

# Inverell Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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**INVERELL**  
SHIRE COUNCIL

**2022-2023**

General Purpose Financial Statements  
Special Purpose Financial Statements  
And Special Schedules



Lake Inverell Offroad Recreation Circuit



# Inverell Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

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### Overview

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

Administration Centre  
144 Otho Street  
Inverell NSW 2360

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.inverell.nsw.gov.au](http://www.inverell.nsw.gov.au).

# Inverell Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

## Understanding Council's Financial Statements

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### Introduction

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

### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

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

### About the Councillor/Management Statement

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

### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

#### 1. The Income Statement

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

### Who uses the Financial Statements?

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

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

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

# Inverell Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2023.



Paul Harmon  
**Mayor**  
25 October 2023



Catherine Dight  
**Councillor**  
25 October 2023



Paul Henry  
**General Manager**  
25 October 2023



Paul Pay  
**Responsible Accounting Officer**  
25 October 2023

## Inverell Shire Council

## Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
<b>Income from continuing operations</b>				
24,087	Rates and annual charges	B2-1	23,770	22,929
5,406	User charges and fees	B2-2	6,043	4,617
574	Other revenues	B2-3	933	1,172
11,736	Grants and contributions provided for operating purposes	B2-4	19,420	21,378
941	Grants and contributions provided for capital purposes	B2-4	9,022	6,833
682	Interest and investment income	B2-5	2,488	815
122	Other income	B2-6	572	184
48	Net gain from the disposal of assets	B4-1	–	161
43,596	<b>Total income from continuing operations</b>		<b>62,248</b>	<b>58,089</b>
<b>Expenses from continuing operations</b>				
15,735	Employee benefits and on-costs	B3-1	14,835	14,549
12,635	Materials and services	B3-2	21,504	19,726
448	Borrowing costs	B3-3	344	274
12,730	Depreciation, amortisation and impairment of non-financial assets	B3-4	13,448	12,694
929	Other expenses	B3-5	980	1,141
–	Net loss from the disposal of assets	B4-1	2,014	–
42,477	<b>Total expenses from continuing operations</b>		<b>53,125</b>	<b>48,384</b>
1,119	<b>Net operating result for the year attributable to Council</b>		<b>9,123</b>	<b>9,705</b>
1,119	<b>Net result for the year</b>		<b>9,123</b>	<b>9,705</b>
178	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>101</b>	<b>2,872</b>

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

## Inverell Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
<b>Net operating result for the year – from Income Statement</b>		<b>9,123</b>	9,705
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<b>43,316</b>	75,114
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>43,316</b>	75,114
<b>Total other comprehensive income for the year</b>		<b>43,316</b>	75,114
<b>Total comprehensive income for the year attributable to Council</b>		<b>52,439</b>	84,819

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

## Inverell Shire Council

## Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	16,087	13,795
Investments	C1-2	75,000	40,968
Receivables	C1-4	5,151	4,429
Inventories	C1-5	672	584
Contract assets and contract cost assets	C1-6	3,307	8,933
Other	C1-9	112	99
<b>Total current assets</b>		<b>100,329</b>	<b>68,808</b>
<b>Non-current assets</b>			
Investments	C1-2	11,000	20,000
Receivables	C1-4	61	637
Infrastructure, property, plant and equipment (IPPE)	C1-7	895,994	851,896
Investment property	C1-8	3,424	3,090
<b>Total non-current assets</b>		<b>910,479</b>	<b>875,623</b>
<b>Total assets</b>		<b>1,010,808</b>	<b>944,431</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	6,982	3,854
Contract liabilities	C3-2	8,620	5,515
Borrowings	C3-3	741	616
Employee benefit provisions	C3-4	5,075	4,652
Provisions	C3-5	205	208
<b>Total current liabilities</b>		<b>21,623</b>	<b>14,845</b>
<b>Non-current liabilities</b>			
Borrowings	C3-3	10,327	1,069
Employee benefit provisions	C3-4	200	200
Provisions	C3-5	4,616	6,714
<b>Total non-current liabilities</b>		<b>15,143</b>	<b>7,983</b>
<b>Total liabilities</b>		<b>36,766</b>	<b>22,828</b>
<b>Net assets</b>		<b>974,042</b>	<b>921,603</b>
<b>EQUITY</b>			
Accumulated surplus		614,439	605,316
IPPE revaluation reserve	C4-1	359,603	316,287
<b>Council equity interest</b>		<b>974,042</b>	<b>921,603</b>
<b>Total equity</b>		<b>974,042</b>	<b>921,603</b>

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



## Inverell Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022 <sup>1</sup>		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity <sup>1</sup> \$ '000
Opening balance at 1 July		605,316	316,287	921,603	595,611	241,173	836,784
Net operating result for the year		9,123	–	9,123	9,705	–	9,705
<b>Net operating result for the Year</b>		<b>9,123</b>	<b>–</b>	<b>9,123</b>	<b>9,705</b>	<b>–</b>	<b>9,705</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	43,316	43,316	–	75,114	75,114
<b>Other comprehensive income</b>		<b>–</b>	<b>43,316</b>	<b>43,316</b>	<b>–</b>	<b>75,114</b>	<b>75,114</b>
<b>Total comprehensive income</b>		<b>9,123</b>	<b>43,316</b>	<b>52,439</b>	<b>9,705</b>	<b>75,114</b>	<b>84,819</b>
<b>Closing balance at 30 June <sup>1</sup></b>		<b>614,439</b>	<b>359,603</b>	<b>974,042</b>	<b>605,316</b>	<b>316,287</b>	<b>921,603</b>

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

## Inverell Shire Council

## Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
23,771	Rates and annual charges		23,882	23,076
5,406	User charges and fees		8,214	3,661
682	Investment revenue and interest		1,708	840
12,993	Grants and contributions		36,168	25,015
–	Bonds, deposits and retentions received		260	144
696	Other		3,250	4,159
<b>Payments:</b>				
(15,735)	Payments to employees		(14,428)	(14,709)
(8,654)	Payments for materials and services		(22,673)	(22,179)
(448)	Borrowing costs		(344)	(274)
(4,910)	Other		(3,108)	(931)
13,801	<b>Net cash flows from operating activities</b>	G1-1	<b>32,929</b>	<b>18,802</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investments		28,450	23,985
–	Sale of investment property		–	168
–	Sale of real estate assets		340	–
711	Proceeds from sale of IPPE		450	1,157
<b>Payments:</b>				
–	Purchase of investments		(53,482)	(22,868)
(22,910)	Payments for IPPE		(15,776)	(14,357)
–	Purchase of real estate assets		(2)	–
(22,199)	<b>Net cash flows from investing activities</b>		<b>(40,020)</b>	<b>(11,915)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
10,000	Borrowings and advances		10,000	–
<b>Payments:</b>				
(950)	Borrowings and advances		(617)	(653)
9,050	<b>Net cash flows from financing activities</b>		<b>9,383</b>	<b>(653)</b>
652	<b>Net change in cash and cash equivalents</b>		<b>2,292</b>	<b>6,234</b>
–	Cash and cash equivalents – beginning of year		13,795	7,561
–	Cash resulting from boundary adjustment		–	–
652	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>16,087</b>	<b>13,795</b>
–	plus: Investments on hand at end of year	C1-2	86,000	60,968
652	<b>Total cash, cash equivalents and investments</b>		<b>102,087</b>	<b>74,763</b>

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

# Inverell Shire Council

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# Inverell Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 25 October 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 2021 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-8
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated garbage tip and gravel pit remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

### **Monies and other assets received by Council**

#### **The Consolidated Fund**

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

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



## A1-1 Basis of preparation (continued)

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- General purpose operations
- Water service
- Sewerage service
- Main Street Program
- Mayor's Drug Advisory Committee
- Youth Indent Committee

### The Trust Fund

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

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

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

- Proceeds from sale of land for unpaid rates
- Inverell Investment Fund monies

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 no volunteer services within the organisation.

### New accounting standards and interpretations issued but not yet effective

#### New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2022.

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

#### **AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities**

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

## A1-1 Basis of preparation (continued)

**Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.**

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

### **AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates**

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

**The standard may have significant impact on Council as it requires Council to consider the materiality of the accounting policy information to be included in the financial statements.**

*AASB 101 Presentation of Financial Statements* requires the disclosure of material accounting policy information rather than significant accounting policies.

*"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."*

Accounting policy information is likely to be considered material if that information relates to material transactions, other events or conditions and:

- the entity has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- the entity (or OLG) chose the accounting policy from one or more options permitted by Australian Accounting Standards.
- the accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies.
- the accounting policy relate to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in the financial statements
- the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions.

Further AASB 101 notes that *'Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.'*

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

### **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023.

None of these newly adopted standards had a material impact on Council's reported financial position or financial 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	
	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000	2023 \$ '000	2022 \$ '000
<b>Functions or activities</b>										
Leadership	26,325	25,128	3,617	3,827	22,708	21,301	9,865	9,775	112,492	86,435
Community	3,553	5,728	6,022	7,616	(2,469)	(1,888)	2,840	5,146	26,068	26,134
Environment	5,112	5,120	5,706	5,069	(594)	51	325	137	43,171	42,189
Economy	799	328	913	1,369	(114)	(1,041)	91	23	13,963	12,453
Services / Infrastructure	26,459	21,785	36,867	30,503	(10,408)	(8,718)	15,321	13,130	815,114	777,220
<b>Total functions and activities</b>	<b>62,248</b>	<b>58,089</b>	<b>53,125</b>	<b>48,384</b>	<b>9,123</b>	<b>9,705</b>	<b>28,442</b>	<b>28,211</b>	<b>1,010,808</b>	<b>944,431</b>

## B1-2 Components of functions or activities

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

### Leadership

Includes costs relating to Council's role as a component of democratic government; including elections; member fees and expenses; subscription to local authorities; meeting of Council and policy making committees and area representation and public disclosure and compliance together with related administration cost and other support services; engineering works; public disclosure (eg GIPA) and any Council legislative policy compliance.

### Community

Includes Council's fire and emergency services levy, fire protection; emergency services; enforcement of Local Government Regulations; health matters; administration and education; social protection (welfare); migrant, aboriginal and other community services administration; youth services; aged and disabled persons services; children services; childcare and other family and children services; public cemeteries; public conveniences; street lighting; town planning; other community amenities; public libraries; museums; art galleries; public halls; other cultural services and building control.

### Environment

Includes costs relating to noxious plants and vermin control; environmental protection matters; solid waste management, street cleaning, drainage and stormwater management.

### Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

### Services / Infrastructure

Includes water supply; sewerage services; sporting grounds and venues; swimming pools; parks; gardens; lakes; other sporting recreational services; quarries and pits; sealed and unsealed roads and bridges on urban, local, and regional roads; footpaths; parking areas; aerodromes and other transport and communications.

## B2 Sources of income

### B2-1 Rates and annual charges

	Timing	2023 \$ '000	2022 \$ '000
<b>Ordinary rates</b>			
Residential	2	7,112	6,890
Farmland	2	4,794	4,697
Business	2	2,744	2,697
Less: pensioner rebates (mandatory)	2	(319)	(321)
<b>Rates levied to ratepayers</b>		<b>14,331</b>	<b>13,963</b>
Pensioner rate subsidies received	2	176	177
<b>Total ordinary rates</b>		<b>14,507</b>	<b>14,140</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>			
Domestic waste management services	2	2,622	2,507
Stormwater management services	2	146	146
Water supply services	2	2,689	2,525
Sewerage services	2	3,123	2,948
Waste management services (non-domestic)	2	827	815
Less: pensioner rebates (mandatory)	2	(334)	(339)
<b>Annual charges levied</b>		<b>9,073</b>	<b>8,602</b>
Pensioner annual charges subsidies received:			
– Water	2	70	69
– Sewerage	2	57	57
– Domestic waste management	2	63	61
<b>Total annual charges</b>		<b>9,263</b>	<b>8,789</b>
<b>Total rates and annual charges</b>		<b>23,770</b>	<b>22,929</b>

The timing column notation (above) identifies the revenue recognition pattern for material items of Council's revenue:

- (1) indicates income recognised under AASB 15 or AASB 1058 "over time",  
 (2) indicates income recognised under AASB 15 or AASB 1058 "at a point in time".

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.

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



## B2-2 User charges and fees

	Timing	2023 \$ '000	2022 \$ '000
<b>Specific user charges (per s502 - specific 'actual use' charges)</b>			
Domestic waste management services	1	9	9
Water supply services	1	2,721	2,089
Waste management services (non-domestic)	2	698	760
Other	1	13	18
<b>Total specific user charges</b>		<b>3,441</b>	<b>2,876</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>			
Building services – other	2	162	144
Inspection services	2	9	7
Planning and building regulation	2	192	143
Private works – section 67	1	199	177
Registration fees	2	56	42
Section 10.7 certificates (EP&A Act)	2	36	46
Section 603 certificates	2	40	60
<b>Total fees and charges – statutory/regulatory</b>		<b>694</b>	<b>619</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>			
Aerodrome	2	3	1
Caravan park	2	60	51
Quarry revenues	2	23	82
Transport for NSW works (state roads not controlled by Council)	1	1,766	967
Sportsgrounds	2	44	6
Town hall	2	12	15
<b>Total fees and charges – other</b>		<b>1,908</b>	<b>1,122</b>
<b>Total other user charges and fees</b>		<b>2,602</b>	<b>1,741</b>
<b>Total user charges and fees</b>		<b>6,043</b>	<b>4,617</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		4,708	3,260
User charges and fees recognised at a point in time (2)		1,335	1,357
<b>Total user charges and fees</b>		<b>6,043</b>	<b>4,617</b>

### Accounting policy

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

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

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

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

## B2-3 Other revenues

	Timing	2023 \$ '000	2022 \$ '000
Fines	2	6	11
Legal fees recovery – rates and charges (extra charges)	2	28	47
Commissions and agency fees	2	2	2
Insurance claims recoveries	2	40	39
Aged disabled and youth and other community services	1	3	3
Bushfire / SES sundry income	2	14	13
Cemetery	2	206	139
Insurance / workers compensation premium adjustment	2	119	138
Library	2	14	12
Parental leave reimbursement	2	26	17
Sale of dogs / microchipping	2	2	5
Sale of old materials	2	325	269
Other	2	37	51
Sulo bin sales	2	17	11
Sundry health services	2	10	12
Tourism	2	73	53
Adjustment to landfill/Quarry provisions	2	–	312
Environmental Compliance	2	–	36
Rural Addressing		1	2
Administration Reimbursement - Northern Inland Regional Waste		10	–
<b>Total other revenue</b>		<b>933</b>	<b>1,172</b>

### Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	3	3
Other revenue recognised at a point in time (2)	930	1,169
<b>Total other revenue</b>	<b>933</b>	<b>1,172</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	Timing				
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	1,311	2,159	–	–
Financial assistance – local roads component	2	577	1,275	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	5,059	3,420	–	–
Financial assistance – local roads component	2	2,776	2,018	–	–
<b>Amount recognised as income during current year</b>		<b>9,723</b>	<b>8,872</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
Ashford Business Council		–	–	2	–
Bushfire and emergency services	2	135	122	–	–
BBlack Summer Bushfire Recovery Program	1	110	–	107	–
Bushfire Community Resilience & Recovery	2	–	14	–	105
Bushfire Disaster Recovery Funding	2	–	–	–	21
Bushfire Local Economic Recovery Fund - Program 3	1	–	–	399	10
Bushfire Local Economic Recovery Fund - Program 5	1	–	–	367	66
Community Local Infrastructure Recovery Program	2	21	–	155	–
Crown Land	2	–	–	28	23
Crown Reserves Improvements Fund	1	–	–	–	1
Department of Planning, Industry & Environment-Gwydir Highway Roundabout Construction	1	–	1,500	–	–
Department Planning, Industry & Environment - Drought Stimulus Funding - Gwydir Highway Roundabout Construction	1	–	1,903	–	–
Drought Communities Program	1	–	10	–	–
Employment schemes / apprentice subsidy	2	51	41	–	–
Environmental programs	1	188	1	–	–
Health System Support Subsidy - Water	2	51	–	–	–
Heritage and cultural	2	43	27	–	–
Library	2	52	47	45	49
LIRS subsidy	2	17	113	–	–
Local Roads & Community Infrastructure Program - 1	1	–	–	–	252
Local Roads & Community Infrastructure Program - 2	1	–	–	–	1,336
Local Roads & Community Infrastructure Program - 3	1	169	–	1,520	3
Long Service Leave Contribution from Other councils	2	21	–	–	–
National Australia Day Council	2	12	23	–	–
Noxious weeds	1	200	198	–	–
NSW Government Stimulus Package-Recovery from COVID 19	2	–	–	92	22
NSW Office of Sport	1	–	–	750	–
NSW Partnership Local Council Funding	2	–	33	–	–
OLG Grant – Fire & Emergency Services Levy	1	–	161	–	–
Other contributions	1	1	25	20	–
Other Contributions - Roads	2	15	–	–	–
<b>Previously contributions:</b>					
Reconnecting Regional NSW	1	221	–	–	–
Regional & local Roads Repair Program - RLRRP	1	2,890	–	–	–
Regional Airports Program	1	–	–	252	66
Regional Sport Event Fund	2	–	38	–	–
Regional Youth Program	2	–	5	–	–

continued on next page ...

**B2-4 Grants and contributions (continued)**

		<b>Operating 2023 \$ '000</b>	<b>Operating 2022 \$ '000</b>	<b>Capital 2023 \$ '000</b>	<b>Capital 2022 \$ '000</b>
	Timing				
RESTART NSW - HML Grant	2	—	39	—	—
RESTART NSW - Recreation Grant	1	—	—	—	294
RESTART NSW - Road Grants	1	—	—	<b>1,558</b>	1,761
Roads and bridges	2	—	11	—	—
Sport and recreation	2	<b>129</b>	138	—	133
Street lighting	2	<b>63</b>	62	—	—
Stronger Country Community Funding	1	<b>85</b>	34	<b>485</b>	58
Transport (3x3, roads to recovery, flood etc.)	2	<b>1,457</b>	4,270	—	—
Transport - CPTI Grant Scheme	1	—	—	<b>29</b>	33
Transport - Fixing Country Bridges Program	1	—	—	<b>83</b>	151
Transport - Fixing Local Roads Program	1	<b>794</b>	779	<b>999</b>	33
Transport - Road Safety Program	1	—	—	<b>64</b>	61
Transport for NSW contributions (regional roads, block grant)	2	<b>2,972</b>	2,912	<b>545</b>	545
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>9,697</b>	<b>12,506</b>	<b>7,500</b>	<b>5,023</b>
<b>Non-cash contributions</b>					
Bushfire services	2	—	—	<b>395</b>	190
Roads and bridges	2	—	—	<b>855</b>	—
Crown Land - Tingha Recreation Reserve	2	—	—	—	617
<b>Total other contributions – non-cash</b>		<b>—</b>	<b>—</b>	<b>1,250</b>	<b>807</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>9,697</b>	<b>12,506</b>	<b>8,750</b>	<b>5,830</b>
<b>Total grants and non-developer contributions</b>		<b>19,420</b>	<b>21,378</b>	<b>8,750</b>	<b>5,830</b>
<b>Comprising:</b>					
– Commonwealth funding		<b>11,375</b>	11,659	<b>1,878</b>	1,679
– State funding		<b>7,879</b>	9,544	<b>5,994</b>	3,401
– Other funding		<b>166</b>	175	<b>878</b>	750
		<b>19,420</b>	<b>21,378</b>	<b>8,750</b>	<b>5,830</b>

## B2-4 Grants and contributions (continued)

## Developer contributions

	Notes	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
<b>Developer contributions:</b>						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		2	–	–	46	99
S 64 – water supply contributions		2	–	–	171	772
S 64 – sewerage service contributions		2	–	–	55	132
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>272</b>	<b>1,003</b>
<b>Total developer contributions</b>			<b>–</b>	<b>–</b>	<b>272</b>	<b>1,003</b>
<b>Total contributions</b>			<b>–</b>	<b>–</b>	<b>272</b>	<b>1,003</b>
<b>Total grants and contributions</b>			<b>19,420</b>	<b>21,378</b>	<b>9,022</b>	<b>6,833</b>
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			1,768	7,444	6,633	4,125
Grants and contributions recognised at a point in time (2)			17,652	13,934	2,389	2,708
<b>Total grants and contributions</b>			<b>19,420</b>	<b>21,378</b>	<b>9,022</b>	<b>6,833</b>



## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	829	1,856	4,686	1,689
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	—	—	—	—
<b>Add:</b> Funds received and not recognised as revenue in the current year	2,614	817	6,006	4,698
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	—	—	—	—
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(829)	(1,844)	(4,686)	(1,701)
<b>Unspent funds at 30 June</b>	<b>2,614</b>	<b>829</b>	<b>6,006</b>	<b>4,686</b>
<b>Contributions</b>				
Unspent funds at 1 July	454	663	—	—
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	42	454	—	—
<b>Add:</b> contributions received and not recognised as revenue in the current year	—	—	—	—
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	—	—	—	—
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	(68)	(663)	—	—
<b>Unspent contributions at 30 June</b>	<b>428</b>	<b>454</b>	<b>—</b>	<b>—</b>

Contribution under Section 7.11 (Contributions towards provisions or improvement of amenities or services) under the Environmental Planning and Assessment Act 1979 .

### 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 but could include the provision of a service or goods, construction of assets, and other various items as defined in the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

## B2-4 Grants and contributions (continued)

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### Capital grants

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

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

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

### Developer contributions

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

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

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

### Other grants and contributions

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

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

## B2-5 Interest and investment income

	2023 \$ '000	2022 \$ '000
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	47	44
– Cash and investments	2,427	771
– Other	14	–
<b>Total interest and investment income (losses)</b>	<b>2,488</b>	<b>815</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	47	44
General Council cash and investments	1,724	572
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	19	3
Water fund operations	363	103
Sewerage fund operations	335	93
<b>Total interest and investment income</b>	<b>2,488</b>	<b>815</b>

### Accounting policy

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

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

## B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
<b>Fair value increment on investment properties</b>			
Fair value increment on investment properties		334	–
<b>Total fair value increment on investment properties</b>	C1-8	<b>334</b>	<b>–</b>
<b>Rental income</b>			
<b>Investment properties</b>			
Lease income relating to variable lease payments not dependent on an index or a rate		9	9
<b>Total Rental Income</b>		<b>9</b>	<b>9</b>
<b>Other lease income</b>			
Aged Care Units		27	26
Residential Dwellings		27	26
Radio Communication Sites		19	15
Shops and Offices		21	6
Swimming Pool		12	8
Tourism Restaurant		39	26
Other Land		84	68
<b>Total other lease income</b>		<b>229</b>	<b>175</b>
<b>Total rental income</b>	C2-1	<b>238</b>	<b>184</b>
<b>Total other income</b>		<b>572</b>	<b>184</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	12,745	12,133
Employee leave entitlements (ELE)	2,323	1,915
Superannuation	1,467	1,402
Workers' compensation insurance	325	346
Fringe benefit tax (FBT)	95	104
Payroll tax	94	81
Protective clothing	21	24
Employment costs	19	24
<b>Total employee costs</b>	<b>17,089</b>	<b>16,029</b>
Less: capitalised costs	(2,254)	(1,480)
<b>Total employee costs expensed</b>	<b>14,835</b>	<b>14,549</b>
Number of 'full-time equivalent' employees (FTE) at year end	194	193

#### Accounting policy

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

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.

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

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

## B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		16,110	14,766
Contractor costs		1,259	1,291
Audit Fees	F2-1	63	60
Audit & Risk Costs		18	29
Councillor and Mayoral fees and associated expenses	F1-2	199	166
Advertising		158	167
Bank charges		65	64
Election expenses		–	127
Electricity and heating		1,509	1,220
Insurance		1,107	928
Postage		54	51
Printing and stationery		99	78
Street lighting		155	137
Subscriptions and publications		31	31
Telephone and communications		149	157
Valuation fees		123	80
Travel expenses		238	216
Training costs (other than salaries and wages)		105	110
<b>Legal expenses:</b>			
– Legal expenses: debt recovery		26	38
– Legal expenses: other		36	10
<b>Total materials and services</b>		<b>21,504</b>	<b>19,726</b>
<b>Total materials and services</b>		<b>21,504</b>	<b>19,726</b>

### Accounting policy

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

## B3-3 Borrowing costs

	Notes	2023 \$ '000	2022 \$ '000
<b>(i) Interest bearing liability costs</b>			
Interest on loans		136	76
<b>Total interest bearing liability costs</b>		<b>136</b>	<b>76</b>
<b>Total interest bearing liability costs expensed</b>		<b>136</b>	<b>76</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discounts			
– Remediation liabilities	C3-5	208	198
<b>Total other borrowing costs</b>		<b>208</b>	<b>198</b>
<b>Total borrowing costs expensed</b>		<b>344</b>	<b>274</b>

### Accounting policy

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



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

	Notes	2023 \$ '000	2022 \$ '000
<b>Depreciation and amortisation</b>			
Plant and equipment		2,152	2,074
Office equipment		201	207
Furniture and fittings		11	14
<b>Infrastructure:</b>	C1-7		
– Buildings – non-specialised		468	423
– Buildings – specialised		212	197
– Other structures		354	332
– Roads		4,426	4,084
– Bridges		1,608	1,485
– Footpaths		122	111
– Stormwater drainage		415	381
– Water supply network		1,704	1,630
– Sewerage network		1,144	1,100
– Swimming pools		33	72
– Other open space/recreational assets		663	573
<b>Other assets:</b>			
– Library books		121	127
– Other		4	5
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5	221	94
– Quarry assets	C3-5	84	83
<b>Total gross depreciation and amortisation costs</b>		<b>13,943</b>	<b>12,992</b>
Less: capitalised costs		(495)	(298)
<b>Total depreciation and amortisation costs</b>		<b>13,448</b>	<b>12,694</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>13,448</b>	<b>12,694</b>

### 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.

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.

## B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
<b>Impairment of receivables</b>			
Other		31	57
<b>Total impairment of receivables</b>	C1-4	<b>31</b>	<b>57</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		541	407
– Other contributions/levies		216	272
Donations, contributions and assistance to other organisations (Section 356)		192	405
<b>Total other</b>		<b>949</b>	<b>1,084</b>
<b>Total other expenses</b>		<b>980</b>	<b>1,141</b>

### Accounting policy

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

## B4 Gains or losses

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

	Notes	2023 \$ '000	2022 \$ '000
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-7		
Proceeds from disposal – plant and equipment		450	968
Less: carrying amount of plant and equipment assets sold/written off		(477)	(566)
<b>Gain (or loss) on disposal</b>		<b>(27)</b>	<b>402</b>
<b>Gain (or loss) on disposal of infrastructure</b>	C1-7		
Proceeds from disposal – infrastructure		–	189
Less: carrying amount of infrastructure assets sold/written off		(2,319)	(408)
<b>Gain (or loss) on disposal</b>		<b>(2,319)</b>	<b>(219)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>	C1-5		
Proceeds from disposal – real estate assets		340	–
Less: carrying amount of real estate assets sold/written off		(8)	–
<b>Gain (or loss) on disposal</b>		<b>332</b>	<b>–</b>
<b>Gain (or loss) on disposal of investment property</b>	C1-8		
Proceeds from disposal – investment property		–	168
Less: carrying amount of investment property sold/written off		–	(190)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>(22)</b>
<b>Gain (or loss) on disposal of investments</b>	C1-2		
Proceeds from disposal/redemptions/maturities – investments		28,450	23,985
Less: carrying amount of investments sold/redeemed/matured		(28,450)	(23,985)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) from disposal of assets</b>		<b>(2,014)</b>	<b>161</b>

#### Accounting policy

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 22nd June 2022 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	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Revenues</b>				
<b>Rates and annual charges</b>	<b>24,087</b>	<b>23,770</b>	<b>(317)</b>	<b>(1)% U</b>
<b>User charges and fees</b>	<b>5,406</b>	<b>6,043</b>	<b>637</b>	<b>12% F</b>
This variance is due to a number of favourable items including - Clerks Certificates (\$11k); SH 12 Maintenance (\$1,366k); Companion Animal registrations (\$52k); Section 68 Approvals (\$22k); Development Applications (\$63k); Sporting Ground Fees (\$44k); Construction Certificates (\$27k); Building Inspection Fees (\$24k); Noxious Weeds Private Works (\$27k); Sewerage Private works (\$36k). Unfavourable variances are Waste Management (\$692k); Private works (\$38k); Water sales (\$159k); together with other minor increases and decreases across Council's functions				
<b>Other revenues</b>	<b>574</b>	<b>933</b>	<b>359</b>	<b>63% F</b>
This favourable variance is due to the following; Legal/Debt Recovery Fees (\$15k); Administration income (\$15k); Paid Parental Leave Scheme reimbursement (\$26k); Waste Income -Sale of Old Materials - (Scrap Steel) (\$178k); On site Sewer Management Fees (\$10k); Cemeteries Fees (\$56k); Insurance Proceeds (\$21k); Workers Compensation reimbursement (\$87k); Sewer application Fees (\$34k) and other minor increases and decreases across Council's function.				
<b>Operating grants and contributions</b>	<b>11,736</b>	<b>19,420</b>	<b>7,684</b>	<b>65% F</b>
This favourable variation is due to higher income in a range of areas including Financial Assistance Grants (\$2,979k); Stronger Country Communities Funding (\$85k); Local Roads & Community Infrastructure Funding (\$169k); EPA Bushfire Recovery Program (\$188k); Block Grant funding (\$60k); Regional & Local Roads Repair Program (\$2,890k); Fixing Local Roads Pothole Repair Program (\$794k); Apprenticeship Incentive Program (\$51k); Copeton Northern Foreshores (\$49k); Noxious Weeds (\$91k); Black Summer Bushfire Recovery Grant Program (\$110k); Reconnecting Regional NSW Community Events Program (\$221k); NSW Health Department (\$50k); Local Heritage Funding (\$12k); Library Funding (\$9k); Community Local Infrastructure Recovery program (\$20k) and unfavourable variances in Roads to Recovery funding (\$28k); Flood Damage works (\$57k) & Bushfire Protection (\$49k) and other small grants and contributions.				
<b>Capital grants and contributions</b>	<b>941</b>	<b>9,022</b>	<b>8,081</b>	<b>859% F</b>
This variance is due to a number of favourable items including Rural Fire Services grants (\$195k); Crown Land Manager Recovery Support Program (\$17k); Stronger Country Communities Funding (\$485k); Bushfire Local Economic Recovery Fund (\$765k); Local Roads & Community Infrastructure Program (\$1,520k); Tingha Caravan Park Upgrade (\$92k); Regional Airport Program (\$252k); Restart NSW - Yetman Road Upgrade (\$1,559k); Fixing Country Bridges Program (\$83k); Fixing Local Roads Program (\$999k); Developer Asset Contributions (\$855k); Other Contribution to Roads & Bridges (\$19k); NSW Office of Sport-Aquatic Centre Upgrade (\$750k); Road Safety Program (\$64k); Section 94 Contributions (\$46k); Library -Local Priority Funding (\$18k); Black Summer Bushfire Recovery Grant (\$107k); Community Local Infrastructure Recovery Program (\$155k); Country Passenger Transport Infrastructure Scheme (\$29k); Section 64 Water & Sewer Contributions (\$57k) and other small grants and contributions.				
<b>Interest and investment revenue</b>	<b>682</b>	<b>2,488</b>	<b>1,806</b>	<b>265% F</b>
The actual amount of interest received on an accrual basis was over budget by \$1,806K. This favourable increase was the result of reducing the original budget to reflect the anticipated downward movement in investments returns which did not evenuate. With the assistance of Council's Investment advisor, Council was able to generate a higher average investment return than anticipated during 2022-2023.				
<b>Net gains from disposal of assets</b>	<b>48</b>	<b>-</b>	<b>(48)</b>	<b>(100)% U</b>

continued on next page ...

## B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Other income</b>	<b>122</b>	<b>572</b>	<b>450</b>	<b>369% F</b>
This favourable variance is due to increased rental income on Council properties (\$116k).				
<b>Expenses</b>				
<b>Employee benefits and on-costs</b>	<b>15,735</b>	<b>14,835</b>	<b>900</b>	<b>6% F</b>
<b>Materials and services</b>	<b>12,635</b>	<b>21,504</b>	<b>(8,869)</b>	<b>(70)% U</b>
This unfavourable variance is primarily a result of additional costs associated with the expenditure of additional grant income received for community grants and extra funds for maintenance, repairs and construction work on Council assets.				
<b>Borrowing costs</b>	<b>448</b>	<b>344</b>	<b>104</b>	<b>23% F</b>
This favourable variance is due to council not drawing down its loan allocation of \$10m for the upgrade of the Inverell Aquatic Centre until later in the year.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	<b>12,730</b>	<b>13,448</b>	<b>(718)</b>	<b>(6)% U</b>
<b>Other expenses</b>	<b>929</b>	<b>980</b>	<b>(51)</b>	<b>(5)% U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>2,014</b>	<b>(2,014)</b>	<b>∞ U</b>
The major unfavourable variation relates to the demolition of the Inverell Swimming Pool complex (\$1,803k); as well as Plant and Equipment Disposals (\$22k); Office Equipment (\$5k); Open Space Assets (\$336k); Water assets (\$23k); Sewerage assets (\$7k) Stormwater assets (\$150k); Real Estate Development (\$332k)(F).				

## Statement of cash flows

<b>Cash flows from operating activities</b>	<b>13,801</b>	<b>32,929</b>	<b>19,128</b>	<b>139% F</b>
This variation relates to the following favourable (F) and unfavourable (U) variations in income and expenditure across, Rates and Annual Charges (\$111K) (F); User Charges and Fees (\$2,808K) (F); Investment Revenue and Interest (\$1,026K) (F); Grants and Contributions (\$23,175K) (F); Bonds and Deposit (\$260K) (F); Other Revenues (\$2,554K) (F); Employee Costs (\$1,307K) (F); Materials and Contracts (\$14,019K) (U); Borrowing Costs (\$104K) (F); Other Payments (\$1,802K) (F).				
<b>Cash flows from investing activities</b>	<b>(22,199)</b>	<b>(40,020)</b>	<b>(17,821)</b>	<b>80% U</b>
This variation relates to the following favourable (F) and unfavourable (U) variations in investing activities, Real Estate (\$338K) (F); Sale of PP&E (\$261K) (U); Investment Purchases (\$25,032K) (U); Purchases of PP&E (\$7,134K) (F).				
<b>Cash flows from financing activities</b>	<b>9,050</b>	<b>9,383</b>	<b>333</b>	<b>4% F</b>

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
<b>Cash assets</b>		
Cash on hand and at bank	16,087	13,795
<b>Total cash and cash equivalents</b>	<b>16,087</b>	<b>13,795</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	16,087	13,795
<b>Balance as per the Statement of Cash Flows</b>	<b>16,087</b>	<b>13,795</b>

#### 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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>Debt securities at amortised cost</b>				
Term deposits	75,000	11,000	40,968	20,000
<b>Total</b>	<b>75,000</b>	<b>11,000</b>	<b>40,968</b>	<b>20,000</b>
<b>Total financial investments</b>	<b>75,000</b>	<b>11,000</b>	<b>40,968</b>	<b>20,000</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>91,087</b>	<b>11,000</b>	<b>54,763</b>	<b>20,000</b>

#### Accounting policy

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

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

#### Financial assets

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

#### Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

## C1-2 Financial investments (continued)

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### **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.

### **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 \$86M in the Statement of Financial Position.



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

	2023 \$ '000	2022 \$ '000
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(a) Externally restricted cash,  
cash equivalents and  
investments

<b>Total cash, cash equivalents and investments</b>	<b>102,087</b>	<b>74,763</b>
Less: Externally restricted cash, cash equivalents and investments	<b>(44,399)</b>	<b>(29,980)</b>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>57,688</b>	<b>44,783</b>

### External restrictions

#### External restrictions – included in liabilities

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

Specific purpose unexpended loans – general	10,000	–
Bonds and deposits	752	492
Specific purpose unexpended grants – general fund	8,620	5,515
<b>External restrictions – included in liabilities</b>	<b>19,372</b>	<b>6,007</b>

#### External restrictions – other

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

Developer contributions – general	428	454
Water fund	14,532	14,040
Sewer fund	9,072	8,334
Waste Management	995	1,145
<b>External restrictions – other</b>	<b>25,027</b>	<b>23,973</b>
<b>Total external restrictions</b>	<b>44,399</b>	<b>29,980</b>

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.

	2023 \$ '000	2022 \$ '000
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(b) Internal allocations

<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>57,688</b>	<b>44,783</b>
Less: Internally restricted cash, cash equivalents and investments	<b>(41,826)</b>	<b>(38,370)</b>
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>15,862</b>	<b>6,413</b>

### Internal allocations

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

Financial Assistance Grants	10,331	7,049
Emergency Services Reserve	379	379
Building Infrastructure Reserve	999	1,079
Community Infrastructure Reserve	11,772	9,404
Waste Management Reserve	4,575	4,615
Economic Development Reserve	1,656	1,226
Transport Infrastructure Reserve	1,973	6,050
Employee Provisions Reserve	2,062	1,963
Information Technology Reserve	1,989	1,739
Fleet Replacement Reserve	4,069	2,542
Financial Risk Reserve	2,021	2,324

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

	<b>2023</b>	2022
	<b>\$ '000</b>	\$ '000
<b>Total internal allocations</b>	<b>41,826</b>	<b>38,370</b>

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

	<b>2023</b>	2022
	<b>\$ '000</b>	\$ '000
<b>(c) Unrestricted and unallocated</b>		
<b>Unrestricted and unallocated cash, cash equivalents and investments</b>	<b>15,862</b>	<b>6,413</b>

## C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	1,113	–	1,046	–
Interest and extra charges	90	–	84	–
User charges and fees	1,173	61	2,489	637
Accrued revenues				
– Interest on investments	1,031	–	257	–
– Other income accruals	1,006	–	80	–
Government grants and subsidies	17	–	77	–
Net GST receivable	860	–	505	–
<b>Total</b>	<b>5,290</b>	<b>61</b>	<b>4,538</b>	<b>637</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(99)	–	(69)	–
User charges and fees	(40)	–	(40)	–
<b>Total provision for impairment – receivables</b>	<b>(139)</b>	<b>–</b>	<b>(109)</b>	<b>–</b>
<b>Total net receivables</b>	<b>5,151</b>	<b>61</b>	<b>4,429</b>	<b>637</b>

### Externally restricted receivables

#### Water supply

– Rates and availability charges	127	–	116	–
– Other	681	–	430	–

#### Sewerage services

– Rates and availability charges	151	–	145	–
– Other	91	–	18	–

<b>Total external restrictions</b>	<b>1,050</b>	<b>–</b>	<b>709</b>	<b>–</b>
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<b>Unrestricted receivables</b>	<b>4,101</b>	<b>61</b>	<b>3,720</b>	<b>637</b>
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<b>Total net receivables</b>	<b>5,151</b>	<b>61</b>	<b>4,429</b>	<b>637</b>
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	2023 \$ '000	2022 \$ '000
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### Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	109	94
+ new provisions recognised during the year	30	–
– amounts provided for but recovered during the year	–	15
<b>Balance at the end of the year</b>	<b>139</b>	<b>109</b>

### 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.

## C1-4 Receivables (continued)

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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, or when the receivables are over 2 years past due, whichever occurs first.

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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>(i) Inventories at cost</b>				
Real estate for resale	48	—	54	—
Stores and materials	624	—	530	—
<b>Total inventories at cost</b>	<b>672</b>	<b>—</b>	<b>584</b>	<b>—</b>
<b>Total inventories</b>	<b>672</b>	<b>—</b>	<b>584</b>	<b>—</b>
<b>Externally restricted assets</b>				
	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>Water</b>				
Stores and materials	182	—	143	—
<b>Total water</b>	<b>182</b>	<b>—</b>	<b>143</b>	<b>—</b>
<b>Sewerage</b>				
Stores and materials	17	—	13	—
<b>Total sewerage</b>	<b>17</b>	<b>—</b>	<b>13</b>	<b>—</b>
<b>Total externally restricted assets</b>	<b>199</b>	<b>—</b>	<b>156</b>	<b>—</b>
<b>Total internally restricted assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total unrestricted assets</b>	<b>473</b>	<b>—</b>	<b>428</b>	<b>—</b>
<b>Total inventories</b>	<b>672</b>	<b>—</b>	<b>584</b>	<b>—</b>

## C1-5 Inventories (continued)

### (i) Other disclosures

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>(a) Details for real estate development</b>					
Residential		48	–	54	–
<b>Total real estate for resale</b>		<b>48</b>	<b>–</b>	<b>54</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		48	–	54	–
<b>Total costs</b>		<b>48</b>	<b>–</b>	<b>54</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>48</b>	<b>–</b>	<b>54</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		54	–	54	–
– Purchases and other costs		2	–	–	–
– WDV of sales (expense)	B4-1	(8)	–	–	–
<b>Total real estate for resale</b>		<b>48</b>	<b>–</b>	<b>54</b>	<b>–</b>

### (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;

	2023 \$ '000	2022 \$ '000
Real estate for resale	48	54
	<b>48</b>	<b>54</b>

### 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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Contract assets	3,307	–	8,933	–
<b>Total contract assets and contract cost assets</b>	<b>3,307</b>	<b>–</b>	<b>8,933</b>	<b>–</b>

### Contract assets

Road / Transport Infrastructure	2,423	–	7,486	–
Sporting and Recreational Infrastructure	565	–	1,447	–
Public Order and Safety Infrastructure	252	–	–	–
Water Supply Infrastructure	67	–	–	–
<b>Total contract assets</b>	<b>3,307</b>	<b>–</b>	<b>8,933</b>	<b>–</b>

### Significant changes in contract assets

The major portion of Contract Assets relates to Road Infrastructure Grants as follows:

- State Highway maintenance (\$451K)
- Roads to Recovery (\$416K)
- Country Passenger Transport infrastructure Grants Scheme (CPTIGS) (\$28K)
- Disaster Recovery Funding (\$733K)
- Drought Emergency Funding (\$67K)
- Local Road & Community Infrastructure Grant - Round 2 (\$138K)
- Local Road & Community Infrastructure Grant - Round 3 (\$440k)
- Fixing Local Roads (\$252K)
- NSW Rural Fire Service (\$248K)
- Bushfire Local Economic Recovery Fund (\$130K)
- Road Safety Program (\$36)
- Stronger Country Communities Funding (SCCF) - Round 4 (\$291K)
- Black Summer Bushfire Recovery Grants Program (\$12)
- Restart NSW Program (\$65k)

### 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 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period								At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	5,137	–	5,137	6,321	123	–	–	(3,983)	–	–	–	7,598	–	7,598
Plant and equipment	33,648	(16,389)	17,259	1,494	267	(471)	(2,152)	–	–	–	–	33,620	(17,223)	16,397
Office equipment	2,421	(1,623)	798	109	–	(6)	(201)	–	–	–	–	2,424	(1,724)	700
Furniture and fittings	740	(702)	38	–	–	–	(11)	–	–	–	–	703	(676)	27
<b>Land:</b>														
– Operational land	14,402	–	14,402	–	–	–	–	–	–	–	5,000	19,402	–	19,402
– Community land	10,076	–	10,076	–	–	–	–	–	–	–	3,435	13,511	–	13,511
<b>Infrastructure:</b>														
– Buildings – non-specialised	35,630	(7,090)	28,540	96	–	–	(468)	–	–	(2,552)	–	35,780	(10,164)	25,616
– Buildings – specialised	18,781	(7,243)	11,538	17	–	–	(212)	–	–	(651)	–	19,198	(8,506)	10,692
– Other structures	17,003	(3,324)	13,679	458	87	(317)	(354)	49	–	–	1,360	18,971	(4,009)	14,962
– Roads	362,532	(69,122)	293,410	5,257	1,445	–	(4,426)	1,528	–	–	15,259	389,904	(77,431)	312,473
– Bridges	173,747	(51,734)	122,013	149	–	–	(1,608)	–	–	–	6,358	183,070	(56,158)	126,912
– Footpaths	11,599	(2,984)	8,615	–	549	–	(122)	–	–	–	448	12,760	(3,270)	9,490
– Bulk earthworks (non-depreciable)	121,686	–	121,686	–	42	–	–	1,553	–	–	6,425	129,706	–	129,706
– Stormwater drainage	42,217	(11,079)	31,138	877	630	(150)	(415)	–	–	–	2,358	46,757	(12,319)	34,438
– Water supply network	133,552	(43,986)	89,566	559	–	(22)	(1,704)	326	–	–	5,752	143,734	(49,257)	94,477
– Sewerage network	85,326	(36,371)	48,955	92	2	(7)	(1,144)	–	–	(2,147)	–	89,350	(43,599)	45,751
– Swimming pools	5,342	(1,899)	3,443	–	–	(1,804)	(33)	–	–	–	333	2,766	(827)	1,939
– Other open space/recreational assets	30,399	(5,040)	25,359	612	501	(18)	(663)	527	–	–	1,938	34,343	(6,087)	28,256
<b>Other assets:</b>														
– Heritage collections	100	–	100	–	1	–	–	–	–	–	–	101	–	101
– Library books	1,166	(767)	399	141	–	–	(121)	–	–	–	–	1,238	(819)	419
– Other	86	(75)	11	–	–	–	(4)	–	–	–	–	86	(79)	7
– Tip assets	5,763	(297)	5,466	–	–	–	(221)	–	(2,309)	–	–	3,454	(518)	2,936
– Quarry assets	575	(307)	268	–	–	–	(84)	–	–	–	–	575	(391)	184
<b>Total infrastructure, property, plant and equipment</b>	<b>1,111,928</b>	<b>(260,032)</b>	<b>851,896</b>	<b>16,182</b>	<b>3,647</b>	<b>(2,795)</b>	<b>(13,943)</b>	<b>–</b>	<b>(2,309)</b>	<b>(5,350)</b>	<b>48,666</b>	<b>1,189,051</b>	<b>(293,057)</b>	<b>895,994</b>

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

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

	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>By aggregated asset class</b>	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	6,771	–	6,771	4,415	100	–	–	(6,149)	–	–	5,137	–	5,137
Plant and equipment	32,063	(15,585)	16,478	3,313	108	(566)	(2,074)	–	–	–	33,648	(16,389)	17,259
Office equipment	2,247	(1,417)	830	175	–	–	(207)	–	–	–	2,421	(1,623)	798
Furniture and fittings	740	(688)	52	–	–	–	(14)	–	–	–	740	(702)	38
<b>Land:</b>													
– Operational land	13,684	–	13,684	–	34	–	–	–	–	684	14,402	–	14,402
– Community land	9,566	–	9,566	–	32	–	–	–	–	478	10,076	–	10,076
<b>Infrastructure:</b>													
– Buildings – non-specialised	29,730	(5,672)	24,058	1,030	–	–	(423)	1	–	3,874	35,630	(7,090)	28,540
– Buildings – specialised	16,138	(6,027)	10,111	–	–	–	(197)	–	–	1,624	18,781	(7,243)	11,538
– Other structures	14,372	(2,524)	11,848	14	105	–	(332)	158	–	1,886	17,003	(3,324)	13,679
– Roads	323,218	(58,295)	264,923	3,649	106	–	(4,084)	619	–	28,197	362,532	(69,122)	293,410
– Bridges	156,606	(45,217)	111,389	252	–	(41)	(1,485)	22	–	11,876	173,747	(51,734)	122,013
– Footpaths	10,231	(2,582)	7,649	11	37	–	(111)	214	–	815	11,599	(2,984)	8,615
– Bulk earthworks (non-depreciable)	109,815	–	109,815	–	–	–	–	–	–	11,871	121,686	–	121,686
– Stormwater drainage	38,055	(9,617)	28,438	20	28	–	(381)	–	–	3,033	42,217	(11,079)	31,138
– Water supply network	125,716	(40,144)	85,572	611	115	(178)	(1,630)	274	–	4,802	133,552	(43,986)	89,566
– Sewerage network	80,356	(33,300)	47,056	258	–	–	(1,100)	108	–	2,633	85,326	(36,371)	48,955
– Swimming pools	4,590	(1,560)	3,030	–	–	–	(72)	–	–	485	5,342	(1,899)	3,443
– Other open space/recreational assets	21,317	(3,774)	17,543	54	726	–	(573)	4,753	–	2,856	30,399	(5,040)	25,359
<b>Other assets:</b>													
– Heritage collections	97	–	97	–	3	–	–	–	–	–	100	–	100
– Library books	1,023	(640)	383	143	–	–	(127)	–	–	–	1,166	(767)	399
– Other	86	(70)	16	–	–	–	(5)	–	–	–	86	(75)	11
– Tip assets	6,112	(486)	5,626	–	–	(189)	(94)	–	123	–	5,763	(297)	5,466
– Quarry assets	575	(224)	351	–	–	–	(83)	–	–	–	575	(307)	268
<b>Total infrastructure, property, plant and equipment</b>	<b>1,003,108</b>	<b>(227,822)</b>	<b>775,286</b>	<b>13,945</b>	<b>1,394</b>	<b>(974)</b>	<b>(12,992)</b>	<b>–</b>	<b>123</b>	<b>75,114</b>	<b>1,111,928</b>	<b>(260,032)</b>	<b>851,896</b>

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

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

### Accounting policy

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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	4 to 20	Playground equipment	5 to 15
Office furniture	5 to 25	Benches, seats etc.	10 to 20
Computer equipment	3 to 25		
Vehicles	5 to 6	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 10	Buildings: masonry	50 to 100
Other plant and equipment	5 to 20	Other Structures	10 to 100
<b>Water Assets</b>		<b>Sewer assets</b>	
Dams and reservoirs	100	Sewer Pump Wells	70
Bores	30	Motors & Electrical Equipment	30
Building / Civil Structures	70	Pumps & Mechanical Equipment	30
Reservoirs - Walls	100	Effluent Oxidation & Maturation Ponds	Infinite
Reservoirs - Roof	55	Sewer Sludge Lagoons	100
Motor & Electrical Equipment	35 to 60	Treatment Plant Siteworks	50
Pumps & Mechanical Equipment	35 to 60	Aeration Tanks Structural	50
Water Mains	50 to 100	Aeration Tanks Electrical	45
Water Meters	10 to 15	Aeration Tanks Mechanical	45
		Sewer Pipes - Long Life Component	150
		Sewer Pipes - Short Life Component	100
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	10 to 100	Bulk earthworks	Infinite
Sealed roads: structure	120 to 170	Swimming pools	10 to 150
Unsealed roads	50 to 66	Other Open Space/Recreational Assets	5 to 125
Roundabouts	40	Other Infrastructure	25 to 50
Kerb and Gutter	70	Drainage Assets	80 to 100
Bridge: concrete	100 to 125	Culverts / Causeways	100
Bridge: Steel	100		
Bridge: Timber	60 to 100		
Carparks - Sealed	50 to 100		
Carparks - Unsealed	100		
Footpaths	50 to 100		
Cycleways	50 to 100		

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 5 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.

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

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

### 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 Leases, 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.

### Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

## Externally restricted infrastructure, property, plant and equipment

	as at 30/06/23			as at 30/06/22		
	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000	Gross carrying amount \$ '000	Accumulated depn. and impairment \$ '000	Net carrying amount \$ '000
<b>Water supply</b>						
WIP	250	—	250	418	—	418
Plant and equipment	110	94	16	113	93	20
Land						
– Operational land	744	—	744	541	—	541
– Community land	62	—	62	43	—	43
Buildings	270	—	270	314	17	297
Infrastructure	143,734	49,257	94,477	133,552	43,986	89,566
<b>Total water supply</b>	<b>145,170</b>	<b>49,351</b>	<b>95,819</b>	<b>134,981</b>	<b>44,096</b>	<b>90,885</b>
<b>Sewerage services</b>						
WIP	221	—	221	221	—	221
Plant and equipment	227	133	94	164	163	1
Land						
– Operational land	764	—	764	598	—	598
Infrastructure	89,350	43,599	45,751	85,326	36,371	48,955
<b>Total sewerage services</b>	<b>90,562</b>	<b>43,732</b>	<b>46,830</b>	<b>86,309</b>	<b>36,534</b>	<b>49,775</b>
<b>Total restricted infrastructure, property, plant and equipment</b>	<b>235,732</b>	<b>93,083</b>	<b>142,649</b>	<b>221,290</b>	<b>80,630</b>	<b>140,660</b>

## C1-8 Investment properties

	2023 \$ '000	2022 \$ '000
<b>Owned investment property</b>		
Investment property on hand at fair value	3,424	3,090
<b>Total owned investment property</b>	<b>3,424</b>	<b>3,090</b>

### Owned investment property

#### At fair value

Opening balance at 1 July	3,090	3,280
Disposals during year	–	(190)
Net gain/(loss) from fair value adjustments	334	–
<b>Closing balance at 30 June</b>	<b>3,424</b>	<b>3,090</b>

#### Accounting policy

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

The valuation were based on independent assessment made by:

APV Valuers and Asset Management in their valuation undertaken in 2022/2023 Financial year.

## C1-9 Other

### Other assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepayments	112	–	99	–
<b>Total other assets</b>	<b>112</b>	<b>–</b>	<b>99</b>	<b>–</b>

## C2 Leasing activities

### C2-1 Council as a lessor

#### Operating leases

Council leases out a number of properties to individuals and community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as either investment property - (Refer Note C1-8) and/or IPP&E. - (Refer Note C1-7).

	2023 \$ '000	2022 \$ '000
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#### (i) Assets held as investment property

Investment property operating leases relate to Land & Buildings as follows:

Vacant Land - Vineyards Estate Inverell  
 Vacant Land - Rifle Range Road Inverell  
 Vacant Land - Brissett Street Inverell  
 Vacant Land - Wyndham Street Inverell  
 Buildings - 41-45 Campbell Street Inverell

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

Lease income relating to variable lease payments not dependent on an index or a rate	9	9
<b>Total income relating to operating leases for investment property assets</b>	<b>9</b>	<b>9</b>

#### Operating lease expenses

Direct operating expenses that generated rental income	44	43
<b>Total expenses relating to operating leases</b>	<b>44</b>	<b>43</b>

#### (ii) Assets held as property, plant and equipment

Council provides operating leases on following Council assets.

Aged Care Units  
 Residential Dwellings  
 Radio Communication Sites  
 Shops & Offices  
 Swimming Pools - Inverell & Ashford  
 Tourism Inverell Restaurant  
 Inverell Transport Museum  
 Ashford Medical Centre  
 Other Land

Lease income (excluding variable lease payments not dependent on an index or rate)	229	175
<b>Total income relating to operating leases for Council assets</b>	<b>229</b>	<b>175</b>

#### Other leased assets expenses

Other	234	329
<b>Total expenses relating to other leases assets</b>	<b>234</b>	<b>329</b>

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

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

< 1 year	249	140
1–2 years	240	128
2–3 years	195	65



**C2-1 Council as a lessor (continued)**

	<b>2023</b>	<b>2022</b>
	<b>\$ '000</b>	<b>\$ '000</b>
3–4 years	<b>114</b>	45
4–5 years	<b>103</b>	35
> 5 years	<b>376</b>	311
<b>Total undiscounted lease payments to be received</b>	<b>1,277</b>	<b>724</b>

**Accounting policy**

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

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

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

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

## C3 Liabilities of Council

### C3-1 Payables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepaid rates	1,091	–	942	–
Payments Received in Advance	61	–	86	–
Goods and services – operating expenditure	4,717	–	1,973	–
Accrued expenses:				
– Salaries and wages	89	–	69	–
– Other expenditure accruals	272	–	292	–
Security bonds, deposits and retentions	752	–	492	–
<b>Total payables</b>	<b>6,982</b>	<b>–</b>	<b>3,854</b>	<b>–</b>

#### Payables relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	22	–	34	–
Sewer	9	–	5	–
Other	752	–	492	–
Payables relating to externally restricted assets	783	–	531	–
<b>Total payables relating to restricted assets</b>	<b>783</b>	<b>–</b>	<b>531</b>	<b>–</b>
<b>Total payables relating to unrestricted assets</b>	<b>6,199</b>	<b>–</b>	<b>3,323</b>	<b>–</b>
<b>Total payables</b>	<b>6,982</b>	<b>–</b>	<b>3,854</b>	<b>–</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

		2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
	Notes				
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	6,006	–	4,686	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	2,614	–	829	–
<b>Total grants received in advance</b>		<b>8,620</b>	<b>–</b>	<b>5,515</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>8,620</b>	<b>–</b>	<b>5,515</b>	<b>–</b>

### Notes

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

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

### Contract liabilities relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>Externally restricted assets</b>				
Unspent grants held as contract liabilities (excl. Water & Sewer)	8,620	–	5,515	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>8,620</b>	<b>–</b>	<b>5,515</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>8,620</b>	<b>–</b>	<b>5,515</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>8,620</b>	<b>–</b>	<b>5,515</b>	<b>–</b>

### Significant changes in contract liabilities

A major variation from the previous year was the receipt of a grant in advance for Road Infrastructure Construction

### 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

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Loans – secured <sup>1</sup>	741	10,327	616	1,069
<b>Total borrowings</b>	<b>741</b>	<b>10,327</b>	<b>616</b>	<b>1,069</b>

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

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

### Borrowings relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
<b>Externally restricted assets</b>				
Water	–	–	190	–
Sewer	227	177	218	405
Domestic waste management	215	449	208	664
<b>Borrowings relating to externally restricted assets</b>	<b>442</b>	<b>626</b>	<b>616</b>	<b>1,069</b>
<b>Total borrowings relating to restricted assets</b>	<b>442</b>	<b>626</b>	<b>616</b>	<b>1,069</b>
<b>Total borrowings relating to unrestricted assets</b>	<b>299</b>	<b>9,701</b>	<b>–</b>	<b>–</b>
<b>Total borrowings</b>	<b>741</b>	<b>10,327</b>	<b>616</b>	<b>1,069</b>

### (a) Changes in liabilities arising from financing activities

	2022		Non-cash movements				2023
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	1,685	(617)	10,000	–	–	–	11,068
<b>Total liabilities from financing activities</b>	<b>1,685</b>	<b>(617)</b>	<b>10,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,068</b>

	2021		Non-cash movements				2022
	Opening Balance \$ '000	Cash flows \$ '000	Acquisition \$ '000	Fair value changes \$ '000	Acquisition due to change in accounting policy \$ '000	Other non-cash movement \$ '000	Closing balance \$ '000
Loans – secured	2,338	(653)	–	–	–	–	1,685
<b>Total liabilities from financing activities</b>	<b>2,338</b>	<b>(653)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,685</b>

### C3-3 Borrowings (continued)

#### (b) Financing arrangements

	2023 \$ '000	2022 \$ '000
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	200	200
Credit cards/purchase cards	76	76
<b>Total financing arrangements</b>	<b>276</b>	<b>276</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	32	28
<b>Total drawn financing arrangements</b>	<b>32</b>	<b>28</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	44	48
<b>Total undrawn financing arrangements</b>	<b>244</b>	<b>248</b>

(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.

#### Breaches and Defaults.

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

#### Security over loans;

Council loans are secured over future Council cash flows.

#### Bank Overdrafts

The bank overdraft of Inverell Shire Council is secured over future Council cash flows.

### C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	1,972	–	1,894	–
Sick leave	–	103	–	91
Long service leave	3,103	97	2,758	109
<b>Total employee benefit provisions</b>	<b>5,075</b>	<b>200</b>	<b>4,652</b>	<b>200</b>

#### Employee benefit provisions relating to restricted assets

##### Externally restricted assets

Water	326	3	385	4
Sewer	50	5	79	1
Employee benefit provisions relating to externally restricted assets	376	8	464	5
<b>Total employee benefit provisions relating to restricted assets</b>	<b>376</b>	<b>8</b>	<b>464</b>	<b>5</b>
<b>Total employee benefit provisions relating to unrestricted assets</b>	<b>4,699</b>	<b>192</b>	<b>4,188</b>	<b>195</b>
<b>Total employee benefit provisions</b>	<b>5,075</b>	<b>200</b>	<b>4,652</b>	<b>200</b>

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

	2023 \$ '000	2022 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	1,653	1,581
	<b>1,653</b>	<b>1,581</b>

## C3-4 Employee benefit provisions (continued)

### Description of and movements in provisions

	ELE provisions			Total \$ '000
	Annual leave \$ '000	Sick leave \$ '000	Long service leave \$ '000	
<b>2023</b>				
At beginning of year	1,894	91	2,867	4,852
Additional provisions	1,062	12	613	1,687
Amounts used (payments)	(984)	–	(280)	(1,264)
Total ELE provisions at end of year	1,972	103	3,200	5,275
<b>2022</b>				
At beginning of year	1,958	92	2,952	5,002
Additional provisions	792	–	358	1,150
Amounts used (payments)	(856)	(1)	(443)	(1,300)
Total ELE provisions at end of year	1,894	91	2,867	4,852

### 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

	2023 Current \$ '000	2023 Non-Current \$ '000	2022 Current \$ '000	2022 Non-Current \$ '000
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	205	4,616	208	6,714
<b>Sub-total – asset remediation/restoration</b>	<b>205</b>	<b>4,616</b>	<b>208</b>	<b>6,714</b>
<b>Total provisions</b>	<b>205</b>	<b>4,616</b>	<b>208</b>	<b>6,714</b>

### Provisions relating to restricted assets

#### Externally restricted assets

Other	20	627	19	609
Domestic waste management	185	3,989	189	6,105
<b>Provisions relating to externally restricted assets</b>	<b>205</b>	<b>4,616</b>	<b>208</b>	<b>6,714</b>
<b>Total provisions relating to restricted assets</b>	<b>205</b>	<b>4,616</b>	<b>208</b>	<b>6,714</b>
<b>Total provisions</b>	<b>205</b>	<b>4,616</b>	<b>208</b>	<b>6,714</b>

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

	2023 \$ '000	2022 \$ '000
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Other	205	208
	<b>205</b>	<b>208</b>

### Description of and movements in provisions

	Other provisions		
	Asset Remediation Garbage Tips \$ '000	Quarry / Gravel Pits \$ '000	Total \$ '000
<b>2023</b>			
At beginning of year	6,294	628	6,922
<b>Changes to provision:</b>			
– Revised discount rate	(2,309)	–	(2,309)
<b>Unwinding of discount</b>	<b>189</b>	<b>19</b>	<b>208</b>
<b>Total other provisions at end of year</b>	<b>4,174</b>	<b>647</b>	<b>4,821</b>
<b>2022</b>			
At beginning of year	6,493	610	7,103
<b>Changes to provision:</b>			
- Revised costs	122	–	122
Unwinding of discount	180	18	198
Unused amounts reversed	(501)	–	(501)
<b>Total other provisions at end of year</b>	<b>6,294</b>	<b>628</b>	<b>6,922</b>

### Nature and purpose of provisions

#### Asset remediation



## C3-5 Provisions (continued)

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Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry. The asset remediation provision represents the present value estimate of future costs Inverell Shire Council will incur to restore, rehabilitate and reinstate the tip and quarry 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 borrowing expense.

### Asset remediation – tips and quarries

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

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

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

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### 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

	<b>General 2023 \$ '000</b>	<b>Water 2023 \$ '000</b>	<b>Sewer 2023 \$ '000</b>
<b>Income from continuing operations</b>			
Rates and annual charges	17,950	2,698	3,122
User charges and fees	3,126	2,859	58
Interest and investment revenue	1,790	363	335
Other revenues	913	–	20
Grants and contributions provided for operating purposes	19,353	50	17
Grants and contributions provided for capital purposes	8,795	172	55
Other income	564	8	–
<b>Total income from continuing operations</b>	<b>52,491</b>	<b>6,150</b>	<b>3,607</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	12,944	1,262	629
Materials and services	16,765	3,039	1,700
Borrowing costs	319	3	22
Depreciation, amortisation and impairment of non-financial assets	10,583	1,712	1,153
Other expenses	973	7	–
Net losses from the disposal of assets	1,985	23	6
<b>Total expenses from continuing operations</b>	<b>43,569</b>	<b>6,046</b>	<b>3,510</b>
<b>Operating result from continuing operations</b>	<b>8,922</b>	<b>104</b>	<b>97</b>
<b>Net result for the year</b>	<b>8,922</b>	<b>104</b>	<b>97</b>
<b>Net result attributable to each council fund</b>	<b>8,922</b>	<b>104</b>	<b>97</b>
<b>Net result for the year before grants and contributions provided for capital purposes</b>	<b>127</b>	<b>(68)</b>	<b>42</b>

## D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11,483	2,032	2,572
Investments	60,000	9,500	5,500
Receivables	4,101	808	242
Inventories	473	182	17
Contract assets and contract cost assets	3,240	67	—
Other	111	1	—
<b>Total current assets</b>	<b>79,408</b>	<b>12,590</b>	<b>8,331</b>
<b>Non-current assets</b>			
Investments	7,000	3,000	1,000
Receivables	61	—	—
Infrastructure, property, plant and equipment	753,345	95,819	46,830
Investment property	3,424	—	—
<b>Total non-current assets</b>	<b>763,830</b>	<b>98,819</b>	<b>47,830</b>
<b>Total assets</b>	<b>843,238</b>	<b>111,409</b>	<b>56,161</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	6,951	22	9
Contract liabilities	8,620	—	—
Borrowings	514	—	227
Employee benefit provision	4,699	326	50
Provisions	205	—	—
<b>Total current liabilities</b>	<b>20,989</b>	<b>348</b>	<b>286</b>
<b>Non-current liabilities</b>			
Borrowings	10,150	—	177
Employee benefit provision	192	3	5
Provisions	4,616	—	—
<b>Total non-current liabilities</b>	<b>14,958</b>	<b>3</b>	<b>182</b>
<b>Total liabilities</b>	<b>35,947</b>	<b>351</b>	<b>468</b>
<b>Net assets</b>	<b>807,291</b>	<b>111,058</b>	<b>55,693</b>
<b>EQUITY</b>			
Accumulated surplus	567,076	24,556	22,807
Revaluation reserves	240,215	86,502	32,886
<b>Council equity interest</b>	<b>807,291</b>	<b>111,058</b>	<b>55,693</b>
<b>Total equity</b>	<b>807,291</b>	<b>111,058</b>	<b>55,693</b>

## D2 Interests in other entities

### D2-1 Subsidiaries, joint arrangements and associates not recognised

Council has no interest in any controlled entities, joint arrangements or associates.

The following Council operations / Committees have not been recognised in this financial report.

Inverell Sports Council - Advisory committee on Inverell Sporting Fields and facilities (Section 355 Advisory Committee)  
 Inverell Sapphire Floral Festival - Co-ordinate Annual Inverell Festival (Section 355 Specific Event Committee)  
 Great Inland Fishing Festival - Co-ordinate Annual Fishing Festival (Section 355 Specific Event Committee)  
 Equestrian Council - Management of Equestrian Centre (Section 355 Management Committee)  
 Delungra District Development Council - Co-ordinate events in village of Delungra (Section 355 Specific Events Committee)  
 Bonshaw Hall Management Committee - Management of Hall (Section 355 Management Committee)  
 Delungra Hall Management Committee - Management of Hall (Section 355 Management Committee)  
 Graman Hall Management Committee - Management of Hall (Section 355 Management Committee)  
 Mt Russell Hall Management Committee - Management of Hall (Section 355 Management Committee)  
 Yetman Hall Management Committee - Management of Hall (Section 355 Management Committee)  
 Bukkulla Recreation Ground - Management of Sporting Facility (Section 355 Management Committee)  
 Graman Recreation Reserve - Management of Sporting facility (Section 355 Management Committee)  
 Oakwood Recreation Area - Management of Sporting Facility (Section 355 Management Committee)  
 Sporting Area on Part Reserve 1571 - Management of Sporting Facility (Section 355 Management Committee)  
 Tennis Courts on Section 19 - Management of Sporting Facility (Section 355 Management Committee)  
 Yetman Tennis Club - Management of Sporting Facility (Section 355 Management Committee)

#### Reasons for non-recognition of the above.

The above Section 355 committees have minimal bank account balances and do not own or control any other assets. All other assets are held by Council and are included in these financial statements.

The above Section 355 committees have not been recognised because it is considered that there transactions are immaterial either by amount or nature.

#### New England Joint Organisation (NEJO)

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

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

The NEJO comprises eight voting member Councils: Inverell Shire Council, Armidale Regional Council, Glen Innes Severn Council, Moree Plains Shire Council, Narrabri Shire Council, Tenterfield Shire Council, Uralla Shire Council and Gwydir Shire Council.

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

The Chairperson is to be elected by the voting representatives of the Board from one (1) of the Mayoral representatives. The Chairperson does not have a casting vote. A decision of the Board is supported by a majority at which a quorum is present.

Inverell Shire Council, as a member of the NEJO, has a one-eighth voting right in respect to the decisions of the Board. Decision making is based on majority votes, so Council does not have control, joint control or significant influence over relevant activities of the organisation.

In accordance with the NEJO's Charter, each member is required to contribute annual fees towards the operation of the organisation. Member contributions are calculated on the basis of a flat fee, plus a per capita fee, plus an increase in accordance with the annual rate peg amount. NEJO did not levy contributions during 2022-2023. Contribution for the 2021/2022 financial year was \$19,879 (2020/2021 - \$19,490) for Inverell Shire Council.

For the year ended 30th June 2023, the NEJO's net operating result was a \$25k loss. Council is not required to fund any share of this operating loss.

At its 28 August 2022 Meeting member councils decided that NEJO will undertake steps to "mothball" operations, and cease all existing programs and won't levy member contributions in 2023 financial year. A letter requesting the Minister to dissolve NEJO was submitted in March 2023. Accordingly, the financial statements of NEJO have been prepared on a non-going concern basis due to the fact that the NEJO principal activities will not operate for a full 12 months in the 2023-24 financial year. Until Ministerial approval is received, the NEJO will exist as an entity under LG Act 1993 but no operations will be performed.

## D2-1 Subsidiaries, joint arrangements and associates not recognised (continued)

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Member Councils re-establish NEROC and meet twice each year to discuss matters of mutual interest. Residual funds from NEJO will be held in Trust by a member Council to fund approved projects that benefit all members as determined by NEROC.

## 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.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value 2023 \$ '000	Carrying value 2022 \$ '000	Fair value 2023 \$ '000	Fair value 2022 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	16,087	13,795	16,087	13,795
Receivables	5,212	5,066	5,212	5,066
Investments				
– Debt securities at amortised cost	86,000	60,968	86,000	60,968
<b>Total financial assets</b>	<b>107,299</b>	<b>79,829</b>	<b>107,299</b>	<b>79,829</b>
<b>Financial liabilities</b>				
Payables	6,982	3,854	6,982	3,854
Loans/advances	11,068	1,685	11,068	1,685
<b>Total financial liabilities</b>	<b>18,050</b>	<b>5,539</b>	<b>18,050</b>	<b>5,539</b>

Fair value is determined as follows:

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

The risks associated with the financial instruments held are:

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

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

### (a) Market risk – interest rate and price risk

	2023 \$ '000	2022 \$ '000
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	922	610
Impact of a 10% movement in price of investments		
– Equity / Income Statement	–	–

### (b) Credit risk

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

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

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

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

The level of outstanding receivables is reviewed on a monthly basis and debt recovery procedures are implemented to recover any outstanding debts. Council makes suitable provision for doubtful receivables as required.

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

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

### Credit risk profile

#### Receivables – rates and annual charges

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

	Not yet overdue \$ '000	overdue rates and annual charges < 5 years \$ '000	≥ 5 years \$ '000	Total \$ '000
<b>2023</b>				
Gross carrying amount	–	999	114	1,113
Expected loss rate (%)	0.00%	0.00%	86.84%	9%
ECL provision	–	–	99	99
<b>2022</b>				
Gross carrying amount	–	929	117	1,046
Expected loss rate (%)	0.00%	0.00%	58.97%	6%
ECL provision	–	–	69	69

#### Receivables - non-rates and annual charges and contract assets

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

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

	Not yet overdue \$ '000	0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	Total \$ '000
<b>2023</b>						
Gross carrying amount	6,289	274	711	3	268	7,545
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	14.93%	0.53%
ECL provision	–	–	–	–	40	40
<b>2022</b>						
Gross carrying amount	9,438	265	1,585	239	1,535	13,062
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.60%	0.31%
ECL provision	–	–	–	–	40	40



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

### (c) Liquidity risk

Payables 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 and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2023</b>							
Payables	0.00%	752	6,230	–	–	6,982	6,982
Borrowings	4.40%	–	1,269	4,622	11,133	17,024	11,068
<b>Total financial liabilities</b>		<b>752</b>	<b>7,499</b>	<b>4,622</b>	<b>11,133</b>	<b>24,006</b>	<b>18,050</b>
<b>2022</b>							
Payables	0.00%	492	3,362	–	–	3,854	3,854
Borrowings	4.19%	–	669	1,120	–	1,789	1,685
<b>Total financial liabilities</b>		<b>492</b>	<b>4,031</b>	<b>1,120</b>	<b>–</b>	<b>5,643</b>	<b>5,539</b>

## E2-1 Fair value measurement

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

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

During the reporting period, Council will measure non-capital assets classified as “Held for Sale” at fair value on a non-recurring basis if their carrying amount is higher than their value and therefore the asset needs to be written down to fair value. They are measured at the lower of their carrying amount and fair value less costs to sell. During the current reporting period, there were no assets measured at fair value on a non-recurring basis.

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Recurring fair value measurements									
Financial assets									
Financial investments	C1-2								
At fair value through profit or loss		30/06/23	30/06/22	–	–	–	–	–	–
Total financial assets				–	–	–	–	–	–
Investment property									
Commercial offices and vacant land	C1-8	30/09/23	30/6/18	–	–	3,424	3,090	3,424	3,090
Total investment property				–	–	3,424	3,090	3,424	3,090
Infrastructure, property, plant and equipment									
Plant and equipment <sup>1</sup>		30/06/18	30/6/18	–	–	16,397	17,259	16,397	17,259
Office equipment		30/06/18	30/6/18	–	–	700	798	700	798
Furniture and fittings		30/06/18	30/6/18	–	–	27	38	27	38
Operational land		30/06/23	30/6/18	19,402	14,402	–	–	19,402	14,402
Community land		30/06/23	30/6/18	13,511	10,076	–	–	13,511	10,076
Buildings – non-specialised		30/06/23	30/6/18	–	–	25,616	28,540	25,616	28,540
Buildings – specialised		30/06/23	30/6/18	–	–	10,692	11,538	10,692	11,538
Other structures		30/06/23	30/6/18	–	–	14,962	13,679	14,962	13,679
Roads		30/06/20	30/6/20	–	–	312,473	293,410	312,473	293,410
Bridges		30/06/20	30/6/20	–	–	126,912	122,013	126,912	122,013
Footpaths		30/06/20	30/6/20	–	–	9,490	8,615	9,490	8,615
Bulk earthworks (non-depreciable)		30/06/20	30/6/20	–	–	129,706	121,686	129,706	121,686
Stormwater drainage		30/06/20	30/6/20	–	–	34,438	31,138	34,438	31,138
Water supply network		30/06/23	30/6/17	–	–	94,477	89,566	94,477	89,566
Sewerage network		30/06/23	30/6/17	–	–	45,751	48,955	45,751	48,955
Swimming pools		30/06/23	30/6/18	–	–	1,939	3,443	1,939	3,443
Other open space/recreational assets		30/06/23	30/6/18	–	–	28,256	25,359	28,256	25,359

continued on next page ...

## E2-1 Fair value measurement (continued)

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022 <sup>1</sup>	2023	2022 <sup>1</sup>
Heritage collections		30/06/18	30/6/18	—	—	101	100	101	100
Library books		30/06/18	30/6/18	—	—	419	399	419	399
Other assets		30/06/18	30/6/18	—	—	7	11	7	11
Tip assets		30/06/23	30/6/22	—	—	2,936	5,466	2,936	5,466
Quarry assets		30/06/19	30/6/19	—	—	184	268	184	268
<b>Total infrastructure, property, plant and equipment</b>				<b>32,913</b>	<b>24,478</b>	<b>855,483</b>	<b>822,281</b>	<b>888,396</b>	<b>846,759</b>

### 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:

#### Investment property

Council's portfolio of investment properties includes two commercial buildings and a collection of vacant land held for commercial development. Both land and buildings were last valued by APV Valuers and Asset Management (APV Valuers) in June 2023.

Land has been valued using Level 2 inputs. Sales prices of comparable land sites in close proximity are adjusted for difference in key attributes such as property size. The most significant inputs into this valuation approach are price per square meter.

Fair value of Commercial Building 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 meter.

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

### Infrastructure, property, plant and equipment (IPPE)

#### Plant and equipment, office equipment, furniture and fittings and other assets

Plant & Equipment, Office Equipment, Furniture & Fittings, Other Assets are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets with these classes are as follows:

Plant and equipment	Trucks, rollers, earthmoving equipment, motor vehicles, chainsaws, brush cutters, mowers
Office equipment	Computers, monitors, projectors
Furniture and fittings	Desk, chairs, display systems
Library books	Books, publications, reference materials, CD & DVD
Heritage collection	Paintings, sculptures

The key unobservable inputs to the valuation are the remaining useful life, and residual value. 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 asset condition, pattern of consumption, estimated remaining useful lives and the residual value.

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

## E2-1 Fair value measurement (continued)

### Operational and community land

Council's "operational" land by definition has no special restrictions other than those that may apply to any piece of land. In 2022/2023 a full revaluation of Operational Land was undertaken by APV valuers.

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Level 2 valuation inputs were used to value land in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sale prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Previously Community Land was valued by APV valuers, however as of 2018 Council has elected to use valuations as supplied by NSW Valuer General in accordance with the Code of Accounting Practice.

In 2022/2023 a full revaluation of Community land was undertaken as at 30th June 2023 using the NSW Valuer General current valuations.

### Buildings (specialised and non-specialised)

Council buildings incorporate, Administrative buildings, libraries, sporting club houses and canteens, public amenities, depot buildings and workshops, rural fire service sheds, community centres, community halls etc.

Buildings were revalued by APV Valuers in June 2023 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts with different useful lives and taking into account a range of factors such as asset condition, pattern of consumption, estimated remaining useful lives and the residual value. While all buildings were physically inspected, inputs such as estimation of condition and pattern of consumption required extensive professional judgement and are therefore unobservable. As such, these assets were all classified as having been valued using Level 3 valuation inputs.

### Other structures

This asset class comprises playgrounds, floodlighting systems, irrigation systems, shelters, picnic tables, fences, BBQs, aerodrome runway etc.

Council engaged APV Valuers to revalue all other structures in 2023. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, asset condition and useful life required extensive professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

### Roads (including bulk earthworks)

This asset class includes the road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The full revaluation of road assets is undertaken every five years and the last valuation was performed in-house by Council's Financial and Engineering staff as at 30 June 2020 using the cost approach. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for the asset class. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, asset condition, and dimensions.

During 2021/2022 Council applied an indexation of 10.81% to Road assets to reflect an increase in the fair value of these assets and applied the same principals using an indexation rate of 5.28% for the 2022/2023 year.

Apart from this there has been no change to the valuation process during the reporting period.

## E2-1 Fair value measurement (continued)

### Bridges

Bridges were valued in-house by Council's Financial and Engineering staff in June 2020. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates asset condition and pattern of consumption required extensive professional judgement and accordingly impact on the final determination of fair value.

During 2021/2022 Council applied an indexation of 10.81% to Bridge assets to reflect an increase in the fair value of these assets and applied the same principals using an indexation rate of 5.28% for the 2022/2023 year.

Apart from this there has been no change to the valuation process during the reporting period.

### Footpaths

Footpaths were valued in-house by Council's Financial and Engineering staff in June 2020 using the cost approach. Footpaths are segmented to match the adjacent road segment and no further componentisation was undertaken. Condition information is updated as changes in the network are observed. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, asset condition, and dimensions.

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.

During 2021/2022 Council applied an indexation of 10.81% to Footpaths asset to reflect an increase in the fair value of these assets and applied the same principal using an indexation rate of 5.28% for the 2022/2023 year.

Apart from this there has been no change to the valuation process during the reporting period.

### Stormwater drainage

Stormwater drainage refers to the system for the collection, storage and removal of stormwater. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater drainage assets is undertaken every 5 years and the last valuation was completed in June 2020 by Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

During 2021/2022 Council applied an indexation of 10.81% to Stormwater assets to reflect an increase in the fair value of these assets and applied the same principal using an indexation rate of 7.71% for the 2022/2023 year.

Apart from this there has been no change to the valuation process during the reporting period.

### Water supply network

Council's Water Supply Network assets include water meters, water mains & pipelines, pump stations, treatment plants, reservoirs and connections. The full revaluation of Water Supply assets is undertaken every 5 years and the last valuation was completed in June 2023 by APV valuers together with Council's Financial and Engineering staff using the cost approach.

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, residual values, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Council indexes Water Supply assets each year with the exception of the revaluation year in line with the NSW Water Supply & Sewerage Construction Cost Indices as published by NSW Office of Water.

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

### Sewerage network

Council's Sewerage Network assets include sewer mains, pump stations and treatment plants. The full revaluation of Sewerage Network assets is undertaken every 5 years and the last valuation was completed in June 2023 by APV valuers together with Council's Financial and Engineering staff using the cost approach.

## E2-1 Fair value measurement (continued)

The Cost Approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per unit or similar may be supported from market evidence (Level 2) such as the NSW Reference Rates Manual, Valuation of water supply, sewerage and stormwater assets, as published by the NSW Office of Water, other inputs (such as estimates of pattern of consumption, residual values, asset condition and useful life) require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Council indexes Sewerage Network assets each year with the exception of the revaluation year in line with the NSW Water Supply & Sewerage Construction Cost Indices as published by NSW Office of Water.

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

### Swimming pools

The swimming pool assets include all assets located within the swimming facilities at Inverell and Ashford. The major facility at Inverell was decommissioned in May 2023 with a new Inverell Aquatic Centre being built and should be completed and operational by spring of 2024.

These remaining assets were revalued by APV Valuers in June 2023. The valuation methodology used by APV for these valuations are the same as that used by APV for Specialised buildings and Other Structures. Inputs such as estimates of the pattern of consumption, asset condition and useful life require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Apart from this there has been no change to the valuation process during the reporting period.

### Other open spaces and recreational assets

Council's Open Space & Recreational Assets include all assets within our sporting field and park locations. This includes but not limited to, ovals, playing courts, playgrounds, fences and shelters. These assets were revalued by APV Valuers in June 2023. The valuation methodology used by APV for these valuations are the same as that used by APV Valuers for Specialised buildings and Other Structures. Inputs such as estimates of the pattern of consumption, residual values, asset condition and useful life require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

Apart from this there has been no change to the valuation process during the reporting period.

### Tip and quarry assets

The Inverell Landfill and Materials Recovery Facility is located on Burtenshaw's Road Inverell. This facility encompasses a landfill operation as well as a wide range of waste disposal services, resource recovery services, recycled and reclaimed products.

Council also operates a rural landfill at Tingha, and waste transfer stations at Yetman, Ashford, Delungra and Bonshaw.

Council utilise and maintain approximately forty eight quarries (gravel pits) within the Shire.

It has been recognised that there will be significant costs associated with the closure and post closure management of these landfills and quarries.

Closure of these landfill sites and quarries will involve a wide range of activities and may include preparation of a Site Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final gas management system, revision of the surface water management system and leachate management infrastructure to suit post closure operations, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

An evaluation of costs for site closure and post closure management has been undertaken by Council's Financial and Engineering Staff each year. The key unobservable inputs are the discount rate, estimated costs, actual timing of costs and future environment management requirements. These inputs require significant professional judgement and are therefore unobservable. As such these assets were all classified as having been valued using Level 3 valuation inputs.

During 2022/2023 Council staff undertook a reassessment and revaluation of all Garbage Tip assets following the closure of some rural landfills.

Apart from this 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)

#### c. The valuation process for level 3 fair value measurements

Level 3 valuations process for some asset classes where the basis was Cost Approach, the inputs used were:

- Pattern of consumption
- Componentisation
- Asset Condition
- Unit Rates
- Useful Life

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

	Level 3 fair value assets <sup>1</sup>	
	2023 \$ '000	2022 \$ '000
<b>Opening balance</b>	<b>822,281</b>	745,265
<b>Total gains or losses for the period</b>		
<b>Other movements</b>		
Purchases (GBV)	17,368	16,907
Disposals (WDV)	(2,795)	(974)
Depreciation and impairment	(13,943)	(12,992)
Adjustments	(2,309)	123
Revaluation Increments to Equity	34,881	73,952
<b>Closing balance</b>	<b>855,483</b>	822,281

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

No transfers were made in or out of level Fair Value Hierarchy

#### Highest and best use

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



## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

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

\* For 180 Point Members, Employers are required to contribute 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$20.0 million for 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2022. 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 past service 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 2023 was \$89,909.65. The last formal valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$90,708.84.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

<b>Employer reserves only *</b>	<b>\$millions</b>	<b>Asset Coverage</b>
Assets	2,290.9	
Past Service Liabilities	2,236.1	102.4%
Vested Benefits	2,253.6	101.7%

\* 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 .38%

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	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	6.0% for FY 2022/23 2.5% per annum thereafter

\* 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, will be completed by December 2023

### (ii) Statewide Limited

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

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

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

### (iii) StateCover Limited

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

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

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

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

## E3-1 Contingencies (continued)

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### (iv) Other guarantees

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

## 2. Other liabilities

### (i) Third party claims

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

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

## ASSETS NOT RECOGNISED

### (i) Land under roads

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

### (ii) Infringement notices/fines

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

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

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

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

## F People and relationships

### F1 Related party disclosures

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

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

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

	2023 \$ '000	2022 \$ '000
<b>Compensation:</b>		
Short-term benefits	931	879
Post-employment benefits	82	65
<b>Total</b>	<b>1,013</b>	<b>944</b>

#### Other transactions with KMP and their related parties

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

Nature of the transaction		Transactions during the year \$ '000 Ref	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
<b>2023</b>						
<b>Electrical &amp; Air-conditioning Services</b>	3	20	–	Standard Terms	–	–
<b>Plant Repairs and Spare Parts</b>	2	12	–	Standard Terms	–	–
<b>Contractors</b>	1	118	–	Standard Terms	–	–
<b>2022</b>						
Contractors	1	120	–	Standard Terms	–	–

<sup>1</sup> Council contracts to a local company for plant hire and gravel haulage following a public procurement process. The principal is a related party to a KMP. Transactions are completed in accordance with Council's procurement policy and occur on an arm's length basis.

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

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- 2 A KMP is an employee of a local dealership who supplies spare parts and mechanical repairs for Council's Fleet. Transactions are completed in accordance with Council's procurement policy and occur on an arm's length basis.
- 3 A local business provides electrical services to Council. The principal is a related party to a KMP. Transactions are completed in accordance with Council's procurement policy and occur on an arm's length basis.

## F1-2 Councillor and Mayoral fees and associated expenses

	2023	2022
	\$ '000	\$ '000

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

Mayoral fee	28	25
Councillors' fees	121	105
Other Councillors' expenses (including Mayor)	50	36
<b>Total</b>	<b>199</b>	<b>166</b>

## F2 Other relationships

### F2-1 Audit fees

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

#### Auditors of the Council - NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements

<b>Remuneration for audit and other assurance services</b>	<b>58</b>	55
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<b>Total Auditor-General remuneration</b>	<b>58</b>	55
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##### (i) Audit and other assurance services

Audit and review of financial statements

<b>Remuneration for audit and other assurance services</b>	<b>5</b>	5
--	----------	---

<b>Total audit fees</b>	<b>63</b>	60
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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

	2023 \$ '000	2022 \$ '000
<b>Net result from Income Statement</b>	<b>9,123</b>	9,705
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	13,448	12,694
(Gain) / loss on disposal of assets	2,014	(161)
Non-cash capital grants and contributions	(1,250)	(807)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(334)	–
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(176)	(864)
Increase / (decrease) in provision for impairment of receivables	30	15
(Increase) / decrease of inventories	(94)	(66)
(Increase) / decrease of other current assets	(13)	348
(Increase) / decrease of contract asset	5,626	(4,690)
Increase / (decrease) in payables	2,744	791
Increase / (decrease) in other accrued expenses payable	–	1
Increase / (decrease) in other liabilities	384	197
Increase / (decrease) in contract liabilities	3,105	1,970
Increase / (decrease) in employee benefit provision	423	(150)
Increase / (decrease) in other provisions	(2,101)	(181)
<b>Net cash flows from operating activities</b>	<b>32,929</b>	18,802

#### (b) Non-cash investing and financing activities

Bushfire grants	395	190
Developer contributions 'in kind'	855	–
Other dedications	–	617
<b>Total non-cash investing and financing activities</b>	<b>1,250</b>	807

## G2-1 Commitments

### Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
--	-----------------	-----------------

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

#### Property, plant and equipment

Sewerage and water infrastructure	115	470
Buildings	933	72
Plant and equipment	2,227	174
Other Structures	23,906	842
Road infrastructure	130	447
Other	8	—
<b>Total commitments</b>	<b>27,319</b>	<b>2,005</b>

#### These expenditures are payable as follows:

Within the next year	27,319	2,005
<b>Total payable</b>	<b>27,319</b>	<b>2,005</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	130	8
Unexpended grants	8,711	1,376
Externally restricted reserves	115	6
Internally restricted reserves	8,363	615
Unexpended loans	10,000	—
<b>Total sources of funding</b>	<b>27,319</b>	<b>2,005</b>

## G3-1 Events occurring after the reporting date

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



## G4 Statement of developer contributions as at 30 June 2023

### G4-1 Summary of developer contributions

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
Drainage	60	—	—	—	6	—	—	66	—
Roads	394	43	—	—	12	(87)	—	362	—
Community facilities	—	3	—	—	—	(3)	—	—	—
<b>S7.11 contributions – under a plan</b>	<b>454</b>	<b>46</b>	<b>—</b>	<b>—</b>	<b>18</b>	<b>(90)</b>	<b>—</b>	<b>428</b>	<b>—</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>454</b>	<b>46</b>	<b>—</b>	<b>—</b>	<b>18</b>	<b>(90)</b>	<b>—</b>	<b>428</b>	<b>—</b>
S64 contributions	—	226	—	—	1	(227)	—	—	—
<b>Total contributions</b>	<b>454</b>	<b>272</b>	<b>—</b>	<b>—</b>	<b>19</b>	<b>(317)</b>	<b>—</b>	<b>428</b>	<b>—</b>

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

### G4-2 Developer contributions by plan

	Opening balance at 1 July 2022 \$ '000	Contributions received during the year			Interest and investment income earned \$ '000	Amounts expended \$ '000	Internal borrowings \$ '000	Held as restricted asset at 30 June 2023 \$ '000	Cumulative balance of internal borrowings (to)/from \$ '000
		Cash \$ '000	Non-cash Land \$ '000	Non-cash Other \$ '000					
<b>CONTRIBUTION PLAN – Shire of Inverell</b>									
Drainage	60	—	—	—	6	—	—	66	—
Roads	394	43	—	—	12	(87)	—	362	—
Community facilities	—	3	—	—	—	(3)	—	—	—
<b>Total</b>	<b>454</b>	<b>46</b>	<b>—</b>	<b>—</b>	<b>18</b>	<b>(90)</b>	<b>—</b>	<b>428</b>	<b>—</b>

## G5 Statement of performance measures

### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 20222021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	1,812	3.43%	5.42%	12.91%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	52,892				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	33,472	54.06%	51.30%	56.94%	> 60.00%
Total continuing operating revenue <sup>1</sup>	61,914				
3. Unrestricted current ratio					
Current assets less all external restrictions	65,565	7.02x	6.63x	4.87x	> 1.50x
Current liabilities less specific purpose liabilities	9,339				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	15,604	16.24x	16.98x	20.05x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	961				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,104	4.43%	4.38%	5.07%	< 10.00%
Rates and annual charges collectable	24,906				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	102,087	29.76	23.15	21.65	> 3.00
Monthly payments from cash flow of operating and financing activities	3,431	months	months	months	months

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

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

## G5-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>4.17%</b>	7.77%	<b>(0.75)%</b>	(10.57)%	<b>1.38%</b>	(0.55)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>46.03%</b>	44.24%	<b>96.39%</b>	85.47%	<b>98.00%</b>	95.18%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>7.02x</b>	7.50x	<b>36.18x</b>	10.79x	<b>29.13x</b>	19.71x	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>24.07x</b>	31.00x	<b>8.65x</b>	5.02x	<b>5.10x</b>	4.65x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>4.39%</b>	4.34%	<b>4.51%</b>	4.35%	<b>4.62%</b>	4.67%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>27.62</b>	19.40	<b>38.74</b>	40.96	<b>42.38</b>	44.89	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	<b>months</b>	months	months

(1) - (2) Refer to Notes at Note G5-1 above.

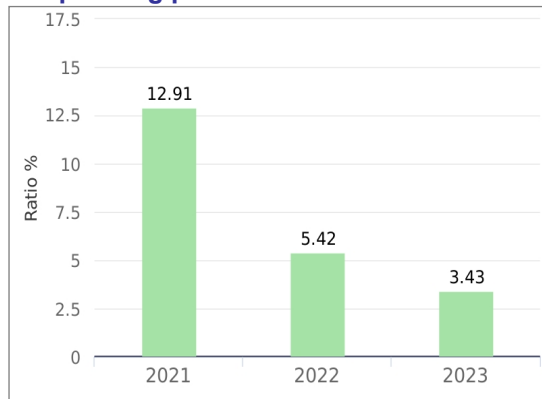
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

**End of the audited financial statements**

## H Additional Council disclosures (unaudited)

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

#### 1. Operating performance ratio



##### Purpose of operating performance ratio

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

##### Commentary on 2022/23 result

2022/23 ratio 3.43%

This ratio indicates that Council's operating revenue, excluding capital grants are sufficient to cover operating expenditure. The Tcorp benchmark for this ratio is to have a result of better than -4% each year. The State Government benchmark is break even or better over a three year period which Council has achieved for the combined fund.

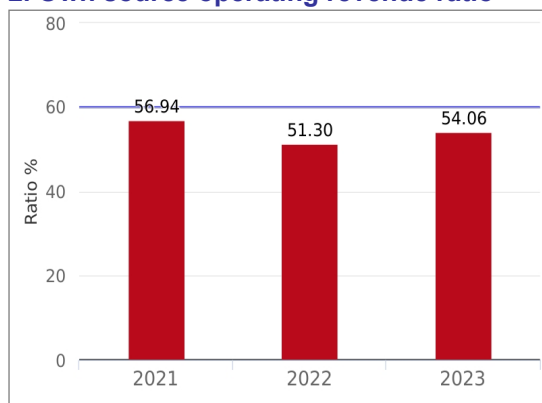
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 2. Own source operating revenue ratio



##### Purpose of own source operating revenue ratio

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

##### Commentary on 2022/23 result

2022/23 ratio 54.06%

The 2022/23 ratio is below the Tcorp benchmark of greater than 60%. The State Government benchmark requires Council's own source operating revenue to be greater than 60% over a three year average, which Council has not achieved for the combined fund three year average of 54.1%. This ratio has been impacted by the large amount of additional grants and contributions received in 2022/23 due to natural disaster (fires, drought and storms).

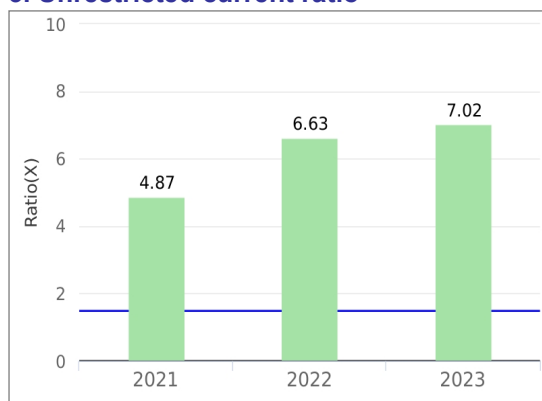
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

#### 3. Unrestricted current ratio



##### Purpose of unrestricted current ratio

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

##### Commentary on 2022/23 result

2022/23 ratio 7.02x

This ratio indicates that Council currently projected to have \$7.02 (Excluding externally restricted funds) available to service every \$1.00 of debt as it falls due. The ratio of 7.2 :1 is above the Tcorp benchmark of 1.5:1 and demonstrates Council's ability to satisfy short term obligations.

Benchmark: — > 1.50x

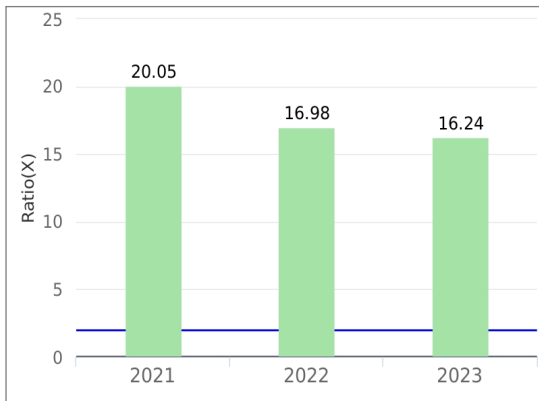
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

### 4. Debt service cover ratio



#### Purpose of debt service cover ratio

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

#### Commentary on 2022/23 result

2022/23 ratio 16.24x

The debt service cover ratio of 16.24 times indicates that Council has \$16.24 before interest and depreciation to pay each \$1.00 of interest and principal repayments on current borrowings. Council's ability to generate sufficient cash to cover its debt payment is sound and is in excess of Tcorp benchmark 2.0 times

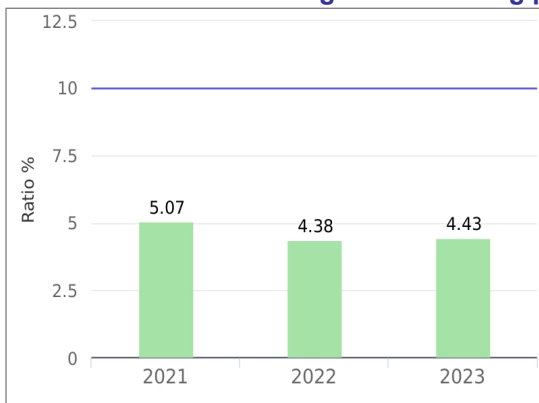
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 5. Rates and annual charges outstanding percentage



#### Purpose of rates and annual charges outstanding percentage

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

#### Commentary on 2022/23 result

2022/23 ratio 4.43%

This ratio indicates the percentage of rates and annual charges outstanding at the end of the financial year, and is a measure of how well Council is managing debt recovery. Council ratio of 4.43% is satisfactory and is better than Tcorp benchmark of less than 10%.

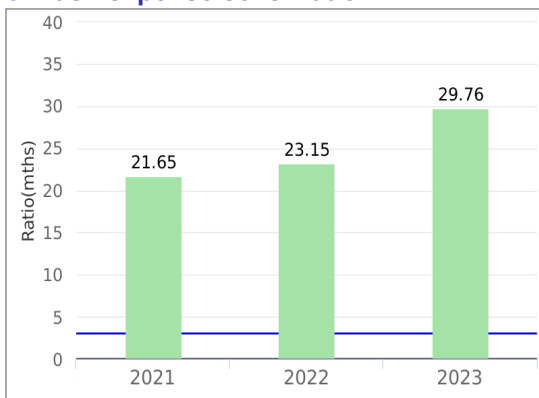
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

### 6. Cash expense cover ratio



#### Purpose of cash expense cover ratio

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

#### Commentary on 2022/23 result

2022/23 ratio 29.76 months

As indicated with a ratio of 29.76 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and exceeds the Tcorp benchmark of 3 months.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

## H1-2 Council information and contact details

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**Principal place of business:**

144 Otho Street  
INVERELL NSW 2360

**Contact details****Mailing Address:**

PO BOX 138  
INVERELL NSW 2360

**Telephone:** 02 67 288 288

**Facsimile:** 02 67 288 277

**Opening hours:**

8:30am - 4:30pm  
Monday to Friday

**Internet:** [www.inverell.nsw.gov.au](http://www.inverell.nsw.gov.au)

**Email:** [council@inverell.nsw.gov.au](mailto:council@inverell.nsw.gov.au)

**Officers****General Manager**

Paul Henry

**Responsible Accounting Officer**

Paul Pay

**Public Officer**

Paul Pay

**Auditors**

Audit Office of NSW  
GPO Box 12  
SYDNEY NSW 2001

**Elected members****Mayor**

Paul Harmon

**Councillors**

Di Baker  
Paul King  
Kate Dight  
Stewart Berryman  
Nicky Lavender  
Jacko Ross  
Wendy Wilks  
Jo Williams

**Other information**

**ABN:** 72695204530



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Inverell Shire Council

To the Councillors of the Inverell Shire Council

### Opinion

I have audited the accompanying financial statements of Inverell Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit

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

### Basis for Opinion

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2023 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations'

- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023  
SYDNEY



Cr Paul Harmon  
Mayor  
Inverell Shire Council  
PO Box 138  
INVERELL NSW 2360

Contact: Michael Kharzoo  
Phone no: 02 9275 7188  
Our ref: R008-16585809-46934

31 October 2023

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2023  
Inverell Shire Council**

I have audited the general purpose financial statements (GPFS) of the Inverell Shire Council (the Council) for the year ended 30 June 2023 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2023 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.

## INCOME STATEMENT

### Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	23.8	22.9	↑ 3.9
Grants and contributions revenue	28.4	28.2	↑ 0.7
Operating result from continuing operations	9.1	9.7	↓ 6.2

Net operating result  
before capital grants and  
contributions

0.1

2.9

96.6

The Council's operating result from continuing operations was a surplus of \$9.1 million, which was \$0.6 million lower than the 2021–22 result. This was primarily due to a net loss on disposal of assets of \$2 million due to the demolition of the old aquatic centre, as well as increases in materials and contract costs of \$1.8 million related to increases in infrastructure repair works. This was partially offset by increases in interest and investment income of \$1.7 million as well as rates and annual charges (noted below).

The net operating result before capital grants and contributions (\$0.1 million) was \$2.8 million lower than the 2021–22 result. This is due to changes noted above and predominately higher capital grant income in the current year with the related expenditure being incurred in infrastructure capital works.

Rates and annual charges revenue (\$23.8 million) increased by \$0.9 million (3.9 per cent) in 2022–23 due to the rate peg increase of 2.0 per cent as well as increases in annual charges resulting from increases in underlying associated costs.

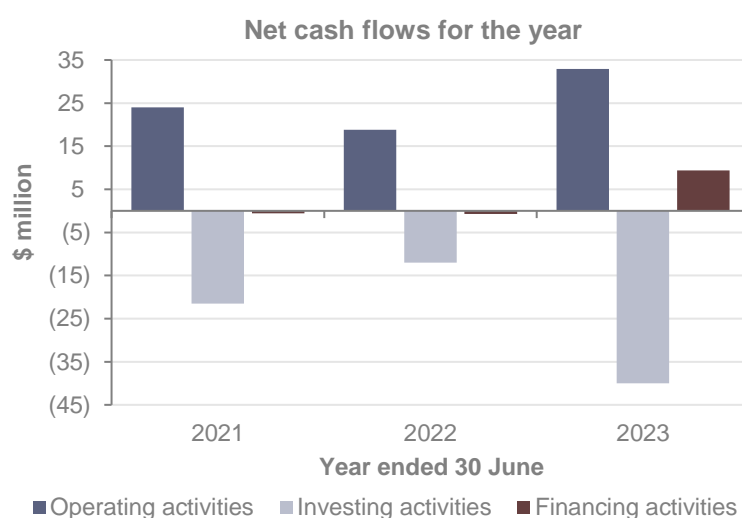
Grants and contributions revenue was relatively consistent with the prior year.

## STATEMENT OF CASH FLOWS

Cash from operating activities increased by \$14.1 million, which was mainly due to an increase in grants and contributions and user charges and fees cash receipts received during the year.

Cash outflows from investing activities increased by \$28.1 million, which was mainly due to increased acquisitions of term deposits.

Cash from financing activities increased by \$10.0 million due to new borrowings to fund the construction of the new aquatic centre.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>102.1</b>	<b>74.8</b>	Externally restricted cash and investments are restricted in their use by externally imposed requirements. The main reason for the increase is the unspent loan to fund the construction of the new aquatic centre.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	44.4	30.0	Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council.
• Internal allocations	41.8	38.4	

At 30 June 2023 Council holds \$15.9 in unrestricted and unallocated cash, cash equivalents and investments. This is an improvement on 2021-22 (\$6.4 million).

## Debt

At 30 June 2023, Council had:

- \$11.1 million in secured loans (\$1.7 million in 2021-22)
- \$0.2 million in an approved overdraft facility, with \$Nil drawn down.

## PERFORMANCE

### Performance measures

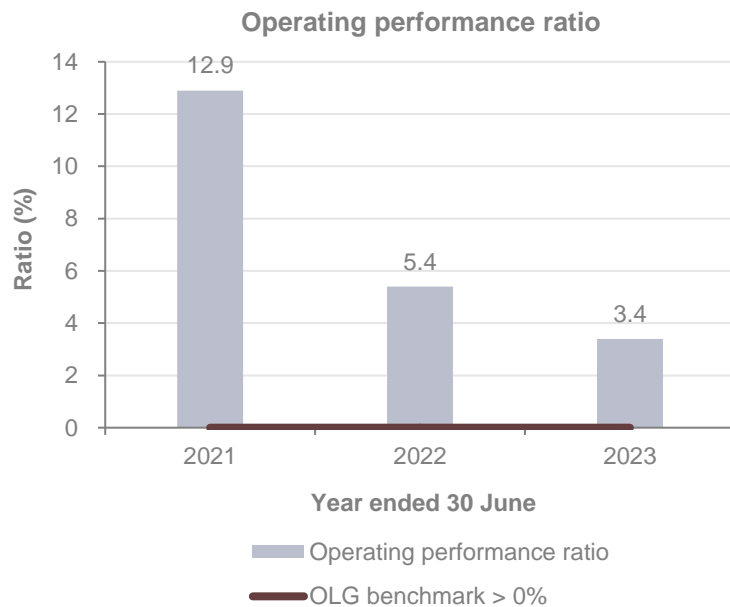
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning and Environment.

#### Operating performance ratio

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

The Council's operating performance ratio of 3.4 per cent exceeded the benchmark for the current reporting period.

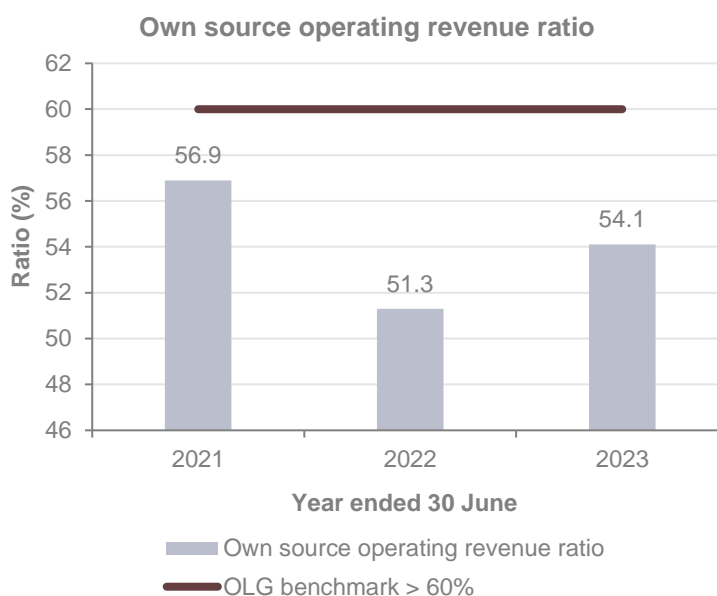
The ratio decreased during the year, mainly due to the decrease in grants and contribution revenue provided for operating purposes and increases in operating costs.



## Own source operating revenue ratio

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

The Council's own source operating revenue ratio of 54.1 per cent did not meet the benchmark for the current reporting period.

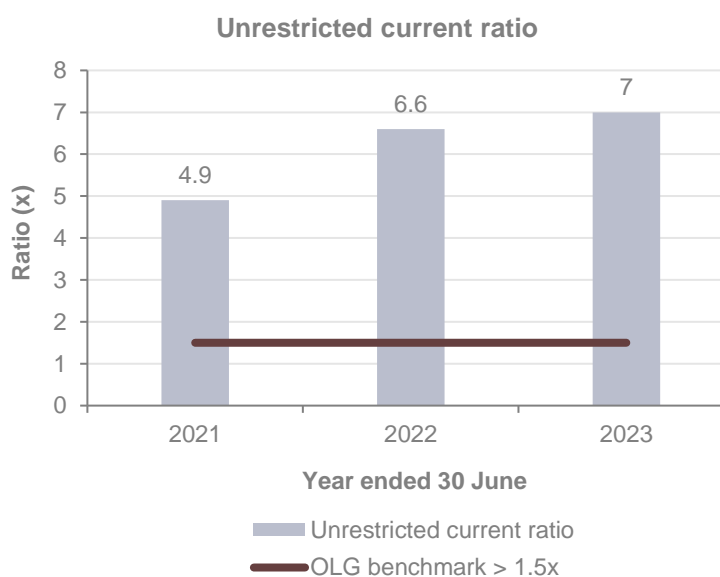


## Unrestricted current ratio

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

The Council's liquidity ratio of 7.0 exceeded the benchmark for the current reporting period.

The ratio improved during the year due to an increase in unrestricted cash and investments compared to prior year with investments held to maturity being held for shorter terms and classified as current assets.

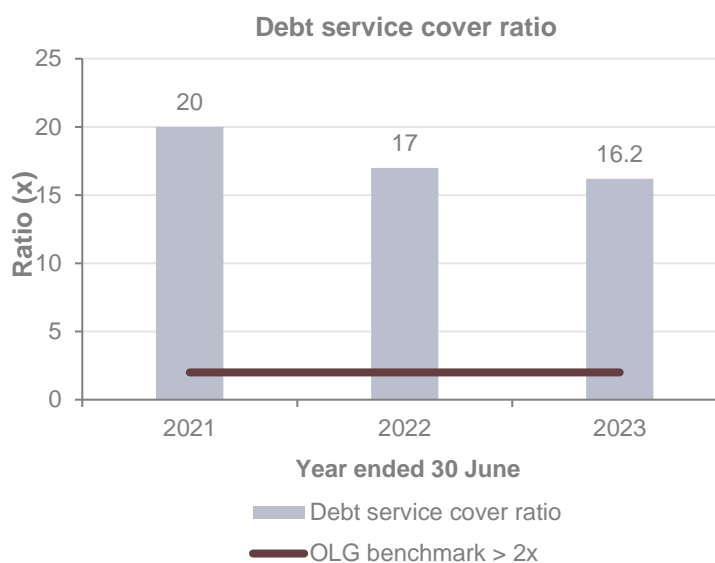


## Debt service cover ratio

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

The Council's debt service cover ratio of 16.2 exceeded the benchmark for the current reporting period.

The ratio remained relatively stable compared to the prior year.

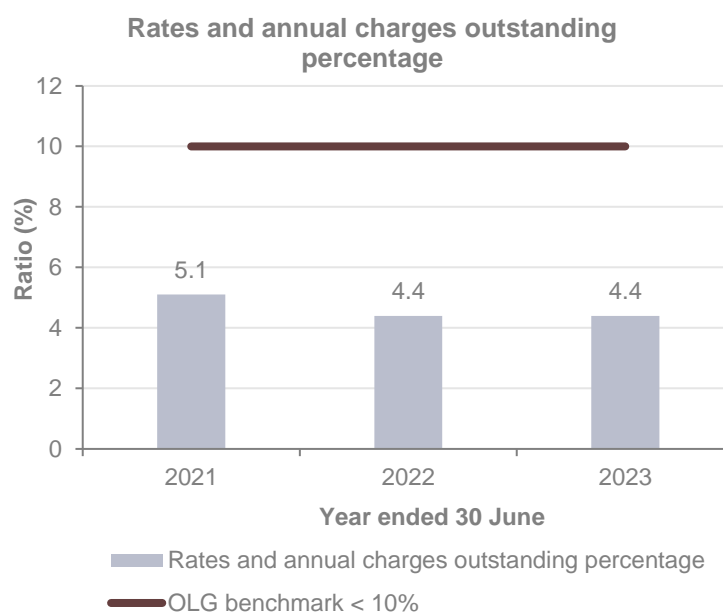


## Rates and annual charges outstanding percentage

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

The Council's rates and annual charges outstanding percentage of 4.4 per cent is within the industry benchmark for the current reporting period.

The ratio has remained stable compared to the prior year.

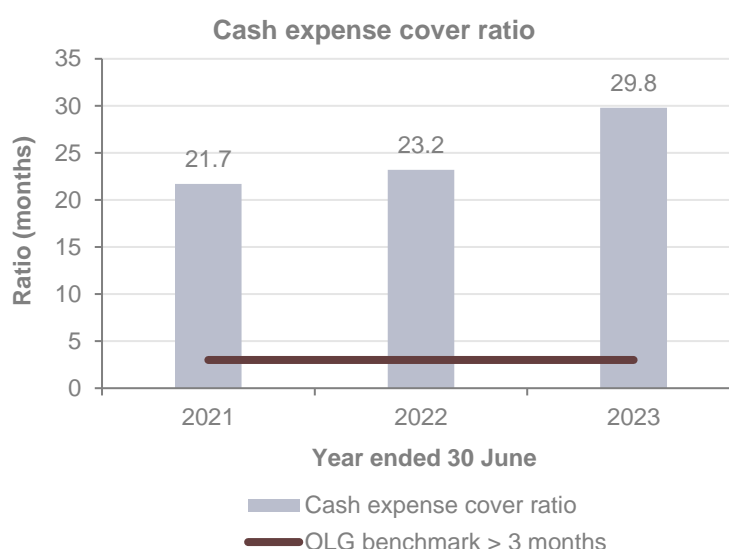


## Cash expense cover ratio

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

The Council's cash expense cover ratio was 29.8, which exceeded the benchmark for the current reporting period.

The ratio increased during the year due to an increase in total cash, cash equivalents and investments held by Council at year end.



## Infrastructure, property, plant and equipment renewals

Council renewed \$16.2 million of infrastructure, property, plant and equipment during the 2022-23 financial year (2021-22 \$13.9 million).

## OTHER MATTERS

### Legislative compliance

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

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

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales



# Inverell Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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## Special Purpose Financial Statements

for the year ended 30 June 2023

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### Background

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

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

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

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

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

## Inverell Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

---

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2023



Paul Harmon

**Mayor**

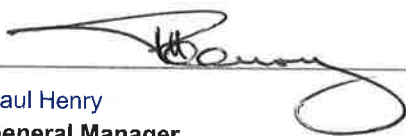
25 October 2023



Catherine Dight

**Councillor**

25 October 2023



Paul Henry

**General Manager**

25 October 2023



Paul Pay

**Responsible Accounting Officer**

25 October 2023

## Inverell Shire Council

## Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
<b>Income from continuing operations</b>		
Access charges	2,698	2,529
User charges	2,859	2,235
Interest and investment income	363	103
Grants and contributions provided for operating purposes	50	89
Other revenue	8	13
<b>Total income from continuing operations</b>	<b>5,978</b>	<b>4,969</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,262	1,284
Borrowing costs	3	16
Materials and services	2,937	2,506
Depreciation, amortisation and impairment	1,712	1,640
Water purchase charges	102	67
Net loss from the disposal of assets	23	178
Debt guarantee fee (if applicable)	–	1
Other expenses	7	–
<b>Total expenses from continuing operations</b>	<b>6,046</b>	<b>5,692</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(68)</b>	<b>(723)</b>
Grants and contributions provided for capital purposes	172	771
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>104</b>	<b>48</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>104</b>	<b>48</b>
<b>Surplus (deficit) after tax</b>	<b>104</b>	<b>48</b>
<b>Plus accumulated surplus</b>	<b>24,452</b>	<b>24,403</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Debt guarantee fees	–	1
<b>Closing accumulated surplus</b>	<b>24,556</b>	<b>24,452</b>
<b>Return on capital %</b>	<b>(0.1)%</b>	<b>(0.8)%</b>
<b>Subsidy from Council</b>	<b>3,917</b>	<b>4,033</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	104	48
Less: capital grants and contributions (excluding developer contributions)	(172)	(771)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Inverell Shire Council

## Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
<b>Income from continuing operations</b>		
Access charges	3,122	2,941
User charges	58	22
Interest and investment income	335	93
Grants and contributions provided for operating purposes	17	24
Other revenue	20	23
<b>Total income from continuing operations</b>	<b>3,552</b>	<b>3,103</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	629	599
Borrowing costs	22	31
Materials and services	1,700	1,389
Depreciation, amortisation and impairment	1,153	1,101
Net loss from the disposal of assets	6	–
Debt guarantee fee (if applicable)	2	3
<b>Total expenses from continuing operations</b>	<b>3,512</b>	<b>3,123</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>40</b>	<b>(20)</b>
Grants and contributions provided for capital purposes	55	132
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>95</b>	<b>112</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>95</b>	<b>112</b>
Less: corporate taxation equivalent (25%) [based on result before capital]	(10)	–
<b>Surplus (deficit) after tax</b>	<b>85</b>	<b>112</b>
<b>Plus accumulated surplus</b>	<b>22,710</b>	<b>22,595</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Debt guarantee fees	2	3
– Corporate taxation equivalent	10	–
<b>Closing accumulated surplus</b>	<b>22,807</b>	<b>22,710</b>
<b>Return on capital %</b>	<b>0.1%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>1,821</b>	<b>1,811</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	85	112
Less: capital grants and contributions (excluding developer contributions)	(55)	(132)
<b>Surplus for dividend calculation purposes</b>	<b>30</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>15</b>	<b>–</b>

## Inverell Shire Council

## Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Contract assets and contract cost assets	67	—
Cash and cash equivalents	2,032	5,040
Investments	9,500	5,000
Receivables	808	546
Inventories	182	143
Other	1	—
<b>Total current assets</b>	<b>12,590</b>	<b>10,729</b>
<b>Non-current assets</b>		
Investments	3,000	4,000
Infrastructure, property, plant and equipment	95,819	90,885
<b>Total non-current assets</b>	<b>98,819</b>	<b>94,885</b>
<b>Total assets</b>	<b>111,409</b>	<b>105,614</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	22	34
Borrowings	—	190
Employee benefit provisions	326	385
<b>Total current liabilities</b>	<b>348</b>	<b>609</b>
<b>Non-current liabilities</b>		
Employee benefit provisions	3	4
<b>Total non-current liabilities</b>	<b>3</b>	<b>4</b>
<b>Total liabilities</b>	<b>351</b>	<b>613</b>
<b>Net assets</b>	<b>111,058</b>	<b>105,001</b>
<b>EQUITY</b>		
Accumulated surplus	24,556	24,452
Revaluation reserves	86,502	80,549
<b>Total equity</b>	<b>111,058</b>	<b>105,001</b>

## Inverell Shire Council

## Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,572	2,834
Investments	5,500	4,500
Receivables	242	163
Inventories	17	13
<b>Total current assets</b>	<b>8,331</b>	<b>7,510</b>
<b>Non-current assets</b>		
Investments	1,000	1,000
Infrastructure, property, plant and equipment	46,830	49,775
<b>Total non-current assets</b>	<b>47,830</b>	<b>50,775</b>
<b>Total assets</b>	<b>56,161</b>	<b>58,285</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	9	5
Borrowings	227	218
Employee benefit provisions	50	79
<b>Total current liabilities</b>	<b>286</b>	<b>302</b>
<b>Non-current liabilities</b>		
Borrowings	177	405
Employee benefit provisions	5	1
<b>Total non-current liabilities</b>	<b>182</b>	<b>406</b>
<b>Total liabilities</b>	<b>468</b>	<b>708</b>
<b>Net assets</b>	<b>55,693</b>	<b>57,577</b>
<b>EQUITY</b>		
Accumulated surplus	22,807	22,710
Revaluation reserves	32,886	34,867
<b>Total equity</b>	<b>55,693</b>	<b>57,577</b>

## 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 2021* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

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

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

### Declared business activities

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

#### Category 1

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

##### a. Water Supply – Water Supply Activities

##### b. Waste Water/Sewerage – Waste Water/Sewerage Activities

### Taxation equivalent charges

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

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

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

#### Notional rate applied (%)

Corporate income tax rate – 25% (21/22 **25%**)

Land tax – the first 969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,001 up to \$5,925,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.



## Note – Significant Accounting Policies (continued)

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the Department of Planning and Environment (DPE) – 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 Department of Planning and Environment (DPE) - Best practise 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 and Environment (DPE) – Best practice management of Water Supply and Sewer Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25%. (21/22 25%)

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% (2021/22 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 when 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 Statement of each reported business activity.

## 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:

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**Operating result before capital income + interest expense**

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

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

### (iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Planning and Environment (DPE) – 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 30th June 2023 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Planning and Environment (DPE)– Best practice management of Water Supply and Sewer Guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Planning and Environment (DPE) – Water.

For the Year ended 30/6/2023 Council has not met the conditions of the Best Practise Management Guide and accordingly no dividend has been declared.



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statements**

#### **Inverell Shire Council**

To the Councillors of the Inverell Shire Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Inverell Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and the Significant Accounting Policies note.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2023, 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 2022–23 (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).

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

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 2023 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:

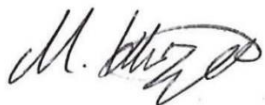
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

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

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

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023  
SYDNEY

# Inverell Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

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Permissible income for general rates	3
Report on infrastructure assets as at 30 June 2023	6

## Inverell Shire Council

## Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	14,682	15,011
Plus or minus adjustments <sup>2</sup>	b	36	44
<b>Notional general income</b>	$c = a + b$	<b>14,718</b>	<b>15,055</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.00%	3.70%
Or plus rate peg amount	$i = e \times (c + g)$	294	557
<b>Sub-total</b>	$k = (c + g + h + i + j)$	<b>15,012</b>	<b>15,612</b>
Plus (or minus) last year's carry forward total	l	4	3
Less valuation objections claimed in the previous year	m	(2)	—
<b>Sub-total</b>	$n = (l + m)$	<b>2</b>	<b>3</b>
<b>Total permissible income</b>	$o = k + n$	<b>15,014</b>	<b>15,615</b>
Less notional general income yield	p	15,011	15,600
<b>Catch-up or (excess) result</b>	$q = o - p$	<b>3</b>	<b>15</b>
<b>Carry forward to next year <sup>6</sup></b>	$t = q + r + s$	<b>3</b>	<b>15</b>

**Notes**

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





## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Inverell Shire Council

To the Councillors of Inverell Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Inverell Shire Council (the Council) for the year ending 30 June 2024.

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 2022–23 (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).

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

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 2023 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 2023'.

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](http://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.



Michael Kharzoo  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

31 October 2023  
SYDNEY

## Inverell Shire Council

## Report on infrastructure assets as at 30 June 2023

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	2022/23 Required maintenance <sup>a</sup>	2022/23 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
<b>Buildings</b>	Buildings – non-specialised	–	–	26	47	25,616	35,780	19.7%	56.4%	19.2%	4.7%	0.0%
	Buildings – specialised	–	–	362	457	10,692	19,198	1.7%	37.5%	58.3%	2.5%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>388</b>	<b>504</b>	<b>36,308</b>	<b>54,978</b>	<b>13.4%</b>	<b>49.8%</b>	<b>32.9%</b>	<b>3.9%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	1,218	1,287	14,962	18,971	22.0%	64.0%	13.0%	1.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,218</b>	<b>1,287</b>	<b>14,962</b>	<b>18,971</b>	<b>22.0%</b>	<b>64.0%</b>	<b>13.0%</b>	<b>1.0%</b>	<b>0.0%</b>
<b>Roads</b>	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	7,119	7,119	3,493	5,413	256,392	322,205	31.3%	56.2%	11.3%	1.2%	0.0%
	Unsealed roads	–	–	1,870	2,392	56,081	67,699	26.6%	69.5%	3.1%	0.8%	0.0%
	Bridges	–	–	215	376	126,912	183,070	0.9%	84.3%	14.3%	0.5%	0.0%
	Footpaths	–	–	174	221	9,490	12,760	23.4%	75.7%	0.9%	0.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	129,706	129,706	100.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>7,119</b>	<b>7,119</b>	<b>5,752</b>	<b>8,402</b>	<b>578,581</b>	<b>715,440</b>	<b>35.4%</b>	<b>54.8%</b>	<b>9.1%</b>	<b>0.7%</b>	<b>0.0%</b>
<b>Water supply network</b>	Water supply network	–	–	1,278	1,310	94,477	143,734	13.4%	65.6%	18.8%	2.2%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,278</b>	<b>1,310</b>	<b>94,477</b>	<b>143,734</b>	<b>13.4%</b>	<b>65.6%</b>	<b>18.8%</b>	<b>2.2%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	1,028	1,179	45,751	89,350	19.1%	22.3%	54.0%	4.2%	0.4%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,028</b>	<b>1,179</b>	<b>45,751</b>	<b>89,350</b>	<b>19.1%</b>	<b>22.3%</b>	<b>54.0%</b>	<b>4.2%</b>	<b>0.4%</b>
<b>Stormwater drainage</b>	Stormwater drainage	–	–	53	110	34,438	46,757	26.7%	72.6%	0.6%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>53</b>	<b>110</b>	<b>34,438</b>	<b>46,757</b>	<b>26.7%</b>	<b>72.6%</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.1%</b>

## Inverell Shire Council

## Report on infrastructure assets as at 30 June 2023 (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	2022/23 Required maintenance <sup>a</sup>	2022/23 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
Open space / recreational assets	Swimming pools	—	—	148	90	1,939	2,766	0.0%	10.3%	89.7%	0.0%	0.0%
	Other	—	—	—	—	28,256	34,343	48.6%	37.8%	12.1%	1.6%	0.0%
	Other Open Space/Recreational Assets	—	—	980	933	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>—</b>	<b>—</b>	<b>1,128</b>	<b>1,023</b>	<b>30,195</b>	<b>37,109</b>	<b>45.0%</b>	<b>35.7%</b>	<b>17.8%</b>	<b>1.5%</b>	<b>0.0%</b>
<b>Total – all assets</b>		<b>7,119</b>	<b>7,119</b>	<b>10,845</b>	<b>13,815</b>	<b>834,712</b>	<b>1,106,339</b>	<b>29.9%</b>	<b>53.6%</b>	<b>15.1%</b>	<b>1.4%</b>	<b>0.0%</b>

(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

## Inverell Shire Council

## Report on infrastructure assets as at 30 June 2023

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022      2021		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals <sup>1</sup>	14,438	129.50%	99.29%	92.87%	> 100.00%
Depreciation, amortisation and impairment	11,149				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	7,119	0.85%	0.89%	0.98%	< 2.00%
Net carrying amount of infrastructure assets	842,310				
Asset maintenance ratio					
Actual asset maintenance	13,815	127.39%	112.01%	100.79%	> 100.00%
Required asset maintenance	10,845				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	7,119	0.64%	0.69%	0.77%	
Gross replacement cost	1,106,339				

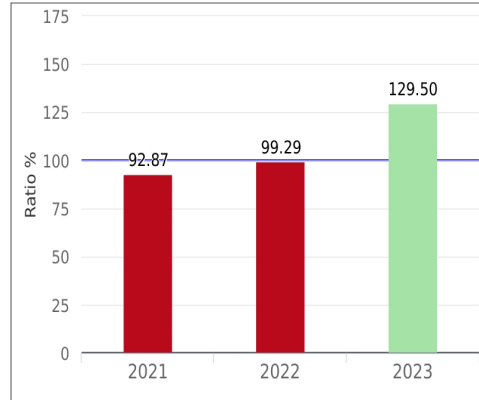
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

## Inverell Shire Council

## Report on infrastructure assets as at 30 June 2023

## Buildings and infrastructure renewals ratio



## Buildings and infrastructure renewals ratio

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

## Commentary on result

22/23 ratio 129.50%

Council's long term objective is to match spending on infrastructure renewals with their systematic deterioration. This requires the renewal ratio to approach 100% over the long term. This year council achieved 129.50% which exceeds the required benchmark for 2022-2023.

Councils long term infrastructure renewals exceeds the benchmark on average over recent years with an average result of 103.9%

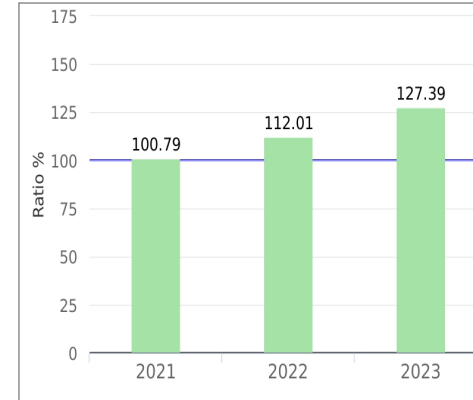
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

## Asset maintenance ratio



## Asset maintenance ratio

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

## Commentary on result

22/23 ratio 127.39%

Council's Asset Maintenance Ratio of 127.39 is higher than the required benchmark of greater than 100%, which indicates that the level of expenditure on the maintenance of infrastructure is sufficient to prevent the infrastructure backlog from growing.

Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

## Infrastructure backlog ratio



## Infrastructure backlog ratio

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

## Commentary on result

22/23 ratio 0.85%

Council completed an independent review of its Road Infrastructure Asset Class in 2015 & 2020. The results of this review have been utilised to determine Council's actual Infrastructure Backlog. The benchmark is less than 2%

Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

## Cost to bring assets to agreed service level



## Cost to bring assets to agreed service level

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

## Commentary on result

22/23 ratio 0.64%

At 0.64% Council meets the benchmark for this newly introduced ratio which is lower than the required benchmark of less than 2%. This ratio is considered to be more reflective of Council's infrastructure 'backlog', particularly due to the use of gross replacement cost in calculation

## Inverell Shire Council

## Report on infrastructure assets as at 30 June 2023

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	160.51%	116.96%	47.34%	62.94%	27.36%	30.36%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.02%	1.07%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	132.64%	113.67%	102.50%	106.26%	114.69%	103.89%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.82%	0.87%	0.00%	0.00%	0.00%	0.00%	

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