets	Years	Swimming Pools	Years
Sealed roads: surface	12 to 135	Chlorination plant	17
Sealed roads: structure	84 to 200	Surfaces	100 to 128
Unsealed roads	22 to 85	Facilities	77 to 109
Bridge: concrete	107 to 165	Structures (Pool & shade)	11 to 118
Bridge: other	53 to 78		
Kerb and gutter	72 to 110	Other open space/recreational assets	Years
Traffic facilities	20 to 134	Barbeques	16 to 26
Guard rail	59 to 75	Playground equipment	16 to 26
Roadside furniture	16 to 27	Shelters	26 to 52
Bus shelters	34 to 63		
Street lights	35 to 42		
Car parks	70 to 133		

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

Revaluation model

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

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

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

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Rural Fire Service assets

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

Only land and building Rural Fire Service assets are recognised as assets of the Council in these financial statements as it is Council's position is does not control firefighting plant and equipment.

Land under roads

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

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Lease, refer to Note C2-1.

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.

C1-9 Intangible assets

Intangible assets are as follows:

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	4,200	4,041
Accumulated amortisation	(3,324)	(3,091)
Net book value – opening balance	876	950
Movements for the year		
Purchases	–	159
Amortisation charges	(233)	(233)
Closing values at 30 June		
Gross book value	4,200	4,200
Accumulated amortisation	(3,557)	(3,324)
Total software – net book value	643	876
Water Licences		
Movements for the year		
Other movements	1,500	–
Closing values at 30 June		
Gross book value	1,500	–
Total Water Licences – net book value	1,500	–
Total intangible assets – net book value	2,143	876

Accounting policy

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Water Licences

Water Access Licence 39066, which permits annual extraction of up to 29,500ML is a Local Water Utility licence with a condition requiring that water extracted under the licence can only be used for town water supply purposes.

C1-10 Other

Other assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Prepayments	131	–	126	–
Total other assets	131	–	126	–

C2 Leasing activities

C2-1 Council as a lessee

Council has two leases for the asset class buildings. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases two administration buildings:

- 42 Victoria Street Grafton - the lease is for 2 years with 2 x 5 year renewal options. The building lease contains an annual pricing mechanism based on 3% increase at each anniversary of the lease inception.
- 49 Queen Street Grafton - the original lease was for 3 years with a 3 year option to renew. The renewal date was 21 February 2019 where Council took up the 3 year renewal option making the lease term 6 years with an additional 1 x 3 year renewal option. The building lease contains an annual pricing mechanism based on CPI movements at each anniversary of the lease inception.

Extension options

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

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

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

(a) Right of use assets

\$ '000	Plant & Equipment	Ready to use	Total
2022			
Opening balance at 1 July	–	90	90
Depreciation charge	–	(90)	(90)
Balance at 30 June	–	–	–
2021			
Opening balance at 1 July	–	368	368
Depreciation charge	–	(278)	(278)
Balance at 30 June	–	90	90

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	–	–	93	–
Total lease liabilities	–	–	93	–

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:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	93	–	–	93	–
2021					
Cash flows	93	–	–	93	93

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	–	3
Depreciation of right of use assets	180	278
Impairment of right of use assets	(90)	–
Expenses relating to short-term leases	–	59
	90	340

(e) Statement of Cash Flows

Total cash outflow for leases	(93)	(286)
	(93)	(286)

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.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E 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:

\$ '000	2022	2021
(i) Assets held as property, plant and equipment		
Council provides operating leases on Council buildings for the purpose of room/facility hire, the table below relates to operating leases on assets disclosed in C1-8.		
Lease income (excluding variable lease payments not dependent on an index or rate)	687	772
Total income relating to operating leases for Council assets	687	772

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 then 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

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services – operating expenditure	4,639	–	3,689	–
Goods and services – capital expenditure	2,161	–	2,953	–
Accrued expenses:				
– Borrowings	450	–	470	–
– Salaries and wages	–	–	6	–
– ELE - CCS transition to Wesley	–	–	–	–
Security bonds, deposits and retentions	2,743	–	2,108	–
Government departments	1,087	–	1,979	–
Employee time in lieu and RDO	101	–	467	–
Prepaid rates	3,020	–	2,542	–
Other	70	–	322	–
Total payables	14,271	–	14,536	–

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

\$ '000	2022	2021
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	2,450	1,849
Total payables	2,450	1,849

Accounting policy

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

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Unexpended capital grants (to construct Council controlled assets)	(i)	16,725	–	5,550	–
Holiday park deposits in advance of services provided		396	–	355	–
Total contract liabilities		17,121	–	5,905	–

Notes

(i) Council has received funding under the Fixing Country Bridges and Fixing Local Roads Programs to undertake a bridge replacement program and roads improvements. Funding has also been received to seal a section of the Clarence Way, saleyard upgrades and Yaegl libraries refurbishment. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

C3-2 Contract Liabilities (continued)

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

\$ '000	2022	2021
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	16,725	4,002
Total revenue recognised that was included in the contract liability balance at the beginning of the period	16,725	4,002

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	8,739	78,391	8,256	86,951
Total borrowings	8,739	78,391	8,256	86,951

(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 E2-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	95,207	(8,077)	–	–	–	–	87,130
Lease liability (Note C2-1b)	93	(93)	–	–	–	–	–
Total liabilities from financing activities	95,300	(8,170)	–	–	–	–	87,130

\$ '000	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	104,135	(8,928)	–	–	–	–	95,207
Lease liability (Note C2-1b)	375	(282)	–	–	–	–	93
Total liabilities from financing activities	104,510	(9,210)	–	–	–	–	95,300

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	150	150
Total financing arrangements	650	650
Undrawn facilities		
– Bank overdraft facilities	500	500

C3-3 Borrowings (continued)

\$ '000	2022	2021
– Credit cards/purchase cards	150	150
Total undrawn financing arrangements	650	650

Additional financing arrangements information

Breaches and defaults

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

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	3,601	–	3,740	–
Long service leave	8,745	344	9,273	478
Total employee benefit provisions	12,346	344	13,013	478

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	8,444	9,831
	8,444	9,831

Description of and movements in non-employee benefit provisions

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	10,289	–	15,821
Sub-total – asset remediation/restoration	–	10,289	–	15,821
Total provisions	–	10,289	–	15,821

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	15,821	15,821
Unwinding of discount	103	103
Additional provisions	2,119	2,119
Remeasurement effects	(7,754)	(7,754)
Total other provisions at end of year	10,289	10,289
2021		
At beginning of year	15,119	15,119
Unwinding of discount	269	269
Additional provisions	2,340	2,340
Remeasurement effects	(1,907)	(1,907)
Total other provisions at end of year	15,821	15,821

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip, quarry and contaminated roads as a result of past operations.

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. 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.

C3-5 Provisions (continued)

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	48,762	3,039	19,421
User charges and fees	19,865	13,964	2,518
Interest and investment revenue	815	652	321
Other revenues	1,374	2,420	2,332
Grants and contributions provided for operating purposes	35,866	–	380
Grants and contributions provided for capital purposes	30,704	6,687	2,082
Other income	687	–	–
Total income from continuing operations	138,073	26,762	27,054
Expenses from continuing operations			
Employee benefits and on-costs	34,130	1,431	1,492
Materials and services	42,558	5,999	6,316
Borrowing costs	1,315	1,484	3,619
Depreciation, amortisation and impairment of non-financial assets	32,932	7,171	8,648
Other expenses	5,098	3	–
Net losses from the disposal of assets	12,128	1,285	281
Total expenses from continuing operations	128,161	17,373	20,356
Operating result from continuing operations	9,912	9,389	6,698
Net operating result for the year	9,912	9,389	6,698
Net operating result attributable to each council fund	9,912	9,389	6,698
Net operating result for the year before grants and contributions provided for capital purposes	(20,792)	2,702	4,616

D1-2 Statement of Financial Position by fund

\$ '000	General 2022	Water 2022	Sewer 2022
ASSETS			
Current assets			
Cash and cash equivalents	36,788	643	1,194
Investments	50,607	43,243	18,150
Receivables	16,408	5,148	1,659
Inventories	2,039	—	—
Contract assets and contract cost assets	7,472	—	—
Other	131	—	—
Non-current assets classified as held for sale	1,147	—	—
Total current assets	114,592	49,034	21,003
Non-current assets			
Investments	—	7,022	2,978
Receivables	1,024	59	369
Inventories	156	—	—
Infrastructure, property, plant and equipment	1,486,975	445,285	248,816
Intangible assets	619	1,500	24
Total non-current assets	1,488,774	453,866	252,187
Total assets	1,603,366	502,900	273,190
LIABILITIES			
Current liabilities			
Payables	13,364	634	273
Contract liabilities	17,121	—	—
Borrowings	2,532	1,258	4,949
Employee benefit provision	12,346	—	—
Total current liabilities	45,363	1,892	5,222
Non-current liabilities			
Borrowings	10,450	17,923	50,018
Employee benefit provision	344	—	—
Provisions	10,289	—	—
Total non-current liabilities	21,083	17,923	50,018
Total liabilities	66,446	19,815	55,240
Net assets	1,536,920	483,085	217,950
EQUITY			
Accumulated surplus	548,401	236,232	125,263
Revaluation reserves	988,519	246,853	92,687
Council equity interest	1,536,920	483,085	217,950
Total equity	1,536,920	483,085	217,950

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

The Council is a member of the North-East Weight of Loads Group (NEWLOG). The constitution of the group specifies Council as having part "ownership" of the groups net assets but not one member as having control. The stated objectives of the group include to generally promote the aims of reducing damage to Council's roads by policing of vehicle weight loads.

Council's share of the operations (25.0%) have been deemed as "immaterial" and therefore have not been incorporated into these financial statements.

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 the Council.

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the 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 Council setting out the make-up 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 Council's financial assets and financial liabilities approximates their 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 debt as and when they fall due.
- **Credit risk**– the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council.

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,596	1,323
Impact of a 10% movement in price of investments		
– Equity / Income Statement	49	49

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

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

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
2022				
Gross carrying amount	101	4,359	142	4,602
2021				
Gross carrying amount	17	4,387	104	4,508

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	25,072	287	221	84	1,882	27,546
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—
2021						
Gross carrying amount	20,163	253	1,128	835	1,746	24,125
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

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(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	2,743	8,507	–	–	11,250	14,271
Borrowings	6.53%	–	14,223	66,273	37,157	117,653	87,130
Total financial liabilities		2,743	22,730	66,273	37,157	128,903	101,401
2021							
Payables	0.00%	2,108	9,886	–	–	11,994	14,536
Borrowings	6.51%	–	14,263	54,161	63,314	131,738	95,207
Total financial liabilities		2,108	24,149	54,161	63,314	143,732	109,743

E2-1 Fair value measurement

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

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as ‘held for sale’

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

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

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

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

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

Fair value measurement hierarchy							
	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021 ¹ Restated	2022	2021 ¹ Restated
\$ '000							
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-8						
Operational land		41,416	41,466	—	—	41,416	41,466
Community land		11,045	9,304	—	—	11,045	9,304
Crown land		32,839	27,366	—	—	32,839	27,366
Land under roads (post 30/6/08)		—	—	—	20	—	20
Buildings – non-specialised		676	690	50,528	43,322	51,204	44,012
Buildings – specialised		—	—	77,756	79,127	77,756	79,127
Other structures		—	—	22,832	20,211	22,832	20,211
Roads		—	—	424,351	415,173	424,351	415,173
Bridges		—	—	117,285	107,134	117,285	107,134
Footpaths		—	—	24,267	20,025	24,267	20,025
Other road assets		—	—	31,845	28,262	31,845	28,262
Bulk earthworks (non-depreciable)		—	—	231,449	202,472	231,449	202,472
Stormwater drainage		—	—	168,941	148,385	168,941	148,385
Water supply network		—	—	427,860	404,728	427,860	404,728
Sewerage network		—	—	239,172	232,061	239,172	232,061
Swimming pools		—	—	3,968	5,720	3,968	5,720
Other open space/recreational assets		—	—	33,578	32,563	33,578	32,563
Floodplain		—	—	171,695	154,339	171,695	154,339
Library books		—	—	954	877	954	877
Artwork		—	—	4,086	4,086	4,086	4,086
Tip remediation		—	—	723	8,632	723	8,632
Quarry remediation		—	—	666	1,031	666	1,031
Total infrastructure, property, plant and equipment		85,976	78,826	2,031,956	1,908,168	2,117,932	1,986,994

Non-current assets classified as held for sale

C1-7

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021 ¹ Restated	2022	2021 ¹ Restated
Land		–	–	342	342	342	342
Buildings		588	588	–	–	588	588
Other		–	–	217	217	217	217
Total NCA's classified as held for sale		588	588	559	559	1,147	1,147

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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

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

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

Infrastructure, property, plant and equipment (IPPE)

LEVEL 2

Operational, Crown and Community Land

This asset class comprises all of Council's land classified as Operational, Crown and Community Land under the NSW Local Government Act 1993. The key observable input to the valuation is the price per square metre. The last valuation for Operational Land was undertaken at 31 March 2022 and was performed by Marsh Pty Ltd, trading as AssetVal, a registered valuer. The last valuation for Community Land was undertaken at 1 July 2019 and was performed by the Valuer General of New South Wales. Indexation has subsequently been applied to both Crown and Community Land as at 30 June 2022 and was performed by Asset Val.

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. For Operational, Crown and Community Land the most significant inputs into this valuation approach are price per square metre.

Buildings Non-Specialised

The last valuation was undertaken as at 30 June 2022 and was performed by AssetVal.

Level 2 valuation inputs were used to determine the fair value of a range of properties. This included residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

LEVEL 3

Land Under Roads

E2-1 Fair value measurement (continued)

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. Land under roads acquired after 1 July 2008 has been recognised in accordance with AASB 116 – Property, Plant and Equipment. There has been no change to the valuation process during the reporting period.

Buildings Specialised and Non-Specialised (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 30 June 2022 and was performed by AssetVal.

The level of evidence used to support the critical assumptions of some commercial buildings was considered to be highly variable due to high levels of variability in the market for rental yields and future demand. As such the level of valuation input for these properties was considered level 3.

Specialised buildings were valued using the cost approach using APV who are professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Other Structures (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 30 June 2022 and was performed by AssetVal.

Specialised assets such as all of the Other Structures were valued using the cost approach using APV who are professionally qualified Registered Valuers. The approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on price per asset could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Road (including Bridges, Footpaths, Bulk Earthworks), Stormwater, and Floodplain Assets.

The last valuation was undertaken as at 31 March 2018 and was performed by APV.

All road, stormwater and floodplain assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all road, stormwater and floodplain assets are deemed to be valued at level 3.

Water Supply and Sewerage Networks Infrastructure

The last valuation was undertaken as at 30 June 2021 and was performed by Australis.

All Water Supply and Sewerage Networks Infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all Water Supply and Sewerage Networks Infrastructure assets are deemed to be valued at level 3.

Library Books

E2-1 Fair value measurement (continued)

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

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Artwork

The last valuation was undertaken as at 17 March 2018 and was performed by Dwyer Fine Art.

The valuation of artworks was based upon current primary and secondary art market conditions, by which the replacement value for artworks was determined by the price at which comparable items could be purchased from a reputable dealer, gallery or retail outlet. The valuation took into consideration the historical importance, quality, provenance, condition, size, execution date and subject matter of the artworks.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Tips and Quarries remediation Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of Tips and Quarries sites.

Evaluation of costs for Tips and Quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Land under Roads		Buildings non specialised		Building specialised		Other structures	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	20	20	44,012	37,779	79,127	77,605	20,211	20,980
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	—	—	—	—	—	—	250	—
Purchases (GBV)	—	—	8,576	7,565	604	4,480	678	407
Disposals (WDV)	—	—	(3,018)	(25)	(202)	(1,385)	(6)	(3)
Depreciation and impairment	—	—	(1,465)	(1,307)	(1,423)	(1,573)	(1,343)	(1,173)
Revaluation increments to equity (ARR)	—	—	3,098	—	—	—	3,042	—
Impairment loss (recognised in equity)	—	—	—	—	(350)	—	—	—
Closing balance	20	20	51,203	44,012	77,756	79,127	22,832	20,211

\$ '000	Roads		Bridges		Footpaths		Other road assets	
	2022	2021 ¹	2022	2021	2022	2021	2022	2021
Opening balance	415,173	414,933	107,134	109,186	20,025	19,763	28,262	29,159
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	(41)	(201)	—	—	—	31	41	(932)
Purchases (GBV)	12,707	19,086	1,193	1,417	2,490	1,114	1,277	1,740
Disposals (WDV)	(5,750)	(4,486)	(1,357)	(997)	(150)	(264)	(542)	(954)
Depreciation and impairment	(13,472)	(13,725)	(3,140)	(3,184)	(646)	(619)	(750)	(751)
Revaluation increments to equity (ARR)	52,529	—	13,455	—	2,548	—	3,557	—
Impairment loss (recognised in equity)	(36,795)	(434)	—	712	—	—	—	—
Closing balance	424,351	415,173	117,285	107,134	24,267	20,025	31,845	28,262

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

\$ '000	Bulk earthworks		Stormwater drainage		Water supply network		Sewerage network	
	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	202,472	193,951	148,385	149,737	404,728	356,252	232,061	245,938
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	—	1,102	—	—	—	—	—	—
Purchases (GBV)	2,451	9,158	4,701	3,091	8,302	2,415	2,315	5,921
Disposals (WDV)	(175)	(1,739)	(505)	(1,557)	(1,373)	(969)	(128)	(1,048)
Depreciation and impairment	—	—	(2,810)	(2,763)	(6,911)	(6,343)	(8,366)	(8,796)
Revaluation increments to equity (ARR)	26,702	—	19,171	—	23,114	53,373	13,290	(9,954)
Impairment loss (recognised in equity)	—	—	—	(123)	—	—	—	—
Closing balance	231,450	202,472	168,942	148,385	427,860	404,728	239,172	232,061

E2-1 Fair value measurement (continued)

\$ '000	2022	2021	2022	2021	2022	2021 ¹	2022	2021
Opening balance	5,720	5,461	32,563	32,215	154,339	155,481	877	770
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	17	—	(272)	—	84	—	—	—
Purchases (GBV)	13	503	1,228	2,703	873	2,138	305	328
Disposals (WDV)	(1,420)	(65)	(130)	(518)	(247)	(381)	—	(4)
Depreciation and impairment	(308)	(179)	(1,663)	(1,837)	(1,732)	(1,711)	(228)	(217)
Revaluation increments to equity (ARR)	—	—	3,852	—	20,257	(133)	—	—
Impairment loss (recognised in equity)	(54)	—	—	—	(1,879)	(1,055)	—	—
Closing balance	3,968	5,720	35,578	32,563	171,695	154,339	954	877

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

	Artwork		Tip remediat'n		Quarry remediat'n		Held for Sale Land	
\$ '000	2022	2021	2022	2021	2022	2021	2022	2021
Opening balance	4,086	3,995	8,632	8,152	1,031	1,102	342	342
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	—	—	—	—	—	(553)	—	—
Purchases (GBV)	—	91	(7,692)	986	(347)	511	—	—
Depreciation and impairment	—	—	(217)	(506)	(18)	(29)	—	—
Revaluation increments to equity (ARR)	—	—	—	—	—	—	217	—
Impairment loss (recognised in equity)	—	—	—	—	—	—	—	—
Closing balance	4,086	4,086	723	8,632	666	1,031	559	342

\$ '000	Total	
	2022	2021
Opening balance	1,909,200	1,862,821
Transfers from/(to) another asset class	79	(553)
Purchases (GBV)	39,674	63,654
Disposals (WDV)	(15,003)	(14,395)
Depreciation and impairment	(44,492)	(44,713)
Revaluation increments to equity (ARR)	184,832	43,286
Impairment loss (recognised in equity)	(39,078)	(900)
Closing balance	2,035,212	1,909,200

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements

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

The 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 employee contributions

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 31 December 2021 and \$20.0 million per annum for 1 January to 31 December 2024, apportioned according to each

employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$557,918.67. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA as at 30 June 2020.

The amount of additional contributions included in the total employer contribution advised above is \$273,125.16. Council's expected contribution to the plan for the next annual reporting period is \$447,110.52.

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is **1.37%**.

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

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

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

* Plus promotional increases

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(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.

E3-1 Contingencies (continued)

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Fishway Nymboida Powerstation

Under the terms of the transfer of the Nymboida River Water Supply assets to Council, a condition of the Water Licence is for Council to install a vertical slot fishway. At this stage Council is unable to ascertain a reliable cost estimate for construction of the fishway and therefore will not be recognising this asset in these financial statements. During 2022-23 actions will be implemented to determine an estimate so that a contingent liability can be raised in the 2022-23 Financial Statements.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,272	1,109
Post-employment benefits	96	85
Other long-term benefits	43	103
Termination benefits	—	54
Total	1,411	1,351

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			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2022						
Earthmoving services and plant hire	1	95,382	—	14 days	—	—
Holiday Park mangement fees	2	469,473	—	14 days	—	—
2021						
Earthmoving services and plant hire	1	770,990	—	14 days	—	—
Holiday Park mangement fees	2	443,641	—	14 days	—	—

- 1 Council purchased earthmoving services and plant hire during the year from a company which has a close family member of Council's KMP as a major shareholder. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.

F1-1 Key management personnel (KMP) (continued)

2

Council has a contract for Holiday Park Management with a company which has a member of Council's KMP as a director. The original contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the duration of the contract.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	118	60
Councillors' fees	271	219
Other Councillors' expenses (including Mayor)	42	2
Total	431	281

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	98	151
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Remuneration for audit and other assurance services	98	151
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Total Auditor-General remuneration	98	151
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Other audit and assurance services

	–	13
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Remuneration for audit and other assurance services	–	13
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Total remuneration of non NSW Auditor-General audit firms	–	13
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Total audit fees	98	164
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G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021 ¹
Net operating result from Income Statement	25,999	25,148
Add / (less) non-cash items:		
Depreciation and amortisation	48,751	48,085
(Gain) / loss on disposal of assets	13,694	13,261
Non-cash capital grants and contributions	(5,303)	(12,226)
Unwinding of discount rates on reinstatement provisions	103	269
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	4,847	2,433
(Increase) / decrease of inventories	(513)	(178)
(Increase) / decrease of other current assets	(5)	46
(Increase) / decrease of contract asset	(2,616)	135
Increase / (decrease) in payables	950	(5,344)
Increase / (decrease) in accrued interest payable	(20)	(307)
Increase / (decrease) in other accrued expenses payable	(6)	(882)
Increase/(decrease) in other liabilities and accruals	(397)	(1,817)
Increase / (decrease) in contract liabilities	11,216	1,396
Increase / (decrease) in employee benefit provision	(801)	928
Increase / (decrease) in other provisions	(5,635)	434
Net cash flows from operating activities	90,264	71,381

(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

(b) Non-cash investing and financing activities

Developer dedications	14,010	4,533
Total non-cash investing and financing activities	14,010	4,533

G2-1 Commitments

Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	672	1,090
Plant and equipment	2,400	2,591
Sewerage services infrastructure	284	500
Water supply infrastructure	8,846	2,101
Other	22,480	4,872
Total commitments	34,682	11,154

These expenditures are payable as follows:

Within the next year	34,682	11,154
Total payable	34,682	11,154

G3-1 Events occurring after the reporting date

Council is unaware of any material or significant events or matters that have arisen since balance date that has significantly affected, or may significantly affect operations, the results of it's operations, or the state of affairs in future years.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior period error

During the 2021/2022 financial reporting period Council identified the following material, prior period errors:

New Grafton Bridge - Recognition of Council Contributed Assets and impacts on existing assets

Council officially took ownership of contributed assets relating to the New Grafton Bridge on the 27 October 2020 but it was not until 23 February 2021 that this was reported to council. The council report indicated that Council had been supplied with all the data in order to recognise these assets, but this data was not in a format that facilitated an easy recognition or verification process and considerable work was required to determine the appropriate asset values, components and attributes. As a result these assets were omitted from the Asset Registers and therefore not recognised in the original 2020-21 Financial Statements. The recognition has impacted both the Asset Classes of Roads and Floodplain.

It was determined that this should be treated as a prior period error as the assets had been under CVC's control since 27 October 2020.

Impact on Prior Periods

The overall impact on prior periods is as follows:

Summary of prior year items impacting on IPPE

Increase Roads Infrastructure Assets - carrying value	3,734
Increase Other Infrastructure Assets - additions	1,332
Total for correction of prior period errors at 27 October 2020	5,066
Decrease Roads Infrastructure Assets - Accumulated depreciation	770
Increase Other Infrastructure Assets - Accumulated depreciation	(7)
Total for correction of prior period errors at 30 June 2021	5,829

Summary of prior year items impacting on the Financial Position Accumulated Surplus

Recognition of Roads Infrastructure Assets	3,734
Recognition of Other Infrastructure Assets	1,332
Total for correction of prior period errors at 26 October 2020	5,066
Depreciation of Roads Infrastructure Assets	770
Depreciation of Other Infrastructure Assets	(7)
Total for correction of prior period errors at 30 June 2021	5,829

Summary of prior year items impacting on Income Statement

Income from continuing operations

Increase Income from non-cash contributions - Roads	(6,298)
Increase Income from non-cash contributions - Floodplain	(1,393)
Total Income	(7,691)

Expenses from continuing operations

Increase Depreciation of Roads Infrastructure Assets	63
Increase Depreciation of Other Infrastructure Assets	12
Increase in Loss on Disposal of Assets - Roads	1,730
Increase in Loss on Disposal of Assets - Floodplain	57
Total Expenses	1,863

Total for correction of prior period errors at 30 June 2021	5,829
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Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

G4-1 Correction of errors (continued)

Changes to the opening Statement of Financial Position at 1 July 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2020	Impact Increase/ (decrease)	Restated Balance 1 July, 2020
Infrastructure, property, plant and equipment	1,987,742	–	1,987,742
Total non-current assets	2,026,231	–	2,026,231
Total assets	2,154,593	–	2,154,593
Net assets	1,996,052	–	1,996,052
Accumulated surplus	858,791	–	858,791
Total equity	1,996,052	–	1,996,052

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Infrastructure, property, plant and equipment	2,027,510	5,829	2,033,339
Total non-current assets	2,076,027	5,829	2,081,856
Total assets	2,198,638	5,829	2,204,467
Net assets	2,053,585	5,829	2,059,414
Accumulated surplus	878,068	5,829	883,897
Total equity	2,053,585	5,829	2,059,414

Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Grants and Contributions - Capital	36,178	7,692	43,870
Total income from continuing operations	175,109	7,692	182,801
Depreciation and amortisation	48,010	75	48,085
Net loss from disposal of assets	11,473	1,788	13,261
Total expenses from continuing operations	155,790	1,863	157,653
Operating result from continuing operations	19,319	5,829	25,148
Net operating result for the year attributable to Council	19,319	5,829	25,148
Net operating result for the year before grants and contributions provided for capital purposes	(16,859)	(1,863)	(18,722)

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	568	16	–	6	–	–	590	–
Roads	3,652	197	–	44	–	–	3,893	–
Open space	(96)	766	–	3	–	–	673	–
Community facilities	2,384	746	–	30	–	–	3,160	–
Other	200	29	–	–	–	–	229	–
S7.11 contributions – under a plan	6,708	1,754	–	83	–	–	8,545	–
S7.12 levies – under a plan	2,011	167	–	23	–	–	2,201	–
Total S7.11 and S7.12 revenue under plans	8,719	1,921	–	106	–	–	10,746	–
S7.11 not under plans	209	–	–	–	–	–	209	–
S7.4 planning agreements	207	–	–	3	–	–	210	–
S64 contributions	18,078	3,417	–	214	–	–	21,709	–
Total contributions	27,213	5,338	–	323	–	–	32,874	–

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - Clarence Valley Contributions Plan 2011								
Open space	(96)	766	–	3	–	–	673	–
Community facilities	2,384	746	–	30	–	–	3,160	–
Total	2,288	1,512	–	33	–	–	3,833	–
CONTRIBUTION PLAN - Access Roads & Bridges (Copmanhurst)								
Roads	1,177	33	–	13	–	–	1,223	–
Total	1,177	33	–	13	–	–	1,223	–
CONTRIBUTION PLAN - Roads (Grafton)								
Roads	230	–	–	3	–	–	233	–

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Total	230	—	—	3	—	—	233	—
CONTRIBUTION PLAN - Drainage (Gulmarrad)								
Drainage	568	16	—	6	—	—	590	—
Total	568	16	—	6	—	—	590	—
CONTRIBUTION PLAN - Roads (Maclean)								
Roads	106	121	—	2	—	—	229	—
Total	106	121	—	2	—	—	229	—
CONTRIBUTION PLAN - Kerb & Gutter (Maclean)								
Roads	40	—	—	1	—	—	41	—
Total	40	—	—	1	—	—	41	—
CONTRIBUTION PLAN - Tree Planting (Maclean)								
Other	—	13	—	—	—	—	13	—
Total	—	13	—	—	—	—	13	—
CONTRIBUTION PLAN - Extractive Industries (Copmanhurst, Maclean and Pristine Waters)								
Other	199	16	—	—	—	—	215	—
Total	199	16	—	—	—	—	215	—
CONTRIBUTION PLAN - Tree Planting (Pristine Waters)								
Other	8	—	—	—	—	—	8	—
Total	8	—	—	—	—	—	8	—

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - Coutts Crossing (Pristine Waters)								
Roads	238	-	-	3	-	-	241	-
Total	238	-	-	3	-	-	241	-
CONTRIBUTION PLAN - Southampton (Superseded) (Pristine Waters)								
Roads	55	-	-	1	-	-	56	-
Total	55	-	-	1	-	-	56	-
CONTRIBUTION PLAN - Nymboida (Superseded) (Pristine Waters)								
Roads	12	-	-	-	-	-	12	-
Total	12	-	-	-	-	-	12	-
CONTRIBUTION PLAN - Tyringham (Superseded) (Pristine Waters)								
Roads	140	-	-	2	-	-	142	-
Total	140	-	-	2	-	-	142	-
CONTRIBUTION PLAN - Kangaroo Creek (Superseded) (Pristine Waters)								
Roads	58	-	-	1	-	-	59	-
Total	58	-	-	1	-	-	59	-
CONTRIBUTION PLAN - Ramornie/Jackadgery (Superseded) (Pristine Waters)								
Roads	19	-	-	-	-	-	19	-
Total	19	-	-	-	-	-	19	-
CONTRIBUTION PLAN - Old Glenn Innes Rd District (Superseded) (Pristine Waters)								
Roads	44	-	-	1	-	-	45	-
Total	44	-	-	1	-	-	45	-
CONTRIBUTION PLAN - Ulmarra (Pristine Waters)								
Roads	1,533	43	-	17	-	-	1,593	-
Other	(7)	-	-	-	-	-	(7)	-
Total	1,526	43	-	17	-	-	1,586	-

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN - Non Residential (Clarence Valley)								
Other	2,011	167	–	23	–	–	2,201	–
Total	2,011	167	–	23	–	–	2,201	–

G5-3 Contributions not under plans

Clarence Valley

Drainage	73	–	–	–	–	–	73	–
Parking	1	–	–	–	–	–	1	–
Other	70	–	–	–	–	–	70	–
Total	144	–	–	–	–	–	144	–

Nymboida (Pristine Waters)

Roads	37	–	–	–	–	–	37	–
Total	37	–	–	–	–	–	37	–

Maclean

Roads	28	–	–	–	–	–	28	–
Total	28	–	–	–	–	–	28	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicator Restated	Benchmark
\$ '000	2022	2022	2021 ³	
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	220	0.15%	(3.93)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	144,337			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	108,091	58.81%	61.87%	> 60.00%
Total continuing operating revenue ¹	183,810			
3. Unrestricted current ratio				
Current assets less all external restrictions	67,177	4.98x	3.98x	> 1.50x
Current liabilities less specific purpose liabilities	13,492			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	55,389	3.80x	3.12x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14,588			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	5,046	6.81%	6.81%	< 10.00%
Rates and annual charges collectable	74,108			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	160,625	16.56 months	13.36 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	9,701			

(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

(3) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	2021 ⁴	2022	2021	2022	2021	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(7.15)%	(9.07)%	13.46%	11.73%	18.48%	3.65%	> 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%	52.35%	75.01%	90.87%	90.90%	86.89%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.98x	3.98x	25.92x	13.26x	4.02x	2.13x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.96x	6.34x	7.48x	3.93x	4.49x	1.44x	> 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	9.77%	7.11%	0.00%	8.71%	0.00%	5.79%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.37 months	8.88 months	∞	47.51 months	∞	11.16 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(4) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

(1) - (2) Refer to Notes at Note G6-1 above.

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

End of the audited financial statements

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

2 Prince Street
GRAFTON NSW 2460

Contact details

Mailing Address:

Locked Bag 23
GRAFTON NSW 2460

Telephone: 02 6643 0200

Facsimile: 02 6642 7647

Opening hours:

Monday to Friday (excl. Public Holidays)
8:30am to 4:30pm

Internet: www.clarence.nsw.gov.au

Email: council@clarence.nsw.gov.au

Officers

General Manager

Laura Black

Responsible Accounting Officer

Kate Maginnity

Public Officer

Laura Black

Auditors

Audit Office of New South Wales
Level 15, 1 Margaret Street
SYDNEY NSW 2000

Telephone 02 9275 7100

Elected members

Mayor

Ian Tiley

Councillors

Greg Clancy
William Day
Peter Johnstone
Debrah Novak
Steve Pickering
Jeff Smith
Karen Toms
Allison Whaites

Other information

ABN: 85 864 095 684



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Clarence Valley Council

To the Councillors of Clarence Valley Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-8 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 5 December 2013
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

While Council has undertaken procedures to confirm the fair value of this equipment, including assets vested in it during the year, it has not recognised these assets in the financial statements. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

The effect of the non-recognition is:

- rural fire-fighting equipment assets are understated by \$4,125,000 in the Statement of Financial Position and related notes as at 30 June 2022
- 'Accumulated surplus' is understated by \$4,125,000 in the Statement of Changes in Equity and Statement of Financial Position
- 'Depreciation, amortisation and impairment for non-financial assets' expense in the Income Statement is understated by \$970,000 for the year ended 30 June 2022. 'Depreciation, amortisation and impairment of non-financial assets' expense is recognised over the useful lives of these assets, which is offset by 'Grants and contributions provided for capital purposes' income recognised at the point the assets are vested as an asset received free of charge
- the 'Operating performance' ratio in Note G6-1 'Statement of performance measures – consolidated results' is 0.15% instead of (0.52)%
- the 'Operating performance' ratio for general fund in Note G6-2 'Statement of performance measures by fund' is (7.15%) instead of (8.13)%.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:


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

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

30 March 2023
SYDNEY



Ian Tiley
Mayor
Clarence Valley Council
Locked Bag 23
GRAFTON NSW 2480

Contact: Gearoid Fitzgerald
Phone no: 02 9275 7392
Our ref: D2305276/1713

30 March 2023

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2022 Clarence Valley Council

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non- recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 5 December 2013.

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

While Council has undertaken procedures to confirm the fair value of this equipment, including assets vested in it during the year, it has not recognised these assets in the financial statements. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

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

INCOME STATEMENT

Operating result

	2022 \$m	2021* \$m	Variance %
Rates and annual charges revenue	68.7	66.5	↑ 3.3
User charges and fees	35.4	42.3	↓ 16.3
Grants and contributions revenue	75.7	69.7	↑ 8.6
Operating result from continuing operations	26.0	25.1	↑ 3.6
Net operating result before capital grants and contributions	(13.5)	(18.7)	↑ 27.8

* The 2021 comparatives have been restated to correct a prior period error. Note G4-1 of the financial statements provides details of the prior period error.

Rates and annual charges revenue (\$68.7 million) increased by \$2.2 million (3.3 per cent) in 2021–22 which is mainly due to the 2% rate peg increase.

- User charges and fees (\$35.4 million) decreased by \$6.9 million (16.3 per cent) in 2021–2022 due to a decrease of:
 - \$2.5 million for water supply service charges
 - \$3.5 million for Transport for NSW ordered works
 - \$0.9 million for other water fees

Grants and contributions revenue (\$75.7 million) increased by \$6.0 million (8.6 per cent) in 2021–22 due to:

- a decrease of \$6.9 million developer dedications compared to the prior year
- an increase of \$7.2 million grants received for natural disasters
- an increase of \$5.1 million in transport (roads and bridges) funding
- an increase of \$5.7 million in other specific grant funding
- an increase of \$4.1 million financial assistance grants
- a decrease of \$11.2 million in funding received for economic development and heritage and cultural projects.

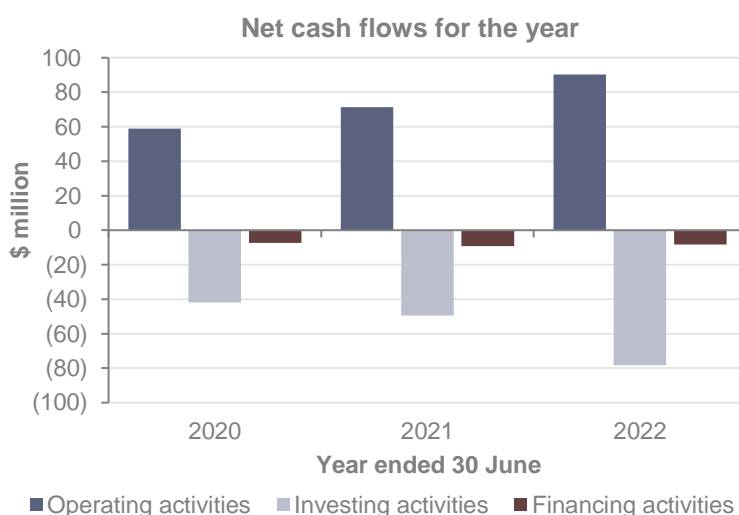
The Council's operating result from continuing operations (\$26.0 million including depreciation and amortisation expense of \$48.8 million) was \$0.9 million higher than the 2020–21 result. This is due to the abovementioned revenue movements, and:

- decreased employee benefits and on-costs of \$1.5 million
- increase in losses on the disposal of assets of \$0.4 million.

The net operating result before capital grants and contributions (\$13.5 million loss) improved by \$5.2 million on the 2020–21 result.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$18.9 million (26.5 per cent). The majority of this increase relates to the increase in grant income received during the year.
- Net cash used in investing activities increased by \$28.8 million (58.2 per cent) as a result of a \$24m increase in purchase of term deposits
- Net cash used in financing activities decreased by \$1.0 million (10.9%) and relates to the repayment of loans.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	160.6	132.8	Externally restricted cash and investments has increased by \$29.5 million. Specific purpose grants (26.8 million) increased by \$18.3 million, developer contributions (\$32.9 million) increased by \$5.7 million and sewer fund (\$9.7 million) increased by \$3.7 million.
Restricted and allocated cash, cash equivalents and investments:			

• External restrictions	119.5	90.0	Internally allocated cash and investments has decreased by \$2.8 million largely arising from a reduction in the regional landfill reserve.
• Internal allocations	39.5	42.3	

Debt

Council had total borrowings of \$87.1 million at 30 June 2022 (\$95.2 million at 30 June 2021). Council had no new borrowings in 2021-22 and made loan repayments of \$8.1 million. Refer to later commentary on Council's debt service cover ratio.

Council had an overdraft facility and purchase card facilities of \$0.65 million. At 30 June 2022, these facilities were undrawn.

PERFORMANCE

Performance measures

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

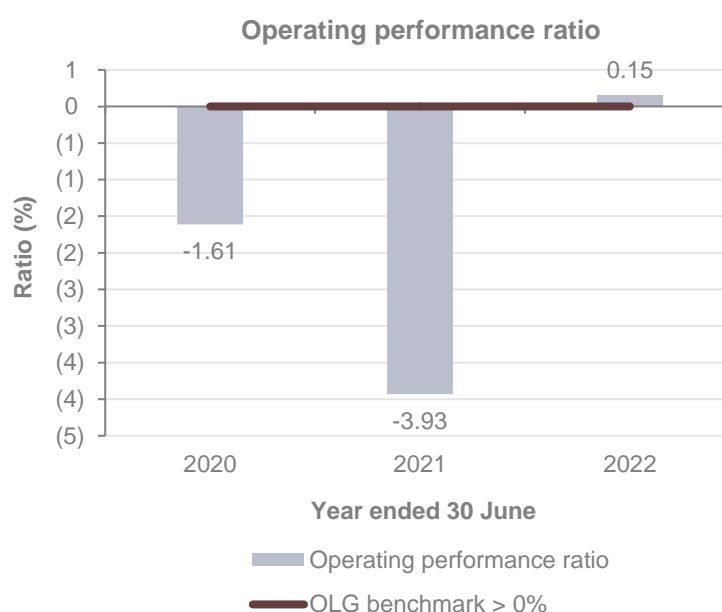
Operating performance ratio

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

The 2021 ratio was restated to correct a prior period error.

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

The improvement in the ratio in the current year is driven by an increase in operating revenue.



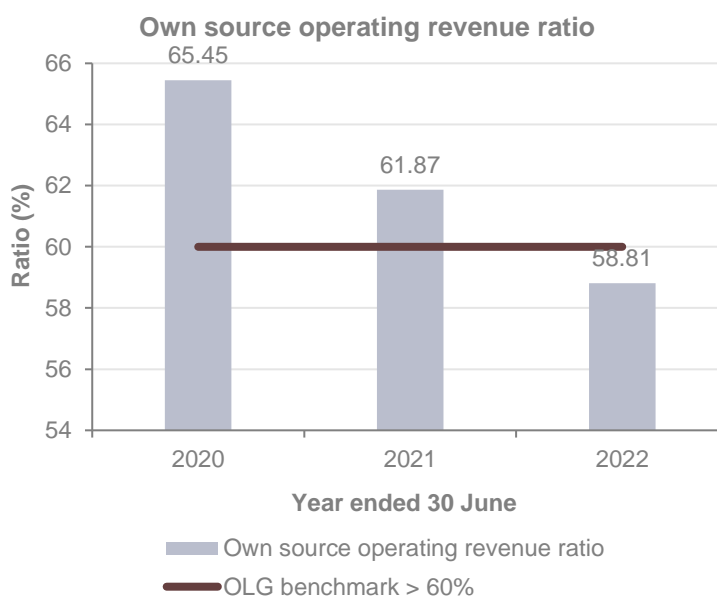
Own source operating revenue ratio

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

The 2021 ratio was restated to correct a prior period error.

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.

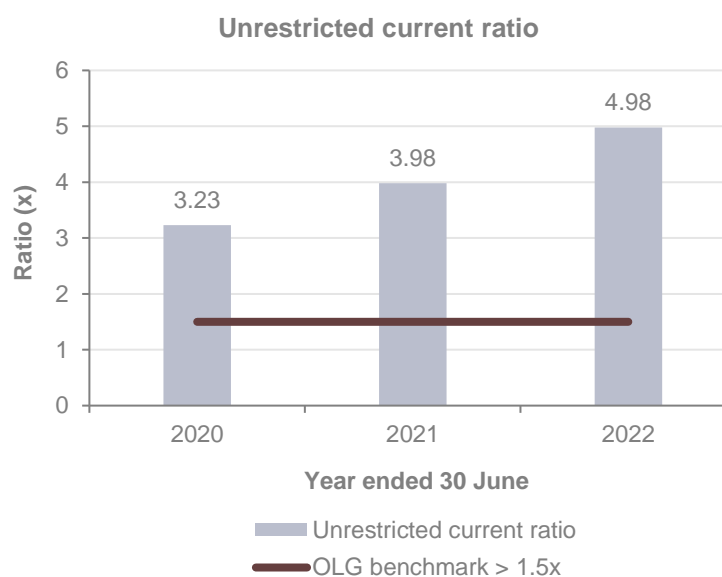
The decrease in this ratio is driven by an increase in grants and - contributions revenue recognised in the current year.



Unrestricted current ratio

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

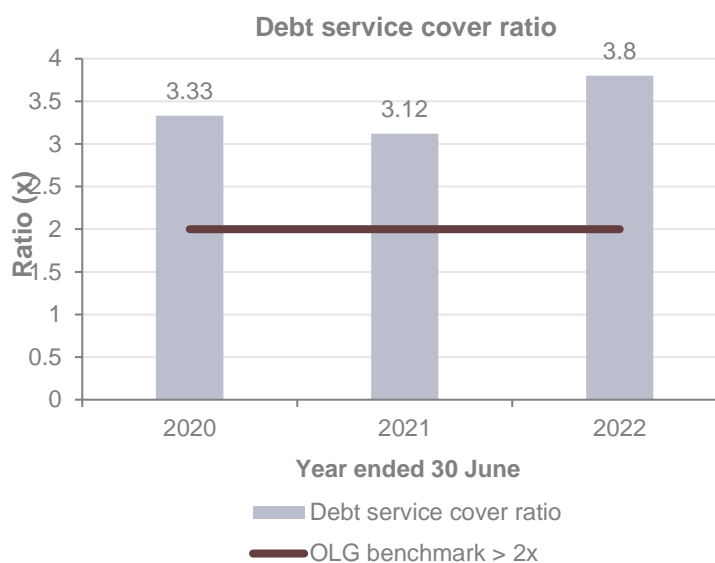
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

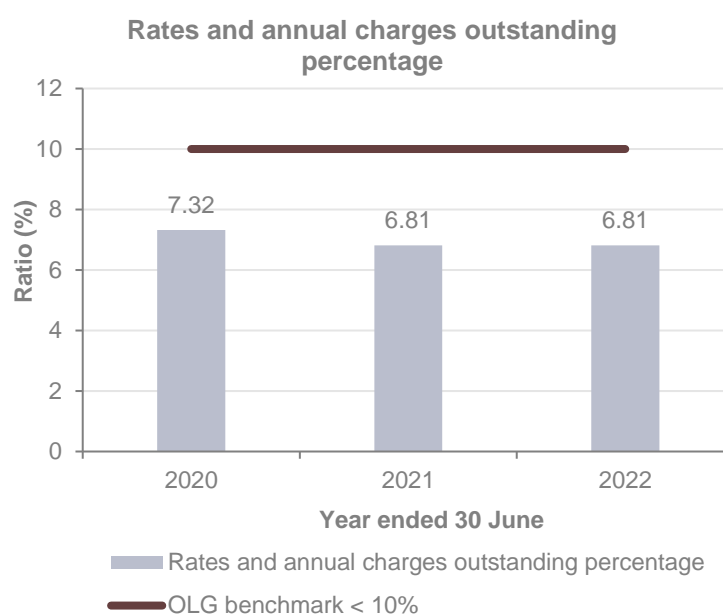
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

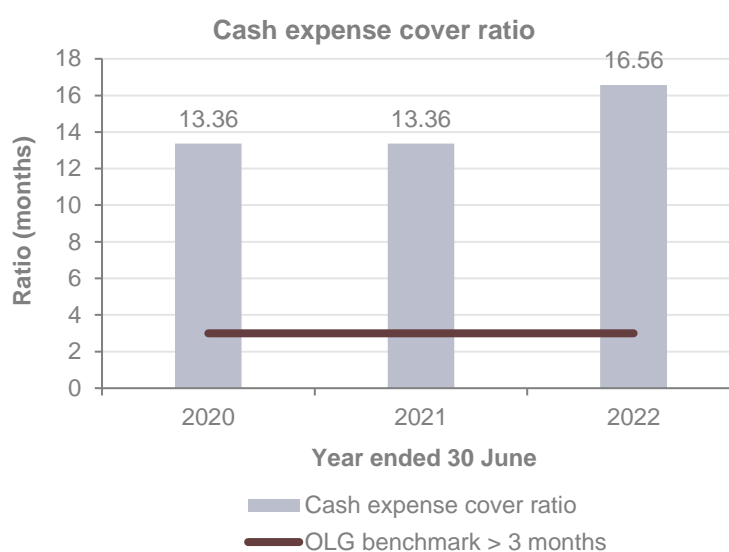
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2021-22 year was \$48 million (2020-21: \$33 million). Renewal projects included roads resurfacing and renewals program, upgrades to the Council's Grafton administration building and trunk main renewals.

OTHER MATTERS

Legislative compliance

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

As explained in the 'Significant Issues and Observations' section of this Report, rural fire-fighting equipment was not recognised in the financial statements.

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

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

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

Clarence Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Special Purpose Financial Statements

for the year ended 30 June 2022

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(1) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

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).

Clarence Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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

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

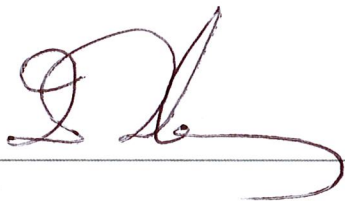
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, 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 28 March 2023.



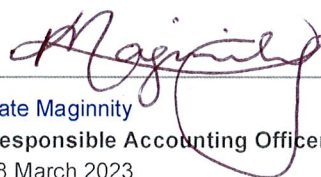
Ian Tiley
Mayor
28 March 2023



Greg Clancy
Councillor
28 March 2023



Laura Black
General Manager
28 March 2023



Kate Maginnity
Responsible Accounting Officer
28 March 2023

Clarence Valley Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	3,039	2,495
User charges	13,057	14,642
Fees	907	2,323
Interest and investment income	652	625
Grants and contributions provided for operating purposes	–	271
Other income	2,420	428
Total income from continuing operations	20,075	20,784
Expenses from continuing operations		
Employee benefits and on-costs	1,431	2,021
Borrowing costs	1,484	1,547
Materials and services	5,999	8,139
Depreciation, amortisation and impairment	7,171	6,633
Net loss from the disposal of assets	1,285	913
Calculated taxation equivalents	69	68
Debt guarantee fee (if applicable)	192	203
Other expenses	3	5
Total expenses from continuing operations	17,634	19,529
Surplus (deficit) from continuing operations before capital amounts	2,441	1,255
Grants and contributions provided for capital purposes	6,687	1,790
Surplus (deficit) from continuing operations after capital amounts	9,128	3,045
Surplus (deficit) from all operations before tax	9,128	3,045
Less: corporate taxation equivalent (25%) [based on result before capital]	(610)	(326)
Surplus (deficit) after tax	8,518	2,719
Plus accumulated surplus	452,482	397,569
Plus/less: increase in asset revaluation reserve	23,080	51,665
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	69	–
– Debt guarantee fees	192	203
– Corporate taxation equivalent	610	326
Closing accumulated surplus & reserves	484,951	452,482
Return on capital %	0.9%	0.7%
Subsidy from Council	12,372	3,413
Calculation of dividend payable:		
Surplus (deficit) after tax	8,518	2,719
Less: capital grants and contributions (excluding developer contributions)	(6,687)	(1,790)
Surplus for dividend calculation purposes	1,831	929
Potential dividend calculated from surplus	915	465

Clarence Valley Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	19,421	18,576
User charges	1,961	2,166
Liquid trade waste charges	–	1
Fees	557	866
Interest and investment income	321	228
Grants and contributions provided for operating purposes	380	180
Other income	2,332	97
Total income from continuing operations	24,972	22,114
Expenses from continuing operations		
Employee benefits and on-costs	1,492	2,036
Borrowing costs	3,619	3,798
Materials and services	6,316	6,360
Depreciation, amortisation and impairment	8,648	9,103
Net loss from the disposal of assets	281	1,039
Calculated taxation equivalents	74	73
Debt guarantee fee (if applicable)	550	595
Other expenses	–	9
Total expenses from continuing operations	20,980	23,013
Surplus (deficit) from continuing operations before capital amounts	3,992	(899)
Grants and contributions provided for capital purposes	2,082	3,129
Surplus (deficit) from continuing operations after capital amounts	6,074	2,230
Surplus (deficit) from all operations before tax	6,074	2,230
Less: corporate taxation equivalent (25%) [based on result before capital]	(998)	–
Surplus (deficit) after tax	5,076	2,230
Plus accumulated surplus	199,566	210,826
Plus/less: increase in asset revaluation reserve	13,216	(14,085)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	74	–
– Debt guarantee fees	550	595
– Corporate taxation equivalent	998	–
Closing accumulated surplus & reserves	219,480	199,566
Return on capital %	3.1%	1.2%
Subsidy from Council	1,496	697
Calculation of dividend payable:		
Surplus (deficit) after tax	5,076	2,230
Less: capital grants and contributions (excluding developer contributions)	(2,082)	(3,129)
Surplus for dividend calculation purposes	2,994	–
Potential dividend calculated from surplus	1,497	–

Clarence Valley Council

Income Statement – Holiday Parks

for the year ended 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
Income from continuing operations		
User charges	6,144	6,976
Interest and investment income	16	57
Grants and contributions provided for operating purposes	29	35
Total income from continuing operations	6,189	7,068
Expenses from continuing operations		
Employee benefits and on-costs	116	119
Materials and services	4,862	5,166
Depreciation, amortisation and impairment	706	698
Net loss from the disposal of assets	–	91
Total expenses from continuing operations	5,684	6,074
Surplus (deficit) from continuing operations before capital amounts	505	994
Grants and contributions provided for capital purposes	94	60
Surplus (deficit) from continuing operations after capital amounts	599	1,054
Surplus (deficit) from all operations before tax	599	1,054
Less: corporate taxation equivalent (25%) [based on result before capital]	(126)	(258)
Surplus (deficit) after tax	473	796
Plus accumulated surplus	23,955	22,901
Plus/less: increase in asset revaluation reserve	1,415	–
Plus/less: Transfer of assets to General Fund	–	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	126	258
Closing accumulated surplus & reserves	25,969	23,955
Return on capital %	2.3%	4.8%
Subsidy from Council	288	–

Clarence Valley Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	643	916
Investments	43,243	18,580
Receivables	5,148	5,636
Total current assets	49,034	25,132
Non-current assets		
Investments	7,022	31,265
Receivables	59	52
Infrastructure, property, plant and equipment	445,285	417,109
Intangible assets	1,500	—
Total non-current assets	453,866	448,426
Total assets	502,900	473,558
LIABILITIES		
Current liabilities		
Payables	634	726
Borrowings	1,258	1,169
Total current liabilities	1,892	1,895
Non-current liabilities		
Borrowings	17,923	19,181
Total non-current liabilities	17,923	19,181
Total liabilities	19,815	21,076
Net assets	483,085	452,482
EQUITY		
Accumulated surplus	236,232	228,709
Revaluation reserves	246,853	223,773
Total equity	483,085	452,482

Clarence Valley Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	1,194	1,701
Investments	18,150	8,140
Receivables	1,659	1,882
Total current assets	21,003	11,723
Non-current assets		
Investments	2,978	6,455
Receivables	369	331
Infrastructure, property, plant and equipment	248,816	241,327
Intangible assets	24	24
Total non-current assets	252,187	248,137
Total assets	273,190	259,860
LIABILITIES		
Current liabilities		
Payables	273	789
Borrowings	4,949	4,717
Total current liabilities	5,222	5,506
Non-current liabilities		
Borrowings	50,018	54,788
Total non-current liabilities	50,018	54,788
Total liabilities	55,240	60,294
Net assets	217,950	199,566
EQUITY		
Accumulated surplus	125,263	120,095
Revaluation reserves	92,687	79,471
Total equity	217,950	199,566

Clarence Valley Council

Statement of Financial Position – Holiday Parks

as at 30 June 2022

\$ '000	2022 Category 1	2021 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	17
Investments	4,667	3,538
Receivables	125	141
Total current assets	4,792	3,696
Non-current assets		
Infrastructure, property, plant and equipment	21,654	20,866
Total non-current assets	21,654	20,866
Total assets	26,446	24,562
LIABILITIES		
Current liabilities		
Payables	478	607
Total current liabilities	478	607
Total liabilities	478	607
Net assets	25,968	23,955
EQUITY		
Accumulated surplus	16,163	15,565
Revaluation reserves	9,805	8,390
Total equity	25,968	23,955

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. Clarence Valley Council Water Supply Fund

Provision of Water Supply Services

b. Clarence Valley Council Sewerage Services

Provision of Sewerage Augmentation, Reticulation & Treatment

c. Holiday Parks

Camping & Caravan Park Accommodation

Category 2

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

Council has no business activities in this category.

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.

Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

Corporate income tax rate – **25% (2020/21 26%)**

Land tax – the first \$822,000 of combined land values attracts **0%**. For the combined land values in excess of \$822,000 up to \$5,026,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$5,026,000 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 Best Practice Management of Water Supply and Sewer Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

Achievement of substantial compliance to the Department of Planning, Industry and Environment – 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 25% (2020/21 26%).

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

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

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

Local government rates and charges

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

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.

Note – Significant Accounting Policies (continued)

(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.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Best Practice Management of Water Supply and Sewer Guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2022 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Clarence Valley Council

To the Councillors of Clarence Valley Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Holiday Parks.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

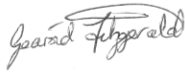
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in cursive script, reading "Gearoid Fitzgerald".

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

30 March 2023
SYDNEY

Clarence Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Clarence Valley Council

Special Schedules

for the year ended 30 June 2022

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Clarence Valley Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	36,566	37,543
Plus or minus adjustments ²	b	259	394
Notional general income	c = a + b	36,825	37,937
Permissible income calculation			
Or rate peg percentage	e	2.00%	2.50%
Or plus rate peg amount	i = e x (c + g)	737	948
Sub-total	k = (c + g + h + i + j)	37,562	38,885
Plus (or minus) last year's carry forward total	l	5	20
Sub-total	n = (l + m)	5	20
Total permissible income	o = k + n	37,567	38,905
Less notional general income yield	p	37,543	38,637
Catch-up or (excess) result	q = o - p	23	268
Less unused catch-up ⁴	s	(4)	-
Carry forward to next year ⁵	t = q + r + s	19	268

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916 (NSW)*.
- (4) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) 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

Clarence Valley Council

To the Councillors of Clarence Valley Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

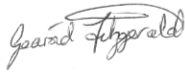
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

30 March 2023
SYDNEY

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000			1	2	3	4	5
Buildings	Other	809	—	29	29	1,622	2,881	11.0%	60.6%	28.4%	0.0%	0.0%
	Council Offices /Administration Centres	—	—	202	93	14,873	20,215	2.6%	97.4%	0.0%	0.0%	0.0%
	Council Works Depot	3,335	18	136	78	10,319	13,625	62.7%	12.8%	24.3%	0.1%	0.1%
	Council Public Halls	10,845	553	227	78	12,937	22,668	34.7%	3.9%	59.0%	2.4%	0.0%
	Libraries	1,459	—	118	57	9,070	11,835	76.4%	11.3%	12.3%	0.0%	0.0%
	Council Houses	7,910	172	98	27	4,627	9,837	0.1%	13.6%	84.6%	0.0%	1.7%
	Museums	3,911	—	40	11	1,611	4,032	0.2%	0.0%	99.8%	0.0%	0.0%
	Childcare / Community Health	1,923	—	28	40	1,408	2,793	0.3%	30.8%	68.9%	0.0%	0.0%
	Art Gallery	—	—	104	15	7,979	10,424	79.8%	20.2%	0.0%	0.0%	0.0%
	Public Toilets	2,290	—	50	36	2,865	5,030	16.3%	31.0%	52.7%	0.0%	0.0%
	Parks & Reserves Buildings	225	—	16	256	1,096	1,647	0.0%	86.4%	13.6%	0.0%	0.0%
	Sports Buildings	13,065	765	420	237	26,341	41,984	33.7%	32.3%	32.1%	1.8%	0.1%
	Swimming Pool Buildings	4,151	—	71	24	3,515	7,090	9.0%	5.8%	85.2%	0.0%	0.0%
	Holiday Parks Buildings	4,135	—	131	83	7,108	13,061	1.0%	44.6%	54.4%	0.0%	0.0%
	Saleyard Buildings	310	—	4	2	209	395	14.7%	6.8%	78.5%	0.0%	0.0%
	Waste Facilities	3,645	—	103	20	7,513	10,288	59.6%	5.0%	35.4%	0.0%	0.0%
	Water & Sewer Buildings	1,482	—	89	19	6,297	8,889	47.6%	34.2%	18.1%	0.0%	0.1%
	Emergency Services	9,417	—	163	82	9,569	16,273	21.8%	19.3%	58.9%	0.0%	0.0%
	Sub-total	68,912	1,508	2,029	1,187	128,959	202,967	31.7%	29.2%	38.4%	0.6%	0.1%
Other structures	Other structures	757	179	133	—	8,694	13,348	4.1%	84.7%	8.5%	1.9%	0.8%
	Airports	5,691	—	66	101	4,577	6,576	4.2%	9.3%	86.5%	0.0%	0.0%
	Saleyards	1,426	410	43	17	2,276	4,276	1.5%	9.0%	79.9%	7.8%	1.8%
	Cemeteries	1,617	13	17	459	950	1,694	3.8%	0.8%	94.6%	0.8%	0.0%
	Tips	6,589	795	103	51	6,335	10,321	6.8%	29.3%	56.1%	7.7%	0.1%
	Sub-total	16,080	1,397	362	628	22,832	36,215	4.6%	42.4%	48.7%	3.9%	0.5%

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2022 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Roads	Sealed roads	91,464	16,924	7,778	4,047	578,396	777,808	45.3%	32.8%	17.5%	4.0%	0.4%
	Unsealed roads	54,140	—	1,535	2,639	77,214	153,472	35.4%	18.2%	46.4%	0.0%	0.0%
	Bridges	98,580	936	1,435	723	117,285	173,544	14.8%	18.4%	66.2%	0.5%	0.1%
	Footpaths & Cycleways	14,044	1,663	376	189	24,415	37,644	34.5%	26.3%	33.9%	1.9%	3.4%
	Road Furniture	1,233	43	272	375	20,702	27,232	45.3%	50.1%	4.4%	0.2%	0.0%
	Water Transport Facilities	1,342	202	80	48	5,945	7,983	52.4%	29.8%	15.3%	2.5%	0.0%
	Carparks	49	—	50	42	4,462	4,956	79.8%	19.2%	1.0%	0.0%	0.0%
	Bus Shelters	122	—	13	2	842	1,341	30.3%	58.3%	11.4%	0.0%	0.0%
	Sub-total	260,974	19,768	11,539	8,065	829,198	1,183,980	39.4%	28.9%	28.5%	2.8%	0.4%
Water supply network	Dams / Weirs	—	—	968	159	80,419	96,797	0.0%	0.0%	0.0%	0.0%	100.0%
	Mains	19,595	8,930	4,333	1,133	308,491	433,303	0.0%	0.0%	0.0%	0.0%	100.0%
	Reservoirs & Treatment	22,511	8,747	726	266	32,048	72,644	0.0%	0.0%	0.0%	0.0%	100.0%
	Pumping Station/s	1,487	286	108	41	6,901	10,818	0.0%	0.0%	0.0%	0.0%	100.0%
	Sub-total	43,593	17,963	6,135	1,599	427,860	613,562	0.0%	0.0%	0.0%	0.0%	100.0%
Sewerage network	Mains	36,664	311	1,849	242	130,659	184,861	30.7%	49.4%	19.7%	0.2%	0.0%
	Pumping Station/s	6,025	2,917	582	529	31,560	58,206	53.4%	33.5%	5.7%	3.9%	3.5%
	Treatment	9,236	1,229	1,219	611	77,953	121,922	40.4%	42.3%	7.2%	8.1%	2.0%
	Sub-total	51,925	4,457	3,650	1,382	239,172	364,989	37.6%	44.5%	13.3%	3.4%	1.2%
Stormwater drainage	Stormwater drainage	72,185	13,608	2,552	723	168,492	255,235	13.3%	56.2%	24.2%	3.2%	3.1%
	Sub-total	72,185	13,608	2,552	723	168,942	255,235	13.3%	56.2%	24.2%	3.2%	3.1%
Open space / recreational assets	Swimming pools	5,786	12	72	140	3,968	7,200	5.5%	0.6%	92.7%	1.2%	0.0%
	Holiday Parks	3,502	255	75	574	4,330	7,488	5.5%	25.2%	61.6%	5.6%	2.1%
	Parks	9,754	665	167	1,811	10,677	16,665	14.2%	20.5%	59.8%	2.9%	2.6%
	Reserves	5,827	661	93	897	5,724	9,259	11.4%	21.5%	59.7%	6.6%	0.8%
	Sports Facilities	18,441	1,565	246	769	14,847	24,623	11.6%	10.0%	70.4%	7.0%	1.0%
	Sub-total	43,310	3,158	653	4,191	39,546	65,235	10.9%	15.0%	67.6%	5.1%	1.4%

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2022 (continued)

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Other infrastructure assets	Floodplain	74,457	824	2,286	422	171,707	228,593	4.5%	62.5%	32.6%	0.2%	0.2%
	Sub-total	74,457	824	2,286	422	171,695	228,593	4.5%	62.5%	32.6%	0.2%	0.2%
	Total – all assets	631,436	62,683	29,206	18,197	2,028,204	2,950,776	24.4%	29.7%	22.4%	2.0%	21.4%

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

Infrastructure asset condition assessment 'key'

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

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicator 2021 ³	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	35,009	42.33%	28.15%	>= 100.00%
Depreciation, amortisation and impairment	82,704			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	631,436	30.69%	4.58%	< 2.00%
Net carrying amount of infrastructure assets	2,057,697			
Asset maintenance ratio				
Actual asset maintenance	18,197	62.31%	103.24%	> 100.00%
Required asset maintenance	29,206			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	62,683	2.12%	3.33%	
Gross replacement cost	2,950,776			

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

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

(3) See Note G4-1 for details regarding the restatement as a result of Prior Period Errors

Clarence Valley Council

Report on Infrastructure Values as at 30 June 2022

Infrastructure asset performance indicators (by fund)

	General fund		Water fund		Sewer fund		Benchmark
\$ '000	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	43.96%	30.73%	69.81%	17.91%	6.74%	26.89%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	38.74%	3.39%	10.14%	3.20%	21.25%	13.34%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	78.35%	101.05%	26.06%	98.77%	37.86%	123.08%	> 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	2.05%	2.50%	2.91%	2.32%	1.20%	9.06%	
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.