

Glen Innes Severn Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

"Embracing Change, Building on History"



Glen Innes Severn Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023

"Embracing Change, Building on History"



Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2023

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Overview

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

265 Grey Street
Glen Innes NSW 2370

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

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

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

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

Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Councillors and Management

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

It is acknowledged that the following matters existed at balance date:

- Council had not implemented appropriate change managements processes and training for staff on the new system – leading to a loss of data integrity
- The new system had known issues at Go-live date which resulted in data leakage affecting reporting, reconciliations, interfund accounting and business as usual functions being impaired including allocating receipts, water billing and rates
- Difficulties in obtaining support and resolutions from the vendor. A number of critical issues remained unresolved for over 12 months and are still ongoing
- The departure of critical council staff including the general manager, director corporate and community services, chief finance officer and rates officer alongside turnover of key finance personnel which has resulted in difficulties understanding the rationale for and recreating balances from prior years including cash restrictions, contract asset and liabilities
- Data migration activities to assure completeness and accuracy were deficient. Predecessor system balances were transferred into the new system as a journal and did not include sufficient detail to attribute the individual components of these balances including individual debtors, creditors, contract assets, contract liabilities etc
- Inability to generate complete and accurate sub ledgers for key financial classes of transactions including property and rating, creditors and receivables
- GST had not been accurately configured in the system
- A failure by management to implement a grant reconciliation process in order to track council's grant funds, completion of performance obligations, and thus council's contract assets and liabilities
- A failure by management to implement monthly balance sheet reconciliation processes around control accounts, GST, payroll deductions, leave liabilities and bank. An ongoing discrepancy in the operating bank account reconciliation which has not been isolated to known transactions and moves sporadically
- An overall failure by management to provide adequate supporting documentation for a number of financial statement line items

It is further acknowledged that the system defects at the time and ongoing do not allow management to demonstrate the controls relied on for internal reporting during the reporting period retrospectively.

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

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 15 August 2024



Rob Banham
Mayor



Troy Arandale
Deputy Mayor

Glen Innes Severn Council

General Purpose Financial Statements for the year ended 30 June 2023

15 August 2024



Bernard Smith
General Manager
15 August 2024

15 August 2024



Shageer Mohammed
Responsible Accounting Officer
15 August 2024

Glen Innes Severn Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
	Income from continuing operations			
11,371	Rates and annual charges	B2-1	13,138	12,159
4,082	User charges and fees	B2-2	4,680	3,132
574	Other revenues	B2-3	1,912	3,781
11,750	Grants and contributions provided for operating purposes	B2-4	15,974	13,163
11,202	Grants and contributions provided for capital purposes	B2-4	11,978	9,722
239	Interest and investment income	B2-5	873	129
195	Other income	B2-6	268	138
39,413	Total income from continuing operations		48,823	42,224
	Expenses from continuing operations			
12,604	Employee benefits and on-costs	B3-1	11,781	11,286
6,529	Materials and services	B3-2	13,803	11,387
362	Borrowing costs	B3-3	556	740
7,944	Depreciation, amortisation and impairment of non-financial assets	B3-4	8,157	8,063
779	Other expenses	B3-5	883	631
(150)	Net loss from the disposal of assets	B4-1	1,096	142
28,068	Total expenses from continuing operations		36,276	32,249
11,345	Operating result from continuing operations		12,547	9,975
11,345	Net operating result for the year attributable to Council		12,547	9,975
144	Net operating result for the year before grants and contributions provided for capital purposes		569	253

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

Glen Innes Severn Council

Statement of Comprehensive Income

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Net operating result for the year – from Income Statement		12,547	9,975
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>26,132</u>	32,063
Total items which will not be reclassified subsequently to the operating result		26,132	32,063
Total other comprehensive income for the year		26,132	32,063
Total comprehensive income for the year attributable to Council		38,679	42,038

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

Glen Innes Severn Council

Statement of Financial Position

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	9,606	12,734
Investments	C1-2	18,700	16,300
Receivables	C1-4	6,063	1,872
Inventories	C1-5	1,227	1,926
Contract assets and contract cost assets	C1-6	7,179	1,851
Other	C1-9	5	5
Total current assets		42,780	34,688
Non-current assets			
Receivables	C1-4	22	22
Infrastructure, property, plant and equipment (IPPE)	C1-7	383,845	351,862
Investment property	C1-8	250	205
Right of use assets	C2-1	811	1,023
Total non-current assets		384,928	353,112
Total assets		427,708	387,800
LIABILITIES			
Current liabilities			
Payables	C3-1	2,525	2,526
Contract liabilities	C3-2	12,059	9,938
Lease liabilities	C2-1	430	344
Borrowings	C3-3	1,459	1,631
Employee benefit provisions	C3-4	2,017	2,258
Total current liabilities		18,490	16,697
Non-current liabilities			
Payables	C3-1	178	178
Lease liabilities	C2-1	912	1,204
Borrowings	C3-3	6,595	8,055
Employee benefit provisions	C3-4	164	190
Provisions	C3-5	4,485	3,271
Total non-current liabilities		12,334	12,898
Total liabilities		30,824	29,595
Net assets		396,884	358,205
EQUITY			
Accumulated surplus		168,283	155,736
IPPE revaluation reserve	C4-1	228,601	202,469
Council equity interest		396,884	358,205
Total equity		396,884	358,205

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

Glen Innes Severn Council

Statement of Changes in Equity

for the year ended 30 June 2023

	Notes	2023			2022		
		Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPPE revaluation reserve \$ '000	Total equity \$ '000
Opening balance at 1 July		155,736	202,469	358,205	145,761	170,406	316,167
Net operating result for the year		12,547	–	12,547	9,975	–	9,975
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	26,132	26,132	–	32,063	32,063
Other comprehensive income		–	26,132	26,132	–	32,063	32,063
Total comprehensive income		12,547	26,132	38,679	9,975	32,063	42,038
Closing balance at 30 June		168,283	228,601	396,884	155,736	202,469	358,205

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

Glen Innes Severn Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023 \$ '000		Notes	Actual 2023 \$ '000	Actual 2022 \$ '000
Cash flows from operating activities				
<i>Receipts:</i>				
11,371	Rates and annual charges		10,655	12,157
4,082	User charges and fees		3,290	3,797
239	Interest received		525	120
22,952	Grants and contributions		24,745	24,068
769	Other		2,178	5,451
<i>Payments:</i>				
(12,604)	Payments to employees		(12,044)	(12,257)
(6,529)	Payments for materials and services		(13,664)	(12,941)
(362)	Borrowing costs		(571)	(670)
(629)	Other		67	(1,262)
19,289	Net cash flows from operating activities	G1-1	15,181	18,463
Cash flows from investing activities				
<i>Receipts:</i>				
–	Redemption of term deposits		–	3,807
–	Proceeds from sale of IPPE		90	198
<i>Payments:</i>				
–	Acquisition of term deposits		(2,400)	(4,007)
(19,534)	Payments for IPPE		(14,281)	(13,719)
(19,534)	Net cash flows from investing activities		(16,591)	(13,721)
Cash flows from financing activities				
<i>Payments:</i>				
(1,625)	Repayment of borrowings		(1,632)	(1,671)
(652)	Principal component of lease payments		(86)	(307)
(2,277)	Net cash flows from financing activities		(1,718)	(1,978)
(2,522)	Net change in cash and cash equivalents		(3,128)	2,764
–	Cash and cash equivalents at beginning of year	C1-1	12,734	9,970
(2,522)	Cash and cash equivalents at end of year	C1-1	9,606	12,734
–	plus: Investments on hand at end of year ¹	C1-2	18,700	16,300
(2,522)	Total cash, cash equivalents and investments		28,306	29,034

(1) Refer to Note G4-2 for details regarding restatement of prior year.

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

Glen Innes Severn Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 15 August 2024. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

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

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

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

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

and are clearly marked.

COVID-19

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

Council did not identify any potential material adjustments required to be completed as a result of the pandemic. The pandemic had a widespread effect on slowing down economies around the world. As at 30 June 2023 it has not had significant implications on Council’s business. Council’s business operations remain on the same pattern; noting that there has been an operational impact with regard to difficulty in attracting staffing in community services areas, maintaining resource levels for business as usual activities and project delivery, and the rising price of contract labour and materials purchased. Council is not aware of any post balance day events which would result in separate disclosures or adjustments to the 30 June 2023 financial results. Hence, 30 June 2023 financial statements were prepared on a going concern basis.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties – refer Note C1-8

A1-1 Basis of preparation (continued)

- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (iii) estimated tip remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

The Consolidated Fund

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

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

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

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council relies on volunteer service within Economic Affairs and Community Services activities. Council cannot measure the value of volunteer services reliably and any reliance is not considered material. Therefore, volunteer services are not recognised in the financial statements.

New accounting standards and interpretations issued but not yet effective

A1-1 Basis of preparation (continued)

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

Those newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures are further discussed in Note G4-1.

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
Functions or activities										
Administration	18	1,332	5,682	4,105	(5,664)	(2,773)	–	106	34,435	33,196
Community services and education	4,855	2,791	4,020	3,609	835	(818)	4,521	2,453	–	2,092
Economic affairs	2,940	1,147	3,530	2,531	(590)	(1,384)	1,793	619	1,079	2,878
Environment	–	2,688	–	1,656	–	1,032	–	19	13,819	15,007
General Purpose	12,460	11,189	1	34	12,459	11,155	4,608	4,081	–	–
Governance	15	211	785	704	(770)	(493)	–	–	–	–
Health	–	20	96	180	(96)	(160)	–	–	–	–
Housing and community amenities	3,276	172	2,183	340	1,093	(168)	29	611	–	1,598
Mining, manufacturing and construction	6,366	2,741	5,679	2,206	687	535	–	–	7,244	6,499
Public order and safety	3,986	1,558	4,289	3,164	(303)	(1,606)	4,061	1,379	–	6,494
Recreation and culture	1,338	6,892	2,970	2,574	(1,632)	4,318	1,160	6,545	–	23,967
Sewerage services	2,113	1,811	1,273	1,579	840	232	5	14	29,040	28,419
Transport and communication	11,767	7,193	7,204	7,279	4,563	(86)	11,523	7,032	306,382	232,915
Water supplies	3,540	2,479	2,176	2,288	1,364	191	252	26	35,708	34,735
Other	(530)	–	(291)	–	(239)	–	–	–	1	–
Total functions and activities	52,144	42,224	39,597	32,249	12,547	9,975	27,952	22,885	427,708	387,800

B1-2 Components of functions or activities

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

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

Public order and safety

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

Health

Includes immunisation, food control, health centres etc.

Environment

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

Community services and education

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

Housing and community amenities

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

Water supplies

Includes provision of water services to the community.

Sewerage services

Includes provision of sewerage services to the community.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

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

Economic affairs

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

General Purpose

General purpose activity.

B2 Sources of income

B2-1 Rates and annual charges

	Timing	2023 \$ '000	2022 \$ '000
Ordinary rates			
Residential	2	3,596	3,377
Farmland	2	3,349	3,230
Mining		(4)	–
Business	2	753	621
Less: pensioner rebates (mandatory)		(194)	(196)
Rates levied to ratepayers		7,500	7,032
Pensioner rate subsidies received		107	108
Total ordinary rates		7,607	7,140
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)			
Domestic waste management services	2	1,158	1,254
Water supply services	2	1,302	1,250
Sewerage services	2	1,829	1,697
Drainage	2	585	530
Environmental		472	–
Less: pensioner rebates (mandatory)		(206)	(204)
Waste facility management levies	2	186	380
Annual charges levied		5,326	4,907
Pensioner annual charges subsidies received:			
– Water	2	78	39
– Sewerage	2	62	37
– Domestic waste management	2	65	36
Total annual charges		5,531	5,019
Total rates and annual charges		13,138	12,159
Timing of revenue recognition for rates and annual charges			
Rates and annual charges recognised at a point in time (2)		13,138	12,159
Total rates and annual charges		13,138	12,159

Council has used 2022 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance, a rates payment.

B2-2 User charges and fees

	Timing	2023 \$ '000	2022 \$ '000
Specific user charges (per s502 - specific 'actual use' charges)			
Water supply services	1	1,729	1,095
Sewerage services	1	9	28
Waste management services (non-domestic)	2	–	268
Other	2	–	8
Total specific user charges		1,738	1,399
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s608)			
Building regulation		85	–
Building services – other		17	–
Planning and building regulation	2	–	98
Private works – section 67	2	31	135
Regulatory/ statutory fees	2	21	205
Section 10.7 certificates (EP&A Act)		27	–
Section 603 certificates		28	–
Town planning	2	52	57
Total fees and charges – statutory/regulatory		261	495
(ii) Fees and charges – other (incl. general user charges (per s608))			
Cemeteries	2	123	55
Child care	2	84	316
Community centres		3	–
Leaseback fees – Council vehicles	2	–	31
Library and art gallery		4	–
Refuse and effluent disposal		3	–
Saleyards	2	159	153
Sundry sales		73	–
Swimming centres	2	121	100
Waste disposal tipping fees		262	–
Water connection fees		44	–
Quarries and gravel pits	2	1,756	537
Trade waste fees	2	48	41
Other	2	1	5
Total fees and charges – other		2,681	1,238
Total other user charges and fees		2,942	1,733
Total user charges and fees		4,680	3,132
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	1,171
User charges and fees recognised at a point in time (2)		4,680	1,961
Total user charges and fees		4,680	3,132

Accounting policy

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

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

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

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

B2-3 Other revenues

	Timing	2023 \$ '000	2022 \$ '000
Fines	2	18	17
Legal fees recovery – rates and charges (extra charges)	2	1	–
Legal fees recovery – other	2	–	34
Commissions and agency fees	1	3	30
Diesel rebate	2	62	78
Insurance claims recoveries		15	–
Recycling income (non-domestic)	2	–	3
Sales – general	2	17	37
Aged and disabled	2	–	12
Festivals and committee activities		267	–
Insurance rebates and incentives	2	1	69
Sales – quarries and gravel pits	2	548	2,059
Tourism sales	2	97	286
Found and transferred to Council assets	2	–	243
Other	2	883	277
Adjustment of overdepreciated assets	2	–	636
Total other revenue		1,912	3,781
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	30
Other revenue recognised at a point in time (2)		1,912	3,751
Total other revenue		1,912	3,781

Accounting policy for other revenue

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

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

B2-4 Grants and contributions

		Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
	Timing				
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	1,255	1,610	–	–
Financial assistance – local roads component	2	428	769	–	–
Payment in advance - future year allocation					
Financial assistance – general component	2	3,767	2,472	–	–
Financial assistance – local roads component	2	1,283	1,186	–	–
Amount recognised as income during current year		6,733	6,037	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Aerodromes	2	–	–	–	–
Aged care	1	176	1,263	–	–
Water supplies	2	248	–	–	–
Bushfire and emergency services	1	137	–	96	58
Child care	2	256	64	–	–
Community care	2	2,618	–	881	–
Employment and training programs	2	–	133	–	–
Heritage and cultural		12	–	–	–
Library	2	–	87	1	–
Library – per capita		93	–	–	–
LIRS subsidy	2	75	82	–	–
Noxious weeds	1	–	102	–	–
Recreation and culture	1 & 2	9	5	186	6,325
Storm/flood damage	2	3,623	1,032	46	–
Transport (roads to recovery)	2	–	872	610	–
Transport (other roads and bridges funding)	1 & 2	–	248	6,622	3,148
Aboriginal services	2	–	44	–	–
Tourism and area promotion	2	–	330	–	25
Town planning	2	–	92	–	–
Youth services	2	31	21	–	–
Street lighting		40	36	–	–
Other specific grants	2	150	90	(487)	–
Animal	2	–	–	–	–
Previously contributions:					
Bushfire services	2	–	266	–	–
Heritage/cultural		–	–	821	–
Roads and bridges		36	215	(936)	–
Transport for NSW contributions (regional roads, block grant)	2	283	580	2,202	(35)
Sewerage (excl. section 64 contributions)	2	–	–	–	8
Tourism	1	534	–	1,927	–
Water supplies (excl. section 64 contributions)	2	–	–	–	6
Other contributions	2	199	12	–	–
Aged and disabled	2	593	1,058	–	–
Fire Protection	2	–	289	–	–
Section 355 committees	2	–	202	–	–
Youth Services	2	–	3	–	–
Total special purpose grants and non-developer contributions – cash		9,113	7,126	11,969	9,535

B2-4 Grants and contributions (continued)

	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Non-cash contributions					
Buildings	2	–	–	–	–
Total other contributions – non-cash		–	–	–	–
Total special purpose grants and non-developer contributions (tied)		9,113	7,126	11,969	9,535
Total grants and non-developer contributions		15,846	13,163	11,969	9,535
Comprising:					
– Commonwealth funding		–	9,958	–	1,948
– State funding		–	2,956	–	7,573
– Other funding		15,846	249	11,969	14
		15,846	13,163	11,969	9,535

Developer contributions

	Notes	Timing	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	128	–	–	161
S 64 – water supply contributions		2	–	–	4	20
S 64 – sewerage service contributions		2	–	–	5	6
Total developer contributions – cash			128	–	9	187
Total developer contributions			128	–	9	187
Total contributions			128	–	9	187
Total grants and contributions			15,974	13,163	11,978	9,722
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	1,365	–	9,531
Grants and contributions recognised at a point in time (2)			15,974	11,798	11,978	191
Total grants and contributions			15,974	13,163	11,978	9,722

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:

Notes	Operating 2023 \$ '000	Operating 2022 \$ '000	Capital 2023 \$ '000	Capital 2022 \$ '000
Unspent grants				
Unspent funds at 1 July	2,684	2,424	6,969	5,779
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	2,083	–	14
Add: Funds received and not recognised as revenue in the current year	–	–	5,291	4,793
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(2,684)	(1,652)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	(171)	–	(3,617)
Unspent grants at 30 June	–	2,684	12,260	6,969
Contributions				
G4				
Unspent funds at 1 July	–	–	742	555
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	187
Add: contributions received and not recognised as revenue in the current year	–	–	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	870	–	(742)	–
Unspent contributions at 30 June	870	–	–	742

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

B2-4 Grants and contributions (continued)

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

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

Capital grants

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

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

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

Developer contributions

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

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

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

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
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	109	36
– Overdue user fees and charges	–	7
– Cash and investments	764	86
Total interest and investment income (losses)	873	129

Accounting policy

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

B2-6 Other income

	Notes	2023 \$ '000	2022 \$ '000
Fair value increment on investment properties			
Fair value increment on investment properties	B2-6	45	–
Total fair value increment on investment properties	C1-8	45	–
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		109	19
Total Investment properties		109	19
Other lease income			
Leaseback fees - council vehicles		82	30
Other leases and rentals		32	89
Total other lease income		114	119
Total rental income	C2-2	223	138
Total other income		268	138

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2023 \$ '000	2022 \$ '000
Salaries and wages	9,969	8,559
Employee leave entitlements (ELE)	(277)	1,507
ELE on-costs	1,104	–
Superannuation	1,082	1,037
Workers' compensation insurance	251	251
Fringe benefit tax (FBT)	34	42
Other	49	15
Total employee costs	12,212	11,411
Less: capitalised costs	(431)	(125)
Total employee costs expensed	11,781	11,286

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

	Notes	2023 \$ '000	2022 \$ '000
Raw materials and consumables		8,860	6,116
Contractor costs		682	361
Audit Fees	F2-1	55	68
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	207	141
Advertising		161	172
Bank charges		36	67
Cleaning		28	144
Computer software charges		772	724
Election expenses		–	71
Electricity and heating		574	453
Insurance		1,117	322
Office expenses (including computer expenses)		33	1
Postage		38	60
Printing and stationery		35	54
Street lighting		1	73
Subscriptions and publications		137	240
Telephone and communications		144	126
Valuation fees		89	–
Protective clothing		71	55
Travel expenses		35	36
Annual rates and charges		234	277
Training costs (other than salaries and wages)		132	187
Other expenses		182	979
Freight and cartage		–	461
Lease fees and rentals		101	25
Photocopying		–	8
Promotions and trade fairs		–	55
Section 355 committees		–	10
Security services		45	20
Valuation fees		–	42
Legal expenses:			
– Legal expenses: planning and development		33	–
– Legal expenses: debt recovery		1	34
– Legal expenses: other		–	5
Total materials and services		13,803	11,387
Total materials and services		13,803	11,387

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
(i) Interest bearing liability costs			
Interest on leases		50	54
Interest on loans		506	609
Total interest bearing liability costs		556	663
Total interest bearing liability costs expensed		556	663
(ii) Other borrowing costs			
– Remediation liabilities	C3-5	–	77
Total other borrowing costs		–	77
Total borrowing costs expensed		556	740

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
Depreciation and amortisation			
Plant and equipment	C1-7	670	828
Office equipment		10	10
Furniture and fittings		8	15
Infrastructure:			
– Buildings	C1-7	1,167	1,032
– Other structures		168	222
– Roads (general)		3,120	2,744
– Roads (causeways)		86	84
– Roads (carparks)		19	28
– Bridges		746	714
– Footpaths		65	58
– Stormwater drainage		208	194
– Water supply network		553	542
– Sewerage network		507	484
– Swimming pools		47	43
– Other open space/recreational assets		72	65
– Kerb and gutter		158	139
– Major street furniture		63	54
Right of use assets ¹	C2-1	92	497
Other assets:			
– Library books		156	156
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-7	242	154
Total gross depreciation and amortisation costs		8,157	8,063
Total depreciation and amortisation costs		8,157	8,063
Impairment / revaluation decrement of IPPE			
Crown land		–	–
Total gross IPPE impairment / revaluation decrement costs		–	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-FINANCIAL ASSETS		8,157	8,063

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

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

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

(1) Amortisation of Right of use assets has been adjusted in the current year to reflect leased plant and equipment depreciated and amortised in the prior years of 2021 and 2022. Without the adjustment, the expense would be \$287k

B3-5 Other expenses

	Notes	2023 \$ '000	2022 \$ '000
Receivables write-off			
Other		–	6
Total impairment of receivables	C1-4	–	6
Other			
Contributions/levies to other levels of government			
Contributions/levies to other levels of government		–	205
– Emergency services levy (includes FRNSW, SES, and RFS levies)		119	72
– NSW fire brigade levy		–	13
– NSW rural fire service levy		403	335
– Other contributions/levies		123	–
Donations, contributions and assistance to other organisations (Section 356)		238	–
Total other		883	625
Total other expenses		883	631

Accounting policy

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

Impairment expenses are recognised when identified.

B4 Gains or losses

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

	Notes	2023 \$ '000	2022 \$ '000
Gain (or loss) on disposal of property (excl. investment property)	C1-7		
Proceeds from disposal – property		–	20
Less: carrying amount of property assets sold/written off		–	(89)
Gain (or loss) on disposal		–	(69)
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		90	178
Less: carrying amount of plant and equipment assets sold/written off		(14)	(77)
Gain (or loss) on disposal		76	101
Gain (or loss) on disposal of infrastructure	C1-7		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,172)	(174)
Gain (or loss) on disposal		(1,172)	(174)
Net gain (or loss) from disposal of assets		(1,096)	(142)

Accounting policy

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

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 22 June 2023 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 -----	
Revenues				
Rates and annual charges	11,371	13,138	1,767	16% F
User charges and fees	4,082	4,680	598	15% F
Other revenues	574	1,912	1,338	233% F
Operating grants and contributions	11,750	15,974	4,224	36% F
Capital grants and contributions	11,202	11,978	776	7% F
Interest and investment revenue	239	873	634	265% F
Other income	195	268	73	37% F
Expenses				
Employee benefits and on-costs	12,604	11,781	823	7% F
Materials and services	6,529	13,803	(7,274)	(111)% U
Borrowing costs	362	556	(194)	(54)% U
Depreciation, amortisation and impairment of non-financial assets	7,944	8,157	(213)	(3)% U
Other expenses	779	883	(104)	(13)% U
Net losses from disposal of assets	(150)	1,096	(1,246)	831% U
Statement of cash flows				
Cash flows from operating activities	19,289	15,181	(4,108)	(21)% U
Cash flows from investing activities	(19,534)	(16,591)	2,943	(15)% F
Cash flows from financing activities	(2,277)	(1,718)	559	(25)% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2023 \$ '000	2022 \$ '000
Cash assets		
Cash on hand and at bank	9,581	12,734
Cash equivalent assets		
– Deposits at call	25	–
Total cash and cash equivalents	9,606	12,734

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	9,606	12,734
Balance as per the Statement of Cash Flows	9,606	12,734

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
Financial assets at amortised cost				
Term deposits	18,700	–	16,300	–
Total	18,700	–	16,300	–
Total financial investments	18,700	–	16,300	–
Total cash assets, cash equivalents and investments	28,306	–	29,034	–

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)

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.

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

	2023 \$ '000	2022 \$ '000
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	28,306	29,034
Less: Externally restricted cash, cash equivalents and investments	<u>(24,948)</u>	<u>(24,948)</u>
Cash, cash equivalents and investments not subject to external restrictions	3,358	4,086
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended loans – general	–	687
Trust funds	36	170
Specific purpose unexpended grants – general fund	11,439	8,001
Life Choices Program - CHSP & HCP	595	1,937
External restrictions – included in liabilities	12,070	10,795
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	870	742
Specific purpose unexpended grants (recognised as revenue) – general fund	–	1,638
Specific purpose unexpended grants (recognised as revenue) – water fund	–	6
Specific purpose unexpended grants (recognised as revenue) – sewer fund	–	8
Water fund	1,655	2,967
Sewer fund	4,444	4,506
Waste management	4,359	3,175
Drainage management	1,143	794
Glen Innes Aggregates	–	–
Council committees	407	317
External restrictions – other	12,878	14,153
Total external restrictions	24,948	24,948

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

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

	2023	2022
	\$ '000	\$ '000
Cash, cash equivalents and investments not subject to external restrictions	3,358	4,086
Less: Internally restricted cash, cash equivalents and investments	-	(11,059)
Unrestricted and unallocated cash, cash equivalents and investments	3,358	(6,973)
Building Fees - Bushfire Grant	-	42
Glen Innes Aggregates	-	2,167
Employees leave entitlement	-	502
Infrastructure – Other	-	5,800
Parks	-	103
Special projects	-	2,385
Election costs	-	60
Total internal allocations	-	11,059

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

	2023	2022
	\$ '000	\$ '000
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	3,358	(6,973)

C1-4 Receivables

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Rates and annual charges	3,165	46	681	46
User charges and fees	2,040	–	637	–
Accrued revenues				
– Interest on investments	397	–	49	–
– Other income accruals	110	–	2	–
Net GST receivable	389	–	540	–
Total	6,101	46	1,909	46
Less: provision for impairment				
Rates and annual charges	(34)	(24)	(33)	(24)
User charges and fees	(4)	–	(4)	–
Total provision for impairment – receivables	(38)	(24)	(37)	(24)
Total net receivables	6,063	22	1,872	22
Externally restricted receivables				
Water supply				
– Rates and availability charges	2,027	–	341	–
Sewerage services				
– Rates and availability charges	336	–	122	–
Total external restrictions	2,363	–	463	–
Unrestricted receivables	3,700	22	1,409	22
Total net receivables	6,063	22	1,872	22

	2023 \$ '000	2022 \$ '000
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	61	67
– amounts already provided for and written off this year	–	(6)
Balance at the end of the year	61	61

Accounting policy

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

Impairment

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

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

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

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

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or

C1-4 Receivables (continued)

- the financial assets (for non-rates debtors) are more than 90 days past due.

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

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

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

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

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

Receivables with a contractual amount of \$500.00 written off during the reporting period are still subject to enforcement activity.

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
(i) Inventories at cost				
Stores and materials	369	-	422	-
Trading stock (Quarry & Visitor Information Stock)	858	-	1,504	-
Total inventories at cost	1,227	-	1,926	-
Total inventories	1,227	-	1,926	-

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Contract assets	7,179	-	1,851	-
Total contract assets	7,179	-	1,851	-

Contract assets

Accrued Income	-	-	-	-
Grant Contract Assets	7,179	-	1,851	-
Total contract assets	7,179	-	1,851	-

Significant changes in contract assets

No significant changes year over year.

Accounting policy

Contract assets

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

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

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

C1-7 Infrastructure, property, plant and equipment

	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 ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Reclassifications	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
By aggregated asset class	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Capital work in progress	13,722	–	13,722	3,427	9,722	–	–	(18,081)	–	–	–	–	9,611	–	9,611
Plant and equipment	11,413	(6,337)	5,076	413	962	(14)	(670)	–	–	–	–	–	12,464	(6,782)	5,682
Office equipment	305	(267)	38	–	–	–	(10)	–	–	–	–	–	305	(278)	27
Furniture and fittings	304	(224)	80	–	–	–	(8)	–	–	–	–	–	304	(232)	72
Land:															
– Crown land	1,868	–	1,868	–	–	–	–	–	–	–	(67)	–	1,801	–	1,801
– Operational land	8,952	–	8,952	–	–	–	–	–	–	–	–	295	9,247	–	9,247
– Community land	2,999	–	2,999	–	–	–	–	–	–	–	–	178	3,177	–	3,177
Land improvements – depreciable	–	–	–	–	–	–	86	–	–	–	–	–	–	–	–
Infrastructure:															
– Bulk earthworks (non-depreciable)	73,370	–	73,370	789	–	(180)	–	–	–	–	–	3,965	77,945	–	77,945
– Buildings	53,575	(32,001)	21,574	508	5,589	(33)	(1,167)	–	–	(325)	–	8,315	66,615	(32,153)	34,462
– Other structures	11,853	(6,821)	5,032	–	–	(18)	(168)	–	–	–	–	4,808	13,592	(3,938)	9,654
– Roads (general)	154,903	(64,841)	90,062	5,411	–	–	(3,120)	–	–	–	–	5,008	164,831	(68,215)	96,616
– Roads (causeways)	8,128	(4,965)	3,163	34	–	(747)	(86)	–	–	–	–	187	8,608	(5,311)	3,297
– Roads (carparks)	1,677	(538)	1,139	–	667	–	(19)	–	–	–	–	67	2,443	(588)	1,855
– Bridges	70,850	(27,062)	43,788	1,966	–	(53)	(746)	–	–	–	–	2,590	76,909	(29,363)	47,546
– Footpaths (road related)	5,236	(1,421)	3,815	51	–	(16)	(65)	–	–	–	–	226	5,578	(1,567)	4,011
– Stormwater drainage	18,943	(8,064)	10,879	–	–	–	(208)	–	–	–	–	–	18,943	(8,272)	10,671
– Water supply network	43,677	(15,570)	28,107	774	34	(36)	(553)	–	–	325	(1,105)	–	52,664	(25,117)	27,547
– Sewerage network	34,131	(11,870)	22,261	864	19	(81)	(507)	–	–	–	(384)	–	40,012	(17,841)	22,171
– Swimming pools	3,642	(1,678)	1,964	–	–	–	(47)	–	–	–	–	355	3,510	(1,238)	2,272
– Other open space/recreational assets (general)	4,237	(1,171)	3,066	–	–	(8)	(72)	–	–	–	–	1,199	5,600	(1,416)	4,184
– Other infrastructure (kerb and gutter)	12,847	(6,563)	6,284	–	–	–	(158)	–	–	–	–	372	13,606	(7,109)	6,497
– Other infrastructure (major street furniture)	2,628	(543)	2,085	–	–	–	(63)	–	–	–	–	123	2,783	(638)	2,145
Other assets:															
– Library books	959	(647)	312	–	–	–	(156)	–	–	–	–	–	959	(803)	156
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	2,722	(496)	2,226	–	–	–	(242)	–	1,215	–	–	–	3,819	(620)	3,199
Total infrastructure, property, plant and equipment	542,941	(191,079)	351,862	14,237	16,993	(1,186)	(7,979)	(18,081)	1,215	–	(1,556)	27,688	595,326	(211,481)	383,845

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

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period									At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements Accumulated Depreciation Renewal	Carrying Value of Found Assets	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	\$ '000
Capital work in progress	2,726	–	2,726	6,825	5,228	–	–	(1,058)	–	–	–	–	13,722	–	13,722
Plant and equipment	11,333	(5,797)	5,536	311	–	(77)	(828)	133	–	–	–	–	11,413	(6,337)	5,076
Office equipment	305	(257)	48	–	–	–	(10)	–	–	–	–	–	305	(267)	38
Furniture and fittings	291	(208)	83	13	–	–	(15)	–	–	–	–	–	304	(224)	80
Land:															
– Operational land	8,997	–	8,997	–	–	(45)	–	–	–	–	–	–	8,952	–	8,952
– Community land	2,999	–	2,999	–	–	–	–	–	–	–	–	–	2,999	–	2,999
– Crown land	1,905	–	1,905	–	–	(44)	–	–	–	–	7	–	1,868	–	1,868
Infrastructure:															
– Buildings	45,694	(26,256)	19,438	–	–	–	(1,032)	–	–	–	–	3,167	53,575	(32,001)	21,574
– Other structures	10,245	(6,083)	4,162	–	–	–	(222)	54	493	–	–	546	11,853	(6,821)	5,032
– Roads	136,273	(55,160)	81,113	900	–	(23)	(2,744)	589	12	(46)	173	10,088	154,903	(64,841)	90,062
– Bridges	64,840	(24,106)	40,734	46	–	–	(714)	–	–	–	–	3,722	70,850	(27,062)	43,788
– Footpaths	4,547	(1,245)	3,302	–	–	(12)	(58)	166	–	–	–	416	5,236	(1,421)	3,815
– Bulk earthworks (non-depreciable)	64,754	–	64,754	–	–	–	–	–	–	46	63	8,507	73,370	–	73,370
– Stormwater drainage	17,589	(7,293)	10,296	–	–	–	(194)	–	–	–	–	777	18,943	(8,064)	10,879
– Water supply network	41,449	(14,336)	27,113	–	–	(119)	(542)	–	132	–	–	1,523	43,677	(15,570)	28,107
– Sewerage network	32,281	(10,743)	21,538	–	–	–	(484)	–	–	–	–	1,206	34,131	(11,870)	22,261
– Swimming pools	3,142	(1,405)	1,737	–	–	–	(43)	–	–	–	–	270	3,642	(1,678)	1,964
– Other open space/recreational assets	3,642	(953)	2,689	–	–	(8)	(65)	44	–	–	–	406	4,237	(1,171)	3,066
– Roads (causeways)	7,166	(4,331)	2,835	54	–	–	(84)	–	–	–	–	358	8,128	(4,965)	3,163
– Roads (carparks)	1,488	(448)	1,040	–	–	–	(28)	–	–	–	–	127	1,677	(538)	1,139
– Other infrastructure (kerb and gutter)	11,330	(5,681)	5,649	–	–	(12)	(139)	72	–	–	–	715	12,847	(6,563)	6,284
– Other infrastructure (major street furniture)	2,331	(427)	1,904	–	–	–	(54)	–	–	–	–	235	2,628	(543)	2,085
Other assets:															
– Library books	958	(491)	467	–	–	–	(156)	–	–	–	–	–	959	(647)	312
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):															
– Tip assets	3,263	(342)	2,921	–	–	–	(154)	–	(542)	–	–	–	2,722	(496)	2,226
Total infrastructure, property, plant and equipment	479,548	(165,562)	313,986	8,149	5,228	(340)	(7,566)	–	95	–	243	32,063	542,941	(191,079)	351,862

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

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

Accounting policy

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

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

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

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

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

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

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

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

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

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

Land under roads

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

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

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

Crown reserves

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

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, all Rural Fire Fighting Equipment purchased or constructed wholly or partly from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the Fire Fighting Equipment have been purchased or constructed. Furthermore, Council must not sell or otherwise dispose of any Fire Fighting Equipment purchased or constructed wholly or partly from money to the credit of the Fund without the written consent of the Commissioner. In case of disposal, all proceeds are to be paid to the credit of the Fund.

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

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

C1-8 Owned Investment property

	2023 \$ '000	2022 \$ '000
Owned investment property		
Investment property on hand at fair value	250	205
Total owned investment property	250	205

Owned investment property

At fair value

Opening balance at 1 July	205	205
Net gain/(loss) from fair value adjustments	45	–
Closing balance at 30 June	250	205

Accounting policy

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Changes in Fair Values are recorded in the Income Statement as part of other income.

C1-9 Other

Other assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Prepayments	5	–	5	–
Total other assets	5	–	5	–

Externally restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Sewerage				
Prepayments	267	–	–	–
Total sewerage	267	–	–	–

Current other assets 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 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Total externally restricted assets	267	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	(262)	–	5	–
Total other assets	5	–	5	–

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of lease

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

Vehicles

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

Office and IT equipment

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

Extension options

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

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

(a) Right of use assets

	Plant & Equipment \$ '000	Total \$ '000
2023		
Opening balance at 1 July	1,023	1,023
Depreciation charge	(212)	(212)
Balance at 30 June	811	811
2022		
Opening balance at 1 July	1,088	1,088
Additions to right-of-use assets	466	466
Depreciation charge	(497)	(497)
Other movement	(34)	(34)
Balance at 30 June	1,023	1,023

(b) Lease liabilities

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Lease liabilities	430	912	344	1,204
Total lease liabilities	430	912	344	1,204

C2-1 Council as a lessee (continued)

(c) (i) The maturity analysis

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

	< 1 year \$ '000	1 – 5 years \$ '000	> 5 years \$ '000	Total \$ '000	Total per Statement of Financial Position \$ '000
2023					
Cash flows	337	–	–	337	1,342
2022					
Cash flows	318	996	–	1,314	1,548

(d) Income Statement

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

	2023 \$ '000	2022 \$ '000
Interest on lease liabilities	50	54
Depreciation of right of use assets	92	497
	142	551

(e) Statement of Cash Flows

Total cash outflow for leases	–	307
	–	307

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

C2-1 Council as a lessee (continued)

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

Leases at significantly below market value / Concessionary leases

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

C2-2 Council as a lessor

Operating leases

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

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

	2023	2022
	\$ '000	\$ '000

(i) Assets held as investment property

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

Lease income (excluding variable lease payments not dependent on an index or rate)	109	19
Total income relating to operating leases for investment property assets	109	19

(ii) Assets held as property, plant and equipment

Lease income (excluding variable lease payments not dependent on an index or rate)	114	119
Total income relating to operating leases for Council assets	114	119

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
Goods and services – operating expenditure	1,191	–	1,751	–
Goods and services – capital expenditure	821	–	–	–
Accrued expenses:				
– Borrowings	56	–	71	–
– Salaries and wages	154	–	150	–
Advances	13	–	–	–
Prepaid rates	498	–	498	–
Other	(208)	178	56	178
Total payables	2,525	178	2,526	178

Payables relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Externally restricted payables				
Water	237	–	21	–
Sewer	55	–	8	–
Payables relating to externally restricted assets	292	–	29	–
Total payables relating to restricted assets	292	–	29	–
Total payables relating to unrestricted assets	2,233	178	2,497	178
Total payables	2,525	178	2,526	178

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

	Notes	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	11,464	–	8,001	–
Life Choice Program upfront fees	(iii)	595	–	1,937	–
Total grants received in advance		12,059	–	9,938	–
Total contract liabilities		12,059	–	9,938	–

continued on next page ...

C3-2 Contract Liabilities (continued)

Notes

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

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

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

C3-2 Contract Liabilities (continued)

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

	2023 \$ '000	2022 \$ '000
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	11,996	3,789
Total revenue recognised that was included in the contract liability balance at the beginning of the period	11,996	3,789

Significant changes in contract liabilities

Increase by \$2.5M is due to an overall increase in new capital grants, coupled with resourcing constraints due to existing committed works during the year.

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 ¹	1,459	6,595	1,631	8,055
Total borrowings	1,459	6,595	1,631	8,055

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

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

Borrowings relating to restricted assets

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Externally restricted borrowings				
Water	224	1,265	112	1,489
Sewer	405	257	192	662
Borrowings relating to externally restricted assets	629	1,522	304	2,151
Total borrowings relating to restricted assets	629	1,522	304	2,151
Total borrowings relating to unrestricted assets	830	5,073	1,327	5,904
Total borrowings	1,459	6,595	1,631	8,055

C3-3 Borrowings (continued)

(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	9,686	(1,632)	–	–	–	–	8,054
Lease liability (Note C2-1b)	1,548	(206)	–	–	–	–	1,342
Total liabilities from financing activities	11,234	(1,838)	–	–	–	–	9,396

	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	11,357	(1,671)	–	–	–	–	9,686
Lease liability (Note C2-1b)	1,423	(341)	466	–	–	–	1,548
Total liabilities from financing activities	12,780	(2,012)	466	–	–	–	11,234

(b) Financing arrangements

	2023 \$ '000	2022 \$ '000
Total facilities		
Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	50	115
Total financing arrangements	250	315
Drawn facilities		
– Credit cards/purchase cards	43	40
Total drawn financing arrangements	43	40
Undrawn facilities		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	7	75
Total undrawn financing arrangements	207	275

Additional financing arrangements information

Breaches and defaults

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

Security over loans

Loan liabilities are secured over future Council rates. Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured by a charge over Council rates.

(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.

C3-3 Borrowings (continued)

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

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

C3-4 Employee benefit provisions

	2023 Current \$ '000	2023 Non-current \$ '000	2022 Current \$ '000	2022 Non-current \$ '000
Annual leave	752	–	758	–
Long service leave	1,216	160	1,417	186
Other leave	–	–	83	4
ELE on-costs	49	4	–	–
Total employee benefit provisions	2,017	164	2,258	190

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 – employees benefits	753	1,196
	753	1,196

Accounting policy

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur 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
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,485	–	3,271
Sub-total – asset remediation/restoration	–	4,485	–	3,271
Total provisions	–	4,485	–	3,271
Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	–	4,485	–	3,271
Total provisions	–	4,485	–	3,271

Description of and movements in provisions

	Other provisions	
	Asset remediation \$ '000	Total \$ '000
2023		
At beginning of year	3,271	3,271
Remeasurement effects	1,214	1,214
Total other provisions at end of year	4,485	4,485
2022		
At beginning of year	3,736	3,736
Unwinding of discount	77	77
Remeasurement effects	(542)	(542)
Total other provisions at end of year	3,271	3,271

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tip. The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip as a result of past operations.

Self-insurance

Council does not self-insure.

Accounting policy

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

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

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

C3-5 Provisions (continued)

Asset remediation – tips and quarries

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

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

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
Income from continuing operations			
Rates and annual charges	9,883	1,408	1,847
User charges and fees	2,799	1,783	98
Interest and investment revenue	676	78	119
Other revenues	1,868	21	23
Grants and contributions provided for operating purposes	15,726	248	–
Grants and contributions provided for capital purposes	11,978	–	–
Other income	268	–	–
Total income from continuing operations	43,198	3,538	2,087
Expenses from continuing operations			
Employee benefits and on-costs	10,780	787	214
Materials and services	12,403	1,053	347
Borrowing costs	384	120	52
Depreciation, amortisation and impairment of non-financial assets	7,028	611	518
Other expenses	673	59	151
Net losses from the disposal of assets	1,096	–	–
Total expenses from continuing operations	32,364	2,630	1,282
Operating result from continuing operations	10,834	908	805
Net operating result for the year	10,834	908	805
Net operating result attributable to each council fund	10,834	908	805
Net operating result for the year before grants and contributions provided for capital purposes	(1,144)	908	805

D1-2 Statement of Financial Position by fund

	General 2023 \$ '000	Water 2023 \$ '000	Sewer 2023 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	8,628	184	794
Investments	13,579	1,471	3,650
Receivables	3,700	2,027	336
Inventories	1,291	(59)	(5)
Contract assets and contract cost assets	7,179	–	–
Other	(20)	(242)	267
Total current assets	34,357	3,381	5,042
Non-current assets			
Receivables	22	–	–
Infrastructure, property, plant and equipment	327,443	32,367	24,035
Investment property	250	–	–
Right of use assets	811	–	–
Total non-current assets	328,526	32,367	24,035
Total assets	362,883	35,748	29,077
LIABILITIES			
Current liabilities			
Payables	2,233	237	55
Contract liabilities	12,059	–	–
Lease liabilities	430	–	–
Borrowings	830	224	405
Employee benefit provision	2,017	–	–
Total current liabilities	17,569	461	460
Non-current liabilities			
Payables	178	–	–
Lease liabilities	912	–	–
Borrowings	5,073	1,265	257
Employee benefit provision	164	–	–
Provisions	4,485	–	–
Total non-current liabilities	10,812	1,265	257
Total liabilities	28,381	1,726	717
Net assets	334,502	34,022	28,360
EQUITY			
Accumulated surplus	138,181	15,638	14,464
Revaluation reserves	196,321	18,384	13,896
Council equity interest	334,502	34,022	28,360
Total equity	334,502	34,022	28,360

D2 Interests in other entities

D2-1 Subsidiaries, joint arrangements and associates not recognised

New England Joint Organisation (NEJO)

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

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

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

The Board of NEJO consists of:

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

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

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

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

In accordance with the Charter each member of the NEJO contributes annual fees towards the operation of the joint organisation. No annual fees were paid during 2022/2023.

New England Weeds Authority

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

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

NEWA is funded by contributions from its four Constituent Councils, grants and private works. In 2022/2023 the contribution paid by Glen Innes Severn Council was \$109,276. Each Constituent Council has delegated its Noxious weeds control function to NEWA and contributes in accordance with NEWA's proclamation. NEWA's governing body consists of five Councillors elected by each of the Constituent Councils.

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

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by the finance team under policies approved by the Councillors.

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

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

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

(a) Market risk – interest rate and price risk

	2023	2022
	\$ '000	\$ '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	201	290

(b) Credit risk

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

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

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

	overdue rates and annual charges			Total \$ '000
	Not yet overdue \$ '000	< 5 years \$ '000	≥ 5 years \$ '000	
2023				
Gross carrying amount	–	3,097	114	3,211
2022				
Gross carrying amount	499	204	24	727

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	Overdue debts				Total \$ '000
		0 - 30 days \$ '000	31 - 60 days \$ '000	61 - 90 days \$ '000	> 91 days \$ '000	
2023						
Gross carrying amount	10,115	–	–	–	–	10,115
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.00%	0.00%
ECL provision	–	–	–	–	–	–
2022						
Gross carrying amount	1,806	390	47	22	177	2,442
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.00%	0.29%
ECL provision	–	–	–	–	7	7

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

(c) Liquidity risk

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

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

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

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

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

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

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in:			Total cash outflows \$ '000	Actual carrying values \$ '000
			≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000		
2023							
Payables	0.00%	-	-	-	-	-	2,703
Loans	0.00%	-	-	-	-	-	8,054
Total financial liabilities		-	-	-	-	-	10,757
2022							
Payables	0.00%	-	2,526	178	-	2,704	2,704
Loans	5.73%	-	2,064	6,214	3,291	11,569	9,686
Total financial liabilities		-	4,590	6,392	3,291	14,273	12,390

E2-1 Fair value measurement

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

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

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

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

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

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

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

Recurring fair value measurements

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
Investment property	C1-8								
Jamesies Fuel and Fix		30/06/23	30/06/21	258	205	–	–	258	205
Total investment property				258	205	–	–	258	205
Infrastructure, property, plant and equipment	C1-7								
Plant and equipment		30/06/16	30/06/16	–	–	5,682	5,076	5,682	5,076
Office equipment		30/06/18	30/06/18	–	–	27	38	27	38
Furniture and fittings		30/06/18	30/06/18	–	–	72	80	72	80
- Crown Land		30/06/23	30/06/18	–	–	1,801	1,868	1,801	1,868
– Operational land		30/06/23	30/06/18	–	–	9,247	8,952	9,247	8,952
– Community land		30/06/23	30/06/18	–	–	3,177	2,999	3,177	2,999
Buildings		30/06/23	30/06/18	–	–	34,462	21,574	34,462	21,574
Other structures		30/06/23	30/06/18	–	–	9,653	5,032	9,653	5,032
– Roads (General)		30/06/20	30/06/20	–	–	96,616	90,062	96,616	90,062
– Roads (Causeways)		30/06/20	30/06/20	–	–	3,297	3,163	3,297	3,163
– Roads (Car Parks)		30/06/20	30/06/20	–	–	1,855	1,139	1,855	1,139
– Bridges		30/06/21	30/06/21	–	–	47,546	43,788	47,546	43,788
– Footpaths (Road Related)		30/06/20	30/06/20	–	–	4,011	3,815	4,011	3,815
– Bulk earthworks (non-depreciable)		30/06/20	30/06/20	–	–	77,945	73,370	77,945	73,370
– Stormwater drainage		30/06/20	30/06/20	–	–	10,671	10,879	10,671	10,879
– Water supply network		30/06/23	30/06/18	–	–	27,547	28,107	27,547	28,107
– Sewerage network		30/06/23	30/06/18	–	–	22,171	22,261	22,171	22,261
– Swimming pools		30/06/23	30/06/18	–	–	2,272	1,964	2,272	1,964
– Other open space/recreational assets (General)		30/06/23	30/06/18	–	–	4,184	3,066	4,184	3,066
– Other infrastructure (Kerb and Gutter)		30/06/20	30/06/20	–	–	6,497	6,284	6,497	6,284
– Other infrastructure (Major Street Furniture)		30/06/20	30/06/20	–	–	2,145	2,085	2,145	2,085
– Library books		30/06/16	30/06/16	–	–	156	312	156	312
Total infrastructure, property, plant and equipment				–	–	371,034	335,914	371,034	335,914

continued on next page ...

E2-1 Fair value measurement (continued)

Transfers between level 1 and level 2 fair value hierarchies

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

Valuation techniques

Fair value Hierarchy

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

-Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

-Level 3 – Unobservable inputs for asset or liability.

Fair Value – Valuation techniques

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

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

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

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

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

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

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

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

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

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

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

Investment property

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

E2-1 Fair value measurement (continued)

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

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

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

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

There are no valuation changes from prior years.

Infrastructure, property, plant and equipment (IPPE)

Transportation assets

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

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

Council fair values road infrastructure assets using Level 3 inputs at a component level.

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

Valuations for transportation assets have been indexed at 30 June 2022 to account for material changes in indices, as a result significant increases in input costs.

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

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

Buildings

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

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

Valuations for Buildings assets have been indexed at 30 June 2022 to account for material changes in indices, as a result significant increases in input costs.

Land

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

Land is a valuation class of asset for the purposes of AASB 13 *Fair Value Measurement* which combines following classes of assets from Note C1-7: Operational Land and Community Land.

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

E2-1 Fair value measurement (continued)

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

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

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

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

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

There were no changes in valuation technique from prior year.

Office Equipment and Furniture and Fittings

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

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

There were no changes in valuation technique from prior year.

Water and Sewerage assets

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

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

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

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

Valuations for water and sewerage assets have been indexed at 30 June 2022 to account for material changes in indices, as a result significant increases in input costs.

Other structures

Assets in this class are valued at fair value, with a comprehensive physical inspection undertaken of all assets during each revaluation.

Due to the varying nature of physical assets in this asset class, some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, unit rates, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Assets within this class comprise waste depot, structures other than buildings, saleyards, fences, street furniture, bollards.

The latest valuation has been conducted in accordance with current asset valuation techniques and methodologies in compliance with all relevant Accounting Standards and pronouncements. Valuation of Other Structures has been indexed at 30 June 2022, to account for increases in cost indices since the last comprehensive revaluation.

E2-1 Fair value measurement (continued)

Swimming pools

This class of assets is valued at fair value, with a comprehensive physical inspection undertaken of all assets.

Some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, unit rates, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Assets within this class comprise swimming pools, wading pools and associated infrastructure.

The latest valuation has been conducted in accordance with current asset valuation techniques and methodologies in compliance with all relevant Accounting Standards and pronouncements. Valuation of Swimming Pool assets has been indexed at 30 June 2022, to account for increases in cost indices since the last comprehensive revaluation.

Open spaces/recreational assets

This class of assets is valued at fair value, with a comprehensive physical inspection undertaken of all assets.

Some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, unit rates, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Assets within this class comprise leisure and sporting equipment and facilities within cemeteries, parks, ovals sporting complexes and other recreational areas.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors. These assets have been classified as Level 3 valuation inputs.

The latest valuation has been conducted in accordance with current asset valuation techniques and methodologies in compliance with all relevant Accounting Standards and pronouncements. Valuation of Open Space assets has been indexed at 30 June 2022, to account for increases in cost indices since the last comprehensive revaluation.

Other assets

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

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

Fair value measurements using significant unobservable inputs (level 3)

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

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 31 December 2021 and \$20.0 million per annum from 1 January 2022 to 31 December 2024, apportioned according to each employer's share of the accrued liabilities as at 30 June 2021. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

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 \$43,750.43. The last valuation of the Scheme was performed by Fund Actuary, Richard Boyfield FIAA as at 30 June 2022, and covers the period ended 30 June 2023.

Council's expected contribution to the plan for the next annual reporting period is \$48,134.28.

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

Employer reserves only *	\$millions	Asset Coverage
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 0.15%.

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 22/23 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

E3-1 Contingencies (continued)

2. Other

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

	2023 \$ '000	2022 \$ '000
Compensation:		
Short-term benefits	1,872	1,344
Other long-term benefits	153	131
Total	2,025	1,475

Other transactions with KMP and their related parties

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

Nature of the transaction	Transactions during the year \$ '000	Outstanding balances including commitments \$ '000	Terms and conditions	Impairment provision on outstanding balances \$ '000	Impairment expense \$ '000
2023					
Donations	-	-	Standard terms	-	-
Plumbing	-	-	Standard terms	-	-
Freight and delivery	-	-	Standard terms	-	-
2022					
Donations	2	-	Standard terms	-	-
Plumbing	-	-	Standard terms	-	-
Freight and delivery	-	-	Standard terms	-	-

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	46	43
Councillors' fees	79	58
Other Councillors' expenses (including Mayor)	82	40
Total	207	141

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	55	63
Remuneration for audit and other assurance services	55	63
Total Auditor-General remuneration	55	63
Non NSW Auditor-General audit firms		
(ii) Non-assurance services		
Drought Communities funding compliance	-	5
Remuneration for non-assurance services	-	5
Total remuneration of non NSW Auditor-General audit firms	-	5
Total audit fees	55	68

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2023 \$ '000	2022 \$ '000
Net operating result from Income Statement	12,547	9,975
Add / (less) non-cash items:		
Depreciation and amortisation	8,157	7,427
(Gain) / loss on disposal of assets	1,096	142
Found assets	–	(243)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investment property	(45)	–
Unwinding of discount rates on reinstatement provisions	–	77
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(4,192)	203
Increase / (decrease) in provision for impairment of receivables	1	(4)
(Increase) / decrease of inventories	699	(147)
(Increase) / decrease of other current assets	–	6
(Increase) / decrease of contract asset	(5,328)	(1,513)
Increase / (decrease) in payables	(560)	(54)
Increase / (decrease) in accrued interest payable	(15)	(7)
Increase / (decrease) in other accrued expenses payable	4	21
Increase / (decrease) in other liabilities	(251)	44
Increase / (decrease) in contract liabilities	2,121	2,406
Increase / (decrease) in employee benefit provision	(267)	(207)
Increase / (decrease) in other provisions	1,214	337
Net cash flows from operating activities	15,181	18,463

G2-1 Commitments

Capital commitments (exclusive of GST)

	2023 \$ '000	2022 \$ '000
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Roads	1,451	941
Plant	–	502
Other	2,423	–
Road infrastructure	141	–

Investment property

– Buildings	–	13
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Total commitments

4,015	1,456
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These expenditures are payable as follows:

Within the next year	4,015	1,456
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Total payable

4,015	1,456
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Sources for funding of capital commitments:

Unrestricted general funds	117	13
Future grants and contributions	3,524	–
Unexpended grants	–	941
Internally restricted reserves	74	502
New loans (to be raised)	300	–

Total sources of funding

4,015	1,456
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Details of capital commitments

Capital commitments relate to a range of capital items where purchase orders have been raised but invoices not received as at 30 June 2022.

G3-1 Events occurring after the reporting date

Pre-amble

Council is aware of the following 'non-adjusting events' that merit disclosure:

At the March 2024 meeting the Council resolved that:

1. Council authorises the provision of a guarantee as security for loan funding provided to the New England Weeds Authority.
2. The amount of the guarantee to be provided to the Commonwealth Bank, shall be \$143,486 calculated in proportion to Council's member contributions for the coming financial year, relative to the total member contributions of all four constituent councils: Glen Innes Severn, Armidale Regional, Uralla Shire and Walcha Councils.
3. The Mayor and General Manager are authorised to execute the loan security documents provided by the Commonwealth Bank.
4. Should a member council not provide the necessary guarantee, that Council's guarantee be increased by \$29,639.85 subject to the General Manager being satisfied with an amended arrangement which is to be put in place with regard to the Council not providing the guarantee.

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					
Other	244	-	-	-	-	-	-	244	-
S7.11 contributions – under a plan	244	-	-	-	-	-	-	244	-
Total S7.11 and S7.12 revenue under plans	244	-	-	-	-	-	-	244	-
S7.11 not under plans	476	-	-	-	-	-	-	476	-
S64 contributions	21	-	-	-	-	-	-	21	-
Total contributions	741	-	-	-	-	-	-	741	-

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					
CONTRIBUTION PLAN NUMBER 1 - Community facilities									
Other	244	-	-	-	-	-	-	244	-
Total	244	-	-	-	-	-	-	244	-

G4-3 Contributions not under plans

Roads									
Roads	476	-	-	-	-	-	-	476	-
Total	476	-	-	-	-	-	-	476	-

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,620	4.40%	1.23%	(4.81)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	36,800				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	20,826	42.70%	45.80%	54.89%	> 60.00%
Total continuing operating revenue ¹	48,778				
3. Unrestricted current ratio					
Current assets less all external restrictions	15,266				
Current liabilities less specific purpose liabilities	5,338	2.86x	1.30x	0.88x	> 1.50x

G5-1 Statement of performance measures – consolidated results (continued)

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,333	4.54x	3.39x	2.61x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,274				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,153	22.65%	5.21%	5.22%	< 10.00%
Rates and annual charges collectable	13,918				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,306	12.16 months	11.97 months	12.56 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	2,327				

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

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

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(0.30)%	(0.19)%	25.66%	8.25%	38.57%	13.47%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	35.80%	39.59%	92.99%	99.00%	100.00%	99.23%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.86x	1.30x	7.33x	24.92x	10.96x	23.18x	> 1.50x
Current liabilities less specific purpose liabilities							

G5-2 Statement of performance measures by fund (continued)

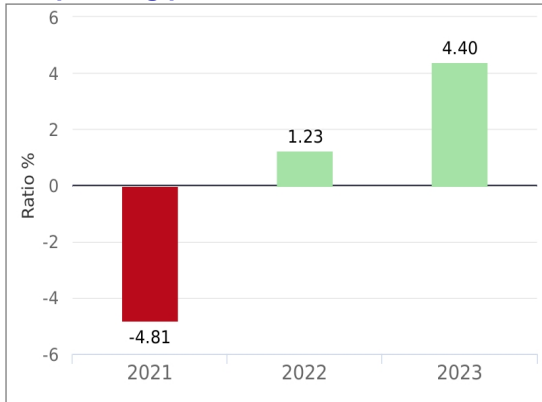
\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3.48x	2.95x	13.66x	7.36x	26.44x	12.68x	> 2.00x
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding							
Rates and annual charges collectable	29.57%	6.76%	0.00%	0.00%	0.00%	0.00%	< 10.00%
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Monthly payments from cash flow of operating and financing activities	11.74 months	10.85 months	∞	∞	∞	∞	> 3.00 months

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

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

End of the audited financial statements

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	4.40%

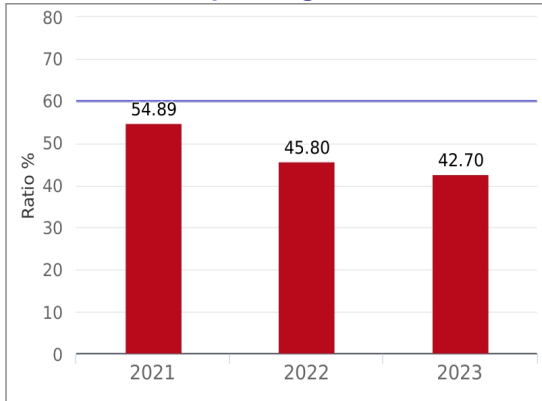
Benchmark: — > 0.00%

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	42.70%

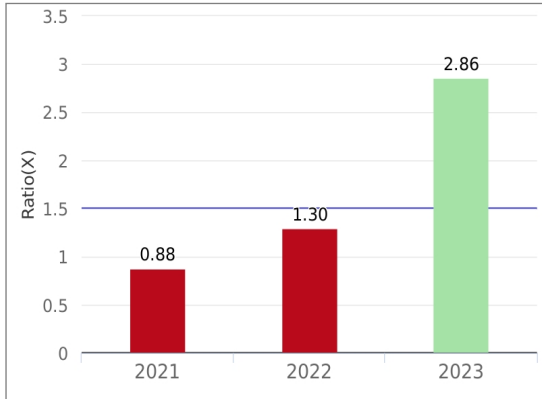
Benchmark: — > 60.00%

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	2.86x

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

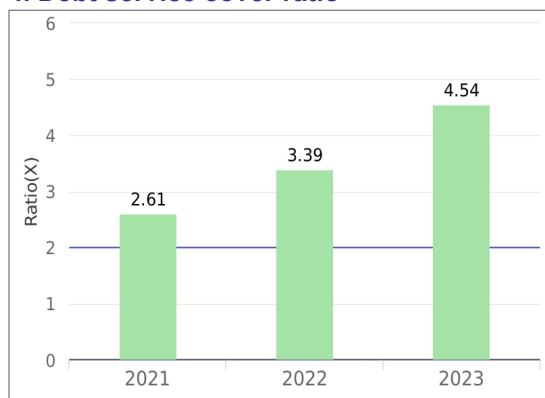
Ratio achieves benchmark

Ratio is outside benchmark

H Additional Council disclosures (unaudited)

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 4.54x

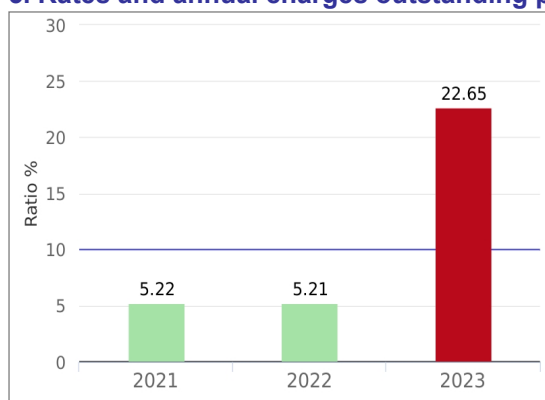
Benchmark: — > 2.00x

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 22.65%

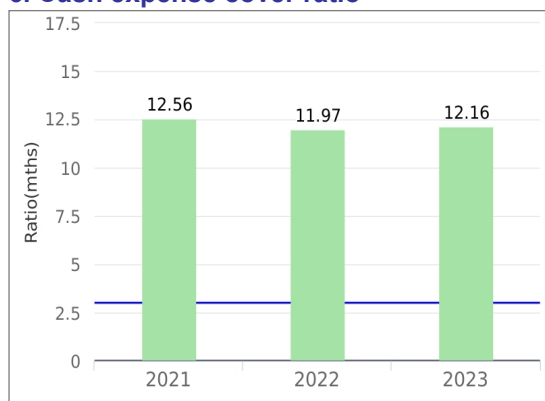
Benchmark: — < 10.00%

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 12.16 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

Principal place of business:

265 Grey Street
Glen Innes NSW 2370

Contact details

PO Box 61
Glen Innes NSW 2370

8.30 am - 4.30 pm
Monday - Friday

Telephone: (02) 6730-2300

Facsimile: (02) 6732-3764

Internet: www.gisc.nsw.gov.au

Email: council@gisc.nsw.gov.au

Officers

GENERAL MANAGER

Bernard Smith (from January 2023)

RESPONSIBLE ACCOUNTING OFFICER

Shageer Mohammed

PUBLIC OFFICER

Dennis McIntyre

AUDITORS

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

Elected members

MAYOR

Rob BANHAM

COUNCILLORS

Deputy Mayor Troy ARANDALE

Councillor Tim ALT

Councillor Lara GRESHAM

Councillor Andrew PARSONS

Councillor Jack PARRY

Councillor Carol SPARKS

Other information

ABN: 81 365 002 718

Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2])

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Disclaimer Opinion

I am required to audit the accompanying financial statements of Glen Innes Severn Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 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.

I do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

On 1 July 2022, Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. This and other matters incidental to the implementation of the new financial management information system have been acknowledged in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the *Local Government Act 1993* (the LG Act). These matters, including deficiencies in Council's books and records, means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the Statement and the balances and related notes in the Council's financial statements.

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of the reported balances and amounts. The pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2023.

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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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.



Jan-Michael Perez
Delegate of the Auditor-General for New South Wales

21 August 2024
SYDNEY

Glen Innes Severn Council

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Reports: (continued)

On the Conduct of the Audit (Sect 417 [3])

Independent Auditor's Report



Mayor Robert Banham
Glen Innes Severn Council
PO BOX 61
GLEN INNES NSW 2370

Contact: Jan-Michael Perez
Phone no: 02 9275 7115
Our ref:

21 August 2024

Dear Mayor Banham

**Report on the Conduct of the Audit
for the year ended 30 June 2023
Glen Innes Severn Council**

I have audited the general purpose financial statements (GPFS) of the Glen Innes Severn 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 a disclaimer of opinion on the Council's GPFS. This means I do not express an opinion on the 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

The following significant matter came to my attention during the audit:

On 1 July 2022, Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. This and other matters incidental to the implementation of the new financial management information system have been acknowledged in the statement required by councillors and management (the Statement) under section 413(2)(c) of the *Local Government Act 1993* (the LG Act). These matters, including deficiencies in Council's books and records means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the balances and related notes in the Council's financial statements.

Because I have been unable to determine whether adjustments might have been necessary in respect of the reported balances and amounts, I cannot express an opinion on council's general purpose financial statements for the year ended 30 June 2023.

FINANCIAL INFORMATION AND PERFORMANCE RATIOS

In the circumstances as described above, I do not believe it is meaningful to provide commentary on financial information or performance ratios in this report.

OTHER MATTERS

Legislative compliance

My audit procedures identified non-compliance with legislative requirements.

Maintenance of Accounting Records

The council did not maintain adequate accounting records as required by Section 412 of the Act. Council staff were unable to provide all accounting records and information relevant to the audit.

Submission of financial statements to the Office of Local Government

As a result of the issues identified above Council did not submit the audited financial statements for the year ended 30 June 2023 to the Office of Local Government by the statutory deadline of 31 October 2023. Section 416(1) of the Act requires the annual financial statements of Councils be prepared and audited within four months after the end of the year, unless an extension is granted by the Office of Local Government. Council had sought an extension for submission of the 30 June 2024 financial statements and was granted an extension until 22 December 2023. Council did not lodge the financial statements by the approved submission date.

A further extension was granted by the Office of Local Government through to 30 July 2024 to submit the financial statements. As the financial statements were certified 16 August 2024 council did not lodge the financial statements by the revised and approved submission date.



Jan-Michael Perez
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

Glen Innes Severn Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2023

"Embracing Change, Building on History"



Glen Innes Severn Council

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).

Glen Innes Severn Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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

It is acknowledged that the following matters existed at balance date

- Council had not implemented appropriate change managements processes and training for staff on the new system – leading to a loss of data integrity
- The new system had known issues at Go-live date which resulted in data leakage affecting reporting, reconciliations, interfund accounting and business as usual functions being impaired including allocating receipts, water billing and rates
- Difficulties in obtaining support and resolutions from the vendor. A number of critical issues remained unresolved for over 12 months and are still ongoing
- The departure of critical council staff including the general manager, director corporate and community services, chief finance officer and rates officer alongside turnover of key finance personnel which has resulted in difficulties understanding the rationale for and recreating balances from prior years including cash restrictions, contract asset and liabilities
- Data migration activities to assure completeness and accuracy were deficient. Predecessor system balances were transferred into the new system as a journal and did not include sufficient detail to attribute the individual components of these balances including individual debtors, creditors, contract assets, contract liabilities etc
- inability to generate complete and accurate sub ledgers for key financial classes of transactions including property and rating, creditors and receivables
- GST had not been accurately configured in the system
- A failure by management to implement a grant reconciliation process in order to track council's grant funds, completion of performance obligations, and thus council's contract assets and liabilities
- A failure by management to implement monthly balance sheet reconciliation processes around control accounts, GST, payroll deductions, leave liabilities and bank. An ongoing discrepancy in the operating bank account reconciliation which has not been isolated to known transactions and moves sporadically
- An overall failure by management to provide adequate supporting documentation for a number of financial statement line items

It is further acknowledged that the system defects at the time and ongoing do not allow management to demonstrate the controls relied on for internal reporting during the reporting period retrospectively.

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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

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

Signed in accordance with a resolution of Council made on 15 August 2024.



Rob Banham
Mayor
15 August 2024



Troy Arandale
Deputy Mayor
15 August 2024

Glen Innes Severn Council

Special Purpose Financial Statements for the year ended 30 June 2023



Bernard Smith
General Manager
15 August 2024



Shageer Mohammed
Responsible Accounting Officer
15 August 2024

Glen Innes Severn Council

Income Statement of water supply business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	1,408	1,263
User charges	1,766	1,143
Fees	17	18
Interest and investment income	78	15
Grants and contributions provided for operating purposes	248	–
Other income	21	132
Total income from continuing operations	3,538	2,571
Expenses from continuing operations		
Employee benefits and on-costs	787	471
Borrowing costs	120	127
Materials and services	1,053	357
Depreciation, amortisation and impairment	611	596
Net loss from the disposal of assets	–	119
Debt guarantee fee (if applicable)	–	48
Other expenses	59	689
Total expenses from continuing operations	2,630	2,407
Surplus (deficit) from continuing operations before capital amounts	908	164
Grants and contributions provided for capital purposes	–	26
Surplus (deficit) from continuing operations after capital amounts	908	190
Surplus (deficit) from all operations before tax	908	190
Less: corporate taxation equivalent (25%) [based on result before capital]	(227)	(41)
Surplus (deficit) after tax	681	149
Plus accumulated surplus	14,730	14,537
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	227	41
Closing accumulated surplus	15,638	14,727
Return on capital %	3.2%	0.9%
Subsidy from Council	273	859
Calculation of dividend payable:		
Surplus (deficit) after tax	681	149
Less: capital grants and contributions (excluding developer contributions)	–	(26)
Surplus for dividend calculation purposes	681	123
Potential dividend calculated from surplus	341	62

Glen Innes Severn Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Income from continuing operations		
Access charges	1,847	1,696
User charges	50	35
Liquid trade waste charges	48	41
Interest and investment income	119	21
Other income	23	3
Total income from continuing operations	2,087	1,796
Expenses from continuing operations		
Employee benefits and on-costs	214	199
Borrowing costs	52	63
Materials and services	347	259
Depreciation, amortisation and impairment	518	494
Debt guarantee fee (if applicable)	–	26
Other expenses	151	539
Total expenses from continuing operations	1,282	1,580
Surplus (deficit) from continuing operations before capital amounts	805	216
Grants and contributions provided for capital purposes	–	14
Surplus (deficit) from continuing operations after capital amounts	805	230
Surplus (deficit) from all operations before tax	805	230
Less: corporate taxation equivalent (25%) [based on result before capital]	(201)	(54)
Surplus (deficit) after tax	604	176
Plus accumulated surplus	13,659	13,429
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	201	54
Closing accumulated surplus	14,464	13,659
Return on capital %	3.6%	1.2%
Subsidy from Council	109	591
Calculation of dividend payable:		
Surplus (deficit) after tax	604	176
Less: capital grants and contributions (excluding developer contributions)	–	(14)
Surplus for dividend calculation purposes	604	162
Potential dividend calculated from surplus	302	81

Glen Innes Severn Council

Income Statement of Glen Innes Aggregates

for the year ended 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
Income from continuing operations		
User charges	–	544
Other income	6,251	2,598
Total income from continuing operations	6,251	3,142
Expenses from continuing operations		
Employee benefits and on-costs	662	438
Borrowing costs	100	107
Materials and services	4,406	1,397
Depreciation, amortisation and impairment	96	61
Debt guarantee fee (if applicable)	–	51
Other expenses	257	569
Total expenses from continuing operations	5,521	2,623
Surplus (deficit) from continuing operations before capital amounts	730	519
Surplus (deficit) from continuing operations after capital amounts	730	519
Surplus (deficit) from all operations before tax	730	519
Less: corporate taxation equivalent (25%) [based on result before capital]	(183)	(130)
Surplus (deficit) after tax	547	389
Plus accumulated surplus	3,946	3,428
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	183	130
Less:		
Closing accumulated surplus	4,676	3,947
Return on capital %	28.3%	22.9%

Glen Innes Severn Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	184	1,514
Investments	1,471	1,459
Receivables	2,027	341
Inventories	(59)	–
Other	(242)	–
Total current assets	3,381	3,314
Non-current assets		
Infrastructure, property, plant and equipment	32,367	31,419
Total non-current assets	32,367	31,419
Total assets	35,748	34,733
LIABILITIES		
Current liabilities		
Payables	237	21
Borrowings	224	112
Total current liabilities	461	133
Non-current liabilities		
Borrowings	1,265	1,489
Total non-current liabilities	1,265	1,489
Total liabilities	1,726	1,622
Net assets	34,022	33,111
EQUITY		
Accumulated surplus	15,638	14,727
Revaluation reserves	18,384	18,384
Total equity	34,022	33,111

Glen Innes Severn Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

	2023 \$ '000	2022 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	794	1,201
Investments	3,650	3,313
Receivables	336	122
Inventories	(5)	–
Other	267	–
Total current assets	5,042	4,636
Non-current assets		
Infrastructure, property, plant and equipment	24,035	23,781
Total non-current assets	24,035	23,781
Total assets	29,077	28,417
LIABILITIES		
Current liabilities		
Payables	55	8
Borrowings	405	192
Total current liabilities	460	200
Non-current liabilities		
Borrowings	257	662
Total non-current liabilities	257	662
Total liabilities	717	862
Net assets	28,360	27,555
EQUITY		
Accumulated surplus	14,464	13,659
Revaluation reserves	13,896	13,896
Total equity	28,360	27,555

Glen Innes Severn Council

Statement of Financial Position of Glen Innes Aggregates

as at 30 June 2023

	2023 Category 1 \$ '000	2022 Category 1 \$ '000
ASSETS		
Current assets		
Cash and cash equivalents	1,323	2,034
Receivables	2,276	254
Inventories	606	1,448
Other	(55)	–
Total current assets	4,150	3,736
Non-current assets		
Right of use assets	208	–
Infrastructure, property, plant and equipment	2,938	2,739
Total non-current assets	3,146	2,739
Total assets	7,296	6,475
LIABILITIES		
Current liabilities		
Lease liabilities	39	37
Payables	227	11
Borrowings	101	98
Provisions	11	–
Total current liabilities	378	146
Non-current liabilities		
Lease liabilities	253	292
Borrowings	1,477	1,578
Total non-current liabilities	1,730	1,870
Total liabilities	2,108	2,016
Net assets	5,188	4,459
EQUITY		
Accumulated surplus	4,676	3,947
Revaluation reserves	512	512
Total equity	5,188	4,459

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

b. Glen Innes Severn Council Water Supply

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

Category 2

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

a. Glen Innes Severn Council Sewerage Services

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

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 25% (20/21 26.0%)

Note – Significant Accounting Policies (continued)

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

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

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

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 25% (20/21 26.0%).

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

(iii) Dividends

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

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

Note – Significant Accounting Policies (continued)

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

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

Glen Innes Severn Council

Special Purpose Financial Statements

for the year ended 30 June 2023

Glen Innes Severn Council

SPECIAL SCHEDULES
for the year ended 30 June 2023

"Embracing Change, Building on History"



Glen Innes Severn Council

Special Schedules

for the year ended 30 June 2023

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Glen Innes Severn Council

Permissible income for general rates

	Notes	Calculation 2022/23 \$ '000	Calculation 2023/24 \$ '000
Notional general income calculation ¹			
Last year notional general income yield	a	7,342	7,496
Plus or minus adjustments ²	b	11	59
Notional general income	c = a + b	7,353	7,555
Permissible income calculation			
Or rate peg percentage	e	2.00%	3.70%
Or plus rate peg amount	i = e x (c + g)	147	280
Sub-total	k = (c + g + h + i + j)	7,500	7,835
Plus (or minus) last year's carry forward total	l	(1)	3
Sub-total	n = (l + m)	(1)	3
Total permissible income	o = k + n	7,499	7,838
Less notional general income yield	p	7,496	7,836
Catch-up or (excess) result	q = o - p	3	2
Carry forward to next year ³	t = q + r + s	3	2

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

Permissible income for general rates

Permissible income for general rates: PLUS PDF inserted here



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Disclaimer of Opinion

I am required to audit the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Glen Innes Severn Council (the Council) for the year ending 30 June 2024.

I do not express an opinion on the accompanying Schedule. I draw attention to the audit of the general-purpose financial statements for the Council for the year ending 30 June 2023 which was disclaimed. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Schedule.

Basis for Disclaimer of Opinion

On 1 July 2022, Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. This and other matters incidental to the implementation of the new financial management information system have been acknowledged in the Statement required by Councillors and Management (the Statement) under section 413(2)(c) of the *Local Government Act 1993* (the LG Act) that forms part of Council's general purpose financial statements. These matters, including deficiencies in Council's books and records, means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the Statement and the balances and related notes in the Council's financial statements. As a result, I have disclaimed my opinion on the general purpose financial statements.

As a result, I do not have sufficient appropriate audit evidence, nor am I able to determine whether any adjustments may be necessary in respect of recorded or unrecorded transactions in the Schedule.

Emphasis of Matter - Basis of Accounting

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.

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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the Schedule.

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).



Jan-Michael Perez
Delegate of the Auditor-General for New South Wales

21 August 2024
SYDNEY

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Gross replacement cost (GRC)	Net carrying amount	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Buildings	5,134	2,849	42	1,222	66,615	34,462	34.0%	32.0%	29.0%	5.0%	0.0%	
	Sub-total	5,134	2,849	42	1,222	66,615	34,462	34.0%	32.0%	29.0%	5.0%	0.0%	
Other structures	Other	19	19	–	1	13,593	9,654	98.0%	1.0%	1.0%	0.0%	0.0%	
	Sub-total	19	19	–	1	13,593	9,654	98.0%	1.0%	1.0%	0.0%	0.0%	
Roads	Roads – Local Rural Sealed	4,641	4,641	754	278	73,352	50,091	65.0%	17.0%	6.0%	12.0%	0.0%	
	Roads – Local Urban Sealed	1,668	1,668	295	109	27,940	17,627	56.0%	26.0%	7.0%	11.0%	0.0%	
	Roads – Local Rural Unsealed	9,797	9,797	1,135	1,142	36,992	10,395	15.0%	14.0%	9.0%	62.0%	0.0%	
	Roads – Other Urban Sealed	426	426	22	8	2,659	1,348	43.0%	0.0%	28.0%	29.0%	0.0%	
	Roads – Regional Rural Sealed	855	855	179	66	22,641	16,132	63.0%	23.0%	10.0%	4.0%	0.0%	
	Roads – Regional Urban Sealed	30	30	10	4	1,247	1,021	91.0%	3.0%	0.0%	6.0%	0.0%	
	Bridges	2,849	2,849	4	12	76,909	47,546	61.0%	30.0%	1.0%	8.0%	0.0%	
	Bulk earthworks	19	19	2	1	77,945	77,945	100.0%	0.0%	0.0%	0.0%	0.0%	
	Footpaths	142	142	4	24	5,578	4,011	69.0%	20.0%	8.0%	3.0%	0.0%	
	Carparks	134	134	–	–	2,443	1,855	72.0%	12.0%	4.0%	12.0%	0.0%	
	Causeways	1,643	1,643	–	–	8,608	3,297	38.0%	6.0%	9.0%	47.0%	0.0%	
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	22,204	22,204	2,405	1,644	336,314	231,268	65.2%	16.4%	4.4%	14.0%	0.0%	
	Water supply network	Other	4,743	4,743	372	496	52,664	27,547	38.0%	31.0%	18.0%	13.0%	0.0%
Sub-total		4,743	4,743	372	496	52,664	27,547	38.0%	31.0%	18.0%	13.0%	0.0%	
Sewerage network	Other	3,260	3,260	311	356	400,120	22,171	48.0%	30.0%	5.0%	17.0%	0.0%	
	Sub-total	3,260	3,260	311	356	400,120	22,171	48.0%	30.0%	5.0%	17.0%	0.0%	
Stormwater drainage	Other	50	50	250	81	18,943	10,671	42.0%	57.0%	0.0%	1.0%	0.0%	
	Sub-total	50	50	250	81	18,943	10,671	42.0%	57.0%	0.0%	1.0%	0.0%	
Open space / recreational assets	Swimming pools	25	25	65	69	3,509	2,272	66.0%	31.0%	1.0%	2.0%	0.0%	
	Other	59	59	81	137	5,601	4,184	81.0%	15.0%	1.0%	3.0%	0.0%	
	Sub-total	84	84	146	206	9,110	6,456	75.2%	21.2%	1.0%	2.6%	0.0%	

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2023 (continued)

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance ^a	2022/23 Actual maintenance	Gross replacement cost (GRC)	Net carrying amount	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Other infrastructure assets	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Kerb and Gutter	1,062	1,062	–	–	13,607	6,498	27.0%	40.0%	27.0%	6.0%	0.0%
	Major Street Furniture	49	49	–	–	2,783	2,145	86.0%	5.0%	9.0%	0.0%	0.0%
	Sub-total	1,111	1,111	–	–	16,390	8,643	37.0%	34.1%	23.9%	5.0%	0.0%
Total – all assets		36,605	34,320	3,526	4,006	913,749	350,872	53.4%	25.3%	7.4%	13.9%	0.0%

(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

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	14,237	213.99%	128.32%	137.15%	> 100.00%
Depreciation, amortisation and impairment	6,653				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	36,605	10.56%	12.79%	12.57%	< 2.00%
Net carrying amount of infrastructure assets	346,690				
Asset maintenance ratio					
Actual asset maintenance	4,006	113.61%	153.51%	116.91%	> 100.00%
Required asset maintenance	3,526				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	34,320	3.76%	8.13%	7.87%	
Gross replacement cost	913,749				

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

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

Glen Innes Severn Council

Report on infrastructure assets as at 30 June 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 ¹							
Depreciation, amortisation and impairment	254.55%	154.28%	0.00%	0.00%	0.00%	0.00%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	9.63%	13.01%	17.22%	5.64%	14.70%	19.09%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	110.94%	161.28%	133.33%	136.10%	114.47%	65.71%	> 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	5.71%	8.24%	9.01%	3.63%	0.81%	12.45%	

(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.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Glen Innes Severn Council

To the Councillors of Glen Innes Severn Council

Disclaimer of Opinion

I am required to audit the accompanying special purpose financial statements (financial statements) of Glen Innes Severn Council (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 Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water
- Sewer
- Glen Innes Aggregates.

I do not express an opinion on the accompanying financial statements of the Council's Declared Business Activities. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

On 1 July 2022, Council implemented a new financial management information system. That process resulted in the loss of supporting data for a significant number of financial statement line items. This and other matters incidental to the implementation of the new financial management information system have been acknowledged in the Statement required by Councillors and Management (the Statement) made pursuant to the Local Government Code of Accounting Practice and Financial Reporting (the LG Code). These matters, including deficiencies in Council's books and records, means I have been unable to obtain sufficient appropriate audit evidence or perform alternative testing procedures to enable me to conclude on the completeness and accuracy of the Statement and the balances and related notes in the Council's financial statements.

Accordingly, I have been unable to determine whether adjustments might have been necessary in respect of the reported balances and amounts. The pervasiveness of these issues means I cannot express an opinion on the accompanying financial statements for the year ended 30 June 2023.

Emphasis of Matter - Basis of Accounting

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.

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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

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.



Jan-Michael Perez
Delegate of the Auditor-General for New South Wales

21 August 2024
SYDNEY