

Queanbeyan-Palerang Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022



Queanbeyan-Palerang Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Queanbeyan-Palerang Regional Council

General Purpose Financial Statements

for the year ended 30 June 2022

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Overview

Queanbeyan-Palerang Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

256 Crawford Street
Queanbeyan NSW 2620

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.qprc.nsw.gov.au.

Queanbeyan-Palerang Regional Council
General Purpose Financial Statements
for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 September 2022.



Kenrick Winchester
Mayor



Esma Livermore
Deputy Mayor



Rebecca Ryan
General Manager



Josh Staniforth
Responsible Accounting Officer

Queanbeyan-Palerang Regional Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Restated Actual 2021
Income from continuing operations				
79,004	Rates and annual charges	B2-1	78,122	75,455
33,594	User charges and fees	B2-2	37,629	31,542
1,639	Other revenues	B2-3	3,475	2,383
35,262	Grants and contributions provided for operating purposes	B2-4	33,676	35,979
53,044	Grants and contributions provided for capital purposes	B2-4	103,137	82,827
4,202	Interest and investment income	B2-5	1,958	5,471
–	Net gain from the disposal of assets	B4-1	–	733
206,745	Total income from continuing operations		257,997	234,390
Expenses from continuing operations				
40,004	Employee benefits and on-costs	B3-1	39,896	40,570
74,999	Materials and services	B3-2	72,403	72,584
4,319	Borrowing costs	B3-3	3,225	6,498
30,307	Depreciation, amortisation and impairment of non-financial assets	B3-4	34,731	34,015
2,278	Other expenses	B3-5	7,345	2,165
–	Net loss from the disposal of assets	B4-1	101	–
–	Fair value decrement on investments	B6-1	2,043	–
151,907	Total expenses from continuing operations		159,744	155,832
54,838	Operating result from continuing operations		98,253	78,558
54,838	Net operating result for the year attributable to Council		98,253	78,558
1,794	Net operating result for the year before grants and contributions provided for capital purposes		(4,884)	(4,269)

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

Queanbeyan-Palerang Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2022

\$ '000	Notes	2022	Restated 2021
Net operating result for the year – from Income Statement		98,253	78,558
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>89,540</u>	<u>234,001</u>
Total other comprehensive income for the year		<u>89,540</u>	<u>234,001</u>
Total comprehensive income for the year attributable to Council		<u>187,793</u>	<u>312,559</u>

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

Queanbeyan-Palerang Regional Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	28,751	49,969
Investments	C1-2	87,934	71,269
Receivables	C1-4	31,809	31,687
Inventories	C1-5	388	344
Other		542	869
Non-current assets classified as 'held for sale'	C1-6	3,316	10,545
Total current assets		152,740	164,683
Non-current assets			
Investments	C1-2	96,542	71,400
Receivables	C1-4	48	64
Infrastructure, property, plant and equipment (IPPE)	C1-7	2,004,089	1,800,187
Intangible assets	C1-8	6,007	6,459
Right of use assets	C2-1	132	158
Total non-current assets		2,106,818	1,878,268
Total assets		2,259,558	2,042,951
LIABILITIES			
Current liabilities			
Payables	C3-1	21,185	17,960
Contract liabilities	C3-2	16,507	20,463
Lease liabilities	C2-1	62	59
Borrowings	C3-3	7,447	5,992
Employee benefit provisions	C3-4	9,981	10,554
Provisions	C3-5	6,328	3,399
Total current liabilities		61,510	58,427
Non-current liabilities			
Lease liabilities	C2-1	72	101
Borrowings	C3-3	109,393	79,864
Employee benefit provisions	C3-4	849	798
Provisions	C3-5	1,764	5,584
Total non-current liabilities		112,078	86,347
Total liabilities		173,588	144,774
Net assets		2,085,970	1,898,177
EQUITY			
Accumulated surplus	C4-1	1,748,048	1,649,795
IPPE revaluation reserve	C4-1	337,922	248,382
Council equity interest		2,085,970	1,898,177
Total equity		2,085,970	1,898,177

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

Queanbeyan-Palerang Regional Council

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	2022			2021		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus Restated	IPPE revaluation reserve	Total equity Restated
\$ '000							
Opening balance at 1 July		1,649,795	248,382	1,898,177	1,571,237	14,381	1,585,618
Net operating result for the year		98,253	–	98,253	74,921	–	74,921
Correction of prior period errors	G4-1	–	–	–	3,637	–	3,637
Restated net operating result for the period		98,253	–	98,253	78,558	–	78,558
Gain on revaluation of infrastructure, property, plant and equipment	C1-7	–	89,540	89,540	–	234,001	234,001
Other comprehensive income		–	89,540	89,540	–	234,001	234,001
Total comprehensive income		98,253	89,540	187,793	78,558	234,001	312,559
Closing balance		1,748,048	337,922	2,085,970	1,649,795	248,382	1,898,177

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

Queanbeyan-Palerang Regional 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				
<i>Receipts:</i>				
79,004	Rates and annual charges		79,151	75,788
33,594	User charges and fees		33,308	33,078
4,202	Interest received		1,857	5,377
81,335	Grants and contributions		77,456	71,125
–	Bonds, deposits and retentions received		1,474	564
1,639	Other		15,656	13,667
<i>Payments:</i>				
(40,004)	Payments to employees		(42,356)	(42,032)
(74,999)	Payments for materials and services		(82,710)	(84,639)
(4,319)	Borrowing costs		(2,848)	(3,302)
–	Bonds, deposits and retentions refunded		(690)	(187)
(2,278)	Other		(8,024)	(2,219)
78,174	Net cash flows from operating activities	G1-1	72,274	67,220
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investments		18,995	30,842
–	Redemption of term deposits		26,000	69,075
–	Sale of real estate assets		–	351
550	Proceeds from sale of IPPE		1,755	2,166
–	Deferred debtors receipts		–	16
<i>Payments:</i>				
–	Purchase of investments		(23,836)	(26,850)
–	Acquisition of term deposits		(65,000)	(39,075)
(179,349)	Payments for IPPE		(82,302)	(71,769)
–	Purchase of intangible assets		(10)	(53)
–	Deferred debtors and advances made		(16)	–
(178,799)	Net cash flows from investing activities		(124,414)	(35,297)
Cash flows from financing activities				
<i>Receipts:</i>				
86,438	Proceeds from borrowings		37,023	10,180
<i>Payments:</i>				
(7,867)	Repayment of borrowings		(6,039)	(5,374)
–	Principal component of lease payments		(62)	(56)
78,571	Net cash flows from financing activities		30,922	4,750
(22,054)	Net change in cash and cash equivalents		(21,218)	36,673
49,969	Cash and cash equivalents at beginning of year		49,969	13,296
27,915	Cash and cash equivalents at end of year	C1-1	28,751	49,969

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

Queanbeyan-Palerang Regional 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 30 November 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.

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies

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

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of the Council.

A1-1 Basis of preparation (continued)

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

- general purpose operations
- water service
- sewerage service

The Trust Fund

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

Trust monies and property subject to Council's control have not been included in these reports.

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

- South East Weights and Loads
- Unclaimed money, funds held for sale of land, RFS donations and other money held in trust

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 does not recognise volunteer services in the income statement. Council does not rely on volunteers in the provision of services, and would not purchase those services if they were not provided for free.

New accounting standards and interpretations issued but not yet effective

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

Council has not applied any of these pronouncements before its operative date in the annual reporting period beginning 1 July 2021

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.

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 results		Grants and contributions		Carrying amount of assets	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Functions or activities										
Community	9,228	4,586	13,694	12,287	(4,466)	(7,701)	5,057	1,551	7,630	7,325
Choice	10,669	2,049	4,280	3,836	6,389	(1,787)	7,071	665	–	204
Character	14,384	65,396	16,606	21,408	(2,222)	43,988	12,099	60,918	138,378	135,213
Connection	136,304	111,619	105,150	100,946	31,154	10,673	106,611	49,056	2,100,821	1,886,954
Capability	87,412	50,740	20,014	17,355	67,398	33,385	5,975	6,616	12,729	13,255
Total functions and activities	257,997	234,390	159,744	155,832	98,253	78,558	136,813	118,806	2,259,558	2,042,951

B1-2 Components of functions or activities

Community

- We are a friendly and caring community
- We feel safe in the places we visit in our built and natural environment
- We respect the indigenous relationships with the land we live on
- Our community and our identity are made vibrant by the expression of arts and culture around us

Choice

- We have a diverse, resilient and smart economy fostering businesses that create jobs and wealth for all in our community

Character

- We enjoy the natural beauty and opportunity of our natural environment, and act to protect it through our management of waste and energy

Connection

- We are well connected to accessible services and facilities that provide our needs for living, work and leisure

Capability

- We are served by a Council that listens to us and responds in our best interest in all their actions, and provides the leadership we need to achieve our common aspirations

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2022	2021
Ordinary rates		
Residential	31,262	30,208
Farmland	2,694	2,593
Business	6,719	6,334
Mining	24	23
Less: Pensioner rebates	(539)	(525)
Rates levied to ratepayers	40,160	38,633
Pensioner rate subsidies received	270	261
Total ordinary rates	40,430	38,894
Annual charges		
<small>(pursuant to s496, 496A, 496B, 501 & 611)</small>		
Domestic waste management services	6,630	7,571
Water supply	7,580	7,077
Sewerage services	17,843	17,085
Stormwater management services charge	512	374
Waste management services (not domestic)	4,663	4,038
Recycled water supply	663	622
Less: Pensioner rebates	(436)	(448)
Annual charges levied	37,455	36,319
Pensioner annual charges subsidies received	237	242
Total annual charges	37,692	36,561
Total rates and annual charges	78,122	75,455

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	2022	2021
User charges		
Water supply services	15,407	14,435
Sewerage services	1,192	1,181
Waste management services (not domestic)	32	63
Total user charges	16,631	15,679
Fees		
Private works - s67	681	118
Transport for NSW works (state roads not controlled by Council)	9,918	5,474
Building services - other	149	54
Planning and building - regulatory	2,828	2,729
Inspection fees	1,262	1,168
s10.7 certificates (EP&A Act)	151	153

B2-2 User charges and fees (continued)

\$ '000	2022	2021
s603 certificates	278	288
Registration fees	108	62
Cemeteries	1,091	1,169
Sports and aquatic centres	924	1,020
Community centres	1,468	1,386
Childcare	56	79
Saleyards	138	80
Regional landfill	833	1,046
Other	1,113	1,037
Total fees	20,998	15,863
Total other user charges and fees	20,998	15,863
Total user charges and fees	37,629	31,542
Timing of revenue recognition for user charges and fees		
User charges and fees recognised at a point in time	37,629	31,542
Total user charges and fees	37,629	31,542

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. However, Development Application fees are recognised as income prior to the development application being determined.

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

B2-3 Other revenues

\$ '000	2022	2021
Parking fines	862	677
Other fines	198	118
Recycling income	423	104
Insurance claims recoveries	35	98
Commissions and agency fees	11	12
Diesel rebate	39	243
Legal fees recovery	233	29
Risk management rebate	130	125
Other reimbursements	394	286
Redemption of carbon credits	-	525
Other	363	166
Section 44 RFS Reimbursements	787	-
Total other revenue	3,475	2,383
Timing of revenue recognition for other revenue		
Other revenue recognised at a point in time	3,475	2,383
Total other revenue	3,475	2,383

Accounting policy for other revenue

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

B2-3 Other revenues (continued)

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	Operating 2022	Operating 2021	Capital 2022	Capital 2021
General purpose grants and non-developer contributions (untied)				
Financial Assistance Grant ¹				
– Relating to current year	3,340	3,008	–	–
– Prepayment received in advance for subsequent year	5,137	3,222	–	–
Amount recognised as income during current year	8,477	6,230	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Sewerage services	6,638	–	–	–
Community care	1,233	1,417	–	–
Environmental programs	291	612	164	40
Recreation and culture	203	190	2,371	2,941
Storm/flood/fire damage	10,292	21,443	–	–
Transport for NSW contributions (regional roads, block grant)	1,997	1,997	–	–
Roads to recovery	1,721	1,505	–	–
Other roads and bridges	256	232	25,186	4,996
Local Infrastructure Renewal Scheme	340	496	–	–
NSW Rural Fire Services	1,086	853	–	571
Other	839	853	1,907	13,205
Non-cash contributions				
Other	–	–	–	40,718
Total special purpose grants and non-developer contributions (tied)	24,896	29,598	29,628	62,471
Total grants and non-developer contributions	33,373	35,828	29,628	62,471
Comprising:				
– Commonwealth funding	11,369	1,265	561	988
– State funding	21,900	31,699	27,090	52,556
– Other funding	104	2,864	1,977	8,927
	33,373	35,828	29,628	62,471

(1) \$5m of the 2022-2023 Financial Assistance Grant from Commonwealth Government was received by Council in April 2022 and hence is reported as 2021-2022 income although it relates to 2022-2023 financial year

Developer contributions

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions	G5	303	151	12,606	8,510
Non-cash contributions		–	–	60,903	11,846
Total developer contributions		303	151	73,509	20,356

B2-4 Grants and contributions (continued)

\$ '000	Notes	Operating 2022	Operating 2021	Capital 2022	Capital 2021
Total contributions		303	151	73,509	20,356
Total grants and contributions		33,676	35,979	103,137	82,827
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		267	167	18,770	8,225
Grants and contributions recognised at a point in time		33,409	35,812	84,367	74,602
Total grants and contributions		33,676	35,979	103,137	82,827

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 funds at 1 July	3,651	4,390	23,511	26,378
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	6,023	755	2,845	114
Add: Funds received and not recognised as revenue in the current year	112	272	4,469	6,606
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(1,612)	(1,692)	(1,615)	(3,064)
Less: Funds received in prior year but revenue recognised and funds spent in current year	(143)	(74)	(6,369)	(6,523)
Unspent funds at 30 June	8,031	3,651	22,841	23,511

Accounting policy**Grants and contributions – enforceable agreement with sufficiently specific performance obligations**

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

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

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

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

Capital grants

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

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

B2-4 Grants and contributions (continued)

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

Developer contributions

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

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

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

Other grants and contributions

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

Once the assets and liabilities have been recognised, 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	437	300
– Cash and investments	146	95
Interest on financial assets measured at fair value through the profit and loss		
– Cash and investments	1,375	5,076
Total interest and investment income	1,958	5,471

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2022	2021
Salaries and wages	33,700	34,735
Employee leave entitlements	3,282	3,418
Superannuation	3,759	3,708
Workers' compensation insurance	1,346	1,034
FBT	70	96
Payroll tax	96	110
Less: capitalised costs	(2,357)	(2,531)
Total employee costs expensed	39,896	40,570

Accounting policy

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

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

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

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

B3-2 Materials and services

\$ '000	Notes	2022	2021
Raw materials and consumables		6,154	4,288
Consultancy costs		1,262	1,219
Contractor costs		38,498	41,544
IT expenses		2,156	2,177
Insurance		2,098	1,915
Street lighting		647	864
Electricity		1,968	2,029
Subscriptions and publications		594	666
Telephone		734	728
Repairs and maintenance		1,377	1,801
Postage, printing and stationery		512	480
Audit Fees	F2-1	258	297
Councillor and Mayoral fees and associated expenses	F1-2	284	256
Election expenses		440	–
Legal fees		997	880
Water charges		10,843	11,335
Reimbursement Developer Contributions		1,597	–
Other		1,984	2,105
Total materials and services		72,403	72,584

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2022	2021
Interest on loans and advances	3,490	3,251
Interest on leases	4	4
Less: capitalised costs	(428)	(6)
Amortisation of discounts and premiums:		
– Remediation (tip) - Note C3-5	159	3,249
Total borrowing costs expensed	3,225	6,498

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			
Infrastructure, property, plant and equipment	C1-7	34,207	28,924
Right of use assets	C2-1	62	57
Intangible assets	C1-8	462	484
Total depreciation and amortisation costs		34,731	29,465
Impairment / revaluation decrement of IPPE			
Sewer Network		–	3,958
Land		–	592
Total impairment costs charged to Income Statement (IPPE)		–	4,550
Total depreciation, amortisation and impairment for non-financial assets		34,731	34,015

Accounting policy

Depreciation and amortisation

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

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

B3-5 Other expenses

\$ '000	Notes	2022	2021
Impairment of receivables	C1-4	46	11
Donations, contributions and assistance to other organisations (s356)		370	567
Emergency services levy (includes FRNSW, SES, and RFS levies)		1,256	1,587
South Tralee Essential Infrastructure Planning Agreement		5,673	–
Total other expenses		7,345	2,165

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 infrastructure, property, plant and equipment	C1-7		
Proceeds from disposal		1,725	2,166
Less: carrying amount of assets sold		<u>(1,852)</u>	<u>(1,552)</u>
Gain (or loss) on disposal		<u>(127)</u>	<u>614</u>
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal		18,995	30,842
Less: carrying value of investments		<u>(18,986)</u>	<u>(30,842)</u>
Gain (or loss) on disposal		<u>9</u>	<u>–</u>
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		26,000	69,075
Less: carrying amount of term deposits sold/redeemed/matured		<u>(26,000)</u>	<u>(69,075)</u>
Gain (or loss) on disposal		<u>–</u>	<u>–</u>
Gain (or loss) on disposal of non-current assets held for sale	C1-6		
Proceeds from disposal		30	351
Less: carrying amount of 'held for sale' assets sold/written off		<u>(13)</u>	<u>(120)</u>
Gain (or loss) on disposal		<u>17</u>	<u>231</u>
Gain (or loss) on disposal of intangible assets	C1-8		
Less: carrying amount of intangible assets sold/written off		–	(112)
Gain (or loss) on disposal		<u>–</u>	<u>(112)</u>
Net gain (or loss) from disposal of assets		<u>(101)</u>	<u>733</u>

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

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

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

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

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----		
Revenues					
Rates and annual charges	79,004	78,122	(882)	(1)%	U
User charges and fees	33,594	37,629	4,035	12%	F
This favourable variance is a result of additional state roads ordered works not in the original estimates.					
Other revenues	1,639	3,475	1,836	112%	F
This favourable variance is result of additional fines issued and reimbursement from the RFS for Section 44 claims.					
Operating grants and contributions	35,262	33,676	(1,586)	(4)%	U
Capital grants and contributions	53,044	103,137	50,093	94%	F
This favourable variance is result of additional non-cash contributions in the form of developer gifted assets.					
Interest and investment income	4,202	1,958	(2,244)	(53)%	U
This unfavourable variance is a result of reduction in the cash and investment held during the year due to the deferral of borrowings					
Net gains from disposal of assets	-	-	-	∞	F
Expenses					
Employee benefits and on-costs	40,004	39,896	108	0%	F
Materials and services	74,999	72,403	2,596	3%	F
Borrowing costs	4,319	3,225	1,094	25%	F
This favourable variance is result of the deferral of new borrowings to match cash requirements with deferred capital works program.					
Depreciation, amortisation and impairment of non-financial assets	30,307	34,731	(4,424)	(15)%	U
This unfavourable variance is a result of an increased asset base due to the recognition in this financial year \$60.9mil of developer gifted assets.					
Other expenses	2,278	7,345	(5,067)	(222)%	U
This unfavourable variance is a result of a one-off payment for the Restart program for Housing Affordability.					
Fair value decrement on investments	-	2,043	(2,043)	∞	U
This unfavourable variance is a result of the negative performance of T-corp managed funds.					

B5-1 Material budget variations (continued)

\$ '000	2022 Budget	2022 Actual	2022 ----- Variance -----	
Statement of cash flows				
Cash flows from operating activities	78,174	72,274	(5,900)	(8)% U
Cash flows from investing activities	(178,799)	(124,414)	54,385	(30)% F
This favourable variance is the result of the deferral of capital projects during the year.				
Cash flows from financing activities	78,571	30,922	(47,649)	(61)% U
This unfavourable variance is result of the deferral of new borrowings to match cash requirements with deferred capital works program.				

B6 Material Income Statement items**B6-1 Material Income Statement items**

Fair value decrement on investments**Fair value decrement on investments**

Fair value decrement on investments through profit and loss

2,043 —**Total fair value decrement on investments**2,043 —

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2022	2021
Cash at bank and on hand	2,445	8,114
Deposits at call	26,306	41,855
Total cash and cash equivalents	28,751	49,969

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	28,751	49,969
Balance as per the Statement of Cash Flows	28,751	49,969

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				
Managed funds	26,234	–	35,469	–
Non-convertible debentures or floating rate notes	17,700	58,542	9,800	54,400
Debt securities at amortised cost				
Term deposits	44,000	38,000	26,000	17,000
Total	87,934	96,542	71,269	71,400

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

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

C1-2 Financial investments (continued)

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at FVTPL comprise investments in floating rate notes and managed funds.

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	213,227	192,638
Less: Externally restricted cash, cash equivalents and investments	(200,196)	(180,127)
Cash, cash equivalents and investments not subject to external restrictions	13,031	12,511

External restrictions

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

Water fund	28,351	27,001
Sewer fund	65,718	64,740
Developer contributions:		
– General fund	39,115	31,564
– Water fund	7,500	5,969
– Sewer fund	11,145	10,238
Specific purpose unexpended grants:		
– General fund	23,641	27,163
Specific purpose unexpended loans:		
– General fund	14,925	2,453
Domestic waste management	9,389	10,586
Stormwater management	122	122
Other	291	291
Total external restrictions	200,196	180,127

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	13,031	12,511

Internal allocations

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

continued on next page ...

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

\$ '000	2022	2021
Infrastructure replacement	1,291	128
Employees leave entitlement	480	480
Corporate reserve	–	1,087
Business waste management	5,461	4,830
WH&S	303	323
Heritage grant program	169	106
Deposits, retentions and bonds	196	196
Plant and vehicle replacement	2,000	1,703
Property reserve	980	2,010
Environmental & sustainability	–	283
Elections	130	406
Revolving energy	125	130
Strategic	124	158
Other	141	397
Financial assistance grant	1,384	–
Total internal allocations	12,784	12,237

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.

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	247	274

C1-4 Receivables

\$ '000	2022 Current	2022 Non-current	2021 Current Restated	2021 Non-current
Rates and annual charges	6,175	172	7,045	228
Interest and extra charges	761	33	660	53
User charges and fees	17,669	–	12,605	–
Government grants and subsidies	4,681	–	9,809	–
Deferred debtors	48	48	16	64
Net GST receivable	2,081	–	1,404	–
Accrued Interest on Investments	482	–	190	–
Total	31,897	253	31,729	345
Less: provision for impairment:				
– Rates and annual charges	–	(172)	–	(228)
– Interest and extra charges	–	(33)	–	(53)
– User charges and fees	(88)	–	(42)	–
Total	(88)	(205)	(42)	(281)
NET RECEIVABLES	31,809	48	31,687	64

Accounting policy

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

C1-4 Receivables (continued)

Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

C1-5 Inventories

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
At cost:				
Stores and materials	388	–	344	–
Total inventories	388	–	344	–

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 Non-current assets classified as held for sale

\$ '000	2022	2021
Land	3,316	10,545
	3,316	10,545

The assets held for sale represent small parcels of land previously identified and agreed by Council to be sold as soon as practicable, the timing of which is reflective of the activities required to be undertaken.

Accounting policy

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

Non-current assets are not depreciated or amortised while they are classified as held for sale.

C1-7 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 & impairment	Net carrying amount	Renewals	New assets	Carrying value of disposals	Depreciation	WIP transfers	Transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments / (decrements)	Gross carrying amount	Accumulated depreciation & impairment	Net carrying amount
\$ '000														
Capital work in progress	49,989	–	49,989	27,909	36,558	–	–	(4,343)	–	–	–	110,113	–	110,113
Plant, equipment, furniture and fittings	28,656	(16,939)	11,717	3,635	–	(594)	(3,468)	–	–	–	–	29,141	(17,851)	11,290
Land	165,702	–	165,702	–	1,969	–	–	1,354	–	7,216	–	176,241	–	176,241
Land improvements	1,106	–	1,106	–	30	–	–	128	–	–	–	1,264	–	1,264
Infrastructure:														
– Buildings and other structures	150,561	(47,876)	102,685	108	28	(178)	(3,026)	–	–	–	5,479	158,498	(53,402)	105,096
– Roads, bridges and footpaths	543,674	(117,261)	426,413	7,565	15,778	(589)	(13,097)	1,033	(209)	–	24,032	597,592	(136,666)	460,926
– Other road assets (including bulk earthworks)	607,427	(28,262)	579,165	235	14,031	(345)	(1,419)	255	210	–	32,567	656,012	(31,313)	624,699
– Stormwater drainage	200,982	(74,674)	126,308	50	12,491	(115)	(2,076)	34	(18)	–	7,517	225,081	(80,890)	144,191
– Water supply network	233,959	(99,018)	134,941	381	6,919	(31)	(3,555)	–	–	–	7,945	254,927	(108,327)	146,600
– Sewerage network	272,470	(104,387)	168,083	768	13,357	–	(5,886)	1,539	–	–	10,191	304,644	(116,592)	188,052
– Open space / recreational assets	43,457	(10,708)	32,749	360	952	–	(1,158)	–	17	–	1,809	47,248	(12,519)	34,729
Other assets	664	(255)	409	81	–	–	(122)	–	–	–	–	745	(377)	368
Tip assets	8,984	(8,064)	920	–	–	–	(400)	–	–	–	–	8,983	(8,463)	520
Totals	2,307,631	(507,444)	1,800,187	41,092	102,113	(1,852)	(34,207)	–	–	7,216	89,540	2,570,489	(566,400)	2,004,089

C1-7 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 & impairment	Net carrying amount	Renewals	New assets	Carrying value of disposals	Depreciation	Impairment	WIP transfers	Transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments / (decrements)	Gross carrying amount	Accumulated depreciation & impairment	Net carrying amount
\$ '000															
Capital work in progress	63,045	–	63,045	13,159	23,549	–	–	–	(49,764)	–	–	–	49,989	–	49,989
Plant, equipment, furniture and fittings	28,580	(16,765)	11,815	4,168	–	(468)	(3,662)	–	–	(135)	–	–	28,656	(16,939)	11,717
Land	148,511	–	148,511	–	1,716	(675)	–	(592)	2,976	67	(10,545)	24,244	165,702	–	165,702
Land:															
Land improvements	–	–	–	–	1,085	–	–	–	21	–	–	–	1,106	–	1,106
Infrastructure:															
– Buildings and other structures	137,797	(59,092)	78,705	3,151	601	(4)	(2,553)	–	1,344	(788)	–	22,228	150,561	(47,876)	102,685
– Roads, bridges and footpaths	459,364	(148,187)	311,177	14,988	35,137	(465)	(11,813)	–	28,860	(10,752)	–	59,280	543,674	(117,261)	426,413
– Other road assets (including bulk earthworks)	462,643	(18,207)	444,436	2,480	12,900	–	(624)	–	12,672	37,214	–	70,087	607,427	(28,262)	579,165
– Stormwater drainage	182,377	(68,808)	113,569	2,832	3,644	–	(1,476)	–	2,309	(28,303)	–	33,733	200,982	(74,674)	126,308
– Water supply network	164,790	(58,664)	106,126	970	517	(8)	(2,178)	–	98	1,309	–	28,107	233,959	(99,018)	134,941
– Sewerage network	272,503	(95,678)	176,825	833	1,656	(71)	(5,242)	(3,958)	250	1,725	–	(3,935)	272,470	(104,387)	168,083
– Open space / recreational assets	46,348	(14,452)	31,896	941	–	–	(1,242)	–	1,234	(337)	–	257	43,457	(10,708)	32,749
Other assets	1,213	(845)	368	145	–	–	(103)	–	–	–	–	–	664	(255)	409
Tip assets	4,701	(4,608)	93	–	858	–	(31)	–	–	–	–	–	8,984	(8,064)	920
Totals	1,971,872	(485,306)	1,486,566	43,667	81,663	(1,691)	(28,924)	(4,550)	–	–	(10,545)	234,001	2,307,631	(507,444)	1,800,187

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

Accounting policy

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

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

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

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

Useful lives of IPPE

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

	Useful lives
Plant, equipment, furniture and fittings	3-30
Land	n/a
Land improvements	n/a
Infrastructure:	
– Buildings and other structures	2-200
– Roads, bridges and footpaths	10-100
– Bulk earthworks	n/a
– Stormwater drainage	10-100
– Water supply network	2-100
– Sewerage network	1-112
– Open space / recreational assets	5-100
Other assets	5
Tip assets	20

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

Land under roads

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

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown reserves are under a lease agreement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

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 NSW Government has confirmed its view that these assets are not controlled by the NSW Rural Fire Services or the State.

Council has made an assessment under AASB116 and concluded that Council does not control the rural firefighting equipment referred to as 'red fleet' and as such this equipment is not recognised in these financial statements, however Council continues to recognise the RFS lands and buildings in these statements.

C1-8 Intangible assets

\$ '000	2022	2021
Software		
Opening values at 1 July		
Gross book value	4,633	4,925
Accumulated amortisation	(1,233)	(982)
Net book value – opening balance	3,400	3,943
Movements for the year		
Purchases	10	53
Amortisation charges	(462)	(484)
Carrying value of disposals	–	(112)
Closing values at 30 June		
Gross book value	4,642	4,633
Accumulated amortisation	(1,694)	(1,233)
Total software – net book value	2,948	3,400
Bio-banking credit		
Opening values at 1 July		
Gross book value	3,059	3,059
Net book value – opening balance	3,059	3,059
Closing values at 30 June		
Gross book value	3,059	3,059
Total intangible assets – net book value	6,007	6,459

Accounting policy

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

Biobanking credits are held by Council as part of the Bio Banking Scheme to offset environmental damage caused by Ellerton Drive Extension. Council is required to hold these assets for perpetuity and as such are held as intangible assets with no amortisation.

C1-9 Other

Other assets

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Prepayments	542	–	869	–
Total other assets	542	–	869	–

Accounting Policy

Prepayments are recognised when Council pays for goods or services which it does not consume during the reporting period.

Prepayments are subsequently recognised as expenses in the pattern by which the goods and services are consumed. This can be at a point in time, or over time.

Council has recognised all prepayments with a monetary value of \$20,000 or greater.

Common prepayments recognised by Council include licenses and subscriptions which are prospective and cover future periods beyond the reporting year

C2 Leasing activities

C2-1 Council as lessee

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

Terms and conditions of leases

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

(a) Right of use assets

\$ '000	Office Equipment	Total
2022		
Opening balance at 1 July	158	158
Additions	36	36
Depreciation charge	(62)	(62)
Balance at 30 June	132	132
2021		
Opening balance at 1 July	172	172
Additions	43	43
Depreciation charge	(57)	(57)
Balance at 30 June	158	158

(b) Lease liabilities

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	38	35	–	73	134
2021					
Cash flows	59	101	–	160	160

(c) 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	4	4
Depreciation of right of use assets	62	57
Expenses relating to low-value leases	52	49
	118	110

(d) Statement of Cash Flows

C2-1 Council as lessee (continued)

\$ '000	2022	2021
Total cash outflow for leases	(118)	(110)
	(118)	(110)

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

Council has a lease at significantly below market for land and buildings which is used for the sewerage treatment works

The lease is for 99 years and requires payments of a maximum amount of \$80 per year. The use of the right-to-use asset is restricted by the lessor to specified community services which Council must provide, these services are detailed in the lease.

Council does not believe that the lease in place is material from a statement of financial position or performance perspective.

Accounting policy

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

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

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

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

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

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

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

Exceptions to lease accounting

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		2021	
	Current	Non-current	Current	Non-current
Goods and services	13,376	–	11,345	–
Accrued wages and salaries	832	–	798	–
Accrued Interest	691	–	474	–
Deposits and retentions	3,153	–	2,369	–
Prepaid rates	3,133	–	2,974	–
Total payables	21,185	–	17,960	–

\$ '000	2022	2021
Current payables not expected to be settled within the next 12 months	788	2,005

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 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		2021	
		Current	Non-current	Current	Non-current
Funds to construct Council controlled assets	(i)	16,476	–	20,427	–
Upfront fees - sports, aquatic, and community centres		31	–	36	–
Total contract liabilities		16,507	–	20,463	–

Notes

(i) Council has received funding to construct assets including sporting facilities, roads 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.

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

\$ '000	2022	2021
Funds to construct Council controlled assets	6,333	6,869
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15	198	74
	6,531	6,943

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

continued on next page ...

C3-3 Borrowings (continued)

\$ '000	2022	2022	2021	2021
	Current	Non-current	Current	Non-current
Loans – unsecured	7,447	109,393	5,992	79,864
Total borrowings	7,447	109,393	5,992	79,864

(a) Changes in liabilities arising from financing activities

\$ '000	2021	Non-cash movements		2022
	Opening Balance	Cash flows	Acquisition	Closing balance
Loans – unsecured	85,856	30,984	–	116,840
Lease liability (Note C2-1b)	160	(62)	36	134
Total liabilities from financing activities	86,016	30,922	36	116,974

\$ '000	2020	Non-cash movements		2021
	Opening Balance	Cash flows	Acquisition	Closing balance
Loans – unsecured	81,050	4,806	–	85,856
Lease liability (Note C2-1b)	173	(13)	–	160
Total liabilities from financing activities	81,223	4,793	–	86,016

(b) Financing arrangements

\$ '000	2022	2021
(i) Total facilities:		
Bank overdraft facility ¹	2,000	2,000
Corporate credit cards	210	210
	2,210	2,210
Drawn facilities		
Corporate credit cards	18	25
	18	25
Undrawn facilities		
– Bank overdraft facilities	2,000	2,000
– Corporate credit cards	192	185
	2,192	2,185

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

Breaches and defaults

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

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

C3-3 Borrowings (continued)

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	2022	2021	2021
	Current	Non-current	Current	Non-current
Annual leave	3,274	–	3,464	–
Long service leave	6,707	849	7,090	798
Total employee benefit provisions	9,981	849	10,554	798

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

\$ '000	2022	2021
Provisions – employees benefits	6,487	7,018
	6,487	7,018

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2022	2022	2021	2021
	Current	Non-Current	Current	Non-Current
Asset remediation	6,328	1,764	3,399	5,584
Total provisions	6,328	1,764	3,399	5,584

Movements in provisions

\$ '000	Asset remediation	Total
2022		
At beginning of year	8,983	8,983
Changes to provision:		

C3-5 Provisions (continued)

\$ '000	Asset remediation	Total
- Revised costs	-	-
Unwinding of discount	160	160
Other	(1,051)	(1,051)
Total	8,092	8,092
2021		
At beginning of year	4,876	4,876
Changes to provision:		
- Revised costs	3,954	3,954
Unwinding of discount	153	153
Total	8,983	8,983

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips

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

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2022	Water 2022	Sewer 2022
Income from continuing operations			
Rates and annual charges	52,015	7,488	18,619
User charges and fees	19,645	16,447	1,537
Other revenues	3,307	–	168
Grants and contributions provided for operating purposes	26,854	93	6,729
Grants and contributions provided for capital purposes	81,781	8,986	12,370
Interest and investment income	2,102	32	(176)
Total income from continuing operations	185,704	33,046	39,247
Expenses from continuing operations			
Employee benefits and on-costs	36,120	1,567	2,209
Materials and services	48,537	15,800	8,066
Borrowing costs	2,668	237	320
Depreciation, amortisation and impairment of non-financial assets	25,272	3,555	5,904
Other expenses	1,672	–	5,673
Net loss from the disposal of assets	70	31	–
Fair value decrement on investments	2,043	–	–
Total expenses from continuing operations	116,382	21,190	22,172
Operating result from continuing operations	69,322	11,856	17,075
Net operating result for the year attributable to Council	69,322	11,856	17,075
Net operating result for the year before grants and contributions provided for capital purposes	(12,459)	2,870	4,705

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	13,516	4,848	10,387
Investments	41,469	14,778	31,687
Receivables	23,435	6,370	2,004
Inventories	388	–	–
Other	542	–	–
Non-current assets classified as held for sale	3,316	–	–
Total current assets	82,666	25,996	44,078

Non-current assets

Investments	45,528	16,225	34,789
Receivables	48	–	–
Infrastructure, property, plant and equipment	1,641,740	156,599	205,750
Intangible assets	6,007	–	–
Right of use assets	132	–	–
Total non-current assets	1,693,455	172,824	240,539

continued on next page ...

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2022	Water 2022	Sewer 2022
Total assets	1,776,121	198,820	284,617
LIABILITIES			
Current liabilities			
Payables	20,580	572	33
Contract liabilities	16,507	–	–
Lease liabilities	62	–	–
Borrowings	6,874	226	347
Employee benefit provisions	9,164	352	465
Provisions	6,328	–	–
Total current liabilities	59,515	1,150	845
Non-current liabilities			
Lease liabilities	72	–	–
Borrowings	98,198	4,359	6,836
Employee benefit provisions	849	–	–
Provisions	1,764	–	–
Total non-current liabilities	100,883	4,359	6,836
Total liabilities	160,398	5,509	7,681
Net assets	1,615,723	193,311	276,936
EQUITY			
Accumulated surplus	1,331,986	147,620	268,442
IPPE revaluation reserve	283,737	45,691	8,494
Total equity	1,615,723	193,311	276,936

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

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

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

(a) Market risk – interest rate and price risk

\$ '000	2022	2021
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,870	1,572
Impact of a 10% movement in price of investments		
– Equity / Income Statement	2,623	3,547

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to 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 rates and annual charges			Total
	due	< 5 years	≥ 5 years	
2022				
Gross carrying amount	37	5,980	330	6,347
2021				
Gross carrying amount	–	7,061	212	7,273

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 due	overdue				Total
		< 30 days	30 - 60 days	61 - 90 days	> 90 days	
2022						
Gross carrying amount	20,753	388	291	18	4,353	25,803
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.02%	0.34%
ECL provision	–	–	–	–	88	88
2021						
Gross carrying amount	18,979	2,018	1,042	133	2,629	24,801
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	1.60%	0.17%
ECL provision	–	–	–	–	42	42

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

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total contractu al cash outflows	Carrying values
2022						
Payables	0.00%	18,052	–	–	18,052	21,185
Borrowings	4.02%	11,993	47,615	96,746	156,354	116,840
Lease liabilities	2.74%	38	35	–	73	134
Total financial liabilities		30,083	47,650	96,746	174,479	138,159
2021						
Payables	0.00%	14,987	–	–	14,987	17,960
Borrowings	3.96%	10,419	36,099	62,641	109,159	85,856
Lease liabilities	4.33%	59	101	–	160	160
Total financial liabilities		25,465	36,200	62,641	124,306	103,976

E2-1 Fair value measurement

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

– Infrastructure, property, plant and equipment

Fair value hierarchy

All assets and liabilities measured at fair value are 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: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs 2022	2021	Level 3 Significant unobservable inputs 2022	2021	2022	2021
Recurring fair value measurements							
Financial investments	C1-2						
At fair value through profit or loss		102,476	99,669	–	–	102,476	99,669
Infrastructure, property, plant and equipment							
Plant, Equipment, furniture and fittings	C1-7	–	–	11,290	11,717	11,290	11,717
Land		46,831	39,996	129,410	125,706	176,241	165,702
Land improvements		–	–	1,264	1,106	1,264	1,106
Buildings and other structures		–	–	105,096	102,685	105,096	102,685
Roads, bridges and footpaths		–	–	460,926	426,413	460,926	426,413
Other road assets (including bulk earthworks)		–	–	624,699	579,165	624,699	579,165
Stormwater drainage		–	–	144,191	126,308	144,191	126,308
Water supply network		–	–	146,600	134,941	146,600	134,941
Sewerage network		–	–	188,052	168,083	188,052	168,083
Open space/recreation assets		–	–	34,729	32,749	34,729	32,749
Other assets		–	–	368	409	368	409
Tip assets		–	–	520	920	520	920
Total infrastructure, property, plant and equipment		46,831	39,996	1,847,145	1,710,202	1,893,976	1,750,198
Non-recurring fair value measurements							
Non-current assets classified as held for sale							
Land	C1-6	3,316	10,545	–	–	3,316	10,545
Total non-recurring fair value measurements		3,316	10,545	–	–	3,316	10,545

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).

E2-1 Fair value measurement (continued)

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

Level 2 measurements

Where investments are valued at fair value through profit or loss, Council obtains valuations from its investment adviser (Laminar Capital) at the end of each reporting period ensuring financial statements reflect the most up to date valuation.

Council employed the services of Cardno to assess the fair value of Council's Operational Land assets as at 30 June, using sales transactions of similar assets.

Level 3 measurements

Council undertook an independent valuation through APV Valuers and Asset Management to assess the fair value of all infrastructure, building and open space assets as at 30 June 2021, using unobservable inputs.

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

An independent fair value assessment and valuation was performed during the 2022 financial year by Morrison Low on the following asset classes:

- Buildings & other structures
- Roads, bridges, footpaths
- Other road assets
- Water supply network
- Sewerage network
- Open space/recreational assets

The process involved comparing costs with the most recent public cost indices available accounting for increases in inflation.

Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/22) 2022	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant, equipment, furniture, fittings and office equipment	11,290	Cost approach	Current replacement cost and residual value of modern equivalent asset, asset condition and useful life.
Land	129,410	Community and Crown Land: Values obtained from the NSW Valuer-General. Land under roads: Market-based direct comparison.	Community and Crown Land: Land value, land area, level of restriction. Land under roads: Extent and Impact of use, market cost of land per square metre. The market value of land varies significantly depending on location and current market conditions.
Buildings and others structures (including swimming pools and other recreational buildings)	105,096	Cost approach	Buildings: Current replacement cost and residual value of modern equivalent asset using componentisation, asset condition, and remaining lives. Other structures: Current replacement cost of modern equivalent asset, asset condition, and remaining lives.
Roads (including bridges, footpaths, bulk earthworks) and other similar assets	1,085,625	Cost approach	Asset condition, remaining lives using componentisation.
Stormwater drainage	144,191	Unit rates per square metre or length	Asset condition, remaining lives
Water supply and sewerage network infrastructure	334,652	Cost approach	Asset condition, remaining lives using componentisation.

E2-1 Fair value measurement (continued)

\$ '000	Fair value (30/6/22) 2022	Valuation technique/s	Unobservable inputs
Tips assets	520	Cost approach	Environmental legislation, timing of expected cash outflows, asset condition.
Library books	368	Cost approach	Current replacement cost and residual value of modern equivalent asset, asset condition, remaining lives.

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

\$ '000	Total	
	2022	2021
Opening balance	1,710,202	1,377,580
Recognised in other comprehensive income – revaluation surplus	89,540	230,969
Total gains or losses for the period		
Other movements		
Transfers from/(to) another asset class	4,343	(1,108)
Purchases (GBV)	78,703	138,216
Disposals (WDV)	(1,852)	(1,691)
Depreciation and impairment	(34,207)	(33,474)
Other asset transfers	416	(290)
Closing balance	1,847,145	1,710,202

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

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

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

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2022 was \$388,478.64. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2021.

Council's expected contribution to the plan for the next annual reporting period is \$295,589.64

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

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.74% as at 30 June 2022.

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other contingent liabilities

E3-1 Contingencies (continued)

(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.

The Council is involved from time to time in land acquisitions for the purpose of building community infrastructure. Where land is compulsorily acquired and compensation is disputed, the Council may be required to cover other costs including severance and disturbance costs.

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Contingent Asset - Outstanding Legal Matters

Council has recognised a contingent asset for three separate legal matters, as it is probable at the reporting date that these matters will result in an inflow of economic resources, as a result of court rulings in QPRC's favour.

For two of the legal matters, Council initiated enforcement action for erosion and soil works conducted without regulatory approval. At reporting date, these two matters both will involve estimated costs orders in favour of Council of \$50,000 and \$104,638.05 respectively.

The additional matter required Council to undertake legal action to prevent operation of an illegal vehicle depot, which was decided in favour of Council and upheld on appeal. At reporting date this matter will result in an estimated costs order in favour of Council of \$75,000.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

\$ '000	2022	2021
Compensation:		
Short-term benefits	1,599	1,963
Post-employment benefits	131	182
Other Long Term Benefits	108	26
Total	1,838	2,171

Council recorded no other Related Party transactions with KMP during the financial year to June 30 2022.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2022	2021
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	40	44
Councillors' fees	208	205
Councillors' (including Mayor) expenses	36	7
Total	284	256

F2 Other relationships

F2-1 Audit fees

\$ '000	2022	2021
Auditors of the Council - NSW Auditor-General:		
Audit and review of financial statements	118	149
Remuneration for audit and other assurance services	118	149
Total fees paid or payable to the Auditor-General	118	149
Non NSW Auditor-General audit firms		
Internal Audit Services	140	148
Remuneration for non-assurance services	140	148
Total remuneration of non NSW Auditor-General audit firms	140	148
Total audit fees	258	297

G Other matters

G1-1 Statement of Cash Flows information

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

\$ '000	2022	2021 Restated
Operating result	98,253	78,558
Add/(less) non-cash items:		
(Gain)/loss on disposal of assets	101	(733)
Depreciation and amortisation	34,731	29,465
Non-cash capital grants and contributions	(60,903)	(52,564)
Fair value decrements on investments through P&L	2,043	–
Revaluation decrements / impairments of IPP&E direct to P&L	–	4,550
Unwinding of discount rates on reinstatement provisions	160	153
Revised costs on reinstatement provisions	–	3,096
Changes in assets and liabilities:		
Movements in operating assets and liabilities		
(Increase)/decrease in receivables	(60)	4,470
(Increase)/decrease in other assets	327	(65)
(Increase)/decrease in inventories	(44)	(72)
Increase/(decrease) in trade payables	2,031	1,117
Increase / (decrease) in contract liabilities	(3,956)	(86)
Increase/(decrease) in employee benefit provision	(522)	(857)
Increase / (decrease) in provision for impairment of receivables	(30)	(99)
Increase / (decrease) in accrued interest payable	217	(53)
Increase / (decrease) in other accrued expenses payable	34	(502)
Increase / (decrease) in other provisions	(1,051)	–
Increase/(decrease) in other liabilities and accruals	943	842
Net cash flows from operating activities	72,274	67,220

(b) Non-cash investing and financing activities

Developer contributions 'in kind'	60,903	11,846
Grants 'in kind'	–	40,718
	60,903	52,564

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2022	2021
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Sewerage & water infrastructure	6,697	6,366
Buildings	47,264	64,713
Road infrastructure	365	1,773
Total commitments	54,326	72,852

Details of capital commitments

Council hold commitments for major projects as listed. The projects are due to be completed within the next 5 years and are funded by a combination of grants, contributions, loans and Council reserves.

G3-1 Events occurring after the reporting period

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

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior period error

Natural Disaster Grant Funding received in the 2022 financial year relating to works undertaken in the 2021 financial year to restore assets impacted by natural disasters was not accrued in the 2021 financial year.

Comparatives have been amended to reflect the correction of this error. The impact on each line item is shown in the tables below.

The above error had no impact (OR an immaterial impact) on the Statement of Financial Position at 1 July, 2020.

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

Statement of Financial Position

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Receivables	28,050	3,637	31,687
Total current assets	161,046	3,637	164,683
Total assets	2,039,314	3,637	2,042,951
Net assets	1,894,540	3,637	1,898,177
Accumulated surplus	1,646,158	3,637	1,649,795
Total equity	1,894,540	3,637	1,898,177

Income Statement

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Grants and contributions provided for operating purposes	32,342	3,637	35,979
Total income from continuing operations	230,753	3,637	234,390
Total expenses from continuing operations	155,832	–	155,832
Net operating result for the year	74,921	3,637	78,558

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Net operating result for the year	74,921	3,637	78,558
Other comprehensive income	234,001	–	234,001

G4-1 Correction of errors (continued)

\$ '000	Original Balance 30 June, 2021	Impact Increase/ (decrease)	Restated Balance 30 June, 2021
Total comprehensive income for the year	308,922	3,637	312,559

G5 Statement of developer contributions as at 30 June 2022

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	8,596	3,751	–	10	(390)	–	11,967	–
Parking	3	–	–	–	–	–	3	–
Open space	267	–	–	–	(61)	–	206	–
Community facilities	4,859	690	–	5	(211)	–	5,343	–
Other	11,111	3,559	–	13	(1,306)	–	13,377	–
Bushfire	186	6	–	–	–	–	192	–
Waste management	302	–	–	–	–	–	302	–
Rural addressing	18	–	–	–	–	–	18	–
Recreation facilities	1,130	377	–	1	–	–	1,508	–
Pathway	276	140	–	–	–	–	416	–
Street upgrade	649	397	–	1	–	–	1,047	–
S7.11 contributions – under a plan	27,397	8,920	–	30	(1,968)	–	34,379	–
Total S7.11 and S7.12 revenue under plans	27,397	8,920	–	30	(1,968)	–	34,379	–
S7.11 not under plans	4,360	227	–	4	(567)	–	4,024	–
S7.4 planning agreements	710	101	60,903	1	–	–	812	–
S64 contributions	16,207	3,661	–	16	(1,238)	–	18,646	–
Total contributions	48,674	12,909	60,903	51	(3,773)	–	57,861	–

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

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN (former Palerang)								
Roads	4,784	800	–	5	(127)	–	5,462	–
Community facilities	2,037	407	–	2	(206)	–	2,240	–
Bushfire	186	6	–	–	–	–	192	–
Waste management	302	–	–	–	–	–	302	–
Rural addressing	18	–	–	–	–	–	18	–

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Recreation facilities	1,130	377	-	1	-	-	1,508	-
Pathway	276	140	-	-	-	-	416	-
Street upgrade	649	397	-	1	-	-	1,047	-
Total	9,382	2,127	-	9	(333)	-	11,185	-
CONTRIBUTION PLAN (former QCC)								
Roads	3,812	2,951	-	5	(263)	-	6,505	-
Parking	3	-	-	-	-	-	3	-
Open space	267	-	-	-	(61)	-	206	-
Community facilities	2,822	283	-	3	(5)	-	3,103	-
Other (Googong Development, Extractive Industries - C.S.R)	11,111	3,559	-	13	(1,306)	-	13,377	-
Total	18,015	6,793	-	21	(1,635)	-	23,194	-

G5-3 Contributions not under plans

(former Palerang)

Roads	4,284	168	-	4	(552)	-	3,904	-
Parking	15	59	-	-	(15)	-	59	-
Community facilities	61	-	-	-	-	-	61	-
Total	4,360	227	-	4	(567)	-	4,024	-

G5-4 S7.4 planning agreements

Roads	710	101	30,290	1	-	-	812	-
Community Facilities	-	-	446	-	-	-	-	-
Stormwater	-	-	12,471	-	-	-	-	-
Water	-	-	6,919	-	-	-	-	-
Sewer	-	-	10,777	-	-	-	-	-
Total	710	101	60,903	1	-	-	812	-

G5-5 S64 contributions

G5-5 S64 contributions (continued)

\$ '000	Opening balance at 1 July 2021	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2022	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Section 64 Water	5,979	2,068	–	6	(552)	–	7,501	–
Section 64 Sewer	10,228	1,593	–	10	(686)	–	11,145	–
Total	16,207	3,661	–	16	(1,238)	–	18,646	–

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

	Amounts	Indicator	Indicators			Benchmark
	2022	2022	Restated 2021	2020	2019	
\$ '000						
1. Operating performance						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,694)	(1.74)%	(0.29)%	3.11%	5.20%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	154,860					
2. Own source operating revenue						
Total continuing operating revenue excluding all grants and contributions ¹	121,184	46.97%	49.15%	50.78%	53.22%	> 60.00%
Total continuing operating revenue	257,997					
3. Unrestricted current ratio						
Current assets less all external restrictions	40,712	1.14x	1.78x	1.57x	1.34x	> 1.50x
Current liabilities less specific purpose liabilities	35,764					
4. Debt service cover ratio						
Operating result before capital excluding interest, depreciation, impairment and amortisation ¹	35,262	3.78x	2.98x	3.84x	6.41x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	9,326					
5. Rates and annual charges outstanding percentage						
Rates and annual charges outstanding	6,936	8.02%	9.25%	9.74%	5.68%	< 10.00%
Rates and annual charges collectible	86,497					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus term deposits	110,751	9.31 months	8.10 months	7.44 months	14.30 months	> 3.00 months
Payments from cash flow of operating and financing activities	11,894					

(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

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2022	Restated 2021	2022	2021	2022	2021	
1. Operating performance							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(9.91)%	(2.85)%	12.05%	12.01%	17.51%	(1.49)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue							
Total continuing operating revenue excluding capital grants and contributions ¹	41.50%	37.65%	72.53%	95.37%	51.34%	89.79%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.14x	1.73x	22.61x	26.62x	52.16x	59.66x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest, depreciation, impairment and amortisation ¹	2.15x	1.87x	14.74x	12.35x	16.56x	14.86x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.70%	8.85%	9.43%	10.49%	8.47%	10.11%	< 10.00%
Rates and annual charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	5.95 months	4.42 months	12.25 months	10.33 months	24.96 months	36.38 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

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

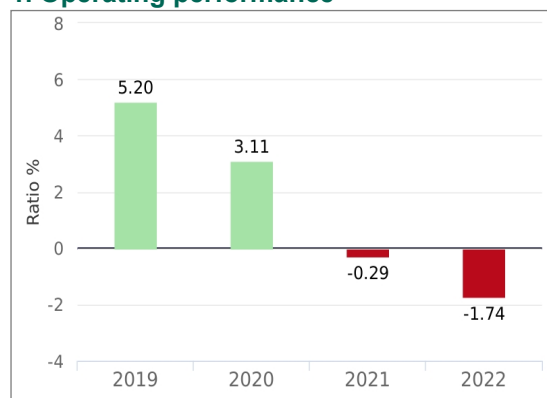
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

End of the audited financial statements

H Additional Council disclosures (unaudited)

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

1. Operating performance



Purpose of operating performance

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

Commentary on 2021/22 result

2021/22 ratio (1.74)%

A combination of poor performance of tcorp managed funds and increased depreciation have seen this ratio decline in the 2022 year.

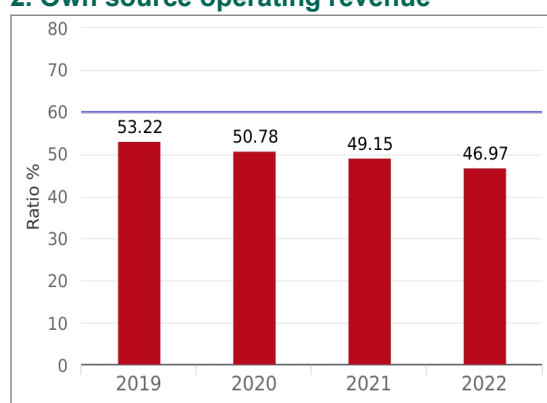
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue



Purpose of own source operating revenue

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 46.97%

This ratio has continued to decline overtime, highlighting Council's dependence on external funding such as Grants and Contributions.

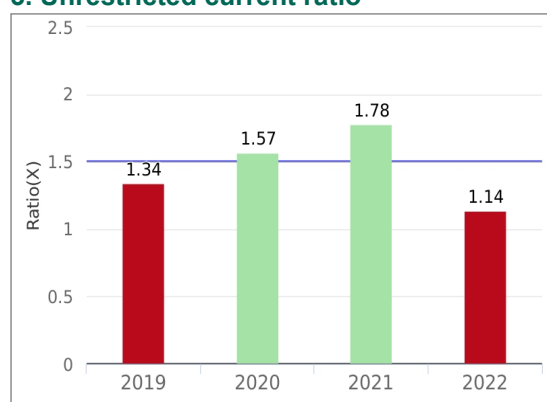
Benchmark: — > 60.00%

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 1.14x

The split of non-current and current provisions for the landfill remediation works has changed as a consequence of some of the larger sites reaching the end of their lives (Bungdore and Braidwood) which along with an increase in current borrowings has increased current liabilities.

Benchmark: — > 1.50x

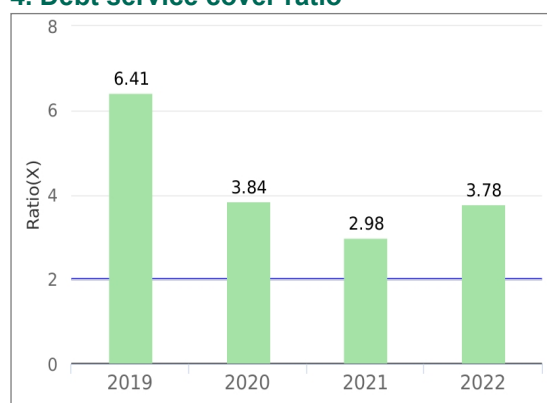
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2021/22 result

2021/22 ratio	3.78x
---------------	-------

The slight increase in this ratio is attributable to the increase in available operating cash due to an increase in operating cash flows this financial year, this ratio remains above the benchmark of 2x. This increase in operating cash is impacted by the additional prepayment of the financial assistance grant.

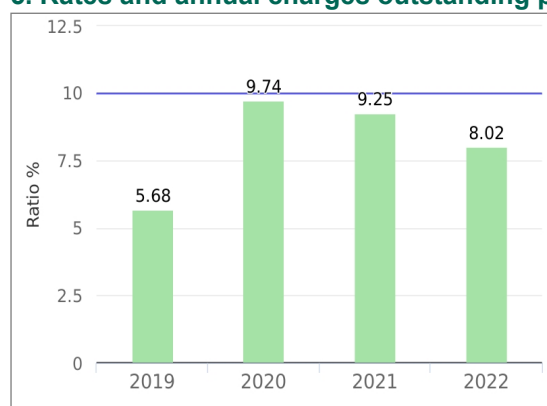
Benchmark: — > 2.00x

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	8.02%
---------------	-------

The Rates and annual charges outstanding has decreased steadily since 2020 when Council implemented hardship policy for ratepayers affected by COVID-19 and natural disasters.

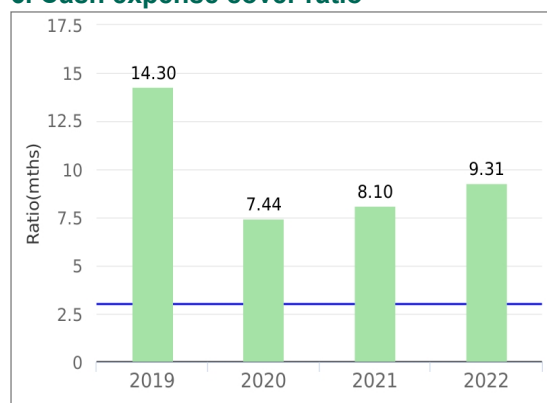
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2021/22 result

2021/22 ratio	9.31 months
---------------	-------------

Council continues to maintain a cash expense cover ratio above the benchmark of 3 months.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Queanbeyan-Palerang Regional Council

To the Councillors of the Queanbeyan-Palerang Regional Council

Qualified Opinion

I have audited the accompanying financial statements of Queanbeyan-Palerang Regional 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 C 1-7 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 commenced on 26 July 2010
- 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 G6-1 'Statement of performance measures – consolidated results' and Note G6-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 November 2022
SYDNEY



Cr Kenrick Winchester
Mayor
Queanbeyan-Palerang Regional Council
PO Box 90
QUEANBEYAN NSW 2620

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: D2225201/FA1780

30 November 2022

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2022
Queanbeyan-Palerang Regional Council**

I have audited the general purpose financial statements (GPFS) of the Queanbeyan-Palerang Regional 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.

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 commenced on 26 July 2010

- 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.

Financial statement preparation process

Effective financial management is critical to public sector entities being able to meet their policy and service delivery responsibilities. An important aspect of financial management and stewardship, and the primary mechanism by which the Council meets their financial accountability obligations, is the preparation and publication of annual audited financial statements.





The timely finalisation of the Council's financial statements, accompanied by an unmodified audit opinion, is an important indicator of the effectiveness of Council's financial management performance. Sound financial management fosters confidence in the Council and its constituents.

The 30 June 2022 financial statement close process of Council was significantly delayed and impacted by the following factors:

- Council agreed to submit all documents specified in the 'Engagement Information Request' by 23 September 2022. However, when the year-end engagement began there were a number of key documents that were not prepared or not quality reviewed. Some of these documents took a number of weeks to obtain, which caused significant delays
- There were a number of significant errors that required correction. These errors have been communicated to management in the Engagement Closing Report.

INCOME STATEMENT

Operating result

	2022	2021	Variance
	\$m	\$m	%
Rates and annual charges revenue	78.1	75.5	 3.4
Grants and contributions revenue	136.8	118.8	 15.2
Operating result from continuing operations	98.3	78.6	 25.1
Net operating result before capital grants and contributions	(4.9)	(4.3)	 14.0

Rates and annual charges revenue (\$78.1 million) increased by \$2.6 million (3.4 per cent) in 2021–22, mainly due to the 2.0 per cent rate peg increase and the rise in the total number of rateable properties.

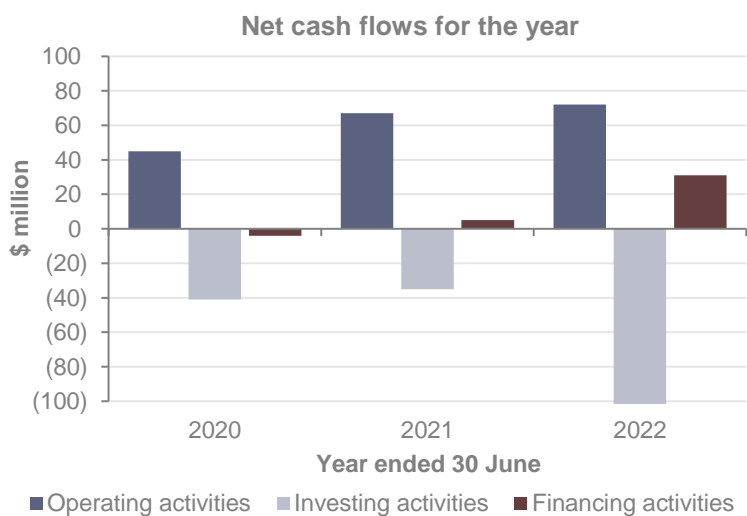
Grants and contributions revenue (\$136.8 million) increased by \$18.0 million (15.2 per cent) in 2021–22 mainly due to:

- increase of \$53.3 million in developer contributions recognised during the year
- increase of \$20.2 million in grants recognised for other roads and bridges
- decrease of \$40.7 million in non-cash contributions received from State funding
- decrease of \$11.2 million in grants recognised for storm/flood/fire damage.

The Council's operating result from continuing operations (\$98.3 million) was \$19.7 million higher than the 2020–21 result. The increase was mainly driven by increases in income, in particular \$18.0 million increase in grants and contributions revenue and \$6.1 million increase in user charges and fees. This was partially offset by a \$3.9 million increase in total expenses.

STATEMENT OF CASH FLOWS

- The Council's cash and cash equivalents balance at 30 June 2022 was \$28.8 million (\$50.0 million as at 30 June 2021). There was a net decrease in cash and cash equivalents of \$21.2 million.
- Net cash from operating activities increased by \$5.1 million, mainly due to an increase in cash receipts from user charges and fees and rates and annual charges, partially offset by an increase in cash payments in other expenses.
- Net cash from investing activities decreased by \$89.1 million. This was mainly due to an increase in the net purchase of term deposits and purchase of infrastructure, property, plant and equipment.
- Net cash provided by financing activities increased by \$26.1 million, mainly due to an increase in cash proceeds from borrowings.



FINANCIAL POSITION

Cash and investments

Cash and investments	2022	2021	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	213.2	192.6	<ul style="list-style-type: none"> Externally restricted cash and cash equivalents are restricted in their use by externally imposed requirements. Council's externally restricted cash and cash equivalents have increased by \$20.1 million, primarily due to an increase in: <ul style="list-style-type: none"> Specific purpose unexpended loans - general fund (\$12.5 million) Developer contributions - general fund (\$7.6 million) Internally restricted cash and equivalents have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by the Council. The Council's internally restricted cash and cash equivalents have increased slightly by \$0.6 million. Unrestricted balances provide liquidity for day-to-day operations. The unrestricted balance has decreased slightly by \$0.1 million.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	200.2	180.1	
• Internal allocations	12.8	12.2	
• Unrestricted	0.2	0.3	

Debt

The Council has unsecured loans with various financial institutions of \$116.8 million (2021: \$85.9 million) with the increase of \$30.9 million due to Council obtaining new loans to assist with funding for capital works in future years.

The Council had a \$2.0 million overdraft facility with the National Australia Bank. At the end of the current reporting period, none of the facility was accessed.

PERFORMANCE

Performance measures

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

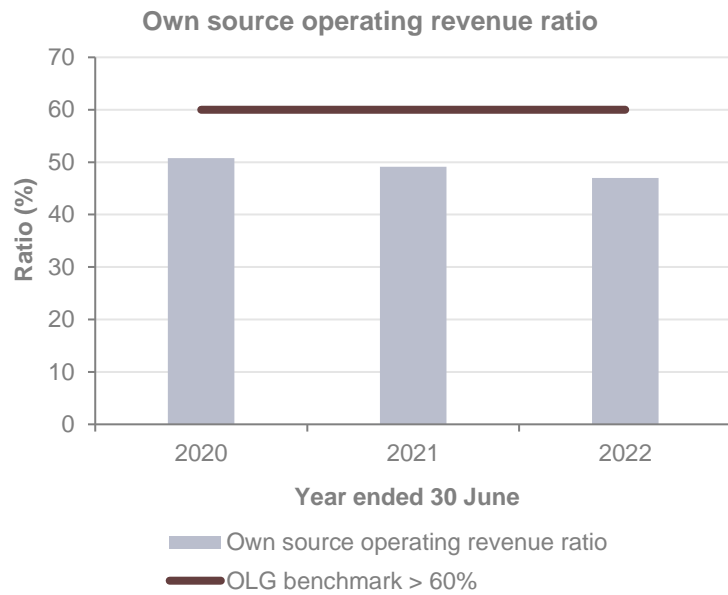
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council did not meet the OLG benchmark for the last two reporting periods.
- The operating performance ratio was -1.74 per cent (2021: -0.29 per cent).



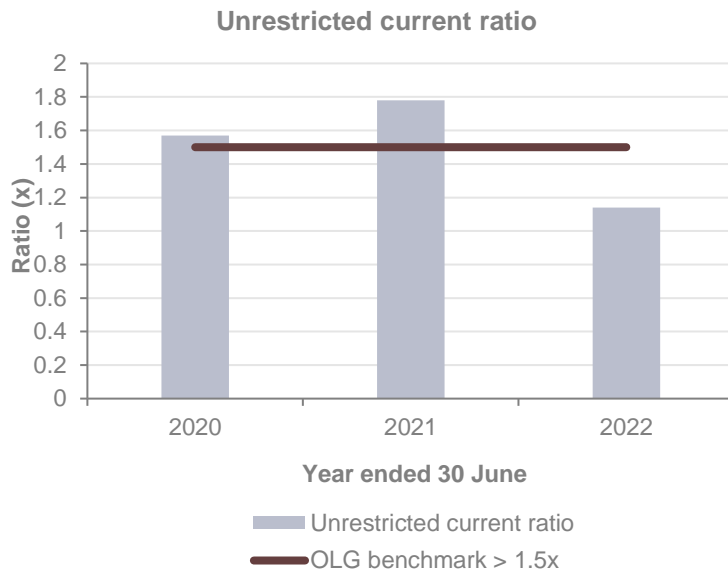
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's did not meet the OLG benchmark for the last three reporting periods.
- The own source operating revenue ratio decreased to 46.97 per cent (2021: 49.15 per cent) mainly due to an increase in grants and contributions.



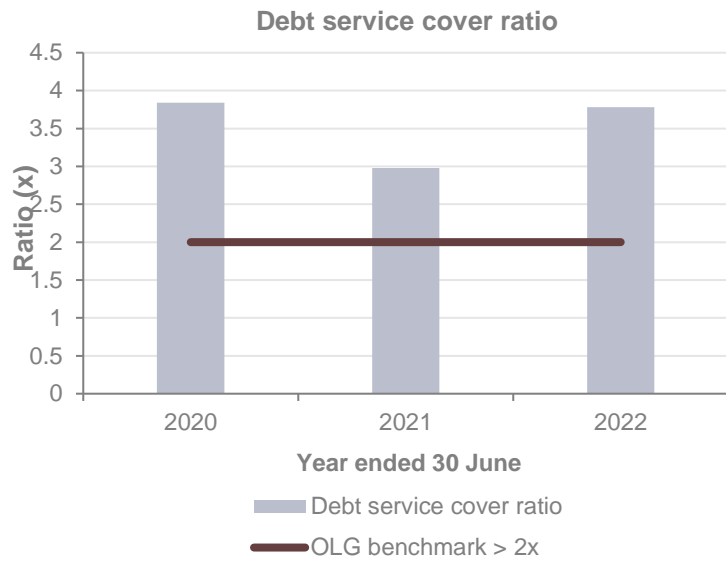
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council did not meet the OLG benchmark for the current reporting period.
- The unrestricted current ratio decreased to 1.14 (2021: 1.78), mainly due to a decrease in current assets.



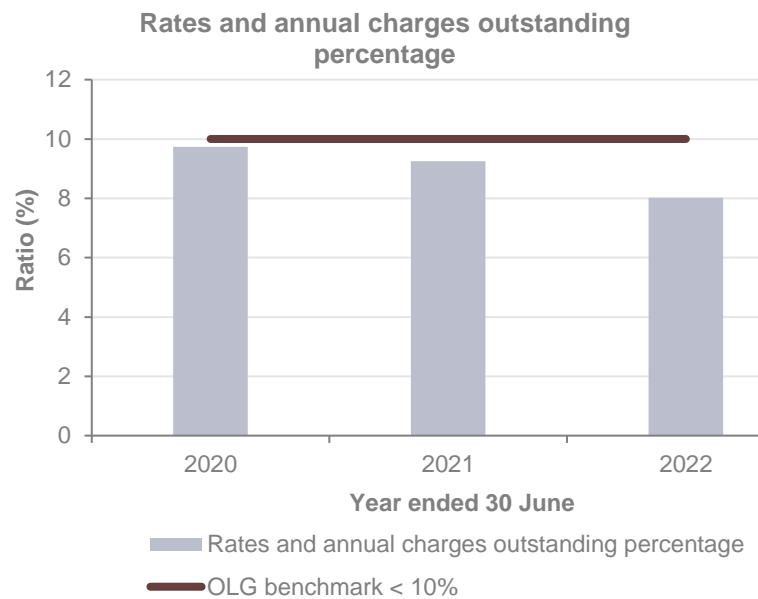
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council exceeded the OLG benchmark for the last three reporting periods.
- The debt service cover ratio increased to 3.78 (2021: 2.98) mainly due to a decrease in borrowing interest costs.



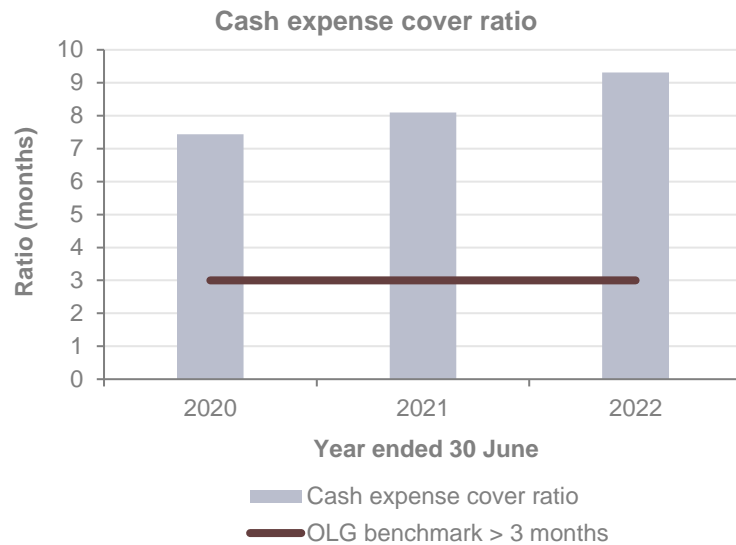
Rates and annual charges outstanding percentage

- The 'Rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council met the OLG benchmark for the last three reporting periods.
- The rates and annual charges outstanding percentage decreased to 8.02 per cent (2021: 9.25 per cent).



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council exceeded the OLG benchmark for the last three reporting periods.
- The cash expense cover ratio increased to 9.31 months (2021: 8.10 months) mainly due to an increase in the current year's cash and cash equivalents plus term deposits.



Infrastructure, property, plant and equipment renewals

Infrastructure, property, plant and equipment renewals for 2021–22 totalled \$41.1 million compared with \$43.7 million in the previous year.

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.

Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Rebecca Ryan, Chief Executive Officer
Andrew Cox, Chair of the Audit, Risk and Improvement Committee
Michael Cassel, Secretary of the Department of Planning and Environment

Queanbeyan-Palerang Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

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Background

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

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

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

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

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

Queanbeyan-Palerang Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

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

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

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

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

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

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

way. Signed in accordance with a resolution of Council made on 28 September 2022.



Kenrick Winchester
Mayor



Esma Livermore
Deputy Mayor



Rebecca Ryan
General Manager



Josh Staniforth
Responsible Accounting Officer

Queanbeyan-Palerang Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	7,488	7,056
User charges	15,860	15,074
Fees	587	734
Interest and investment income	32	1,019
Grants and contributions provided for operating purposes	93	92
Total income from continuing operations	24,060	23,975
Expenses from continuing operations		
Employee benefits and on-costs	1,567	1,400
Borrowing costs	237	230
Materials and services	4,746	5,738
Depreciation, amortisation and impairment	3,555	2,250
Water purchase charges	11,054	11,474
Net loss from the disposal of assets	31	12
Total expenses from continuing operations	21,190	21,104
Surplus (deficit) from continuing operations before capital amounts	2,870	2,871
Grants and contributions provided for capital purposes	8,986	1,067
Surplus (deficit) from continuing operations after capital amounts	11,856	3,938
Surplus (deficit) from all operations before tax	11,856	3,938
Less: corporate taxation equivalent 25% (2021: 26%) [based on result before capital]	(718)	(746)
Surplus (deficit) after tax	11,138	3,192
opening accumulated surplus	135,764	131,826
Adjustments for amounts unpaid:		
– Corporate taxation equivalent	718	746
Closing accumulated surplus	147,620	135,764
Return on capital %	2.0%	2.2%
Subsidy from Council	2,625	–
Calculation of dividend payable:		
Surplus (deficit) after tax	11,139	3,192
Less: capital grants and contributions (excluding developer contributions)	(8,986)	(1,067)
Surplus for dividend calculation purposes	2,153	2,125
Potential dividend calculated from surplus	1,076	1,063

Queanbeyan-Palerang Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2022

\$ '000	2022	2021
Income from continuing operations		
Access charges	18,619	17,726
User charges	1,046	1,020
Liquid trade waste charges	34	30
Fees	457	340
Interest and investment income	(176)	2,264
Grants and contributions provided for operating purposes	6,729	189
Other income	168	10
Total income from continuing operations	26,877	21,579
Expenses from continuing operations		
Employee benefits and on-costs	2,209	2,226
Borrowing costs	320	351
Materials and services	8,066	9,426
Depreciation, amortisation, impairment and revaluation decrement	5,904	9,898
Net loss from the disposal of assets	-	71
Other expenses	5,673	-
Total expenses from continuing operations	22,172	21,972
Surplus (deficit) from continuing operations before capital amounts	4,705	(393)
Grants and contributions provided for capital purposes	12,370	2,244
Surplus (deficit) from continuing operations after capital amounts	17,075	1,851
Surplus (deficit) from all operations before tax	17,075	1,851
Less: corporate taxation equivalent 25% (2021: 26%) [based on result before capital]	(1,176)	-
Surplus (deficit) after tax	15,899	1,851
Opening accumulated surplus	251,367	249,516
Adjustments for amounts unpaid:		
- Corporate taxation equivalent	1,176	-
Closing accumulated surplus	268,442	251,367
Return on capital %	2.4%	0.0%
Subsidy from Council	2,505	2,742
Calculation of dividend payable:		
Surplus (deficit) after tax	15,899	1,851
Less: capital grants and contributions (excluding developer contributions)	(12,370)	(2,244)
Surplus for dividend calculation purposes	3,529	-
Potential dividend calculated from surplus	1,764	-

Queanbeyan-Palerang Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	4,848	9,238
Investments	14,778	11,855
Receivables	6,370	5,821
Total current assets	25,996	26,914
Non-current assets		
Investments	16,225	11,877
Infrastructure, property, plant and equipment	156,599	141,602
Total non-current assets	172,824	153,479
Total assets	198,820	180,393
LIABILITIES		
Current liabilities		
Payables	572	412
Borrowings	226	217
Employee benefit provisions	352	382
Total current liabilities	1,150	1,011
Non-current liabilities		
Borrowings	4,359	4,586
Employee benefit provisions	-	26
Total non-current liabilities	4,359	4,612
Total liabilities	5,509	5,623
Net assets	193,311	174,770
EQUITY		
Accumulated surplus	147,620	135,764
IPPE Revaluation reserves	45,691	39,006
Total equity	193,311	174,770

Queanbeyan-Palerang Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2022

\$ '000	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	10,387	21,116
Investments	31,687	26,907
Receivables	2,004	1,987
Non-current assets classified as held for sale	–	1,300
Total current assets	44,078	51,310
Non-current assets		
Investments	34,789	26,955
Infrastructure, property, plant and equipment	205,750	181,182
Total non-current assets	240,539	208,137
Total assets	284,617	259,447
LIABILITIES		
Current liabilities		
Payables	33	195
Borrowings	347	340
Employee benefit provisions	465	325
Total current liabilities	845	860
Non-current liabilities		
Borrowings	6,836	7,182
Employee benefit provisions	–	21
Total non-current liabilities	6,836	7,203
Total liabilities	7,681	8,063
Net assets	276,936	251,384
EQUITY		
Accumulated surplus	268,442	251,367
IPPE Revaluation reserves	8,494	17
Total equity	276,936	251,384

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Provision of water services to the Local Government Area.

b. Sewerage Services

Provision of waste water services to the Local Government Area.

Category 2

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

Nil

Taxation equivalent charges

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

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

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

Notional rate applied (%)

Note – Significant Accounting Policies (continued)

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

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred to in the DPIE– Water guidelines as a ‘dividend for taxation equivalent’, may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (2020-21: 26%)

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

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

The rate applied of 25% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

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

Loan and debt guarantee fees

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

(i) Subsidies

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

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry - Water guidelines and must not exceed:

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

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Queanbeyan-Palerang Regional Council

To the Councillors of the Queanbeyan-Palerang Regional Council

Opinion

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

The Declared Business Activities of the Council are:

- Water supply
- Sewerage

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

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

Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 November 2022
SYDNEY

Queanbeyan-Palerang Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2022



Queanbeyan-Palerang Regional Council

Special Schedules

for the year ended 30 June 2022

Contents	Page
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Queanbeyan-Palerang Regional 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	39,278	40,483
Plus or minus adjustments ²	b	438	958
Notional general income	c = a + b	39,716	41,441
Permissible income calculation			
rate peg percentage		2.00%	0.00%
crown land adjustment incl. rate peg percentage	e	0.00%	2.50%
plus rate peg amount		794	-
plus crown land adjustment and rate peg amount	i = e x (c + g)	-	1,036
Sub-total	k = (c + g + h + i + j)	40,510	42,477
Plus last year's carry forward total	l	4	31
Sub-total	n = (l + m)	4	31
Total permissible income	o = k + n	40,514	42,508
Less notional general income yield	p	40,483	42,508
Catch-up or (excess) result	q = o - p	31	-
Carry forward to next year ⁶	t = q + r + s	31	-

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Queanbeyan-Palerang Regional Council

To the Councillors of Queanbeyan-Palerang Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Queanbeyan-Palerang Regional Council (the Council) for the year ending 30 June 2023.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:


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

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

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

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

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



Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 November 2022
SYDNEY

Queanbeyan-Palerang Regional Council

Report on infrastructure assets as at 30 June 2022

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2021/22 Required maintenance ^a \$ '000	2021/22 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	1,980	9,102	3,800	985	105,096	158,498	25.0%	42.0%	27.0%	6.0%	0.0%
	Sub-total	1,980	9,102	3,800	985	105,096	158,498	25.0%	42.0%	27.0%	6.0%	0.0%
Roads	Sealed Roads	946	3,688	3,580	9,577	336,090	418,281	73.0%	15.0%	11.0%	1.0%	0.0%
	Bridges	1,814	6,894	750	515	84,180	128,393	44.0%	19.0%	32.0%	5.0%	0.0%
	Footpaths	108	609	380	374	40,656	50,918	55.0%	26.0%	17.0%	1.0%	1.0%
	Other road assets (includes bulk earthworks)	654	1,709	1,060	374	624,699	656,012	91.0%	5.0%	4.0%	0.0%	0.0%
	Sub-total	3,522	12,900	5,770	10,840	1,085,625	1,253,604	78.7%	10.6%	9.7%	0.9%	0.0%
Water supply network	Water supply network	592	3,384	2,160	2,285	146,600	254,927	76.0%	14.0%	9.0%	1.0%	0.0%
	Sub-total	592	3,384	2,160	2,285	146,600	254,927	76.0%	14.0%	9.0%	1.0%	0.0%
Sewerage network	Sewerage network	2,599	13,232	2,840	3,808	188,052	304,644	27.0%	42.0%	26.0%	4.0%	1.0%
	Sub-total	2,599	13,232	2,840	3,808	188,052	304,644	27.0%	42.0%	26.0%	4.0%	1.0%
Stormwater drainage	Stormwater drainage	5,860	10,328	750	312	144,191	225,081	67.0%	21.0%	7.0%	0.0%	5.0%
	Sub-total	5,860	10,328	750	312	144,191	225,081	67.0%	21.0%	7.0%	0.0%	5.0%
Open space / recreational assets	Swimming pools	522	2,983	130	–	34,416	37,632	0.0%	0.0%	67.0%	33.0%	0.0%
	Park Structures	67	382	510	1,519	313	9,616	58.0%	31.0%	9.0%	1.0%	1.0%
	Sub-total	589	3,365	640	1,519	34,729	47,248	11.8%	6.3%	55.2%	26.5%	0.2%
Total – all assets		15,142	52,311	15,960	19,749	1,704,293	2,244,002	65.0%	18.4%	13.8%	2.1%	0.7%

(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

Queanbeyan-Palerang Regional Council

Report on infrastructure assets as at 30 June 2022

Infrastructure asset performance indicators (consolidated) *

	Amounts	Indicator	Indicators			Benchmark
	2022	2022	Restated 2021	2020	2019	
\$ '000	2022	2022	Restated 2021	2020	2019	
Buildings and infrastructure renewals ratio						
Asset renewals ¹	37,376					
Depreciation, amortisation and impairment	30,217	123.69%	127.75%	61.42%	144.21%	>= 100.00%
Infrastructure backlog ratio						
Estimated cost to bring assets to a satisfactory standard	15,142					
Net carrying amount of infrastructure assets	1,814,406	0.83%	1.24%	1.20%	3.22%	< 2.00%
Asset maintenance ratio						
Actual asset maintenance	19,749					
Required asset maintenance	15,960	123.74%	122.39%	109.66%	86.49%	> 100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	52,311	2.33%	3.06%	3.23%	2.31%	
Gross replacement cost	2,244,002					

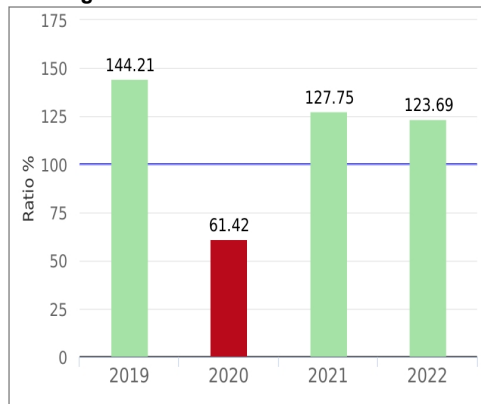
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Queanbeyan-Palerang Regional 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	123.69%

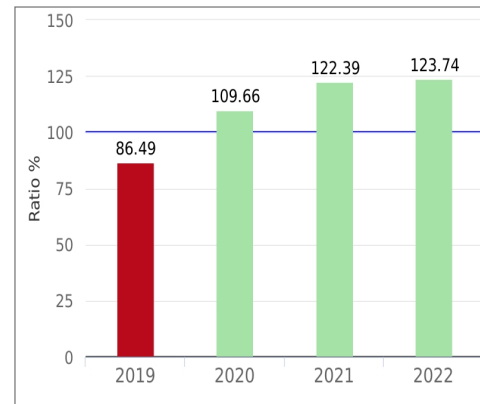
Benchmark: — $\geq 100.00\%$

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	123.74%

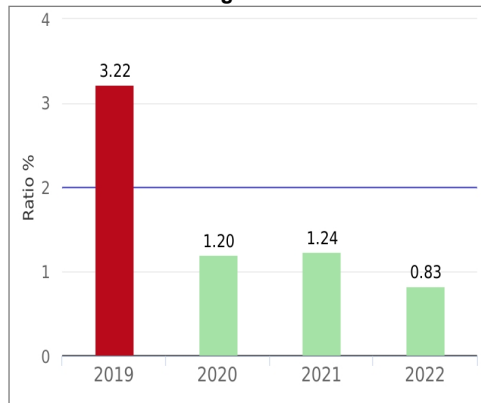
Benchmark: — $> 100.00\%$

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	0.83%

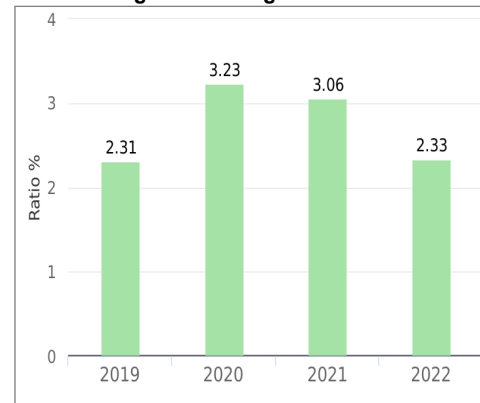
Benchmark: — $< 2.00\%$

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	2.33%

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Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2022	2021	2022	2021	2022	2021	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	174.37%	143.00%	10.72%	85.00%	13.05%	96.00%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.81%	1.03%	0.40%	2.34%	1.38%	2.01%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	124.60%	113.54%	105.79%	114.49%	134.08%	171.92%	> 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	2.12%	1.74%	1.33%	7.66%	4.34%	6.65%	

(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.