



Wollondilly
Shire Council

GENERAL PURPOSE
FINANCIAL
Statements

FOR THE YEAR ENDED
30 JUNE 2022

Wollondilly Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

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

62-64 Menangle Street
Picton NSW 2571

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.wollondilly.nsw.gov.au

Wollondilly Shire Council

General Purpose Financial Statements

for the year ended 30 June 2022

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 2022.

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 2022

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 27 October 2022.



Matthew Gould

Mayor

27 October 2022



Matthew Deeth

Deputy Mayor

27 October 2022



Ben Taylor

Chief Executive Officer

27 October 2022



Antoinette Naudi

Acting Responsible Accounting Officer

27 October 2022

Wollondilly Shire Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
	Income from continuing operations			
51,553	Rates and annual charges	B2-1	51,910	49,837
8,397	User charges and fees	B2-2	7,632	6,896
1,243	Other revenues	B2-3	1,878	1,754
8,851	Grants and contributions provided for operating purposes	B2-4	14,252	12,498
18,735	Grants and contributions provided for capital purposes	B2-4	55,130	41,968
679	Interest and investment income	B2-5	928	774
—	Other income	B2-6	(502)	(82)
89,458	Total income from continuing operations		131,228	113,645
	Expenses from continuing operations			
29,158	Employee benefits and on-costs	B3-1	30,790	28,044
24,100	Materials and services	B3-2	32,750	25,730
403	Borrowing costs	B3-3	152	276
16,604	Depreciation, amortisation and impairment of non-financial assets	B3-4	18,530	20,805
1,912	Other expenses	B3-5	1,809	2,225
—	Net loss from the disposal of assets	B4-1	2,060	7,472
72,177	Total expenses from continuing operations		86,091	84,552
17,281	Operating result from continuing operations		45,137	29,093
17,281	Net operating result for the year attributable to Council		45,137	29,093
(1,454)	Net operating result for the year before grants and contributions provided for capital purposes		(9,993)	(12,875)

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

Wollondilly Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	2021
Net operating result for the year – from Income Statement		45,137	29,093
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain / (loss) on revaluation of IPP&E	C1-6	3,290	8,347
Other Movements		–	4,334
Total items which will not be reclassified subsequently to the operating result		3,290	12,681
Total other comprehensive income for the year		3,290	12,681
Total comprehensive income for the year attributable to Council		48,427	41,774

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

Wollondilly Shire Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	5,124	10,614
Investments	C1-2	51,894	51,681
Receivables	C1-4	12,038	11,518
Inventories	C1-5	2,255	2,090
Other	C1-7	1,519	602
Total current assets		72,830	76,505
Non-current assets			
Investments	C1-2	32,630	13,452
Infrastructure, property, plant and equipment (IPPE)	C1-6	643,407	609,937
Right of use assets	C2-1	2,148	2,480
Total non-current assets		678,185	625,869
Total assets		751,015	702,374
LIABILITIES			
Current liabilities			
Payables	C3-1	14,129	11,051
Contract liabilities	C3-2	546	584
Lease liabilities	C2-1	732	918
Borrowings	C3-3	1,570	1,503
Employee benefit provisions	C3-4	7,139	7,635
Provisions	C3-5	500	20
Total current liabilities		24,616	21,711
Non-current liabilities			
Lease liabilities	C2-1	1,490	1,665
Borrowings	C3-3	3,139	4,750
Employee benefit provisions	C3-4	379	387
Provisions	C3-5	20,350	21,247
Total non-current liabilities		25,358	28,049
Total liabilities		49,974	49,760
Net assets		701,041	652,614
EQUITY			
Accumulated surplus	C4-1	476,300	431,163
IPPE revaluation reserve	C4-1	224,741	221,451
Council equity interest		701,041	652,614
Total equity		701,041	652,614

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

Wollondilly Shire Council

Statement of Changes in Equity

for the year ended 30 June 2022

\$ '000	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		431,163	221,451	652,614	402,070	208,770	610,840
Restated opening balance		431,163	221,451	652,614	402,070	208,770	610,840
Net operating result for the year		45,137	–	45,137	29,093	–	29,093
Restated net operating result for the period		45,137	–	45,137	29,093	–	29,093
Other comprehensive income							
– Gain / (loss) on revaluation of IPP&E	C1-6	–	3,290	3,290	–	8,347	8,347
Other reserves movements		–	–	–	–	4,334	4,334
Other comprehensive income		–	3,290	3,290	–	12,681	12,681
Total comprehensive income		45,137	3,290	48,427	29,093	12,681	41,774
Closing balance at 30 June		476,300	224,741	701,041	431,163	221,451	652,614

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

Wollondilly Shire Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Actual 2021
Cash flows from operating activities				
Receipts:				
51,553	Rates and annual charges		51,716	50,970
8,397	User charges and fees		7,233	8,254
679	Interest received		833	236
27,586	Grants and contributions		50,973	47,188
–	Bonds, deposits and retentions received		115	–
1,243	Other		3,873	8,842
Payments:				
(29,158)	Payments to employees		(31,442)	(28,955)
(22,442)	Payments for materials and services		(35,284)	(31,086)
(403)	Borrowing costs		(23)	(449)
–	Bonds, deposits and retentions refunded		–	(29)
(1,912)	Other		(4,091)	(2,937)
35,543	Net cash flows from operating activities	G1-1	43,903	52,034
Cash flows from investing activities				
Receipts:				
51,681	Sale of investments		120,500	84,510
–	Proceeds from sale of IPPE		117	331
Payments:				
(51,000)	Purchase of investments		(143,202)	(77,113)
–	Acquisition of term deposits		2,809	(2,936)
(33,716)	Payments for IPPE		(27,089)	(52,030)
(33,035)	Net cash flows from investing activities		(46,865)	(47,238)
Cash flows from financing activities				
Payments:				
(1,544)	Repayment of borrowings		(1,544)	(1,557)
–	Principal component of lease payments		(984)	(827)
(1,544)	Net cash flows from financing activities		(2,528)	(2,384)
964	Net change in cash and cash equivalents		(5,490)	2,412
10,614	Cash and cash equivalents at beginning of year		10,614	8,202
11,578	Cash and cash equivalents at end of year	C1-1	5,124	10,614
66,385	plus: Investments on hand at end of year	C1-2	84,524	65,133
77,963	Total cash, cash equivalents and investments		89,648	75,747

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

Wollondilly Shire 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 27 October 2022. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

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

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

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) fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-5

Significant judgements in applying the Council's accounting policies

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

A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the Council's Financial Statements.

Due to their immaterial value and nature, Council's Management Committees have been excluded from this consolidation.

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.

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 receives the benefit of volunteer services across various parts of its service delivery, including the Community Nursery and library service. No adjustment has been included within the financial statements to reflect these services as they are not considered to be material in financial value and may not be reliably measured.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting periods.

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.

COVID-19 Impact on Council's 2021/22 Financial Statements

In 2020 Council reviewed its hardship policies and provided additional support to ratepayers who were financially affected by Covid-19. Apart from a general slowdown in business activities, several Council facilities, services and events were directly impacted as a result of mandatory lockdowns. This resulted in reduced revenues.

Council recognised the strain on ratepayers and suspended its debt collection activities. This resulted in higher than normal outstanding rates and annual charges as at 30 June 2022.

A1-1 Basis of preparation (continued)

Debt collection has re-commenced in July 2022 and therefore Council is not expecting Covid to have any future impact on Council operations.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Sustainable and Balanced Growth	15,691	13,326	11,838	11,312	3,853	2,014	–	–	1,400	1,310
Management & Provision of Infrastructure	53,222	41,706	52,199	47,073	1,023	(5,367)	9,226	7,279	629,935	589,135
Caring for the Environment	12,252	10,762	11,181	12,662	1,071	(1,900)	2,577	2,033	7,872	7,362
Looking after the Community	1,527	1,607	4,107	5,084	(2,580)	(3,477)	522	412	2,181	2,041
Efficient and Effective Council	1,547	1,594	5,040	6,310	(3,493)	(4,716)	–	–	109,626	102,526
General Purpose	46,989	44,650	1,726	2,111	45,263	42,539	57,057	44,742	1	–
Total functions and activities	131,228	113,645	86,091	84,552	45,137	29,093	69,382	54,466	751,015	702,374

B1-2 Components of functions or activities

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

Sustainable and Balanced Growth

Outcomes/Objectives:

1. A built environment that supports liveable communities, respects the character, setting and heritage of our towns and villages and retains the vision of Rural Living.
2. A unique environment and rural landscape balanced with managed growth that is consistent with Council's position on Growth and vision of Rural Living.
3. A strong local economy providing employment and other opportunities.
4. Expansion of employment and other opportunities based on the Shire's natural assets, strong agricultural base and tourism potential.
5. A strong and viable agricultural sector supported by the protection and preservation of agricultural assets and resources.

Management & Provision of Infrastructure

Outcomes/Objectives:

1. Infrastructure that is safe, accessible and fit for purpose.
2. Infrastructure that is sustainably maintained.
3. Infrastructure that delivers upon the expectations and needs of our growing community.

Caring for the Environment

Outcomes/Objectives:

1. An environment that is valued, preserved and protected, with new planning and development proposals supporting these values.
2. A community that is engaged with and cares about their environment.

Looking after the Community

Outcomes/Objectives:

1. Access to a range of activities, services and facilities.
2. Communities that are engaged, cohesive, included, and have a sense of belonging.
3. Communities that are healthy, happy and feel safe.

Efficient and Effective Council

Outcomes/Objectives:

1. Government, community and business talking and working together.
2. A Council that demonstrates good business management and ethical conduct.
3. A Council that is viewed by the community as transparent, accountable and responsive to their concerns.

General Purpose

Includes:

1. Rates and annual charges
2. Non-Capital general purpose grants and contributions
3. Interest on investments and overdue rates and charges
4. General administrative expenses

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	37,573	36,452
Farmland	1,073	1,053
Mining	1,749	1,717
Business	1,931	1,865
Less: pensioner rebates (mandatory)	(334)	(336)
Less: pensioner rebates (Council policy)	(383)	(384)
Rates levied to ratepayers	41,609	40,367
Pensioner rate subsidies received	259	261
Total ordinary rates	41,868	40,628
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	10,106	9,269
Stormwater management services	316	306
Waste management services (non-domestic)	204	192
Section 611 charges	14	15
Less: pensioner rebates (Council policy)	(675)	(649)
Annual charges levied	9,965	9,133
Pensioner subsidies received:		
– Domestic waste management	77	76
Total annual charges	10,042	9,209
Total rates and annual charges	51,910	49,837

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

Accounting policy

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

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

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

B2-2 User charges and fees

\$ '000	Timing	2022	2021
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	2	2,679	3,146
Section 10.7 certificates (EP&A Act)	2	221	238
Section 603 certificates	2	119	143
Other	2	196	230
Animal registration fees	2	182	99
Rezoning fees	2	192	141
Septic tank fees	2	217	217
Total fees and charges – statutory/regulatory		3,806	4,214
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	84	109
Leaseback fees – Council vehicles	2	425	389
Leisure centre	2	30	31
Restoration charges	2	108	127
Waste disposal tipping fees	2	1,122	321
Children services	2	334	370
Development management	2	580	264
Plan checking fees	2	808	825
Royalties	2	69	70
Other	2	266	176
Total fees and charges – other		3,826	2,682
Total other user charges and fees		7,632	6,896
Total user charges and fees		7,632	6,896
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		7,632	6,896
Total user charges and fees		7,632	6,896

Accounting policy

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

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

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

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

B2-3 Other revenues

\$ '000	Timing	2022	2021
Rental income – other council properties (2019 only)	2	768	699
Fines	2	333	438
Legal fees recovery – rates and charges (extra charges)	2	1	1
Legal fees recovery – other	2	40	185
Commissions and agency fees	2	35	36
Diesel rebate	2	41	30
Sales – general	2	26	30
Insurance premium rebate	2	90	110
Reimbursements	2	318	174
Other	2	226	51
Total other revenue		1,878	1,754

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	1,878	1,754
Total other revenue	1,878	1,754

Accounting policy for other revenue

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

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	2,020	1,843	—	—
Payment in advance - future year allocation					
Financial assistance	2	3,106	1,974	—	—
Amount recognised as income during current year		5,126	3,817	—	—
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Bushfire and emergency services	1	3,819	2,786	1,651	—
Child care	2	—	46	—	—
Library	2	201	192	403	—
LIRS subsidy	2	79	108	—	—
Recreation and culture	2	281	550	11,044	7,135
Community services	2	557	563	—	351
Environmental management	2	645	348	—	—
Street lighting	2	174	87	—	—
Transport (roads to recovery)	2	—	—	920	423
Transport (other roads and bridges funding)	2	17	432	5,516	6,111
Other specific grants	2	10	—	—	—
Previously contributions:					
Bushfire services	2	440	570	503	29
Community services	2	21	30	—	—
Recreation and culture	2	6	—	110	30
Transport for NSW contributions (regional roads, block grant)	2	2,024	2,299	2,080	1,867
Other contributions	2	152	417	—	25
Environmental management	2	30	—	—	—
Total special purpose grants and non-developer contributions – cash		8,456	8,428	22,227	15,971
Total special purpose grants and non-developer contributions (tied)		8,456	8,428	22,227	15,971
Total grants and non-developer contributions		13,582	12,245	22,227	15,971
Comprising:					
– Commonwealth funding		5,314	4,767	6,615	6,446
– State funding		7,848	7,286	15,411	8,914
– Other funding		420	192	201	611
		13,582	12,245	22,227	15,971

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		2	315	–	1,950	2,358
S 7.11 – contributions towards amenities/services		2	355	253	8,077	5,505
S 7.12 – fixed development consent levies		2	–	–	33	19
Total developer contributions – cash			670	253	10,060	7,882
Non-cash contributions						
Other developer contributions		2	–	–	22,843	18,115
Total developer contributions non-cash			–	–	22,843	18,115
Total developer contributions			670	253	32,903	25,997
Total contributions			670	253	32,903	25,997
Total grants and contributions			14,252	12,498	55,130	41,968
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			14,252	12,498	55,130	41,968
Total grants and contributions			14,252	12,498	55,130	41,968

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Unspent grants and contributions				
Unspent funds at 1 July	4,995	6,282	2,080	1,124
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,820	1,883	7,312	2,055
Add: Funds received and not recognised as revenue in the current year	—	—	—	—
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(3,736)	(3,170)	(718)	(1,099)
Less: Funds received in prior year but revenue recognised and funds spent in current year	—	—	—	—
Unspent funds at 30 June	6,079	4,995	8,674	2,080
Contributions				
Unspent funds at 1 July	46,396	40,828	—	—
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	11,164	8,312	—	—
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	(2,398)	(2,744)	—	—
Unspent contributions at 30 June	55,162	46,396	—	—

Accounting policy

Grant and contributions - enforceable agreement with sufficiently specific performance obligations

Where grant and contribution revenue arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include events, construction of council owned assets, crown land management plans and planning reviews. 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils 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.

B2-4 Grants and contributions (continued)

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

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*.

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 the Council may apply contributions according to the priorities established in work schedules.

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 standards.

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

B2-5 Interest and investment income

\$ '000	2022	2021
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	276	150
– Cash and investments	643	624
Finance income on the net investment in the lease	–	–
Movement in Investments at FV through P&L (CivicRisk)	9	–
Total interest and investment income (losses)	928	774
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	276	150
General Council cash and investments	11	122
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	436	179
Domestic waste management operations	81	38
Restricted investments/funds – internal:		
Internally restricted assets	124	285
Total interest and investment income	928	774

Accounting policy

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

B2-6 Other income

\$ '000	2022	2021
Fair value increment on investments		
Fair value increment on investments (other) ¹	(502)	(82)
Total Fair value increment on investments	(502)	(82)
Total other income	(502)	(82)

(1) This represents the mark to market adjustment on Council's investments including bonds and FRNs

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	27,251	25,769
Employee leave entitlements (ELE)	523	153
Superannuation	2,716	2,578
Workers' compensation insurance	500	393
Fringe benefit tax (FBT)	106	81
Training costs (other than salaries and wages)	243	185
Employment advertising	311	95
Other	26	29
Total employee costs	31,676	29,283
Less: capitalised costs	(886)	(1,239)
Total employee costs expensed	30,790	28,044
Number of 'full-time equivalent' employees (FTE) at year end	279	278

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		12,944	15,001
– Environmental services		3,660	1,821
– General maintenance		9,376	7,274
– Leisure centre management		710	514
– Planning and development consultants		328	2,505
– Planning and development contractors/labour hire		935	189
– Road maintenance and construction		7,557	10,150
– Street and gutter cleaning contract		148	158
– Waste contractors		7,839	7,848
– Building construction services		7,268	3,842
– Technological services		349	429
– Investment and financial advisory services		115	104
– Other		4	31
Audit Fees	E2-1	137	155
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	E1-2	238	227
Advertising		107	71
Bank charges		77	68
Computer software charges		1,128	941
Election expenses		305	–
Electricity and heating		466	549
Insurance		356	631
Office expenses (including computer expenses)		87	–
Postage		133	136
Street lighting		669	586
Telephone and communications		404	334
Valuation fees		134	128
Agency charges		92	88
Photocopier charges		96	77
Vehicle registration / insurance		87	72
Water charges		108	109
Short Term Lease Payments		–	216
Other expenses		414	337
Legal expenses:			
– Legal expenses: planning and development		1,597	986
– Legal expenses: other		168	345
Total materials and services		58,036	55,922
Less: capitalised costs		(25,286)	(30,192)
Total materials and services		32,750	25,730

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2022	2021
(i) Interest bearing liability costs			
Interest on loans		392	492
Total interest bearing liability costs		392	492
Total interest bearing liability costs expensed		392	492
(ii) Other borrowing costs			
Amortisation of discounts and premiums			
– Remediation liabilities	C3-5	(240)	(216)
Total other borrowing costs		(240)	(216)
Total borrowing costs expensed		152	276

Accounting policy

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

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

\$ '000	Notes	2022	2021
Depreciation and amortisation			
Plant and equipment		509	519
Office equipment		34	32
Furniture and fittings		84	88
Infrastructure:	C1-6		
– Buildings – non-specialised		618	651
– Buildings – specialised		1,220	1,683
– Roads		8,056	8,012
– Bridges		818	764
– Footpaths		389	491
– Other road assets		1,965	1,933
– Stormwater drainage		650	486
– Swimming pools		59	59
– Other open space/recreational assets		1,382	2,080
Right of use assets	C2-1	955	888
Other assets		18	20
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-6	1,221	2,822
Total gross depreciation and amortisation costs		17,978	20,528
Total depreciation and amortisation costs		17,978	20,528
Impairment / revaluation decrement of IPPE			
Infrastructure:	C1-6		
– Roads		552	259
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5, C1-6	–	18
Total gross IPPE impairment / revaluation decrement costs		552	277
Total IPPE impairment / revaluation decrement costs charged to Income Statement		552	277
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR IPP&E		18,530	20,805

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

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

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.

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables			
Other		24	(7)
Total impairment of receivables	C1-4	24	(7)
Other			
Contributions/levies to other levels of government			
– Department of planning levy		56	55
– Emergency services levy (includes FRNSW, SES, and RFS levies)		798	1,072
– Section 88 waste and environment levy		754	756
Donations, contributions and assistance to other organisations (Section 356)		177	349
Total other		1,785	2,232
Total other expenses		1,809	2,225

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2022	2021
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		–	(1)
Gain (or loss) on disposal		–	(1)
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		117	332
Less: carrying amount of plant and equipment assets sold/written off		–	(17)
Gain (or loss) on disposal		117	315
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(2,177)	(7,786)
Gain (or loss) on disposal		(2,177)	(7,786)
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		120,500	84,510
Less: carrying amount of investments sold/redeemed/matured		(120,500)	(84,510)
Gain (or loss) on disposal		–	–
Gain (or loss) on disposal of term deposits			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(2,060)	(7,472)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 15/06/2021 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Revenues				
Other revenues	1,243	1,878	635	51% F
Operating grants and contributions	8,851	14,252	5,401	61% F
Capital grants and contributions	18,735	55,130	36,395	194% F
Other income	–	(502)	(502)	∞ U
Expenses				
Borrowing costs	403	152	251	62% F
Net losses from disposal of assets	–	2,060	(2,060)	∞ U
Statement of cash flows				
Cash flows from operating activities	35,543	43,903	8,360	24% F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash assets		
Cash on hand and at bank	5,124	10,614
Total cash and cash equivalents	5,124	10,614

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	5,124	10,614
Balance as per the Statement of Cash Flows	5,124	10,614

Accounting policy

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

C1-2 Financial investments

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Financial assets at fair value through the profit and loss				
Civic Risk Mutal	9	–	–	–
Total	9	–	–	–
Debt securities at amortised cost				
Long term deposits	49,127	1,250	49,177	4,009
NCD's, FRN's (with maturities > 3 months)	2,758	28,653	2,504	6,554
Mortgage backed securities	–	978	–	1,009
Listed equity securities	–	1,749	–	1,880
Total	51,885	32,630	51,681	13,452
Total financial investments	51,894	32,630	51,681	13,452
Total cash assets, cash equivalents and investments	57,018	32,630	62,295	13,452

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

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

Interest income, impairment and gains or loss on derecognition are recognised in profit or loss.

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNS and NCDS and interest in CivicRisk Mutual in the Statement of Financial Position.

Council is a member of CRML (CivicRisk Mutual Limited), which is a local government-controlled company limited by guarantee. CRML provides a discretionary mutual cover to its members for liability, property, motor and other risks.

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

\$ '000	2022	2021
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	89,648	75,747
Cash, cash equivalents and investments not subject to external restrictions	10,700	12,675
External restrictions	(78,948)	(63,072)
External restrictions		
External restrictions – included in liabilities		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	(2)	–
External restrictions – included in liabilities	(2)	–
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	55,165	46,398
Specific purpose unexpended grants (recognised as revenue) – general fund	14,755	7,075
Stormwater management	490	931
Domestic waste management	8,540	8,668
External restrictions – other	78,950	63,072
Total external restrictions	78,948	63,072

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

\$ '000	2022	2021
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	10,700	12,675
Unrestricted and unallocated cash, cash equivalents and investments	1,646	1,200
Internal restrictions	(9,054)	(11,475)
Internal allocations		
At 30 June, Council has internally allocated funds to the following:		
Employees leave entitlement	2,010	3,328
Effluent disposal	445	352
Election	195	427
Growth management strategy	204	249
Information technology	99	49
Infrastructure and asset maintenance	1,600	2,826
Organisational development	181	81
Plant and vehicle replacement	1,266	1,069
Property	741	581
Recreation	328	328
Legal & Risk management	664	813
Roads	328	328
Sportsgrounds	322	322
Swimming pool	455	458

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

\$ '000	2022	2021
Tourism and economic development	193	184
Strategic Planning	23	80
Total internal allocations	9,054	11,475

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

\$ '000	2022	2021
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	1,646	1,200

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Rates and annual charges	2,996	—	2,802	—
Interest and extra charges	615	—	520	—
User charges and fees	994	—	289	—
Government grants and subsidies	2,943	—	7,181	—
Net GST receivable	772	—	746	—
Accrued Revenues	3,764	—	6	—
Total	12,084	—	11,544	—
Less: provision for impairment				
User charges and fees	(46)	—	(26)	—
Total provision for impairment – receivables	(46)	—	(26)	—
Total net receivables	12,038	—	11,518	—
Externally restricted receivables				
Domestic waste management	1,071	—	928	—
Stormwater management	36	—	35	—
Total external restrictions	1,107	—	963	—
Unrestricted receivables	10,931	—	10,555	—
Total net receivables	12,038	—	11,518	—

\$ '000	2022	2021
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	26	47
– amounts already provided for and written off this year	20	(26)
Balance at the end of the year	46	21

C1-4 Receivables (continued)

Accounting policy

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

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.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

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

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

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

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

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

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

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

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

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.

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
(i) Inventories at cost				
Stores and materials	2,178	–	2,049	–
Trading stock	–	–	3	–
Total inventories at cost	2,178	–	2,052	–
(ii) Inventories at net realisable value (NRV)				
Trading stock	77	–	38	–
Total inventories at net realisable value (NRV)	77	–	38	–
Total inventories	2,255	–	2,090	–

Externally restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Other				
RFS stores and materials	1,995	–	1,842	–
Total other	1,995	–	1,842	–
Total externally restricted assets	1,995	–	1,842	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	260	–	248	–
Total inventories	2,255	–	2,090	–

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 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period							At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress ²	7,348	—	7,348	—	11,438	—	—	—	(5,097)	—	13,689	—	13,689
Plant and equipment	12,993	(9,966)	3,027	1,045	—	—	(509)	—	—	—	14,032	(10,469)	3,563
Office equipment	4,014	(3,876)	138	15	—	—	(34)	—	—	—	4,029	(3,910)	119
Furniture and fittings	1,184	(863)	321	—	—	—	(84)	—	—	—	1,184	(947)	237
Land:													
– Operational land	26,748	—	26,748	786	—	—	—	—	45	—	27,579	—	27,579
– Community land	43,711	—	43,711	—	30	—	—	—	—	—	43,741	—	43,741
Infrastructure:													
– Buildings – non-specialised	34,933	(18,855)	16,078	123	—	—	(618)	—	—	—	35,057	(19,474)	15,583
– Buildings – specialised	62,687	(34,675)	28,012	1,747	—	(174)	(1,220)	—	2,060	—	66,149	(35,724)	30,425
– Roads	367,482	(131,112)	236,370	7,310	6,267	(1,771)	(8,056)	(552)	2,803	—	379,621	(137,250)	242,371
– Bridges	68,700	(34,299)	34,401	29	—	(3)	(818)	—	—	—	68,721	(35,112)	33,609
– Footpaths	29,516	(10,299)	19,217	410	1,928	(44)	(389)	—	186	—	31,892	(10,584)	21,308
– Other road assets (including bulk earthworks)	87,575	(39,660)	47,915	2,204	2,825	(109)	(1,965)	—	3	—	92,364	(41,491)	50,873
– Bulk earthworks (non-depreciable)	60,542	—	60,542	401	320	(52)	—	—	—	—	61,211	—	61,211
– Stormwater drainage	62,055	(13,214)	48,841	329	11,473	(25)	(650)	—	—	3,290	78,040	(14,782)	63,258
– Swimming pools	2,838	(1,135)	1,703	—	—	—	(59)	—	—	—	2,838	(1,194)	1,644
– Other open space/recreational assets	48,994	(15,024)	33,970	1,254	—	—	(1,382)	—	—	—	50,249	(16,407)	33,842
Other assets:													
– Library books	1,025	(1,025)	—	—	—	—	—	—	—	—	1,025	(1,025)	—
– Other	763	(390)	373	—	—	—	(18)	—	—	—	764	(409)	355
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	20,792	(19,570)	1,222	—	—	—	(1,221)	—	—	—	20,792	(20,792)	—
Total infrastructure, property, plant and equipment	943,900	(333,963)	609,937	15,653	34,281	(2,178)	(17,023)	(552)	—	3,290	992,977	(349,570)	643,407

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

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period											At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Other movements (details...)	Transfers to right of use assets	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000																	
Capital work in progress	531	–	531	7,347	–	–	–	–	(530)	–	–	–	–	–	7,348	–	7,348
Plant and equipment	14,198	(11,649)	2,549	14	1,000	(17)	(519)	–	–	–	–	–	–	–	12,993	(9,966)	3,027
Office equipment	4,007	(3,844)	163	7	–	–	(32)	–	–	–	–	–	–	–	4,014	(3,876)	138
Furniture and fittings	1,183	(775)	408	1	–	–	(88)	–	–	–	–	–	–	–	1,184	(863)	321
Land:																	
– Operational land	24,496	–	24,496	–	2,090	–	–	–	–	–	(1,300)	–	–	1,462	26,748	–	26,748
– Community land	38,032	–	38,032	–	270	–	–	–	–	–	1,300	–	–	4,109	43,711	–	43,711
Land improvements – depreciable	2,510	(535)	1,975	–	–	–	–	–	–	–	(2,510)	–	535	–	–	–	–
Infrastructure:																	
– Buildings – non-specialised	33,644	(18,197)	15,447	331	951	–	(651)	–	–	–	–	–	–	–	34,933	(18,855)	16,078
– Buildings – specialised	62,622	(34,069)	28,553	1,019	837	(485)	(1,683)	–	–	–	(378)	–	149	–	62,687	(34,675)	28,012
– Roads	353,472	(128,091)	225,381	17,706	4,148	(6,981)	(8,012)	(259)	53	4,334	–	–	–	–	367,482	(131,112)	236,370
– Bridges	65,613	(33,759)	31,854	1,473	1,504	(143)	(764)	–	477	–	–	–	–	–	68,700	(34,299)	34,401
– Footpaths	27,864	(9,823)	18,041	620	1,148	(101)	(491)	–	–	–	–	–	–	–	29,516	(10,299)	19,217
– Other road assets (including bulk earthworks)	84,646	(37,813)	46,833	1,463	1,626	(74)	(1,933)	–	–	–	–	–	–	–	87,575	(39,660)	47,915
– Bulk earthworks (non-depreciable)	59,446	–	59,446	843	253	–	–	–	–	–	–	–	–	–	60,542	–	60,542
– Stormwater drainage	54,218	(12,730)	41,488	–	7,275	(2)	(486)	–	–	–	–	–	–	566	62,055	(13,214)	48,841
– Swimming pools	3,023	(1,504)	1,519	–	–	–	(59)	–	–	–	–	–	184	59	2,838	(1,135)	1,703
– Other open space/recreational assets	36,413	(6,304)	30,109	–	104	–	(2,080)	–	–	–	2,888	–	(149)	3,098	48,994	(15,024)	33,970
Other assets:																	
– Library books	1,025	(1,025)	–	–	–	–	–	–	–	–	–	–	–	–	1,025	(1,025)	–
– Other	763	(370)	393	–	–	–	(20)	–	–	–	–	–	–	–	763	(390)	373
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):																	
– Tip assets	22,476	(16,748)	5,728	–	–	–	(2,822)	(18)	–	–	–	–	(1,666)	–	20,792	(19,570)	1,222
Total infrastructure, property, plant and equipment	890,182	(317,236)	572,946	30,824	21,206	(7,803)	(19,640)	(277)	–	4,334	–	–	(947)	9,294	943,900	(333,963)	609,937

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

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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		Infrastructure (cont...)	
- Vehicles	5 to 8 years	- Swimming pools	50 years
- Heavy plant/road making equip.	5 to 8 years	- Other open space/recreational assets	
- Other plant and equipment	5 to 15 years	Playground equipment	5-15 years
Office equipment		Tennis courts	
- Computer equipment	5 years	- Concrete	50 years
- Other office equipment	5 to 10 years	- Synthetic	10 years
Furniture and fittings	10 to 20 years	Outdoor furniture	10 years
		Shelters	20 years
Buildings		Sporting equip (goal posts, etc)	20-30 years
- Buildings: masonry	50 to 100 years	Floodlighting	10 years
- Buildings: other	20 to 40 years	BBQ's	20 years
Infrastructure		- Traffic facilities	
- Sealed surfacings		LATM devices, traffic islands	70 years
Asphalt	25 years	Steel guard rails	20 years
Flush Seal	15 years	Roadside fencing	20 years
- Sealed pavement structure	80 years	- Line marking	5 years
- Kerb and gutter	70 years	- Signs	10 years
- Paved footpaths		- Roadside furniture	10-20 years
Concrete	50 years	Stormwater drainage	
Asphalt seal	20 years	- Culverts	
Gravel	10 years	Major	100 years
- Unsealed pavement structure	10 years	Steel	50 years
- Bulk earthworks	Infinite	- Pipes	150 years
- Concrete bridges	100 years	- Pits	70 years
- Timber bridges	80 years	- Structures including headwalls	70 years
Structure and girders	60 years	- Detention basins	100 years
Deck	30 years	- Gross pollutant traps	60 years

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

Land under roads

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

C1-6 Infrastructure, property, plant and equipment (continued)

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

Crown reserves

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

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

Rural Fire Service assets

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

The recognition of the "Red Fleet" within the Financial Statements of the Local Government sector is an ongoing issue. These Rural Fire Service assets are not recognised as assets of the Council within these Financial Statements.

C1-7 Other

Other assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Prepayments	242	–	244	–
Other	1,277	–	358	–
Total other assets	1,519	–	602	–

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;

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,519	–	602	–
Total other assets	1,519	–	602	–

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings, vehicles, and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Motor Vehicles Leases have term of between 3 and 5 years

Land & Building Leases typically have a term of 3 years

IT equipment Leases have a term of 4 to 5 years

Buildings

Council leases land and buildings for the Rural Fire Service; the lease is generally between 3 and 4 years and includes a renewal option to allow Council to renew every 3 years.

The building leases contains an annual pricing mechanism based on a fixed increases every year at each anniversary date of the lease inception.

Vehicles

Council leases vehicles and equipment with lease terms varying from 3 to 5 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 4 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

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

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

(a) Right of use assets

\$ '000	Plant & Equipment	Total
2022		
Opening balance at 1 July	2,480	2,480
Additions to right-of-use assets	605	605
Adjustments to right-of-use assets due to re-measurement of lease liability	18	18
Depreciation charge	(955)	(955)
Balance at 30 June	2,148	2,148
2021		
Opening balance at 1 July	2,402	2,402
Additions to right-of-use assets	775	775
Adjustments to right-of-use assets due to re-measurement of lease liability	191	191
Depreciation charge	(888)	(888)
Balance at 30 June	2,480	2,480

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Lease liabilities	732	1,490	918	1,665
Total lease liabilities	732	1,490	918	1,665

(c) (i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2022					
Cash flows	732	1,490	–	2,222	2,222
2021					
Cash flows	918	1,665	–	2,583	2,583

(d) Income Statement

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

\$ '000	2022	2021
Interest on lease liabilities	89	73
Depreciation of right of use assets	955	888
	1,044	961

(e) Statement of Cash Flows

Total cash outflow for leases	1,092	897
	1,092	897

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

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.

C2-1 Council as a lessee (continued)

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

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

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

Exceptions to lease accounting

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

Leases at significantly below market value / Concessionary leases

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Goods and services	8,730	–	4,981	–
Accrued expenses:				
– Borrowings	22	–	31	–
– Other expenditure accruals	1,787	–	2,752	–
Security bonds, deposits and retentions	2,304	–	2,189	–
Other	1,286	–	1,098	–
Total payables	14,129	–	11,051	–

Payables relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total payables relating to unrestricted assets	14,129	–	11,051	–
Total payables	14,129	–	11,051	–

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

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

C3-1 Payables (continued)

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Grants and contributions received in advance:					
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	467	–	468	–
User fees and charges received in advance:					
Fees received in advance of services provided	(iii)	79	–	116	–
Total payments received in advance		546	–	584	–
Total contract liabilities		546	–	584	–

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) User fees and charges invoiced or paid in advance for services to be provided in a future accounting period, where the funds are refundable should the service not be provided.

Contract liabilities relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	(2)	–	–	–
Contract liabilities relating to externally restricted assets	(2)	–	–	–
Total contract liabilities relating to restricted assets	(2)	–	–	–
Total contract liabilities relating to unrestricted assets	548	–	584	–
Total contract liabilities	546	–	584	–

C3-2 Contract Liabilities (continued)

Significant changes in contract liabilities

There have been no significant changes in contract liabilities

Accounting policy

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

C3-3 Borrowings

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Loans – secured ¹	1,570	3,139	1,503	4,750
Total borrowings	1,570	3,139	1,503	4,750

(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 19.

Borrowings relating to restricted assets

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Total borrowings relating to unrestricted assets	1,570	3,139	1,503	4,750
Total borrowings	1,570	3,139	1,503	4,750

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	6,253	(1,544)	–	–	–	–	4,709
Lease liability (Note C2-1b)	2,583	(361)	–	–	–	–	2,222
Total liabilities from financing activities	8,836	(1,905)	–	–	–	–	6,931

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	7,810	(1,557)	–	–	–	–	6,253
Lease liability (Note C2-1b)	2,444	139	–	–	–	–	2,583
Total liabilities from financing activities	10,254	(1,418)	–	–	–	–	8,836

(b) Financing arrangements

\$ '000	2022	2021
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	100	100
Bank Guarantee	1,000	1,000
Total financing arrangements	1,400	1,400
Drawn facilities		
– Credit cards/purchase cards	33	31
Bank Guarantee	40	107
Total drawn financing arrangements	73	138
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	67	69
Bank Guarantee	960	893
Total undrawn financing arrangements	1,327	1,262

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

Accounting policy

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

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

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

C3-4 Employee benefit provisions

\$ '000	2022 Current	2022 Non-current	2021 Current	2021 Non-current
Annual leave	2,729	–	2,483	–
Sick leave	129	–	134	–
Long service leave	4,226	379	4,952	387
Time in lieu	55	–	66	–
Total employee benefit provisions	7,139	379	7,635	387

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

\$ '000	2022	2021
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,274	4,965
	5,274	4,965

Description of and movements in provisions

\$ '000	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	Other	Other employee benefits	
2022						
At beginning of year	2,483	134	5,339	66	–	8,022
Amounts used (payments)	(1,462)	(12)	(1,282)	(41)	–	(2,797)
Other	1,708	7	548	(25)	55	2,293
Total ELE provisions at end of year	2,729	129	4,605	–	55	7,518
2021						
At beginning of year	2,518	201	5,367	66	(14)	8,138
Amounts used (payments)	(1,391)	(631)	(878)	–	–	(2,900)
Other	1,356	564	850	–	14	2,784
Total ELE provisions at end of year	2,483	134	5,339	66	–	8,022

Accounting policy

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

The discount rate used to calculate the provision has increased significantly since 2021.

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.

C3-4 Employee benefit provisions (continued)

On-costs

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

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

C3-5 Provisions

\$ '000	2022 Current	2022 Non-Current	2021 Current	2021 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	500	20,350	20	21,247
Sub-total – asset remediation/restoration	500	20,350	20	21,247
Total provisions	500	20,350	20	21,247

Provisions relating to restricted assets

Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	500	20,350	20	21,247
Total provisions	500	20,350	20	21,247

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

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2022		
At beginning of year	21,267	21,267
Unwinding of discount	138	138
Amounts used (payments)	(177)	(177)
Remeasurement effects	(201)	(201)
Other	(177)	(177)
Total other provisions at end of year	20,850	20,850
2021		
At beginning of year	21,534	21,534
Unwinding of discount	(165)	(165)
Amounts used (payments)	(51)	(51)
Other	(51)	(51)
Total other provisions at end of year	21,267	21,267

Nature and purpose of provisions

Asset remediation

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

C3-5 Provisions (continued)

Accounting policy

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

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

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

Asset remediation – tips and quarries

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

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

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.

Opening Balance 30.06.2021	\$221,451
Stormwater Indexation 21/22	\$ 3,290
Claosing Balance 30.06.2022	<u>\$224,741</u>

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

\$ '000	Carrying value 2022	Carrying value 2021	Fair value 2022	Fair value 2021
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,124	10,614	5,124	10,614
Receivables	12,038	11,518	12,038	11,518
Investments				
– Debt securities at amortised cost	84,515	65,133	84,515	65,133
Fair value through profit and loss				
Investments				
– Held for trading	9	–	9	–
Total financial assets	101,686	87,265	101,686	87,265
Financial liabilities				
Payables	14,129	11,051	14,129	11,051
Loans/advances	4,709	6,253	4,709	6,253
Total financial liabilities	18,838	17,304	18,838	17,304

Fair value is determined as follows:

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

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

D1-1 Risks relating to financial instruments held (continued)

- **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 the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	900	754
Impact of a 10% movement in price of investments		
– Equity / Income Statement	3,488	–

D1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

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

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

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

There are no significant concentrations of credit risk, 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.

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges				Total
		< 5 years	1 - 2 years	2 - 5 years	≥ 5 years	
2022						
Gross carrying amount	–	2,903	–	–	93	2,996
2021						
Gross carrying amount	(49)	2,508	343	–	–	2,802

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
2022						
Gross carrying amount	5,107	3,238	115	448	180	9,088
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2021						
Gross carrying amount	1,024	7,220	171	10	317	8,742
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2022							
Payables	0.00%	2,304	10,660	–	–	12,964	14,129
Borrowings	0.00%	–	1,908	3,154	443	5,505	4,709
Lease liabilities	0.00%	813	1,573	–	–	2,386	–
Total financial liabilities		3,117	14,141	3,154	443	20,855	18,838
2021							
Payables	0.00%	2,189	8,862	–	–	11,051	11,051
Borrowings	0.00%	–	1,945	4,651	863	7,459	6,253
Lease liabilities	0.00%	986	1,735	–	–	2,721	–
Total financial liabilities		3,175	12,542	4,651	863	21,231	17,304

D2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-6								
Plant and equipment		30/06/22	30/06/21	—	—	3,563	3,027	3,563	3,027
Office equipment		30/06/22	30/06/21	—	—	119	138	119	138
Furniture and fittings		30/06/22	30/06/21	—	—	237	322	237	322
Operational land		30/06/18	30/06/18	—	—	27,579	26,748	27,579	26,748
Community land		30/06/21	30/06/21	—	—	43,741	43,711	43,741	43,711
Land improvements – depreciable		30/06/21	30/06/21	—	—	—	—	—	—
Buildings		30/06/18	30/06/18	—	—	46,008	44,090	46,008	44,090
Swimming pools and other recreational assets		30/06/21	30/06/21	—	—	35,486	35,674	35,486	35,674
Road infrastructure		30/06/20	30/06/20	—	—	409,372	398,442	409,372	398,442
Stormwater drainage		30/06/20	30/06/20	—	—	63,258	48,842	63,258	48,842
Other assets		30/06/20	30/06/20	—	—	355	1,595	355	1,595
Total infrastructure, property, plant and equipment				—	—	629,718	602,589	629,718	602,589

Non-recurring fair value measurements

Valuation techniques

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

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

Infrastructure, property, plant and equipment (IPPE)

Work in Progress

Work in Progress is disclosed at cost in the notes. Separate valuation of these assets is not deemed necessary due to the small period of time that has elapsed between the incurring of the expenditure and the reported valuation in the financial statements. There has been no change to the valuation techniques during the reporting period.

D2-1 Fair value measurement (continued)

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amounts are assumed to approximate fair value due to the nature of the items.

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

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The valuation of Council's operational land was undertaken at 30 June 2018 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144. Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price. Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Land Improvements - depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves.

Council carries fair value of land improvements using Level 3 valuation inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Buildings – Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2018.

The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value.

As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

Swimming Pools & Other Open Space/Recreational Assets

Council's Swimming Pools & Other Open Space/Recreational Assets were valued using the cost approach. Council carries fair value of these assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the structure.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Road Infrastructure

This asset class includes roads, bridges, car parks, kerb and gutter, traffic facilities, footpaths and bulk earthworks undertaken in the course of construction. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road

D2-1 Fair value measurement (continued)

infrastructure. In this approach, we estimated the replacement cost for each asset by componentising the asset into significant components with different useful lives and taking into account a range of factors. Most of the unit rates based on square meters were derived from current Council tenders, Rawlinson's handbook and rates from other similar organisations. Other inputs such as estimates of residual values, useful lives, pattern of consumption and asset condition were also derived from extensive professional judgment, IPWEA guidelines and best available industry practices etc. As such these assets were classified as having been valued using level 3 valuation inputs. An internal revaluation was conducted in 2020 in accordance with the fair valuation policy as mandated by the Office of Local Government..

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Other Assets

Council's Other Assets were valued using the cost approach. Council carries fair value of Other Assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset. The unobservable Level 3 inputs used include estimated patterns of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Tip Assets

Council is obligated to restore/rehabilitate closed former landfill sites at Warragamba, Picton, Appin and Wilton and the closed Bargo Effluent Ponds. Council will also eventually be required to remediate the existing active landfill site at Bargo. It has been recognised that there will be significant costs associated with the closure and remediation or post closure management of these sites. Remediation of the sites to meet the requirements of the stringent standards and guidelines will involve a wide range of activities including preparation of a Landfill Closure and Management Plans, as well as environmental assessments with appropriate remediation works. In some instances this remediation may involve extensive re-profiling or shaping works, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

Highest and best use

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

D3-1 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 standard employer contribution rates are:

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

*For 180 Point Members, Employers are required to contribute 7.5% of salaries for the year ending 30 June 2022 (increasing to 8%) to these member's 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 additional contributions of \$40 million from 1 July 2019 to 31 December 2021 and \$20 million per annum for 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.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$273,515.53. The last valuation of the Scheme was performed by fund actuary, Mr Richard Boyfield, FIAA as at 30 June 2021.

D3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is around 0.34% of the total additional lump sum contributions for all Pooled employers (of \$40m until 31 December 2021 followed by \$20m per annum thereafter). Council's expected contribution to the plan for the next annual reporting period is \$209,506.80.

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

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

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

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

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

Investment return	5.50% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

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

(ii) 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.

(iii) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(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.

D3-1 Contingencies (continued)

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

(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.

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

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

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,213	1,137
Total	1,213	1,137

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	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000					
2022					
Purchase of grocery items on account at local store owned by a Councillor	–	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	3	–	30-day terms on invoices	–	–
2021					
Purchase of grocery items on account at local store owned by a Councillor	–	–	30-day terms on invoices	–	–
Advertsing with a business owned by the spouse of a Councillor	6	–	30-day terms on invoices	–	–

E1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	43	44
Councillors' fees	164	162
Other Councillors' expenses (including Mayor)	31	21
Total	238	227

E2 Other relationships

E2-1 Audit fees

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	90	86
Remuneration for audit and other assurance services	90	86

Total Auditor-General remuneration

	90	86
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Internal audit services | external provider

	47	69
Remuneration for audit and other assurance services	47	69

Total remuneration of non NSW Auditor-General audit firms

	47	69
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Total audit fees

	137	155
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F Other matters

F1-1 Statement of Cash Flows information

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

\$ '000	2022	2021
Net operating result from Income Statement	45,137	29,093
Add / (less) non-cash items:		
Depreciation and amortisation	17,978	20,528
(Gain) / loss on disposal of assets	2,060	7,472
Non-cash capital grants and contributions	(22,843)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	502	82
– Revaluation decrements / impairments of IPP&E direct to P&L	552	277
Unwinding of discount rates on reinstatement provisions	138	(165)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(540)	(3,734)
Increase / (decrease) in provision for impairment of receivables	20	(21)
(Increase) / decrease of inventories	(165)	5
(Increase) / decrease of other current assets	(917)	(354)
Increase / (decrease) in payables	3,749	(1,167)
Increase / (decrease) in accrued interest payable	(9)	(8)
Increase / (decrease) in other accrued expenses payable	(965)	(108)
Increase / (decrease) in other liabilities	303	625
Increase / (decrease) in contract liabilities	(38)	(273)
Increase / (decrease) in employee benefit provision	(504)	(116)
Increase / (decrease) in other provisions	(555)	(102)
Net cash flows from operating activities	43,903	52,034

Council does not use Non-cash investing and financing activities.

F2-1 Commitments

Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	5,464	964
Plant and equipment	13	22
Recreation	2,894	701
Major road and bridge works	11,371	1,757
Tip remediation	7	5
Other	518	—
Total commitments	20,267	3,449

These expenditures are payable as follows:

Within the next year	20,267	3,449
Total payable	20,267	3,449

Sources for funding of capital commitments:

Unrestricted general funds	4,789	690
Unexpended grants	15,458	2,377
Internally restricted reserves	20	382
Total sources of funding	20,267	3,449

F3 Statement of developer contributions as at 30 June 2022

F3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	9,443	2,367	22,813	91	(169)	–	11,732	–
Parking	2	5	–	–	–	–	7	–
Open space	15,520	4,535	–	162	–	–	20,217	–
Community facilities	6,951	1,177	30	55	(1,030)	–	7,153	–
Administration	274	355	–	3	–	–	632	–
S7.11 contributions – under a plan	32,190	8,439	22,843	311	(1,199)	–	39,741	–
S7.12 levies – under a plan	1,590	33	–	15	–	–	1,638	–
Total S7.11 and S7.12 revenue under plans	33,780	8,472	22,843	326	(1,199)	–	41,379	–
S7.4 planning agreements	12,618	2,258	–	110	(1,200)	–	13,786	–
Total contributions	46,398	10,730	22,843	436	(2,399)	–	55,165	–

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.

F3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
2020 Consolidated Plan - Area A & B								
Roads	9,443	2,367	22,813	91	(169)	—	11,732	—
Parking	2	5	—	—	—	—	7	—
Open space	15,520	4,535	—	162	—	—	20,217	—
Community facilities	6,951	1,177	30	55	(1,030)	—	7,153	—
Administration	274	355	—	3	—	—	632	—
Total	32,190	8,439	22,843	311	(1,199)	—	39,741	—

S7.12 Levies – under a plan

CONTRIBUTION PLAN – 2005

Other	1,590	33	–	15	–	–	1,638	–
Total	1,590	33	–	15	–	–	1,638	–

F3-3 S7.4 planning agreements

	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash					
S7.4 PLANNING AGREEMENTS - Area A & B								
Roads	5,148	1,255	—	41	(1,148)	—	5,296	—
Parking	—	—	—	—	—	—	—	—
Open space	4,282	544	—	40	—	—	4,866	—
Community facilities	2,882	231	—	26	(52)	—	3,087	—
Administration	306	229	—	3	—	—	538	—
Total	12,618	2,259	—	110	(1,200)	—	13,787	—

F4 Statement of performance measures

F4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2022	Indicator 2022	Indicators 20212020		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(6,855)	(8.95)%	(7.04)%	(9.17)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	76,600				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	62,348	47.33%	52.11%	50.00%	> 60.00%
Total continuing operating revenue ¹	131,730				
3. Unrestricted current ratio					
Current assets less all external restrictions	23,410	1.21x	1.44x	1.74x	> 1.50x
Current liabilities less specific purpose liabilities	19,344				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11,275	4.21x	5.92x	2.66x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,680				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,611	6.51%	6.21%	6.91%	< 5.00%
Rates and annual charges collectable	55,509				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	55,501	9.08	11.63	11.61	> 3.00
Monthly payments from cash flow of operating and financing activities	6,114	months	months	months	months

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

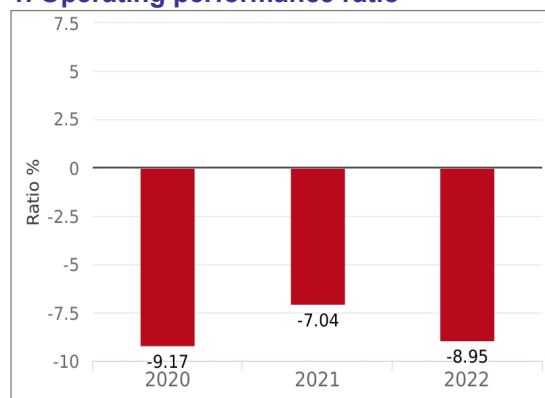
(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

End of the audited financial statements

G Additional Council disclosures (unaudited)

G1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2021/22 result

2021/22 ratio (8.95)%

The ratio has been below benchmark the last three years.

Council was again impacted by natural disasters (Flood/Storm) in 2021/22, the financial impacts of which are reflected in this ratio

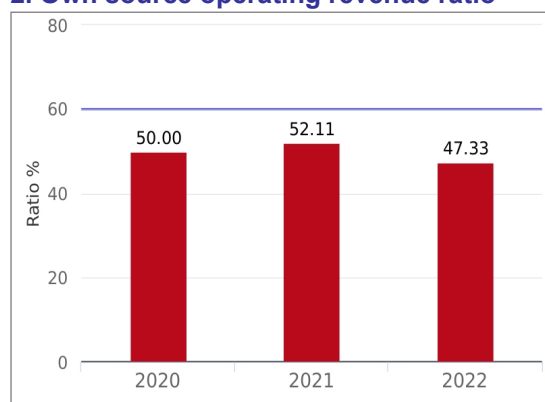
Benchmark: — > 0.00%

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 2021/22 result

2021/22 ratio 47.33%

The ratio for the 2021/22 year is consistent with the two years prior.

This ratio is influenced by Council's ongoing success in obtaining both Operating and Capital grants, along with contributions made by developers (Cash and Non Cash).

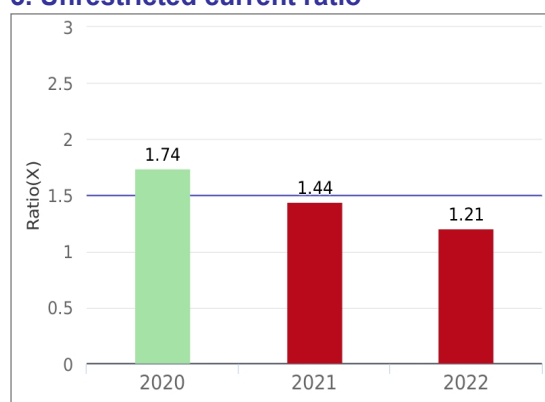
Benchmark: — > 60.00%

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 2021/22 result

2021/22 ratio 1.21x

This ratio has been impacted by the flood/storm events throughout the year, funding of capital projects and placement of a cash bond with Sydney Water.

Funds relating to these items are to be recouped in 2022/23.

Benchmark: — > 1.50x

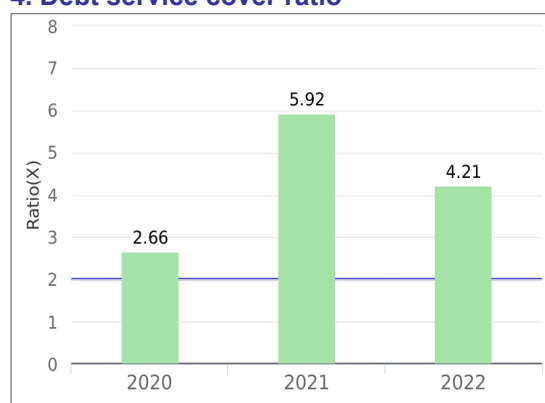
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-1 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 2021/22 result

2021/22 ratio 4.21x

Councils borrowing levels remain low due to the availability of other funding sources.

Council holds sufficient levels of operating cash to meet its debt repayments.

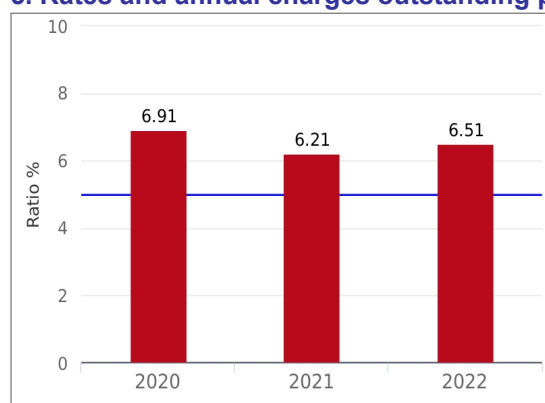
Benchmark: — > 2.00x

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 2021/22 result

2021/22 ratio 6.51%

As a result of the ongoing natural disasters and the hardship this places on ratepayers, the commencement of formal collection activities remained on hold until June 2022.

There has been a reduction in the amount of annual rates and charges outstanding since 30 June 2022.

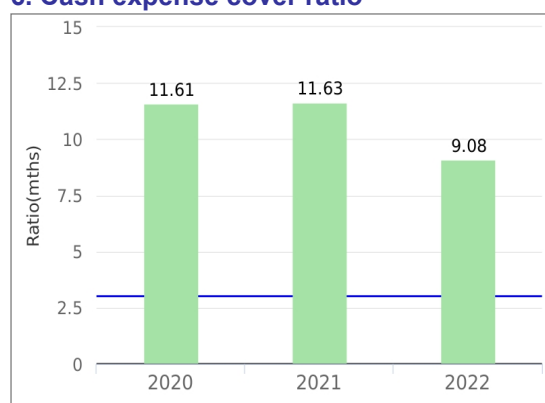
Benchmark: — < 5.00%

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 2021/22 result

2021/22 ratio 9.08 months

Councils cash and cash equivalents assets increased throughout the year, this led to a change in the investment profile with non current investments increasing by \$19.2M, this contributed to the result of this ratio, which whilst lower than 2021 still remains healthy.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

G1-2 Financial review

G1-2 Financial review (continued)

Key financial figures of Council over the past 5 years

\$ '000	2022	2021	2020	2019	2018
Inflows:					
Rates and annual charges revenue	51,910	49,837	47,498	45,502	40,768
User charges revenue	7,632	6,896	5,029	5,790	5,840
Interest and investment revenue (losses)	928	774	1,760	2,130	1,788
Grants income – operating and capital	35,809	28,216	18,665	7,563	8,189
Total income from continuing operations	131,228	113,645	112,219	83,783	71,965
Sale proceeds from IPPE	117	331	53	588	278
Outflows:					
Employee benefits and on-cost expenses	30,790	28,044	28,031	23,772	20,796
Borrowing costs	152	276	1,704	1,906	6,762
Materials and contracts expenses	32,750	25,730	26,564	15,929	19,603
Total expenses from continuing operations	86,091	84,552	74,453	61,567	72,578
Total cash purchases of IPPE	27,089	52,030	54,056	25,118	17,122
Total loan repayments (incl. finance leases)	2,470	2,384	2,560	1,597	1,559
Operating surplus/(deficit) (excl. capital income)	(9,993)	(12,875)	(6,411)	3,775	(14,970)
Financial position figures					
Current assets	72,830	76,505	61,558	64,015	53,854
Current liabilities	24,616	21,711	23,226	18,674	15,173
Net current assets	48,214	54,794	38,332	45,341	38,681
Available working capital (Unrestricted net current assets)	(821)	950	(1,631)	3,583	2,368
Cash and investments – unrestricted	1,646	1,200	3,037	7,341	2,019
Cash and investments – internal restrictions	9,054	11,475	17,687	17,832	18,864
Cash and investments – total	89,648	75,747	77,878	74,924	60,026
Total borrowings outstanding (loans, advances and finance leases)	4,709	6,253	7,810	9,599	11,196
Total value of IPPE (excl. land and earthworks)	860,446	812,899	768,208	693,767	625,245
Total accumulated depreciation	349,570	333,963	317,236	302,378	277,715
Indicative remaining useful life (as a % of GBV)	59%	59%	59%	56%	56%

Source: published audited financial statements of Council (current year and prior year)

G1-3 Council information and contact details

Principal place of business:

62-64 Menangle Street
Picton NSW 2571

Contact details**Mailing Address:**

PO Box 21
Picton NSW 2571

Telephone: (02) 4677 1100

Facsimile: (02) 4677 2339

Internet: www.wollondilly.nsw.gov.au

Email: councill@wollondilly.nsw.gov.au

Officers**Chief Executive Officer**

Ben Taylor

Responsible Accounting Officer

Rob Seidel

Public Officer

Charles Weber

Auditors

Auditor General
Audit Office of NSW
Level 19, 201 Sussex Street
SYDNEY NSW 2000

Elected members**Mayor**

Cr M Gould

Councillors

Cr M Deeth (Deputy Mayor)
Cr H Gibbs
Cr B Briggs
Cr J Hannan
Cr B Spearpoint
Cr P Rogers
Cr S Brandstater
Cr M Banasik

Other information

ABN: 93 723 245 808



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wollondilly Shire Council

To the Councillors of the Wollondilly Shire Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-6 to the financial statements, the Council has not recognised rural fire-fighting equipment as assets within 'Infrastructure, property, plant and equipment' in the Statement of Financial Position at 30 June 2022. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the Rural Fires Act 1997 (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 7 February 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.

This is a limitation on the scope of my audit as I was unable to obtain sufficient appropriate audit evidence to:

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2022
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2022
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note F4-1 'Statement of performance measures – consolidated results'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Min Lee
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

17 November 2022
SYDNEY



Matt Gould
Mayor
Wollondilly Shire Council
62 - 64 Menangle Street
PICTON NSW 2571

Contact: Min Lee
Phone no: 02 9275 7151
Our ref: D2221137/1810

17 November 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Wollondilly Shire Council**

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 7 February 2011
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

The Council has not undertaken procedures to confirm the completeness, accuracy, existence or condition of these assets. Nor has the Council performed procedures to identify the value of assets vested in it during the year. When these assets are vested, no financial consideration is required from the Council and as such these are assets provided to Council free-of-charge.





Consequently, we were unable to determine the carrying values of rural firefighting equipment assets and related amounts that should be recorded and recognised in the council's 30 June 2022 financial statements.

This has resulted in the audit opinion on the Council's 30 June 2022 GPFS to be modified.

Refer to the Independent Auditor's report on the GPFS.

INCOME STATEMENT

Operating result

	2022 \$m	2021* \$m	Variance %
Rates and annual charges revenue	51.9	49.8	 4.2
Grants and contributions revenue	69.4	54.5	 27.3
Operating result from continuing operations	45.1	29.1	 55.0
Net operating result before capital grants and contributions	(10.0)	(12.9)	 22.5

Rates and annual charges revenue (\$51.9 million) increased by \$2.1 million (4.2 per cent) in 2021–22 due to:

- the annual rate peg 2.0% increase applied to ordinary rates
- increase of 557 (2.8%) in the total rateable properties during the year.

Grants and contributions revenue (\$69.4 million) increased by \$14.9 million (27.3 per cent) in 2021–22 due to:

- increase of \$7.3 million of developer contributions recognised during the year
- increase of \$5.5 million of special purpose capital grants relating to recreation and culture and bushfire and emergency services.

The Council's operating result from continuing operations was a surplus of \$45.1 million, which was \$16.0 million higher than the 2020–21 result. This was mainly due to the increase in grants and contributions revenue of \$14.9 million.

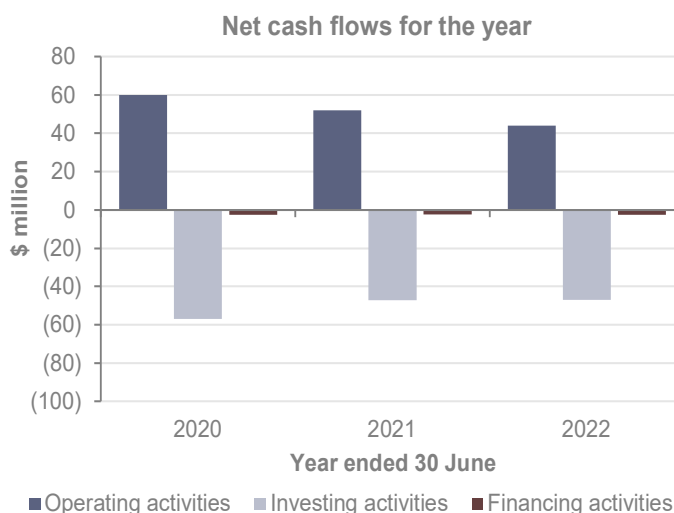
The net operating result before capital grants and contributions was a deficit of \$10.0 million which has improved by \$2.9 million from the 2020–21 result. This was mainly due to:

- increase of \$4.4 million of total revenue excluding grants and contributions provided for capital purposes
- decrease of \$5.4 million of net losses from the disposal of assets
- increase of \$7.0 million of materials and services expenses.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalents balance (\$5.1 million) decreased by \$5.5 million (51.7 per cent) in 2021-22 due to

- net cash inflows from operating activities decreased by \$8.1 million due to \$2.5 million increase in payments to employees and \$4.2 million increase in payments for materials and services during the year
- net cash outflows from investing activities decreased by \$0.4 million mainly due to net increase in the cash outflows of \$24.4 million from the trading of financial investments and partially offset by the net decrease of \$24.7 million in the payments of purchasing property, plant and equipment during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	89.6	75.7	Total cash, cash equivalents and investments increased by \$13.9 million: <ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in Council's externally restricted cash and investments were mainly due to increase in the developer contributions and specific purpose unexpended grants cash holdings. • Internally restricted cash and investments are due to Council policy or decisions to restrict funds for forward plans including strategic capital projects. The decrease in internally restricted cash and investments is mainly due to the reduction in the infrastructure and asset maintenance and employee leave entitlements.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	78.9	63.1	
• Internal allocations	9.1	11.5	

Debt

The Council has \$4.7 million of borrowings at 30 June 2022 (2021: \$6.3 million)

The Council has a combined bank overdraft and credit card facility limit of \$0.4 million as at 30 June 2022 (2021: \$0.4 million). As at 30 June 2022, \$0.37 million of the total facility remains unutilised.

PERFORMANCE

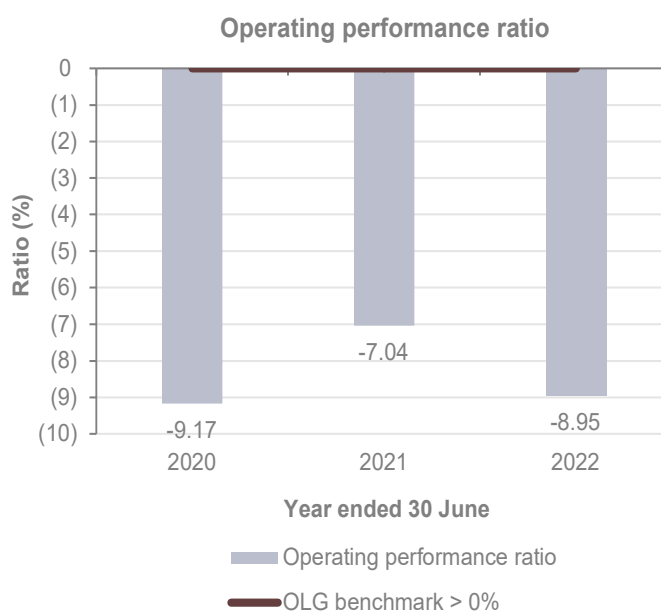
Performance measures

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

Operating performance ratio

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

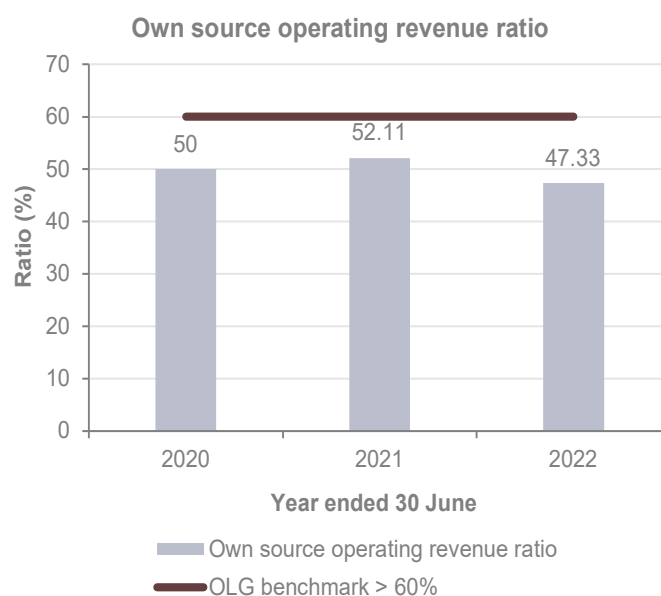
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

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

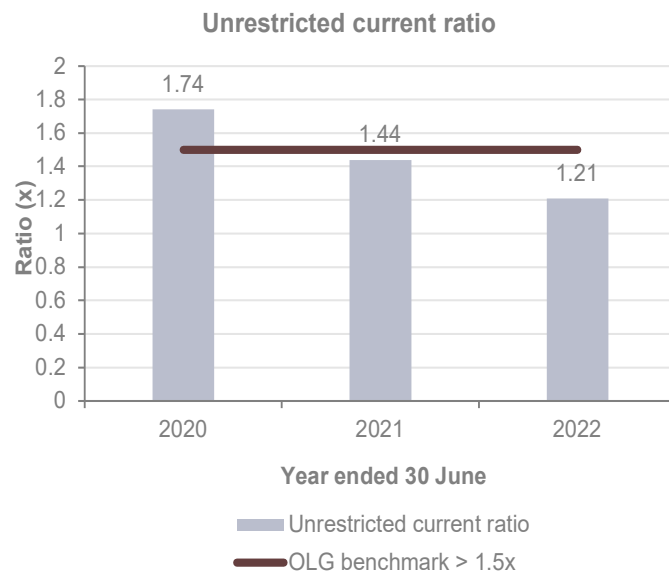
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

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

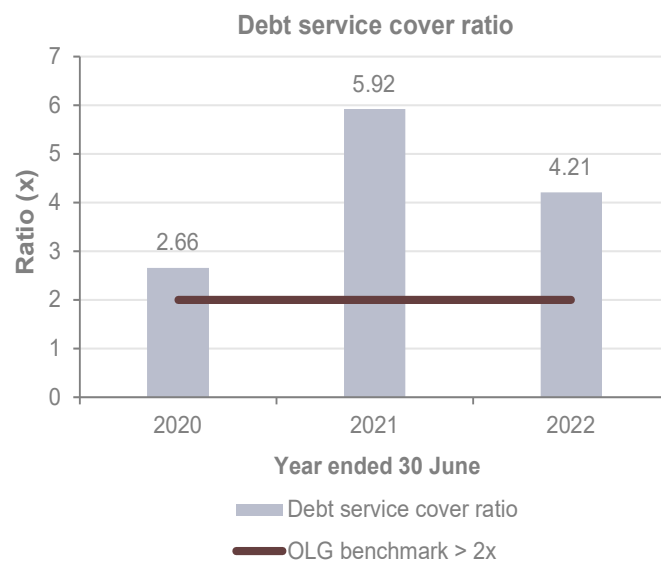
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

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

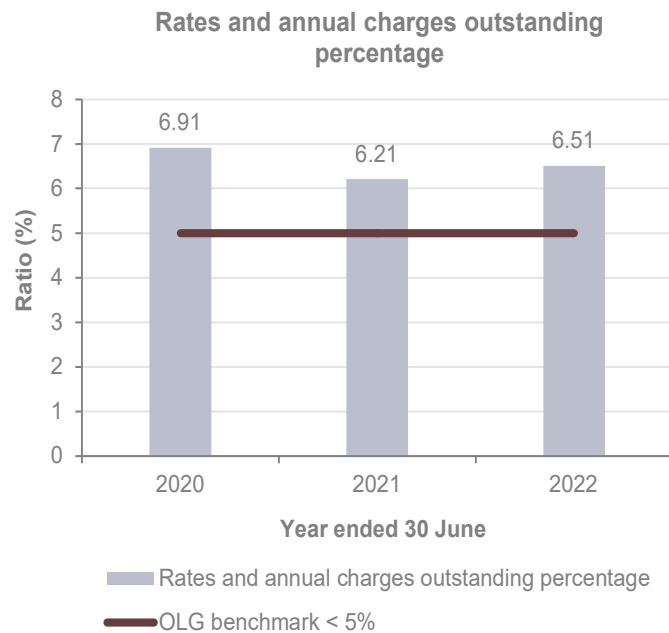
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

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

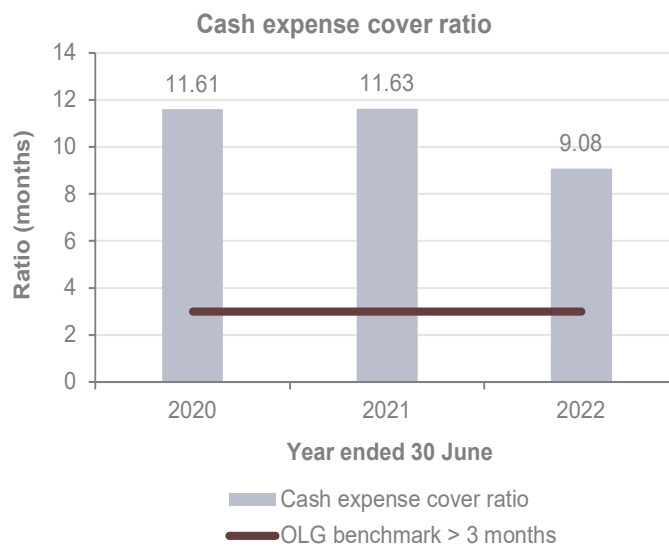
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

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

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



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$15.7 million (\$30.8 million in 2020-21). Significant renewals included:

- roads, bridges, footpaths and other road assets of \$10.4 million (\$22.1 million in 2020-21)
- buildings of \$1.9 million (\$1.4 million in 2020-21)

OTHER MATTERS

Legislative compliance

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

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

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



Min Lee
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ben Taylor, Chief Executive Officer
Stephen Horne, Chair of Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning and Environment



SPECIAL *Schedules*

FOR THE YEAR ENDED
30 JUNE 2022

Wollondilly Shire Council

Special Schedules

for the year ended 30 June 2022

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Wollondilly Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2021/22	Calculation 2022/23
Notional general income calculation ¹			
Last year notional general income yield	a	39,741	41,354
Plus or minus adjustments ²	b	801	800
Notional general income	c = a + b	40,542	42,154
Permissible income calculation			
Or rate peg percentage	e	2.00%	1.30%
Or plus rate peg amount	i = e x (c + g)	811	548
Sub-total	k = (c + g + h + i + j)	41,353	42,702
Plus (or minus) last year's carry forward total	l	4	(3)
Sub-total	n = (l + m)	4	(3)
Total permissible income	o = k + n	41,357	42,699
Less notional general income yield	p	41,354	42,694
Catch-up or (excess) result	q = o - p	3	5
Plus income lost due to valuation objections claimed ⁴	r	—	23
Carry forward to next year ⁶	t = q + r + s	3	28

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Wollondilly Shire Council

To the Councillors of Wollondilly Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

A handwritten signature in black ink, appearing to be 'Min Lee', with a stylized 'M' and 'L'.

Min Lee
Delegate of the Auditor-General for New South Wales

17 November 2022
SYDNEY

Wollondilly Shire Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2021/22 Required maintenance ^a	2021/22 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	3,990	3,990	1,838	1,689	46,008	101,206	7.0%	5.0%	26.0%	60.0%	2.0%
	Sub-total	3,990	3,990	1,838	1,689	46,008	101,206	7.0%	5.0%	26.0%	60.0%	2.0%
Roads	Roads	33,292	33,292	8,462	5,436	241,560	377,246	19.0%	31.0%	35.0%	11.0%	4.0%
	Sealed roads	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Unsealed roads	394	394	146	286	811	2,375	2.0%	15.0%	66.0%	16.0%	1.0%
	Bridges	3,239	3,239	818	200	33,609	68,721	12.0%	30.0%	53.0%	1.0%	4.0%
	Footpaths	300	300	389	42	21,308	31,892	50.0%	28.0%	20.0%	1.0%	1.0%
	Other road assets	2,365	2,365	1,965	458	50,873	92,364	30.0%	23.0%	43.0%	3.0%	1.0%
	Bulk earthworks	—	—	—	—	61,211	61,211	0.0%	0.0%	0.0%	0.0%	100.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	39,590	39,590	11,780	6,422	409,372	633,809	19.5%	26.5%	34.1%	7.2%	12.7%
Stormwater drainage	Stormwater drainage	386	386	650	194	63,258	78,040	79.0%	20.0%	4.0%	1.0%	(4.0%)
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	386	386	650	194	63,258	78,040	79.0%	20.0%	4.0%	1.0%	(4.0%)
Open space / recreational assets	Swimming pools	—	—	59	114	1,644	2,838	0.0%	100.0%	0.0%	0.0%	0.0%
	Other	309	309	1,382	2,498	33,842	50,249	22.0%	54.0%	22.0%	2.0%	0.0%
	Sub-total	309	309	1,441	2,612	35,486	53,087	20.8%	56.5%	20.8%	1.9%	0.0%
Total – all assets		44,275	44,275	15,709	10,917	554,124	866,142	23.5%	25.3%	29.6%	12.5%	9.1%

(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

Wollondilly Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2022	Indicator 2022	Indicators 2021 2020		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	18,459	117.51%	143.00%	109.41%	>= 100.00%
Depreciation, amortisation and impairment	15,709				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	44,275	7.80%	7.85%	7.45%	< 2.00%
Net carrying amount of infrastructure assets	567,813				
Asset maintenance ratio					
Actual asset maintenance	10,917	69.50%	92.16%	101.15%	> 100.00%
Required asset maintenance	15,709				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	44,275	5.11%	5.08%	4.74%	
Gross replacement cost	866,142				

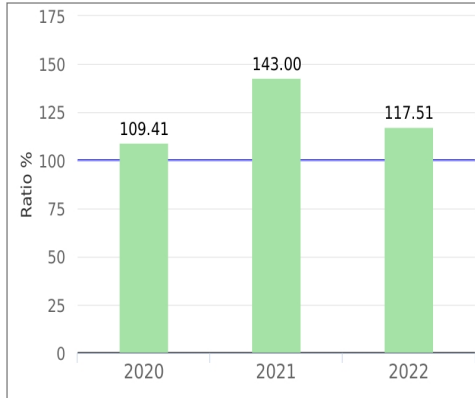
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Wollondilly Shire Council

Report on infrastructure assets as at 30 June 2022

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

21/22 ratio 117.51%

Historically, infrastructure renewals were insufficiently funded, resulting in a large infrastructure backlog. Council addressed this issue by seeking a special rate variation for the purpose of renewing infrastructure assets. The annual renewal of infrastructure assets has been exceeding the benchmark over the past 5 reporting years.

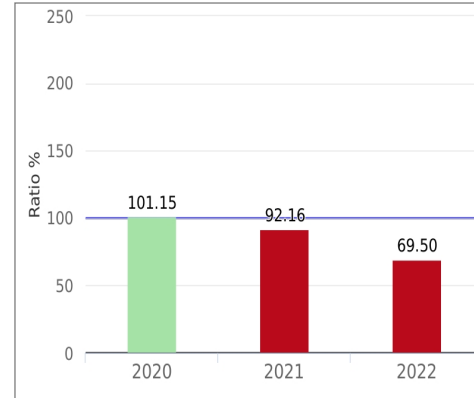
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

21/22 ratio 69.50%

This ratio is significantly lower than 2021 (last 4 years average: 108.4%), primarily as a result of the sheer volume of floods/storms experienced during 2022 and the impact this had on Council assets, increasing the amount of required maintenance in conjunction with the need to focus on disaster recovery efforts rather than direct maintenance.

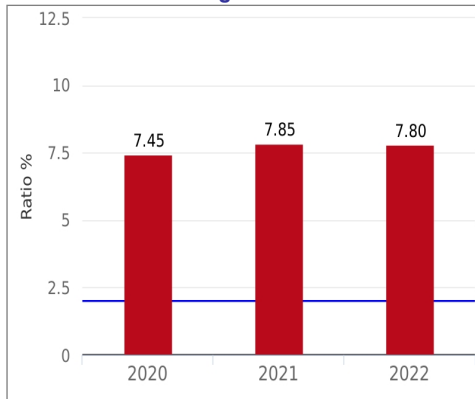
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

21/22 ratio 7.80%

Investment in infrastructure renewals remains high. The ratio has remained flat from 2021, reflecting two contributors

- Storm/Flood events throughout 2022 significantly impacted assets including roads, increasing the estimated cost to return assets to a satisfactory standard.
- The net carrying value of the infrastructure assets increased due to contributed assets and the delivery of new assets.

Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

21/22 ratio 5.11%

Wollondilly Shire Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Benchmark
	2022	2021	
Buildings and infrastructure renewals ratio			
Asset renewals ¹			
Depreciation, amortisation and impairment	117.51%	143.00%	>= 100.00%
Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	7.80%	7.85%	< 2.00%
Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	69.50%	92.16%	> 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	5.11%	5.08%	

(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.