

ANNUAL REPORT

2019-20



UNITED IN OPTIMISM,
READY FOR THE FUTURE



Calala Raw Water Storage Dam

An aerial photograph showing a large, curved concrete dam or reservoir wall in the foreground. Beyond the wall is a body of water. In the background, a suburban town with many houses and trees is visible, followed by rolling hills under a blue sky with some clouds.

WELCOME

TO TAMWORTH REGIONAL COUNCIL'S 2019-20 ANNUAL REPORT

This report provides a comprehensive account of Council's achievements, challenges and aspirations for the future. It details our performance against our commitments as set out in Keychange 2017-2027 and provides an analysis of our financial performance. The report also demonstrates the breadth of our operations and the diversity of services delivered on a daily basis to our regional community. We hope you enjoy reading about 2019-20 at Tamworth Regional Council.

WHY WE HAVE AN ANNUAL REPORT

The Annual Report provides an account of our performance for our community. It details our achievements against commitments and our performance against required measures. It also provides an account of our financial management over the past year. The Annual Report is an opportunity to acknowledge the great things that have been happening across the region and meets our requirements under the NSW Local Government Act (1993). It will also be presented to the Minister each year.

NAVIGATING THE DOCUMENT

This Annual Report comprises five main sections. In the first section you will find the key achievements and highlights of 2019-20.

The main body of the report provides an overview of who we are, the opportunities and challenges for the Tamworth region and our performance in detail against our five strategic objectives. It also includes the results against our major initiatives, our key performance indicators and the new legislated requirements which can be found in the Statutory Information section.

The final section of this report provides a detailed account of our financial performance. For additional navigation, please refer to the glossary of terms and acronyms which completes the document.

ACKNOWLEDGEMENT TO COUNTRY

Tamworth Regional Council acknowledges the Kamilaroi People, the traditional owners and custodians of the lands in our Region, and we pay respect to the Elders both past and present.

COPIES AND FURTHER INFORMATION

Hard copies of this report are available at any of our four Customer Service Centres whilst electronic copies are available on our website. To request a copy, email or phone our Customer Service Centre using the details below:

WEB: www.tamworth.nsw.gov.au

EMAIL: trc@tamworth.nsw.gov.au

PHONE: (02) 6767 5555 during office hours.

CONTENTS

WELCOME

Acknowledgement to Country.....	3
Why we have an annual report.....	3
How to read this report.....	3

YEAR IN REVIEW

Message from the Mayor and General Manager.....	5
Key achievements for 2019-20.....	7
Your rates at work.....	8
Snapshot of our financial result.....	9
Our drought response.....	10
Our COVID-19 responses.....	12

OUR COUNCIL, OUR REGION

Our region's profile.....	14
Economic indicators.....	16
Our community at a glance.....	17
Our Council.....	18
Our services at a glance.....	19
Elected representatives.....	20
Corporate governance.....	21
Council committees.....	23
Organisational structure.....	24
Our volunteers.....	26

OUR PERFORMANCE

Planning and reporting framework.....	28
Council strategic themes	
• A Spirit of community.....	29
• A prosperous region.....	32
• An accessible region.....	35
• A region for the future.....	38
• A region of progressive leadership.....	41

OUR STATUTORY INFORMATION

Business activities.....	44
Companies controlled by Council.....	45
Companion animals management.....	46
Contracts awarded.....	48
Grants and contributions.....	48
Disability Action Inclusion Plan.....	50
Equal opportunity management.....	50
Financial performance indicators.....	50
Functions delegated to other organisations.....	52
Government information.....	52
Public Access (GIPA).....	52
Legal proceedings.....	52
Overseas travel.....	54
Planning agreements.....	54
Public interest disclosures.....	54
Rates and charges written off.....	55
Remuneration - general manager.....	56
Remuneration - senior staff.....	56
Special rate variations.....	56
Project and expenditure.....	57
Work on private land.....	62
Swimming pool inspections.....	62
Stormwater management services.....	63

GLOSSARY.....	64
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ACRONYMS.....	66
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Cover image: Ensuring our fleet is ready to roll...
Mechanic First Class, Geoff Carriage.

UNITED IN OPTIMISM, READY FOR THE FUTURE

On behalf of Tamworth Regional Council, we are pleased to present the Annual Report 2019-20.

It's true to say the year has been quite a rollercoaster ride for all of us.

Tamworth Regional Council soared to great heights in the first six months of the financial year, continuing to build on our strong record of delivering major new infrastructure for our community and putting strategies in place to ensure our region has a prosperous future.

But in the second half of the financial year we have also experienced the lows and tackled the challenges of the worldwide COVID-19 pandemic, the virus proving to be not only a deadly health crisis but also bringing a devastating blow to our region's economy.

All our lives changed on 27 February, 2020 when the Prime Minister Scott Morrison declared COVID-19 a national pandemic. Weeks later our community started to feel the effects as social distancing became the 'new normal' with events postponed or cancelled. In the interests of stopping the spread of the deadly virus, we went into lockdown with many businesses closed. We were not allowed to leave our homes except to exercise outdoors, buy food or access health care.

At this challenging time, Council wanted to find ways we could help make a difference to those businesses and residents hurting from the financial fallout of the pandemic. We had to make some hard decisions but the safety and health of our region's residents, our customers and employees has been our top priority while following the recommended actions from health experts.

First, we launched the Tamworth Region Trading Directory and then our COVID-19 Support Package to give practical help to residents and businesses. Council is now working on its Revive the Region plan which aims to stimulate the local economy.

We changed how we delivered some of our essential services, provided up-to-date information to our community, removed red tape, reduced fees and took a flexible approach to enforcement and compliance.

We also worked to ensure that non-essential services remained available to the community through initiatives such as our Virtual School Holiday program, the Tamworth Grants Hub and the Click and Collect Library Service.



**Councillor Col Murray
Mayor**



**Paul Bennett
General Manager**



Council decided it was important to keep our community informed with the facts about COVID-19. We started a regular community leaders forum broadcast live through our Facebook page. Hundreds of residents tuned in.

An unexpected upside of COVID-19 came in May when our airport was turned into an international terminal for a day for the arrival of the Auckland Warriors National Rugby League team. Tamworth was the Warriors' home for quarantine before the start of the 2020 NRL season. The level of international media interest it attracted was unbelievable.

After years of sound management, Council was in a firm financial position when COVID-19 hit. While we would be able to sustain the pandemic's financial blows it became apparent quickly our annual income would be impacted significantly through the necessary closure of Tamworth Regional Airport, our entertainment venues and sporting facilities. The financial section of this report shows the accumulated loss is \$4 million for 2019-2020.

Now after reaching the end of June 2020 and with the very necessary COVID-19 health measures easing, life is feeling a little more 'normal'. Our optimism and adaptability has served us well. We are confident the worst is behind us.

We should also reflect on some of the great outcomes Council has managed to deliver for its community. These include the biggest single improvement to traffic flows for Tamworth's road network in almost 50 years with the multi-million dollar construction of a second bridge over the Peel River in Jewry Street and the upgrade of the adjoining Peel Street intersection, the completion and official opening of the \$17.2 million Northern Inland Centre of Sporting Excellence (Stage 1), and the start of the \$9.636 million second stage of the Northern Inland Centre of Sporting Excellence at Tamworth Hockey Complex and the Australian Equine and Livestock Events Centre.

With the ongoing drought, Council has continued to advocate strongly for improved water security for our region. In January 2020, the water level

of Chaffey Dam dropped to its lowest point of 12.8 per cent capacity. It has improved slightly to 14.2 per cent by 16 June 2020. We welcomed the announcement in October last year of \$480 million in funding from the Australian and NSW governments for a new Dungowan Dam and it was pleasing to see WaterNSW complete the Chaffey Dam to Dungowan Pipeline in March 2020.

We also ensured our nine free bulk water refill stations again supported farming families facing hardship due to the drought. The initiative started in 2018 and will be phased out only when more than half of the Tamworth region is declared recovering or no longer in drought.

It has been a year of unexpected challenges, however also one where we have stood with our community. Together we have adapted and shown how truly resilient we are.

The adoption of Blueprint has given us our plan for the future to ensure we are a smart and sustainable regional community. Part of that future has involved moving forward with the Tamworth university proposal in partnership with local business and the University of New England.

As we enter the next financial year, Council will be prioritising those projects which will provide local jobs and boost our region's economic activity for the post-pandemic recovery. Many have grant funding secured from the Australian Government and NSW Government.

The biggest is the Tamworth Global Gateway Park at Westdale which will drive the region's economic growth and employment opportunities for the next 20 or more years. How exciting it will be to see it come together – we have much to look forward to.

Councillor Col Murray
Mayor

Paul Bennett
General Manager

KEY ACHIEVEMENTS FOR 2019-20

Tamworth Cemetery extension



Tamworth Country Music Festival Community Ambassadors



Tamworth Regional Museums Engagement Strategy

Northern Inland Centre of Sporting Excellence Stage 2



Astronomy and Science Centre



Destination hot spot

National Guitar Museum

UNE Business Case

Main apron extension

Connors Creek Bridge



Gipps Street Car Park upgrade

Werris Creek Road upgrades



Blueprint 100



Calala Raw Water Storage Dam



Fitzroy Street redevelopment



Small Vehicle Transfer Stations for rural communities

Business continuity plan

New TRC website



Online DA applications increase

Rural Aid funding for Barraba

YOUR RATES AT WORK



Fire and Emergency Services

\$1,072,271.25



Drainage and Stormwater

\$1,864,140.92



Libraries

\$2,371,685.67



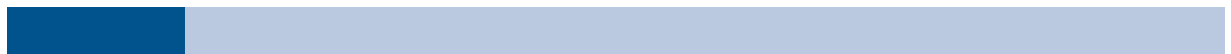
Community and Cultural

\$6,476,330.98



Governance

\$3,002,830.74



Planning and Compliance

\$4,685,530.69



Economic Development

\$6,544,289.58



Waste

\$7,410,324.80



Sport and Recreation

\$10,636,974.26



Roads, Bridges and Paths

\$15,004,597.89



Sewer

\$17,151,280.93



Water

\$20,063,722.02



FINANCIAL RESULT

Tamworth Regional Council has a strong financial position. A summary of our performance is outlined below, while detailed information is included within the financial statements section and performance statement in this report.

Council's total cash and investments as at 30 June 2020 were \$169,352,000. Not all of these funds are available for discretionary use, as the amount includes items that are externally or internally restricted in their use.

Council is holding \$141,915,000 in funds that are externally restricted in their use. This amount includes unexpended loans, deposits/bonds, unexpended grants as well as water, sewerage, and domestic waste cash and investments. Council is also holding a further \$27,285,000 in

funds that are internally restricted by Council in their use. These are amounts set aside for specific purposes such as for future asset replacement, remediation and accrued employee leave entitlements.

Internally, Council identifies cash in terms of 'funds' – General Fund, Water Fund and Sewer Fund. This means that monies held in those specific funds can only be spent on the particular purpose of each fund. Council has \$152,000 unrestricted available cash to meet short term obligations.

Income Statement (\$'000)	2019/20
Total income from continuing operations	174,269
Total expenses from continuing operations	136,632
Net operating result for the year	37,637
Net operating result before grants and contributions provided for capital purposes	1,849

Balance Sheet (\$'000)	2019/20
Total current assets	196,796
Total current liabilities	37,982
Total non-current assets	1,817,286
Total non-current liabilities	89,763
Total equity	1,886,337

OUR DROUGHT RESPONSE

Steering clear of day zero

The Tamworth region continued to live through the harsh effects of the worst drought on record over the past 12 months. Dam levels continued to plummet and rivers ceased to flow. What did not stop though were Council's efforts to ensure dwindling supplies were managed efficiently and residents' endeavours to conserve water at every opportunity, all to avoid day zero.

As Tamworth, Moonbi and Kootingal grappled with the introduction of Level 5 water restrictions for the first time in many years and the region's other five water supplies all faced water restrictions of some level, a range of infrastructure and community focused initiatives were introduced, including:

- The Water Restrictions Communication and Engagement Plan, which outlined the communications and engagement response required at each level of water restrictions, was adopted in August 2019;
- The Tamworth Regional Water Supply Taskforce was established with the introduction of Level 5 water restrictions and met monthly to discuss the steps required as dam levels continued to drop;
- Engagement with 52 large water users to identify ways they can reduce their consumption and how Council could support them in that process;
- A 120ML storage dam was built next to the Calala Water Treatment Plant;
- Community information stands popped up at locations across the region to provide touch points for residents to collect shower timers and ask questions;
- Approval was granted to trial the diversion of treated wastewater down the Peel River for agricultural businesses to extract downstream;
- Tamworth, Moonbi and Kootingal were saturated in messaging about Level 5 water restrictions and the 150L/person/day consumption target;
- Council developed and endorsed an Emergency Water Supply Plan to ensure day zero was never to be faced in the region;
- Educational videos were developed to help residents learn how to read their water meters and monitor their water consumption;
- A raw water bore was commissioned for use by the construction industry;
- Business seminars were held in conjunction with the Tamworth Business Chamber to provide a forum for business owners and managers to ask questions about the impacts of restrictions on their businesses; and
- The NSW Government funded the new Chaffey to Dungowan pipeline meaning water can be sourced from Chaffey Dam with minimal transmission losses.

As 30 June 2020 neared, parts of the region began to receive much needed rain and water restrictions were able to be eased to permanent water conservation measures in Barraba, Manilla, Attunga, Bendemeer and Nundle. Unfortunately very little of this much needed rainfall contributed to inflows into Chaffey Dam meaning as of 30 June Tamworth, Moonbi and Kootingal remained on Level 5 water restrictions. Council will continue to develop initiatives to guide Tamworth, Moonbi and Kootingal residents and businesses through the ongoing drought. Conversations with the NSW Government regarding increased water security for our region will remain a priority to ensure day zero is never reached.





OUR COVID-19 RESPONSE

A local response to a global pandemic

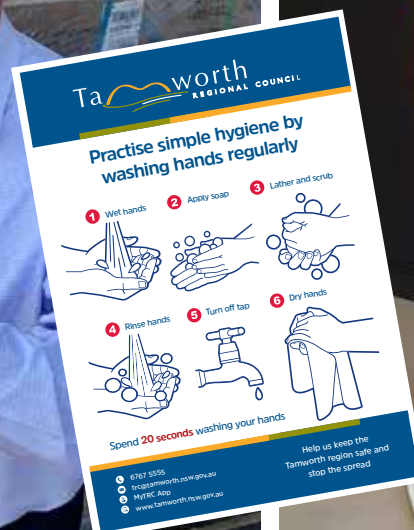
On 27 February, 2020 the Prime Minister Scott Morrison declared the COVID-19 outbreak as a national pandemic. In the following months, restrictions were imposed by the NSW State Government, including around the closure of borders, movement, gatherings of groups of people, and the operations of business.

In the Tamworth region, these restrictions impacted the community both economically and socially, and Council was not exempt from this. From March, whilst we aimed to maintain normal service levels where possible, the health and safety of our community and staff became the key priority for Council. As a result, a number of actions were taken, including:

- Customer Service offices were closed on Tuesday 31 March, re-opening with limited hours from Monday 18 May;
- Council-run events were cancelled or postponed, including the Tamworth Regional Heritage Festival and Taste Tamworth;
- Council-owned assets were closed to the public, including the Australian Equine and Livestock Events Centre (AELEC), Tamworth Regional Gallery, Tamworth Regional Airport, Tamworth Visitor Information Centre, regional outlets in Nundle and Manilla, Tamworth Sports Dome, The Tamworth Regional Youth Centre. All entertainment venues, museums, libraries, playgrounds and sports fields across the region were also impacted;
- Council staff who could work from home were directed to do so. Staff affected by venue closures or other restrictions had their work reassessed, and were redeployed across the business into meaningful work, or into volunteering roles in the community. In seeking to assist both business and residents in response to the pandemic, the following measures were implemented:
 - A dedicated COVID-19 information page was formed and regularly updated on Council's website.
 - The delivery curfew was removed from food stores.
 - Restaurants without take-away licensing were able to transition to take-away, with fees removed for footpath advertising and the use of additional public space.
 - Invoice payments were fast-tracked to assist businesses in maintaining cash flow.
 - Tamworth CBD car parking metres were disabled.
 - A refund of fees was issued for the withdrawal of Development Applications.
 - No new debt recovery action for overdue rates and charges was undertaken.

- Enforcement actions were limited to matters of imminent risk to public or environmental safety.
- Organisations leasing Council properties were offered support in the form of the suspension of rental payments.
- Water and sewer headworks charges paid over a defined period were eligible for reimbursement.
- A review of Council's Annual Donations Program selection criteria and Council's Procurement Policy were undertaken to maximise benefits to the community; and
- Local contractors were given preference on scheduled works within procurement guidelines. Alongside these measures, many parts of Council shifted the way they delivered services in order to maintain residents' access to information and programs. These initiatives included:
 - Regular live-streamed updates of the Community Leaders Forum for media and the community led by the Mayor, police, local State and Federal Members of Parliament and other community leaders from the steps of the Tamworth War Memorial Town Hall.
 - The launch of Central Northern Regional Libraries' Click and Collect Library Service and virtual "Baby Book Time";
 - The launch of the Tamworth Region Trading Directory;
 - Increased customer service offerings via phone, email, web, the MyTRC app, Grants Hub and the Online Development Hub;
 - The Youth Week program was delivered through a number of online-only events;
 - The Tamworth Regional Heritage Awards and Community Volunteer of the Year Awards were presented via live stream;
 - Tamworth Regional Gallery opened its first virtual exhibition;
 - The Easter school holiday program was delivered through a number of online-only events, supported by Click and Collect capabilities;
 - Council media updates were delivered, where possible, via virtual media packs; and
 - Council collaborated with neighbouring Councils to deliver tourism-focused webinars for small business.

The COVID-19 pandemic continues to impact the Tamworth region, and is anticipated to do so for some time. Through this unprecedented period, Council will continue to prioritise the health and safety of the community and our staff, heed advice from the NSW State Government, and support residents and business through both the disaster and recovery phases of the pandemic.



OUR REGION, OUR COUNCIL

**TAMWORTH, A REGION OF
OPPORTUNITY AND PROSPERITY,
A PLACE TO CALL HOME.**



OUR REGION'S PROFILE

Tamworth is a vibrant and prosperous regional city located 389km from Sydney and 574km from Brisbane on the inland corridor.



Tamworth Regional Council (TRC) incorporates an area of 9,653.25 km², including the surrounding towns and villages of Nundle, Manilla, Barraba, Bendemeer and Kootingal. The Tamworth region is in a strong economic position with a Gross Regional Product (GRP) estimated at \$3.25 billion.

OUR POPULATION

The population of the Tamworth region is 62,541 and is growing at about 1% per annum. Tamworth's average population has shown positive growth for the last 10 years. Over 85% of this population is based in the city of Tamworth.

Tamworth is a significant regional hub for New South Wales and a service centre for the New England and North West, servicing a catchment of over 200,000 people.

Tamworth plays host to 5,439 registered businesses, supporting 29,114 local jobs.

Based on the latest Tamworth Region Business Index Survey (April 2018), business confidence is strong. Close to 74% of respondents confirmed they plan to further invest in their business over the next three years and more than 50% of them ranked population growth as the key external factor contributing to business growth.

THE COUNTRY MUSIC FESTIVAL

Synonymous with country music, Tamworth has a strong brand, strengthened by the annual Country Music Festival. Now running for 47 years, the Festival is a significant event for the region, generating an estimated \$127.74m in economic benefit to the community. The Festival attracts more than 300,000 visitors over 10 days, making it Australia's largest Country Music Festival and one of the largest music festivals in the Southern Hemisphere.

ECONOMIC INDICATORS

GRP

3.24 Billion

Population

62,541

Local Jobs

29,114

Largest Industry

**Health Care and
Social Assistance**

Local Businesses

5,439

Employed Residents

29,684



Health care and social assistance is a major employer in the Tamworth region

OUR COMMUNITY AT A GLANCE

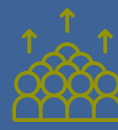
Key Economic Snapshot


12%

University qualification


24%

Trade Qualification


62,541
Population

2,770
Population
Growth 2011-16

0.95%
GROWTH RATE

40 YRS
MEDIAN AGE

5.8%
UNEMPLOYED

\$355,240

Average housing price 2019


\$61,360

Average household income 2016

392

 Development
applications
approved
(2019-2020)

\$93m

 Development
application
value
(2019-2020)

35 Days

 Average
processing
time

5,439

Local Businesses


29,114

Local Jobs

Major Development Approval in 2019-2020

\$1,757,085

Warehouse on Curtiss Close

 Service Station including Convenience
Store, Bulky Goods Premises & Two Lot
Subdivision (Staged)

\$3,200,000
\$2,300,000

Service station and associated building

 Educational Facility - Proposed Multi-Use
Classroom Buildings (Staged Development)

\$3,600,000
\$2,350,000

 Construction of a vehicle dealership
comprising a showroom, office, warehouse
and service workshop

 Construction of 120 megalitre water storage
as part of the Calala Water Treatment Plant

\$4,800,000
\$3,000,000

 Indoor Recreation Facility (Shooting Range)
and associated Retail and construction of
Building (Two Tenancies)

 Construction and use of a 9MW solar farm
and associated infrastructure

\$8,000,000

Major employers in Tamworth by industry


4,817

 Health Care and
Social Assistance

3,288

Retail Trade


2,525

 Education and
Training

2,430

 Agriculture, Forestry
and Fishing

2,117

Construction


2,641

Manufacturing

*Census 2016, ABS, id Profile, Tamworth Tomorrow

*source: ABS, Census 2016, Profile ID, Tamworth Tomorrow, Evocities

OUR COUNCIL

Tamworth is a diverse and vibrant regional city, which is rapidly changing through population and economic growth. As the closest level of government to the community, Council is best placed to respond to the challenges and needs of the community.



Our elected representatives are working hard for our region

OUR FUNCTIONS

To help make the Tamworth region a great place to live, work and visit, Council performs a range of functions including:

- Planning for and providing services and facilities to the local community;
- Regularly engaging with the community about service and program delivery;
- Building and maintaining assets;
- Delivering water and wastewater services;
- Ensuring resources are managed efficiently and responsibly; and
- Advocating for important issues on behalf of the community.

Council is also responsible for roads, parks and playgrounds, waste collection, land use, local laws, urban planning, sport and recreation facilities, tourism and events, community development, youth services, economic development, airport operations and emergency management.

OUR VISION

A region of opportunity and prosperity,
a place to call home

OUR VALUES

Our strategic decisions and day-to-day activities are guided by the values of:

Accountability

Safety and health

Customer orientation

Equity

Teamwork

OUR SERVICE DELIVERY AT A GLANCE



138,018
AIRPORT PASSENGER
MOVEMENTS



115kms
FOOTPATHS



36kms
CYCLEWAYS



45.48%
AELEC UTILISATION RATE



273
CCTV CAMERAS PROTECTING
OUR COMMUNITY



588kms
SEWER MAINS



5,469
VISITORS TO THE YOUTHIE



47,368
CUSTOMER SERVICE CALLS



96
OUTDOOR PLAY
SPACES



110,700
LIBRARY VISITS



4,408,356
SOCIAL MEDIA REACH



804kms
WATER MAINS



46,743
GALLERY VISITS



3,223kms
ROADS



Tamworth Regional Gallery

ELECTED REPRESENTATIVES



Councillor Col Murray
Mayor



Councillor Phil Betts
Deputy Mayor



Councillor Charles Impey



Councillor Glenn Inglis



Councillor Jim Maxwell



Councillor Mark Rodda



Councillor Helen Tickle



Councillor Russell Webb



Councillor Juanita Wilson

CORPORATE GOVERNANCE

Council strives to maintain high standards of democratic and corporate governance. Wherever possible and appropriate, Council decisions are informed by community consultation and are made at public meetings.

COUNCILLOR CONDUCT

Councillors are elected by the residents and ratepayers to act in the best interests of the community. To guide the conduct of elected members, Council has an adopted Code of Conduct which articulates expected standards of conduct and behaviour, accountability and responsibilities to ensure public confidence in Council is maintained.

The community expects the business of Council to be conducted with efficiency, transparency and impartiality. The Code also outlines the dispute resolution procedure.

To mitigate any personal or private interests that may compromise the conduct and decisions of a Councillor, the declaration of conflicts of interest is a standing agenda item for all Council and committee meetings.

Councillors must step aside from any decision making process or the exercise of a public duty, should they have relevant interests.

COUNCILLOR ALLOWANCES

The Mayor and Councillors are paid an annual fee within the guidelines set by the Local Government Remuneration Tribunal. All Councillors are paid for expenses incurred in discharging their functions and responsibilities to the Tamworth Regional community.

The Mayor's Fee for 2019-20 was \$44,250 plus a Councillor Fee of \$20,280. The Councillors' Fee for 2019-20 was \$20,280 for each Councillor.

Payments were made in accordance with Council's Policy for the Payment of Expenses and Provision of Facilities for Councillors adopted on Tuesday 27 September 2016 and pursuant to Section 252 of the Local Government Act 1993.

Expenses	\$
Provision of dedicated office equipment allocated to Councillors.	943
Telephone calls made by Councillors.	18,136
Attendance of Councillors at conferences and seminars (including Councillor training).	31,069
Training of Councillors and provision of skill development	1,929
Interstate visits by Councillors including transport, accommodation and other out of pocket travelling expenses.	0
Overseas visits by Councillors including transport, accommodation and other out of pocket travelling expenses.	0
Expenses of any spouse, partner or other person who accompanied a Councillor.	0
Expenses involved in the provision of care for a child or an immediate family member of a Councillor.	0
Total amount of money expended on the provision of Councillor facilities and the payment of Councillor expenses	52,077

SPECIAL COMMITTEES OF COUNCIL

Councils can delegate some of their decision-making powers to special committees of the council. Members of special committees can consist of people who are Councillors, Council staff, other people, or any combination of these.

The Council always retains control over who can be a member and what the committee is empowered to do. Delegations are made at a formal Council meeting and specify what the committee is empowered to do.

When a Council delegates to a special committee, it allows the committee to exercise the power to make certain decisions 'as the Council'. This is why the Local Government Act subjects special committees to the same statutory procedures and conduct as the Council. Members of special committees are required to comply with conflict of interest and confidentiality provisions in the same way that Councillors do.

A special committee's decision-making power is limited only to those matters covered in the formal delegation document. If a special committee determines matters that are not contained in the delegation, they cannot be given effect until separately decided by the Council.

WHY HAVE SPECIAL COMMITTEES?

Special committees can assist a Council by spreading a council's workload. Councils may delegate to a special committee to deal effectively with routine or more minor decisions that would otherwise take up valuable time in a Council Meeting.

For example, some Councils have 'standing committees' of Councillors who make these decisions in assigned portfolio areas. Oversight of 'one-off' events and short-term projects can also be given to a special committee in order to spread a Council's workload.

Often knowledge and interest in a particular Council activity lies with people at a local level. They can be delegated by Council to act as a special committee for that function. An example of this is the delegated management of Council-owned facilities such as halls and recreation reserves. These committees might consist of a Councillor, user-representatives and interested community members.

Occasionally, a Council delegates some of its powers to a special committee with particular expertise on a particular subject.

ADVISORY COMMITTEES

Advisory committees provide particular expertise to help the Council make its decisions, or help engage community resources and opinion. They don't have any formal, delegated powers to act in place of the Council.

Their decisions or recommendations have no legal standing unless they are adopted by the Council at a formal meeting.

An advisory committee often still operates under a 'Terms of Reference' document, in which the Council sets out the committee's purpose and how it will function. As with special committees, the Council retains control over the membership and purpose of the committee.

Short-term advisory committees (sometimes called 'working groups' or 'ad hoc groups') may be created for a particular purpose and disbanded when that purpose is achieved. A Council is not bound to accept a recommendation of an advisory committee.

COUNCIL BRIEFINGS AND WORKSHOPS

It's important that Councillors find out about the detail of relevant issues before making decisions at Council meetings.

Tamworth Regional Council holds briefings or workshops to help brief Councillors on day-to-day issues affecting the Council. These are generally internal sessions with Council staff but sometimes outside advisors are present.

Briefing sessions enable Councillors to discuss issues among themselves and with senior staff. These briefing sessions can help Councillors understand a complex issue. They provide a way for Councillors to request additional information to assist them in making decisions.

Councillors cannot make legally binding decisions in briefings or workshops.

Councillor briefing sessions should not be confused with public briefings. Public briefings are held by councils when they want to brief members of the community about Council activities, or other significant matters that might be coming before the Council in the near future.

SUMMARY OF COUNCIL COMMITTEES

COUNCIL COMMITTEES

Annual Donations Program
 General Manager's Performance Review Panel
 Murrumbidgee Poultry Broiler Farm Development
 Community Liaison Committee
 Tamworth Regional Floodplain Management
 Committee
 Tamworth Regional Local Traffic Committee
 Tamworth Regional Rural Fire Service Liaison
 Committee
 Tamworth Sports Dome Committee

COUNCIL WORKING GROUPS

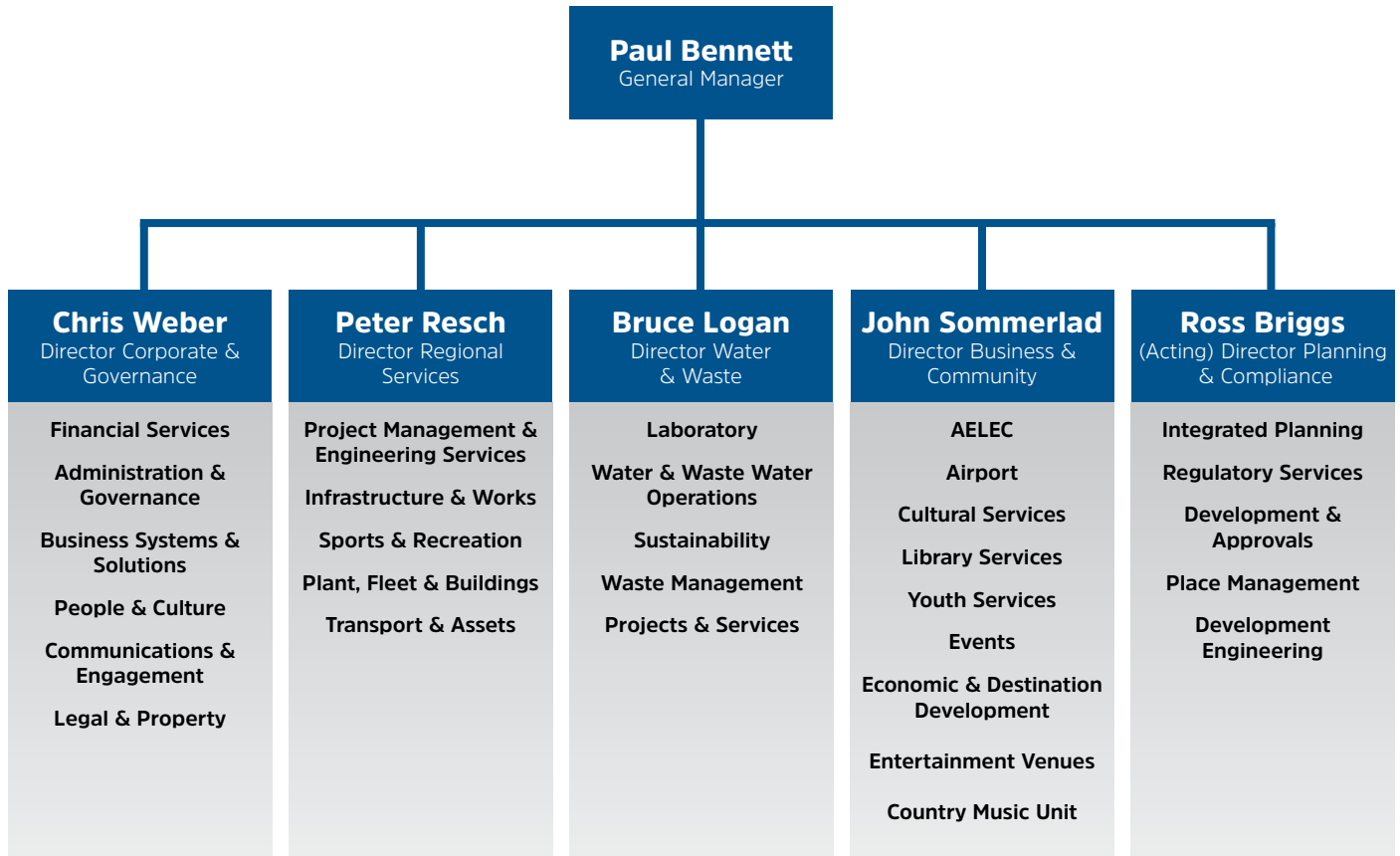
Australian Country Music Hall of Fame Working
 Group
 Audit, Risk and Improvement Committee
 Disability Access Working Group
 Heritage Working Group
 Plant Committee
 Sports Working Group
 Tamworth City Centre Working Group
 Tamworth Regional Aviation Strategic Development
 Steering Group
 Tamworth Regional Crime Prevention Working
 Group
 Tamworth Regional Council Emergency Precinct
 Working Group
 Tamworth Regional Council King George V Avenue
 Working Group
 Tamworth Regional Council Waste Management
 Working Group
 Tamworth Regional Council Sister City Nashville
 Working Group
 Tamworth Regional Council Sister City Tamworth
 England Working Group
 Tamworth Regional Council Sister City Gore Working
 Group
 Tamworth Regional Council Sister City Chaoyang
 Working Group
 Tamworth Regional Council Sister City Sannohe
 Working Group
 Tamworth Regional Council Sister City Qinglong
 Working Group
 Tamworth Regional Licensed Premises Reference
 Group

EXTERNAL BOARDS, COMMITTEES, WORKING GROUPS AND ORGANISATIONS

Arts North West
 Australian Airports Association
 AviSkills
 Bush Fire Management Committee
 Central Northern Regional Library
 Club Grants Committee
 Country Mayors Association
 Country Music Festival Emergency Planning
 Committee
 Mid North Weight of Loads Group
 Namoi Unlimited
 Namoi-Peel Customer Service Committee
 New England District Emergency Management
 Committee (DEMC)
 New South Wales Public Libraries Association
 Northern Inland Government Water Managers Group
 Northern Inland Regional Waste Group
 Northern Region Joint Regional Planning Panel
 Northwest Regional Community Care Advisory
 Committee
 North West Regional Weed Committee
 Regional Arts NSW
 Regional Galleries Association of New South Wales
 Regional Cities NSW
 Tamworth Aboriginal Community Consultative
 Committee
 Tamworth and District Liquor Accord
 Tamworth Cardiovascular Health Working Group
 Tamworth Health Committee
 Tamworth Regional Arts and Cultural Advisory
 Committee (TRACAC)
 Tamworth Regional Conservatorium of Music
 Tamworth Regional Local Emergency Management
 Committee (LEMC)
 Tamworth Regional State Emergency Service
 Administration Committee

ORGANISATIONAL STRUCTURE

Our organisational structure is designed to support the delivery of the goals as set out in our Community Strategic Plan, Keychange 2017-2027.



Construction of the Tamworth Regional Astronomy and Science Centre



OUR VOLUNTEERS

Council values the wonderful and extensive contribution that volunteers make to our community. Volunteers assist in a number of areas to deliver a range of services and programs, and provide valuable knowledge to enrich the lives of the people and groups they are helping.

Volunteering is a fantastic opportunity for people of all ages to not only benefit their local community, but also to gain skills and experience.

GIFT OF TIME

Each year Council recognises the efforts of volunteers through its Gift of Time Ceremony, held in conjunction with International Volunteer Day. The ceremony began in 1990 and in 2019-20, over 44 community groups were acknowledged with over 270,000 hours in community support.

GRANTS AND CONTRIBUTIONS

Another way that Council acknowledges the efforts of our hard working volunteers and community groups is through its many funding programs. In 2019-20, Council awarded more than half a million dollars in grants and donations to help resource grassroots projects driven for the community, by the community.

COMMUNITY VOLUNTEER OF THE YEAR AWARD

Each year, since 2015, Council has recognised and awarded the efforts of individual volunteers and volunteer teams through its Community Volunteer of the Year Awards. This year the Council recognised 36 volunteers. All the volunteers who are nominated in the local awards are then nominated for the regional awards which are organised by the NSW Centre for Volunteering.

RU VOLUNTEERING INITIATIVE

Council works directly with Regional Unlimited, a not-for-profit community organisation, to provide two free community resources to volunteers and volunteer organisations in the Tamworth region. Council staff manage the RU Volunteering Centre at 25 Fitzroy Street Tamworth which offers hard copy information on volunteer opportunities and face-to-face support for volunteers and community groups. An online community resource is also provided through the RU Volunteering website which provides information on volunteer roles available in the community and allows volunteers and organisations to directly connect and help each other.

Annual Donations Program	107,390
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Waiving of Fees	3,771
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Regional Bodies

Arts North West	26,265
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Country Music Association of Australia	6,000
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Northern Inland Academy of Sport	51,906
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Tamworth Business Chamber	35,000
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Habitat For Humanity	8,859
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Regional Events (sporting)	32,172
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Regional Events (non-sporting)	139,296
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Heritage Assistance (part funded by \$5,500 grant)	31,102
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Environment/Sustainability

Water Rebate Scheme	86,547
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TOTAL	528,308
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OUR PERFORMANCE

**CELEBRATING OUR COMMUNITY AND
ITS ACHIEVEMENTS**



PLANNING AND REPORTING FRAMEWORK

Our Community Strategic Plan - Keychange 2027 was adopted by Council in 2017 and developed with extensive input from our community. It responds to local, national and global challenges, and sets out a vision for the next 10 years.

THE PLAN SETS OUT FIVE THEMES OR OUTCOMES:

As articulated in the plan, in 2027 our region will be a well-designed, accessible and vibrant regional city that celebrates its distinctive character, heritage and lifestyle. Our shared values will shape the way we care for each other and how Council will serve the community in a transparent manner.



HOW WE DELIVER THIS PLAN

A four-year delivery program flows on from Keychange 2017-2027 and provides Council with a strategic plan to achieve the community's vision within the current term of Council.

The delivery program follows the same strategic framework of the Community Strategic Plan (CSP), along with the 14 strategies under the five key themes. A number of strategies relate to more than one key direction, but for the purpose of the Delivery Program, strategies have been placed under the key theme to which they predominately contribute.

The delivery program identifies CSP objectives that have been prioritised for the next four year period and these are then translated into yearly actions within Council's Annual Operational Plan. This Annual Report showcases the outcomes of the 2019-20 Annual Operational Plan.

A SPIRIT OF COMMUNITY

Our community believes that 'spirit' is the essence of the heart and soul of our region, our city and our towns and villages. We need to nurture and protect our community spirit and ensure our communities are vibrant, resilient and embrace their diversity and unique culture.

How we will achieve a spirit of the community

ACTIVE AND HEALTHY COMMUNITIES	PROMOTE OUR REGION'S HERITAGE, CHARACTER AND CULTURE	SAFE PLACES TO LIVE, WORK AND VISIT
<ul style="list-style-type: none"> • Provide high-quality open spaces, parks and reserves suitable and accessible to all • Provide high-quality sporting facilities to meet the diverse needs of the community • Provide high-quality specialised sporting facilities to drive sporting excellence for the region and state • Meet social justice principles through the provision of accessible and inclusive high-quality, integrated community services that meet current and emerging needs 	<ul style="list-style-type: none"> • Preserve and celebrate the character, heritage and culture of our city, towns and villages • Provide accessible, functional, multi-purpose facilities and spaces suitable for cultural, recreational, learning and information services and activities 	<ul style="list-style-type: none"> • Create safe environments to live, work and play • Provide responsive, effective emergency management and emergency prevention services

Our challenges

- How do people balance work, family and other commitments?
- How will we adapt to changes in population and the way people live and still retain the unique character and identity of our towns and villages?
- How do we ensure access to and participation in community life as our community?
- How do we ensure everyone is valued?
- How do we ignite a passion for volunteering in Gen X to Z?
- How do we ensure our community is resilient to the challenges we face?
- How will we protect, manage, enhance and conserve our indigenous and non-indigenous communities
- How do we ensure people feel safe and included in our community?
- How do we expand the number of specialist medical services and facilities?

2019-20 ACHIEVEMENTS



DRAFT SPORT AND RECREATION PLAN COMPLETED

The draft Sport and Recreation Strategic Plan aims provide a road map for planning and developing sport and recreation facilities across the Tamworth region during the next 10 years and more.



LAUNCH OF THE TAMWORTH REGION INCLUSIVE CULTURE COMMITTEE

This new committee delivers the best cultural practices enhancing our ability to meet the needs and expectations of our region's community members.



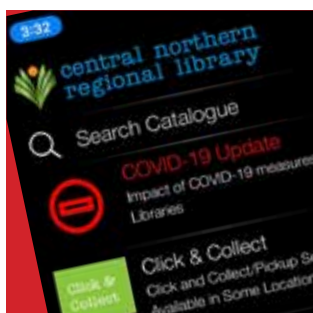
TAMWORTH CEMETERY EXTENSION

New internal roadways, pedestrian paths, lawn beams, car parking areas were included in the expansion of the Tamworth cemetery along with an open hall pavilion for hosting ceremonies and colonnade entrance features.



NORTHERN INLAND CENTRE OF SPORTING EXCELLENCE STAGE 2

The Tamworth Hockey Centre now has three water-based synthetic turf fields making it suitable to host international competitions and AELEC has two covered outdoor warm-up arenas.



LAUNCH OF CNRL APP

Residents can now access Central Northern Regional Library content from their phone, tablet or other compatible devices. Residents can manage their accounts, renew and reserve books.



NEW CRICKET NETS

New cricket nets were installed at the Riverside Sporting Complex; the \$114,000 project was made possible through funding from the NSW ICC World T20 Cricket Legacy Fund, the Australian Cricket Infrastructure Fund and Council.



TAMWORTH REGIONAL MUSEUMS ENGAGEMENT STRATEGY ADOPTED

To be utilised by Council to govern a highly professional and well-managed process for the support of both staffed and volunteer run museums in the region.



TAMWORTH REGIONAL ARTS CULTURAL PRECINCT

After being placed on Public Exhibition and receiving an enthusiastic and encouraging response from the community the concept design and business case for the precinct was endorsed by Council.



REGIONAL LIBRARIES DIVERSIFY

One of the wonderfully positive benefits of the COVID-19 pandemic was the increase in library memberships and electronic loans. Residents can also reserve books online and collect them from a loading dock at their local library.



TAMWORTH COUNTRY MUSIC FESTIVAL COMMUNITY AMBASSADORS

Thirty four community members (locals and visitors) volunteered 420 hours of their time to inform, guide and support visitors during the 2020 Festival.



New surface at the Tamworth Hockey Centre

A PROSPEROUS REGION

If 'spirit' is the essence of the heart and soul of our region, prosperity is our 'lifeblood'. We need to strengthen and grow our economy, support tourism and adopt new technology to ensure the community and region's long-term sustainability.

How we will deliver a prosperous region

A STRONG AND DIVERSE ECONOMIC BASE	PROMOTE OUR REGION AS A GREAT PLACE TO LIVE	QUALITY, AFFORDABLE LIFELONG EDUCATION AND LEARNING OPPORTUNITIES	TO DEVELOP TAMWORTH AS THE NEXT MAJOR FREIGHT DISTRIBUTION CENTRE IN REGIONAL NSW
<ul style="list-style-type: none"> Support and facilitate economic development and employment opportunities 	<ul style="list-style-type: none"> Market Tamworth as a destination for living, working and leisure 	<ul style="list-style-type: none"> Provide quality and choice in education and vocation pathways including university options 	<ul style="list-style-type: none"> To establish rail, air, land connections to enable local, national and international trade

Our challenges

- Support local business by reducing red tape;
- Deliver and report on the Tamworth Tomorrow strategy
- Create jobs for local people including our outer towns and villages
- Keep up with advances in technology
- Bring a university to the city
- Bid for more sporting events and conferences to be hosted in the region
- Continued focus to attract industry and development to the city
- Revitalise arrival signage into our city, towns and villages, and
- Rotate key events through Barraba, Manilla & Nundle



Start of works Tamworth Regional Astronomy and Science Centre – Tamworth MP Kevin Anderson, Deputy Mayor Phil Betts, construction manager Angela Webb

2019-20 ACHIEVEMENTS



Introducing the National Guitar Museum

Featuring more than 45 guitars including Smoky Dawson's original riffle guitar, Tommy Emmanuel's first Maton guitar, signed Washburton guitar from Paul Stanley of Kiss and two customised guitars belonging to Slim Dusty.



Lift off for Astronomy and Science Centre

The Centre will provide an opportunity for amateur and professional astronomers to carry out international quality research and be available for school, university and public education. The centre is set to be complete in late 2020.



Global Gateway Park moving forward

During the 2019-20 financial year the NSW Government announced \$20,246,000 and the Australian Government announced \$2,202,291 under Round 4 of the Building Better Regions Fund towards the Tamworth Intermodal Activation.



Fiesta La Peel continues to grow

The October event saw the largest ever representation of food, culture and crafts with 54 countries represented. The event was hugely popular, attracting approximately 20,000 people.



UNE business case gains momentum

Through partnership with UNE, Council will deliver a sustainable and modern university that supports Tamworth's agenda for growth, and an education model that will be benefit students and the region.



Destination hot spot in January

The Tamworth Visitor Information Centre recorded its highest visitation ever during January 2020. During the Country Music Festival 20,876 people visited the centre.



National Guitar Museum within the Visitor Information Centre

EVENTS DELIVERED IN 2019-20

The following events were delivered by Tamworth Regional Council during 2019-20.

Hats Off To Country	July 2019
Young Drivers Expo	August 2019
Fiesta La Peel	October 2019
Tamworth Regional Sports Awards	October 2019
Lighting of the Tamworth Community Christmas Tree	December 2019
Toyota Country Music Festival Tamworth	January 2020
Toyota Golden Guitar Awards	January 2020
Australia Day Concert	January 2020
Seniors Week	February 2020
Tamworth Regional Heritage Awards (online)	May 2020
Volunteer of the Year (online)	May 2020
Reconciliation Week (online)	May/June 2020



Fiesta La Peel drew huge crowds

AN ACCESSIBLE REGION

To ensure our region is accessible, we need to be connected not only to our own towns and villages, but also to other regions, capital cities and states. It's also important to make sure that our communities have access to the services and facilities that make our region 'liveable'.

How we will deliver an accessible region

A SAFE AND EFFICIENT TRANSPORT NETWORK

- To maintain the current levels of service across the region's transport infrastructure.

IMPROVE CHOICE, AVAILABILITY AND QUALITY OF TRANSPORT OPTIONS IN OUR REGION, INTRA AND INTERSTATE

- Improve connections with capital cities, other regions and within the region
- Improve and expand the region's public and community transport services
- Traffic management and traffic safety planning.

FUNCTIONAL COMMUNICATIONS AND TECHNOLOGY FOR THE REGION

- Facilitate access to state of the art technology and communications for all residents and businesses living in the region.

Our challenges

- Review roundabout sight lines in Tamworth
- Complete the Manilla Road project (with NSW Government assistance)
- Address the quality of roads
- Improve gravel road maintenance
- Review the reduction in service of roadside slashing
- More parking in the Tamworth CBD
- Entry roads into Tamworth need upgrading - Goonoo Goonoo and Gunnedah roads.
- Reduce trip hazards on footpaths and increase footpath network
- Increase cycleways across region
- Increase mobile and internet coverage across region
- Grow community transport networks
- Improve local transport services, operating hours and locations



2019-20 ACHIEVEMENTS



SECOND JEWRY STREET BRIDGE

The construction of a second Jewry Street Bridge is now complete. The bridge was officially opened in August 2019 ensuring Tamworth's road network is able to support increasing traffic volumes into the future.



CONNORS CREEK BRIDGE

This \$1.48 million project saw the timber bridge replaced with a concrete structure as part of Tamworth Regional Council's Timber Bridge Replacement Strategy. The new reinforced concrete structure was completed on time and budget.



GRAVEL RENEWAL PROGRAM

Nearly \$2.5m was spent on work across 29 gravel roads in the region.



JEWRY STREET IMPROVEMENTS

Between Ebsworth Street and Lockheed Street heavy patching and a 50mm asphalt overlay were completed to improve the condition of the busy roadway. The \$270,000 cost of the work was covered by Transport NSW.



TAMWORTH REGION EQUIPPED WITH NBN

NBN has been installed across the entire region. This technology will help support business and lifestyle in our community.



WERRIS CREEK ROAD UPGRADES

\$470,000 was spent on improving road safety and \$160,000 was spent to repair the Sugarloaf Gully Culvert and the road shoulder.



CAR PARKING STRATEGY ADOPTED

The Tamworth CBD Parking Strategy 2020-2030 provides a long term plan for the management of parking in the region's commercial heart.



GIPPS STREET CAR PARK UPGRADE

Repairs and upgrades took place to improve access and safety at the car park including kerb and pavement repairs, construction of access ramps and paths, installation of security cameras and the addition of solar lights.



BLIGH STREET ROAD PAVEMENT

This project improved the road pavement in the section between Marius and Piper streets, upgraded and relocated the water mains upgraded the road to the specification needed for heavy vehicles.



METRES OF NEW FOOTPATH

Additional footpath funding was allocated late in 2019 following a Federal Government announcement. The funding allowed for the construction of new footpaths and upgrades to existing footpaths across the region.



A REGION FOR THE FUTURE

This theme is about sustainability - acting and living now in a way that doesn't risk the needs of the future. Securing our long-term future and achieving our vision is also about governance, leadership and good planning. Our actions and decisions need to deliver the best outcomes possible for the community.

How we will deliver a region for the future

SOUND ASSET AND LAND PLANNING TO FACILITATE FUTURE COMMUNITY NEEDS

- Sound asset management planning

TO PROMOTE SUSTAINABLE LIVING TO PROTECT AND SUPPORT OUR ENVIRONMENT, HERITAGE AND RESOURCES.

- Protect our natural environment
- Encourage efficient use of resources to improve environmental sustainability

Our challenges

- How can we reduce the impacts of human activity on the environment to protect it for future generations?
- How do we deliver and report upon a sustainability plan that meets the expectations of the community?
- How do we ensure the protection of local threatened species and ecologically endangered communities without inhibiting regional growth?
- How do we reduce local energy consumption and increase the use of renewable resources?
- How do we ensure people can continue to access and experience our natural areas?
- How do we better manage demand of limited water resources?
- How do we reduce waste generation and increase reuse and recycling?
- How do we manage invasive species?

2019-20 ACHIEVEMENTS



BLUEPRINT 100 – A PLAN FOR THE FUTURE

This strategy will cater for an expected regional population of 100,000 over the next 20 years and will provide a combined land use and planning blueprint to inform the review of the Tamworth Regional LEP 2010.



FITZROY STREET REDEVELOPMENT

Concept designs were developed and Fitzroy Plaza is now home to four mature Chinese elm trees and street furniture following community consultation on what the area needed for further enhancement.



WATER RESTRICTIONS COMMUNICATION AND ENGAGEMENT PLAN

The plan provides the approach for the leadership, communication and long-term water planning and management within the region during periods of water restrictions.



A DAM IN CALALA

The 120ML raw water storage dam will improve harvesting efficiency of raw water sourced for the Tamworth, Moonbi and Kootingal town supply from Chaffey Dam by up to 13% annually.



MANILLA WATER SUPPLY UPGRADE

The project has a budget of \$19.8million which is being funded by the NSW Government's Restart NSW's Safe and Secure Water Program and Council. Anticipated completion date is July 2021.



SMALL VEHICLE TRANSFER STATIONS FOR RURAL COMMUNITIES

Duri and Somerton are now both home to Small Vehicle Transfer Stations ensuring Council is able to continue to provide waste disposal services to these communities into the future.



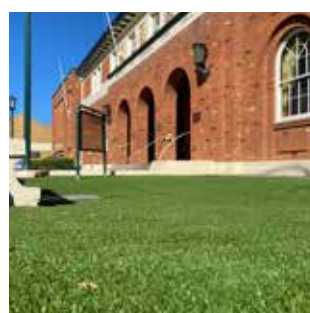
WATER SAVER REBATE SCHEME REVAMPED

The scheme, now open to businesses provides 22 rebates for residents, business and commercial users and a further 7 rebates exclusively for business and commercial users.



ONE TREE HILL RESERVOIR REFURBISHMENT

A roof replacement was completed on the One Tree Hill 9ML reservoir. The reservoir is a key part of the Tamworth Water Supply providing water to Hillvue, South Tamworth, Westdale, Kingswood and Calala.



INTERNAL WATER SAVING INITIATIVES

\$50,000 was made available for internal water saving initiatives. Staff identified water savings opportunities internally including synthetic turf installation at the Tamworth Town Hall, and a 15,000L rainwater tank at the Kootingal depot.



EMERGENCY WATER SUPPLY PLAN

The plan outlines a staged action plan, for both demand and supply based measures, to extend existing supplies and avoid running out of water.



Taunworth
REGIONAL COUNCIL

Have your say ON THE DRAFT Bicentennial Park Masterplan

View the approved Masterplan, tell us your
opinions or add ideas you may have on the plan

Prepare our park for the future

As part of future planning for the council
growth of the city, we have developed an
outline for the Bicentennial Park Masterplan
to guide the future development of the park.

Information stands

Information stands will be placed around the park
to allow you to view the plan and provide your
input.

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View the full plan and location, dates of information stands at
yourvoice.taunworth.nsw.gov.au

Taunworth
REGIONAL COUNCIL

A REGION OF PROGRESSIVE LEADERSHIP

It's about governance, leadership and good planning. Leadership will foster collaborative approaches to the governance of our region across all levels of government, to focus on delivering results against our agreed strategic outcomes in the most cost-effective way. Our community will be at the heart of our decision making and service delivery and will enjoy a strong sense of connection with their Council.

How we deliver a region of progressive leadership

OUR COMMUNITY FEEL WELL INFORMED, HEARD, VALUED AND INVOLVED IN THE FUTURE OF THE REGION

- Provide quality customer service
- Represent and advocate community needs
- Provide inclusive opportunities for the community to get actively involved in decision-making

OUR REGION IS WELL LED AND MANAGED

- Transparency and accountability of government
- To be a leader in best practice for local government

Our challenges

- How do we ensure leaders are empowered to deliver the services and infrastructure the community requires?
- How do we embrace change management principles to grow a culture of customer service excellence?
- How do we continue to attract new talent to Council whilst improving on the levels of participation of women in our workforce, including leadership roles?
- How do we succession plan with an ageing workforce?
- How do we ensure that leaders and decision makers have the information they need?
- How do we ensure accountability and transparency in decision making?
- How do we improve communication processes and ensure open dialogue in the community?
- How do we encourage and recognise innovation?
- How do we embrace technological change at a suitable rate?

2019-20 ACHIEVEMENTS



ONLINE PLANNING AND BUILDING APPLICATIONS SKYROCKET

The industry has taken well to working online during the COVID-19 pandemic with a notably sharp increase in the number of applications being submitted online during the last quarter of the financial year.



MYTRC APP UPGRADE

Version 2 of the MyTRC app was implemented and included new features such as dam levels, water restrictions, a link to the online community and Council news, making it easier for residents to access information.



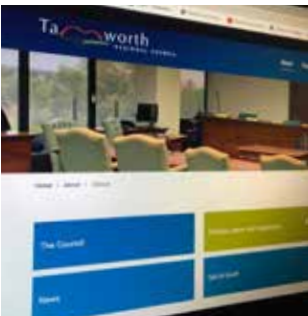
BUSINESS CONTINUITY PLAN

Council's Business Continuity Plan was implemented on 16 March by the Crisis Management Team in response to the COVID-19 pandemic. The plan has ensured continued achievements of critical business objectives in the face of uncertainty or disruption.



\$100,000 FOR BARRABA TOWN MAKEOVER

Barraba received \$100,000 under the 10 Towns Makeovers - Rural Aid Program. Staff are working alongside Rural Aid and Barraba residents to create a plan for the selection and roll out of projects.



NEW WEBSITE

Launched in January the completely overhauled has a new layout and a refined content. The new site has more accessibility features making finding information easier for more residents in the region.



SECOND PLACE IN NATIONAL BLOOD DONATION CHALLENGE

Council staff rolled up their sleeves again in 2019 making a total of 354 donations which could save up to 1,062 lives, and positioned Council second on the national Councils Challenge leader board.



National Blood Donation Challenge

STATUTORY INFORMATION



STATUTORY INFORMATION

BUSINESS ACTIVITIES

LIST OF CATEGORY 1 BUSINESS ACTIVITIES

- Tamworth Regional Airport
- Tamworth Regional Council Pilot Training Facility
- Tamworth Regional Council Waste Management
- Tamworth Regional Council Combined Sewerage Service
- Tamworth Regional Council Combined Water Supplies

LIST OF CATEGORY 2 BUSINESS ACTIVITIES

Council has no Category 2 Business Activities

Income Statement	Water \$,000	Sewerage \$,000	Airport \$,000	Pilot Training Facility \$,000	Waste \$,000
Total income from Continuing Operations	19,107	24,779	4,160	1,485	15,424
Total Expenses from Continuing Operations	21,165	17,290	5,044	2,271	14,156
Surplus (Deficit) from Continuing Operations before Capital Amounts	(2,058)	7,489	(884)	(786)	1,268
Grants and Contributions provided for capital purposes	3,277	1,374	635	-	-685
Corporate Taxation Equivalent	-	(2,059)	-	-	(349)
Surplus (Deficit) after Tax	1,219	6,804	(249)	(786)	
Opening Retained Profits	183,568	192,137	25,917	(331)	21,569
Revaluation of intangible assets	155	195	-	-	-
AASB15/AASB1058 Adjustment	-	(73)	(99)	-	(1989)
NCP Tax Equivalents retained	125	284	239	-	39
Debt Guarantee Fee retained	74	170	13	75	-
Corporate Tax Equivalent retained	-	2,059	-	-	349
Dividends Paid and Dividends Payable	(69)	(64)	-	-	-
Closing Retained Profits	185,072	201,512	25,821	(1,042)	20,202
Rate of Return on Capital	-0.60%	3.90%	-1.50%	0.00%	8.00%
Notional Subsidy from Council	3,710	-	1,198	387	-

Income Statement	Water \$,000	Sewerage \$,000	Airport \$,000	Pilot Training Facility \$,000	Waste \$,000
Current Assets	48,247	58,284	3,644	20,000	19,859
Non-Current Assets	268,086	266,782	51,754	-	21,422
Total Assets	311,333	325,066	55,398	20,000	41,281
Current Liabilities	2,556	3,163	833	1,709	2,334
Non-Current Liabilities	18,585	29,997	2,430	19,333	8,030
Total Liabilities	21,141	33,160	3,263	21,042	10,364
Net Assets	290,192	291,906	52,135	(1,042)	30,917
Retained Earnings	185,072	201,512	25,821	(1,042)	20,202
Asset Revaluation Reserve	105,120	90,394	26,314	-	10,715
Total Equity	290,192	291,906	52,135	(1,042)	30,917

COMPANIES CONTROLLED BY COUNCIL

Council held no controlling interest in any company for the 12 month period ending 30 June 2020.



Work in progress at Tamworth Regional Hockey Complex 20 February 2020 (16)

COMPANION ANIMALS MANAGEMENT

Council employs Rangers who are primarily responsible for administering the Companion Animals Act 1998. Rangers patrol Tamworth and the towns and villages within the regional area to provide companion animal owners with support, education and regulation. Activities to enforce and ensure compliance with the Act and Regulation undertaken in 2019-20 are listed below.

POUND DATA COLLECTION RETURNS

Council reports annually on the statistics of impounded animals in the Tamworth region. This information is provided to the Office of Local Government, and forms part of the Survey of Council Seizures of Cats and Dogs. A brief summary of the pound data collections for the year is presented in the table below.

Activity	Cats	Dogs	Total 2018/19
Seized	9	234	243
Brought to pound by the public	441	820	1261
Surrendered by Owner	14	112	126
Reclaimed by owner	13	287	300
Euthanised on owner request	0	61	61
Euthanised un-rehomed	2	31	33
Euthanised unsuitable	5	37	42
Euthanised due to illness	2	18	20
Euthanised Feral/Infant	336	6	342
Sold	17	79	96
Sold to approved organisation	86	286	372
Died at pound due to illness	0	1	1

DOG ATTACK STATISTICS

Known dog attacks reported and investigated by Council's Rangers are entered into the Companion Animals Database, in accordance with the requirements of the Companion Animals Act 1998. During the 2019-20 financial year there were 307 dog attacks reported to Council which were investigated, of these 63 were assessed as dog attacks, as prescribed by the Companion Animals Act and reported on the Companion Animals Database in comparison, there were 294 dog attacks in the 2018-19 financial year.

FUNDS SPENT ON COMPANION ANIMAL MANAGEMENT AND ACTIVITIES

Funding spent by Council in 2019-20 totalled \$590,536 compared with \$410,763 in 2018-19. This figure includes the employment of four Rangers and two Animal Control Officers, the operational and maintenance of Council's animal holding facility, as well as annual educational and awareness activities.



Companion Animals Management - CREDIT Sally Alden

EDUCATIONAL ACTIVITIES

The Strategic Companion Animal Management Plan (SCAMP) contains objectives for undertaking companion animal awareness and educational activities. Council conducts a SCAMP community meeting every quarter which allows community members and interested parties in animal welfare (vets, RSPCA and animal shelters etc.) to get together to raise issues of concern and identify priorities for action.

STRATEGIES TO PROMOTE THE DE-SEXING AND PERMANENT IDENTIFICATION OF COMPANION ANIMALS

It is recognised that the de-sexing of cats and dogs helps to reduce nuisance behaviours/traits such as roaming, aggression and the production of unwanted litters.

Activities held during 2019-20 were; two microchipping days (these activities were conducted with the TAFE New England and the Tamworth RSPCA conducting parvo vaccinations), and a Gala Day for dogs at Bicentennial Park; as part of Council's program to aid in the responsible ownership of a companion animal.

Council also works in partnership with the RSPCA (Tamworth branch), Animal Welfare League and other Section 16D approved rescue organisations, allowing them to purchase unwanted dogs from the pound for a minimum fee of \$1.10 per animal. These animals are then rehoused by these rescue groups. As part of their re-homing program, dogs are de-sexed, microchipped and registered.

STRATEGIES TO REDUCE EUTHANASIA RATES

Council's Facebook page for the pound allows members of the public to view unclaimed animals. Since being launched, the Facebook page now has over 14,433 Likes. Euthanasia rates are subject to seasonal fluctuations and occasionally rates will increase despite Council's best efforts. The rate for 2019-20 was 29.75%.

OFF LEASH AREAS

Council provides seven designated off-leash areas in the region. Five are located in Tamworth: Calala (Harrier Parade Park), Chauvel Park, Jewry Street, the Western Levee Bank, George Street and Powerhouse Park in Carthage Street. The Powerhouse Park off-leash area is fenced off and has agility equipment installed. There are off-leash areas in Barraba at the corner of Alice Street and West Street, and the other is in Manilla near the Manilla Showground.

CONTRACTS AWARDED - GREATER THAN \$150,000

Details of each contract awarded by Council; other than employment contracts and contracts that had a value greater than \$150,000, is presented in the table below. An * indicates that the value is indicative.

Contract	Awarded to	GST Inclusive
Tamworth Regional Council - Pipeline Inspection System	Awarded To Sewer Equipment Company Australia	151,750.50
Supply and Delivery of One (1) 4x2 12 Tonne GVM Rigid Crane Truck	Peel Valley Group Pty Ltd	154,833.31
Northern Inland Centre of Sporting Excellence (NICSE) Stage 2 - Detailed Design and Documentation of Site Services and Building Design for the Regional Hockey Complex Upgrade	GHD Pty Ltd	163,207.00
Footpath Construction Federal Drought Relief Grant P3 - Manilla - Project No 1090	Greg Bartlett Constructions Pty Ltd	199,629.43
Footpath Construction Federal Drought Relief Grant P1 - North Barraba - Project No 930	Greg Bartlett Constructions Pty Ltd	204,016.89
Tamworth Regional Astronomy and Science Centre - Electrical Infrastructure Works	Shanahans Electrical Pty LTD	207,960.50
Northern Inland Centre of Sporting Excellence (NICSE) - Stage 2 - Design and Construct of Power Supply Upgrade	Large Industries Pty Ltd t/a JLE Electrical	215,502.30
NICSE Stage 2 - Hockey Centre Power Supply Upgrade	JLE Electrical	215,502.30
Construct Tamworth Regional Hockey Centre Carpark Extension	KCE Pty Ltd	233,473.71
Tamworth Regional Council TRC Asbestos Management Register 2019	Regional EnviroScience Pty Ltd	239,124.91
Manufacture and Supply of Street Furniture for Fitzroy Street	JRC Stainless	346,610.00
2020 Tamworth Country Music Festival - Tamworth Regional Entertainment and Conference Centre (TRECC) - Supply Installation and Operation of Audio Visual Production	Highland Fling Event Services Pty Ltd	347,031.08
Tamworth Regional Airport - Supply & Installation of Passenger Screening Services	Smiths Detection Australia Pty Ltd	445,500.00
Supply and Delivery of Precast Culvert Components for Country Road Roundabout	Holcim Australia Pty Ltd	485,818.75
Supply and Delivery of Precast Culvert Components for Country Road Roundabout	Holcim Australia Pty Ltd	493,522.05
Calala 120ML Water Storage Dam - Purchase of Long Lead Time Items	Xylem Water Solutions Australia Limited	517,891.00
Bridge Repairs for Garoo Road Upgrade	Saunders Civilbuild Pty Ltd	695,440.80
Ray Walsh House Building - Lift Refurbishment	Otis Elevator Company Pty Ltd	776,600.00
Supply and Delivery of Two Motor Graders	WesTrac Pty Ltd	981,369.05
Tamworth Regional Astronomy and Science Centre - Buildings and Services Works	Rice Construction Group Pty Ltd	1,102,150.50
Council Workstation Upgrade Program (Tamworth Warrumbungle and Walcha Councils)	Dell Australia	1,240,321.95
Armidale Road Trunk Main Renewal	Infrastructure Renewal Services	1,282,568.31
Armidale Trunk Water Main Rehabilitation	Infrastructure Renewal Services	1,595,000.00
Northern Inland Centre of Sporting Excellence (NICSE) Stage 2 - Construct of Tamworth Regional Hockey Complex Buildings	Rice Construction Group Pty Ltd	1,609,443.00

Contract	Awarded to	GST Inclusive
NICSE Stage 2 - Design and Construction of AELEC Warm Up Arena Upgrades	Rice Construction Group Pty Ltd	2,492,756.20
Rehabilitation of Sewer Mains by In-Situ Relining Tamworth Regional Council	Interflow Pty Ltd	2,507,156.30
Northern Inland Centre of Sporting Excellence (NICSE) Stage 2 - Detailed Design Documentation and Construct of Tamworth Regional Hockey Complex Fields	Tuff Group Holdings Pty Ltd	3,507,344.83
Calala 120ML Water Storage Dam - Construction	KCE Pty Ltd	3,533,090.00
Design and Construction of Manilla Low Level Bridge	Bedrule Pty Ltd trading as TOBCO	5,028,525.70
Manilla Water Supply Upgrade	Leed Engineering & Construction Pty Ltd	19,798,900.00
Australian Equine and Livestock Events Centre (AELEC) - Stable Bedding Supply and Organic Waste Collection (3 years)	Biffins Excavation Hire Pty Ltd	400,000 scheduled p.a.
Provision of Security Services for Council Facilities (2 years)	Advanced Inland Security Pty Ltd	233,200 (estimated p.a.)
2020 Kerbside Waste Collection Contract	Cleanaway Pty Ltd	Schedule of rates
Supply and delivery of bulk cationic bitumen CRS	Fulton Hogan Industries Pty Ltd	Schedule of rates
Tamworth Regional Airport - Flying College Operations - Supply of catering, hospitality, cleaning and maintenance services	Eurest - Compass Group Pty Ltd	Schedule of rates
Catering Services to the Australian Equine and Livestock Events Centre (AELEC) Tamworth Regional Entertainment and Conference Centre (TRECC) and Tamworth Sports Dome	Corey's Catering Pty Ltd	Schedule of rates
Provision of Cleaning Services for Council Facilities	Panel Tender	Schedule of rates
External Development Consultant Services for the Tamworth Global Gateway Park	Willow Frank	Schedule of rates
Supply and Delivery of RMS R82 and R83 Concrete for Country Road Roundabout	Boral Resources (Country) NSW Pty Ltd	Schedule of rates
Supply and Delivery of Ready Mixed Concrete to Tamworth Regional Council for the Period of 01/07/2020-30/06/2022	Redimix , Boral	Schedule of rates
Concrete Pipes - Schedule of Rates Contract - 1/10/2019 to 30/9/2020	Holcim (Australia) Pty Ltd t/as Humes	Schedule of rates

*Indicates indicative price of contract

DISABILITY INCLUSION ACT 2014

In 2017-18 Tamworth Regional Council formally adopted a Disability Action Plan for the period 2017-2021. The plan sets out strategies and actions for Council and the community to deliver to enable people living with a disability to participate fully in their community. Disability Action Working Group meetings are current and relevant and the group has been holding regular meetings throughout the year. Areas of focus have included the Disability Expo, Tamworth Regional Access Awards, tactile markers installed in Fitzroy Plaza, construction of 5km of footpaths and the updating of the mobility map.

EQUAL EMPLOYMENT OPPORTUNITIES

Code of Conduct training is delivered to all staff across the organisation. This training highlights the importance of treating all staff and customers with respect and reinforced that discrimination of any form will not be accepted by the organisation. All position descriptions include the requirement to demonstrate behaviour in accordance with EEO principles.

FINANCIAL PERFORMANCE INDICATORS

Consolidated Funds	Indicators	Industry Standard	2018/19	2019/20
Operating Performance Ratio	The ratio measures Council's achievement of containing operating expenditure within operating revenue. Council's consolidated Operating Performance Ratio is 3.13%. This is above the accepted industry standard of greater than 0.00%.	greater than 0.00%	6.71%	3.13%
Unrestricted Current Ratio	The Unrestricted Current Ratio is a measure of Council's ability to meet its financial obligations, in particular, its immediate ability to repay its short-term (current) debts. Council's consolidated Unrestricted Current Ratio is 2.76:1. This is within accepted industry standards of greater 1.5x.	greater than 1.5	2.43x	2.76x
Debt Service Cover Ratio	This ratio is an assessment of the degree that operating revenues cover debt repayment commitments. Council's ratio is 3.93x which is well above the minimum benchmark of 2.0x.	greater than 2.0x	4.53x	3.93x
Own Source Operating Revenue Ratio	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. Council's ratio of 66.66% is above the minimum industry benchmark of 60%.	greater than 60%	68.43%	66.66%
Building and Infrastructure Renewals Ratio	The Building and Infrastructure Renewals Ratio is an assessment of the rate at which assets are being renewed relative to the rate they are being depreciated (used). Ideally the ratio should be 100%; however this is only possible when budgets allow for an operating surplus and depends on the timing of required works.	Ideally the ratio should be 100%	17.93%*	26.05%
Rates, Annual Charges, Interest and Extra Charges Outstanding Ratio	This ratio assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts. Council's ratio of 7.25% is well within the maximum industry benchmark of 10.0%.	less than 10.0%	4.71%	7.25%

*Figure does not include renewal works in progress. If these works were included ratio would be 43.84%

General Fund	Indicators	Industry Standard	2018/19	2019/20
Operating Performance Ratio	Council's General Fund Operating Performance Ratio General Fund ratio of -1.87% is below the industry benchmark.	greater than 0.0%	0.66%	-1.87%
Unrestricted Current Ratio	Council's General Fund Unrestricted Current Ratio ratio of 2.76x is greater than industry standards.	greater than 1.5	2.43x	2.76x
Debt Service Cover Ratio	Council's General Fund Debt Service Cover Ratio ratio of 2.94x is greater than industry standards.	greater than 2.0x	3.37x	2.94x

Water Fund	Indicators	Industry Standard	2018/19	2019/20
Operating Performance Ratio	Council's Water Fund Operating Performance Ratio ratio of -9.73% is below the industry benchmark.	greater than 0.0%	9.88%	-9.73%
Unrestricted Current Ratio	Council's Water Fund Unrestricted Current Ratio ratio of 18.88x is greater than industry standards.	greater than 1.5	23.60x	18.88x
Debt Service Cover Ratio	Council's Water Fund Debt Service Cover Ratio ratio of 6.94x is greater than industry standards.	greater than 2.0x	13.14x	6.94x

Sewer Fund	Indicators	Industry Standard	2018/19	2019/20
Operating Performance Ratio	Council's Sewer Fund Operating Performance Ratio ratio of 32.06% is above the industry benchmark.	greater than 0.0%	27.01%	32.06%
Unrestricted Current Ratio	Council's Sewer Fund Unrestricted Current Ratio ratio of 18.43x is greater than industry standards.	greater than 1.5	15.19x	18.43x
Debt Service Cover Ratio	Council's Sewer Fund Debt Service Cover Ratio ratio of 6.95x is greater than industry standards.	greater than 2.0x	6.01x	6.95x

FUNCTIONS DELEGATED TO OTHER ORGANISATIONS

Name	Function
Central Northern Regional Library	The Central Northern Regional Library (CNRL) operates under Section 377 of the Local Government Act for the provision, control and management of libraries, library services and information services to the councils of Tamworth, Liverpool Plains Shire, Narrabri Shire, Gwydir Shire, Uralla Shire and Walcha Shire pursuant to the Central Northern Regional Library Agreement.
Tamworth Regional State Emergency Service Administrative Committee	To oversee the delivery of the State Emergency Service within TRC and the discharge of Council's obligations under the State Emergency Service Act 1989.



Central Northern Regional Library

GOVERNMENT INFORMATION PUBLIC ACCESS (GIPA)

Council is required to prepare an annual report on activities undertaken during the financial year relevant to the Government Information (Public Access) Act, 2009 (GIPA). Our report is provided to the Minister for Local Government and the Office of the Information Commissioner and is available for download from Council's website. A summary of the key points contained in the GIPA Annual Report is below.

Tamworth Regional Council received nine formal access and seven informal applications for the reporting year. There were no access applications received by Tamworth Regional Council during the reporting year that were refused because the disclosure was for information referred to in Schedule 1 of GIPA. Council refused access in part on six applications due to Section 14 and one in full. There were two applications where the information was not held by Tamworth Regional Council and one application was withdrawn.

LEGAL PROCEEDINGS

A summary of the amounts incurred by the Council during the financial year in relation to legal proceedings taken by or against the Council (including amounts, costs and expenses paid or received by way of out of court settlements, other than those the terms of which are not to be disclosed), and a summary of the state of progress of each legal proceeding and (if it has been finalised) the result, is presented in the table over page.

Debt recovery	Status	Cost to Council
Debt Recovery costs, recoverable as part of the debt (rates, water and sundry debtors)	Ongoing	\$168,109

Environment/Planning	Status	Cost to Council
Legal proceeding against Council for refusal of development application	Finalised	Confidential
Legal proceeding against land owner for environmental damage	Ongoing	Confidential
Potential future legal proceeding for illegal occupation	Ongoing	Confidential

Insurance claims	Status	Cost to Council
Injury on Council land	Ongoing	Confidential
Injury on Council land	Finalised	Confidential
Injury on Council land	Ongoing	Confidential
Injury on Council land	Ongoing	Confidential
Injury on Council land	Ongoing	Confidential

OVERSEAS TRAVEL

There was no overseas travel taken in 2019-20.

PLANNING AGREEMENTS

Under the Environment Planning and Assessment Act, 1979, Council is required to report on any planning agreements that were in force during the financial year.

Planning agreements are voluntary agreements or other arrangements under the Act between a planning authority (such as Tamworth Regional Council) and a person or company (the developer) who has sought a change to an environmental planning instrument, or who has made, or proposes to make, a development application under which the developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards a public purpose.

Tamworth Regional Council is not a party to any voluntary planning agreements as at 30 June 2020.

PUBLIC INTEREST DISCLOSURES

Council is required to have a Public Interest Disclosures Policy under section 6D of the Public Interest Disclosures Act, 1994 (the PID Act). Council's policy must have procedures for receiving, assessing and dealing with public interest disclosures, having regard for the Ombudsman's guidelines in formulation of the policy for the purposes of the Act. Our policy conforms to Council's Code of Conduct, Equal Employment Opportunity Policy, Workplace Harassment Policy and Workplace Grievance Procedure Policy.

The policy is accessible to all staff and the public via Council's website and is reviewed annually (the current version was adopted in October 2011).



Public Interest Disclosures in 2019-20	Total
Number of public officials who made PIDs	0
Number of PIDs received	0
Of PIDs received, number primarily about:	0
Corrupt conduct	0
Maladministration	0
Serious and substantial waste	0
Government information contravention	0
Local Government pecuniary interest contravention	0
Number of PIDs finalised	0

RATES AND CHARGES WRITTEN OFF

Rate or Charge	Postponed rates written off after 5 years	Conservation agreements	Pensioner rebates	Small balance write offs	Total
	\$	\$	\$	\$	\$
General Rates	88,751	8,877	1,191,589	1,414	1,290,631
Water Service Availability Charge	0	0	355,301	250	355,551
Water Consumption Charges	0	0	0	178	178
Sewerage Service Charges	0	0	323,445	681	324,126
Extra Charges	26,075	0	0	1,308	27,383
Total	114,826	8,877	1,870,335	3,831	1,997,869

REMUNERATION – GENERAL MANAGER

The total remuneration comprised in the remuneration package of the General Manager during the year was \$360,459.

SENIOR STAFF

The total remuneration package for Council's five senior staff for the year (excluding the General Manager position) is broken down into the following components:

Remuneration to senior staff (excluding GM position)	Total 2019/20
(i) the total of the values of the salary components of their packages	976,084
(ii) the total amount of any bonus payments, performance payments or other payments made to them that do not form part of the salary components of their packages	0
(iii) the total amount payable by the Council by way of the employer's contribution or salary sacrifice to any superannuation scheme to which any of them may be a contributor	129,559
(iv) the total value of any non-cash benefits for which any of them may elect under the package	3,518
(v) the total amount payable by the Council by way of fringe benefits tax for any such non-cash benefits	18,928
Total	1,128,089

The Director Planning and Compliance position was filled in relief capacity as at 30 June 2020 by a staff member not under a senior staff contract.

SPECIAL RATE VARIATIONS

Transport	
Council's annual allocation from the Special Rate received for transport assets.	2,116,466
Total unspent funds that will remain in the reserve for expenditure in following years.	1,546,015



Project and Expenditure - Renewal	2019/20
Crawney Middlebrook Bridge 1 Replacement (Part)	4,280
Bligh St Rehabilitation - Piper St to Peel St (Part)	14,603
Weabonga Teatree Creek Bridge Replacement (Part)	136,104
New Winton Rd Shoulders at Ridds Lane Intersection	195
Gravel Renewal - Rannock Burn Road	9
Gravel Renewal - Byrnes Gap Road	7
Gravel Renewal - Hobden Road	14
Gravel Renewal - Wittagoona Rd	312
Gravel Renewal - Limbri Weabonga Road (Part)	1,863
New Winton Road Widening Stage 3 (Part)	71,710
Gravel Renewal - Avondale Road	6
Gravel Renewal - Glenbarra Road	328
Reseal - Duri Dungowan Road	73,137
Gravel Renewal - McGowans Lane	300
Watsons Creek Road Stabilisation Seg150	139,899
Gravel Renewal - Hanging Rock Lookout Road (Part)	49,501
Gravel Renewal - Toby Road (Part)	11,469
Reseal Amaroo Rd (Part)	5,838
Browns Lane Final Seal - Moore Creek Rd to Forest Rd (Part)	60,042
Marius St, Darling to Macquarie	95,458
Jewry St, Peel to Marius	103,037
Burgmans Lane at Werris Creek Road Intersection	62,245
Daruka Road Seg 10	54,725
Daruka Road Seg 30 & 40	101,971
Somerton Road (Part)	43,785
Borah Road (Part)	116,780
Cherry Street	81,503
Stratford Street	68,109
Urungera Drive	38,995
Wyndham Close	41,696
Duri Wallamore Road Causeway PW00292 (Part)	36,060
Pendene Road Causeway PW00483 (Part)	36,990
Watsons Creek Tilmunda Road PW00482 (Part)	36,000
Goonan & Bass Street Stabilisation	102,323
Old Gunnedah Rd Stabilisation	63,173
Bligh St Asphalt at Roundabouts	95,452
Loomberah Road Seg 10	140,723
Loomberah Road Seg 50 & 60	136,792
Showground Road Reconstruction (Part)	203,739
Darling St Raglan to Janison	105,209
Mt Lindsay Road (Part)	85,000
Total	2,419,382

Drainage

Council's annual allocation from the Special Rate received for drainage assets. 314,868

Total unspent funds that will remain in the reserve for expenditure in following years. 93,357

Project and Expenditure - Renewal

2019/20

PCYC Kerb and Gutter (Part) 40,000

Duri-Dungowan/ Gowrie Rd - Intersection Causeway 16

Careys Lane Causeway Upgrade 1,832

Causeway Renewal - Bidford Access Road SP00021 164

Causeway Renewal - Longarm Road 10,285

Causeway Renewal - Wimborne Road SP00030 358

Causeway Renewal - Borah Road SP00012 (Part) 43,711

Causeway Renewal - Longarm Road PY00034 76,291

Causeway Renewal - Kia Ora Lane PW00411 (Part) 3,473

Causeway Renewal - Watson Cr Tilmunda Road SG00480 (Part) 35,055

Causeway Renewal - Duri Winton Road PW00485 (Part) 31,380

Causeway Renewal - Lower Somerton Road PY00018 (Part) 34,738

Causeway Renewal - Pendene Road PW00484 (Part) 50,806

Causeway Renewal - Old Winton Road PW00401 (Part) 40,190

Total 368,299

Buildings

Council's annual allocation from the Special Rate received for building assets. 796,056

Total unspent funds that will remain in the reserve for expenditure in following years. 1,580,566

Project and Expenditure - Renewal	2019/20
Parry Building - Upgrade Roof Access System	276
RWH Building-Lift Refurbishment	32,052
Manilla Office/Library-Replace Roof and Internal Ceiling	1,802
Manilla Small & Large Town Hall-Renewal of Courtyard Roof	59,297
Dungowan Hall - Renewal of Air Conditioner	26,954
Woolbrook Hall - Renew Access Ramp	21,855
Woolbrook Hall - Repointing of Brick Work & Façade Repairs	15,903
Tamworth Community Centre - Replace Air Conditioner	53
Tamworth Youth Centre - Shade Sail Install	24,372
TRC - Public Toilets Minor Works	51,466
Somerton Hall - Skillion Roof/Structure	11,512
Bendemeer-Hall-Toilet Plumbing and Concreting Works	24,312
Dungowan-Hall-Renewal of Stage Area	1,704
Nundle-Office/Library-Structural Repairs/External Paint	990
TRC - Regional Halls-Renewal of Fire Services	8,502
Tamworth-Community Centre-Renew Roof Safety Access System	33,980
Tamworth Ray Walsh House - Carpet Renewal Level 4	12,336
Tamworth Ray Walsh House - Reseal Balcony Level 5	3,517
Tamworth Ray Walsh House - CCTV Renewal	39,696
Tamworth Ray Walsh House - Urinal Renewal	19,412
Tamworth Mechanics Institute - Aircon Renewal	43,380
Tamworth ACMF - Renewal of Internal & External Lights	41,645
Tamworth South Library - Renewal of Internal Lights	36,142
Tamworth TRYC - Awning Renewal	7,342
Tamworth TRYC - Irrigation Renewal	9,300
Tamworth 6 Denne Street - External Painting	9,937
Tamworth 25-27 Fitzroy Street - Painting & Structure Renewal	30,285
Tamworth 7-11 Anne St Renewal of Roof Ventilators	4,273
Manilla Information Centre - External Paint	17,905
Manilla Showground - Painting	19,769
Manilla Showground - Renewal of Fittings and Fixtures	33,642
Barraba Showground - Painting	31,494
Barraba Showground - Renewal of Fittings and Fixtures	30,721
Nundle Primitive Methodist Church - Roof Renewal	39,689
Nundle Information Centre - Renew Handrail	7,506
Attunga Hall - Retaining Wall Renewal	6,398
Dungowan Hall - Roof Renewal	53,094
Limbri Hall - Toilet Renewal	3,254
Loomberah Hall - Floor Reseal	6,466
Debt Service - Principal - Public Amenities (Part)	50,000
Total	872,233

Parks and Recreation

Council's annual allocation from the Special Rate received for parks and recreation assets.	67,291
Total unspent funds that will remain in the reserve for expenditure in following years.	122,416

Project and Expenditure - Renewal

2019/20

Riverside Field 1 - Replace Synthetic Grass	6,357
Anzac Park - Playground Renewal (Part)	60,000
Total	66,357



Sport And Entertainment Venues

Council's annual allocation from the Special Rate received for sport and entertainment assets.	241,230
Total unspent funds that will remain in the reserve for expenditure in following years.	412,036

Project and Expenditure - Renewal

2019/20

Town Hall - Stage Rigging	9,855
Capitol Theatre – Microphones	4,760
Capitol Theatre - Microphone stands, music stands, scrouces	3,666
TRECC - Star Room Air Conditioning	1,169
TRECC Sprinkler Pump - Fire System	3,810
TRECC Pump Housing - Fires System	15,222
TRECC Aircon Access Platforms	26,924
TRECC Stage Skirt	556
AELEC - Replace Electrical Appliances	4,450
AELEC - Sound System	56,309
AELEC - Campdraft Arena Perimeter Fencing	6,437
AELEC-Roads and Pathway Renewal (Part)	31,212
Manilla Pool - End Wall Refurbishment	23,331
Nundle Pool - Plant Room Refurbishment	17,585
South West Pool - Waterslide Pump Renewal	9,484
Nundle Pool - Urinal Renewal	3,780
Manilla Pool - Pipework Renewal	54,136
Nundle Pool - Solar Water Tank Renewal	3,450
Renewal- Barraba Pool Circulation Pump (Part)	6,949
South & West War Memorial Pool - Power Pole Waterslide (Part)	9,095

Total

\$292,179

WORK CARRIED OUT ON PRIVATE LAND

The total income from private work in 2019-20 was \$431,233.

Council may carry out any kind of work that may lawfully be carried out, on any private land in agreement with its owner, in accordance with Section 67 of the Local Government Act, 1993. Private works may include paving, road marking, kerbing, guttering, ditching, tree planting, excavation, land clearing, water, sewerage and drainage connections etc.

Private work was carried out on the basis of a charge representing full cost recovery of the work carried out plus a margin for profit. The profit margin is dependent on and subject to market forces applying at the time.

SWIMMING POOL INSPECTIONS & CERTIFICATE OF COMPLIANCE

The Annual Report prepared under section 428 of the Local Government Act 1993 is required to include: the number of swimming pool inspections made by councils under the Swimming Pools Act 1992 of tourist and visitor accommodation and premises with two or more dwellings. These categories of premises are to be inspected at least once every three years. There were two inspections recorded for this financial year. A written request is forwarded to the owners of the swimming pool to arrange access for an inspection to be undertaken and payment of the inspection fee in accordance with Section 22F of the Act.

Furthermore, the following data is also required to be provided:

- There were 75 inspections resulting in the issuing of a certificate of compliance.
- There were 36 inspections resulting in the issuing of a certificate of non-compliance.



Tamworth Regional Council works to keep pools safe

STORMWATER MANAGEMENT SERVICES

Council levied Stormwater Management Services of \$637,280 in 2019-2020;

Stormwater Management Services Works	2019/20
Internal Loan - Principal and Interest repayment - West Tamworth Drainage Works (2016)	256,495
Drainage Study - North and East Tamworth	26,753
Drainage Strategy - Warwick Road/Bylong Road	467
Wateride Software - Drainage/Flood Monitoring	7,215
Tamworth-Warramunga Avenue / Ruthning Avenue Drainage	324
Burgess Lane/Calala Lane Intersection Upgrade	50,000
Total	341,254



West Tamworth Drainage Works

GLOSSARY

Term	Definition
AELEC	Australian Equine and Livestock Events Centre
Annual Operating Plan (AOP)	This annual operating plan provides details of projects and activities contained in the Delivery Program to be undertaken during the financial year
Asset	An economic resource owned or controlled by Council that enables services to be provided and that has a used life of greater than 12 months
Asset management	A systematic approach through which Council optimally and sustainably manages its assets and asset systems, their associated performance, risks and expenditures over all phases of their life cycles
Balance Sheet	This discloses the assets, liabilities and equity of Council
Capital income	Income received for the specific purpose of acquiring assets
Capital Works Program	Council's major works program assigned to 'capital' budgets (usually achieved over a four year period). It should be noted that not all expenditure within Council's Capital Works Program is capitalised
Cash Flow Statement	This statement presents the cash flows associated with Council's operating, financing and investing activities
Catchment	Area of land that drains rainfall into a river or lake
Community Strategic Plan (CSP)	Identifies the community's main priorities and aspirations for the future and sets out strategies to achieve them. Council's role is to initiate, prepare and maintain the Plan on behalf of the area but other partners such as state agencies and community groups also play a role in delivering the long term objectives of the plan.
Debt servicing ratio	Principal and interest on debt divided by available revenue to fund debt
Delivery Program (DP)	This is a statement of a commitment to the community. It outlines what Council intends to do towards achieving its long term objectives and priorities over a four year period
Destination Tamworth	A brand developed by Council to promote the region as a destination to live, work, play and invest
Fair Value	This is a rational and unbiased estimate of the potential market price of a good, service, or asset. It takes into account such objective factors as: acquisition/production/distribution costs, replacement costs, or costs of close substitutes
Governance	Governance comprises the traditions, institutions, policies and processes that determine how power is exercised, how citizens are given a voice, and how decisions are made on issues of public concern
Heritage	Refers to the extensive Aboriginal, natural, social and built history of the Tamworth region. It consists of those places and objects, including houses, public and commercial buildings, parks and monuments, that we as a community have inherited from the past and want to hand on to future generations. In a planning context, heritage refers to things in our built and natural environment that we want to preserve for future generations to enjoy

Term	Definition
Income Statement	This statement shows the operating result and change in net assets from operations during the year
Infrastructure	Roads, buildings, bridges, pavements, cycle ways and other constructions
Intangible assets	Acquisitions that provide long term benefits but do not have a physical form, e.g. licences
Local Environmental Plan (LEP)	An environmental planning instrument that contains legally binding provisions relating to development
Namoi Unlimited - Joint Organisation of Councils trading as Namoi Unlimited	Comprising the Councils of Gwydir Shire, Gunnedah Shire, Liverpool Plains Shire, Tamworth Regional, Walcha Council
Net financial liabilities ratio	Liabilities less assets divided by operating revenue
Operating surplus ratio	Operating result divided by total operating revenue excluding capital items
Performance statement	The Performance Statement outlines the Key Strategic Activities and how the organisation has performed against the set performance targets. This statement is independently audited and printed in the Annual Report
Program	A program is an endeavour to deliver a particular strategic outcome and related benefits, and in doing so, coordinates a group of related projects, activities and work streams. Programs of services are natural groupings of services.
Section 64 Contributions	Cash contributions from developers towards network assets for water and sewer funds
Section 94 Contributions	Cash contributions from developers towards community assets for general fund
Service charges	Annual charges for the availability of waste, water and sewer services
Social justice principles	Measures that decrease or eliminate inequity; promoting inclusiveness of diversity; and establishing environments supportive of all people
Tamworth Tomorrow	Council's Regional Economic Development Strategy to 2021
The Long Term Financial Plan (LTFP)	Is one of the three components which make up the Resourcing Strategy that informs the Community Strategic Plan and Delivery Program
Themes	Recurring priorities guiding Council's strategic planning into a common area
Values	A principle, standard, or quality considered worthwhile or desirable
Vision	An aspirational description of what an organisation would like to achieve or accomplish in the mid-term or long-term future

ACRONYMS

ABS	Australian Bureau of Statistics	IP&R	Integrated Planning & Reporting framework
AELEC	Australian Equine and Livestock Events Centre	IPART	Independent Pricing and Regulatory Tribunal
CBD	Central Business District	IPP& E	Infrastructure, Property, Plant & Equipment
CCTV	Closed-circuit television	LEP	Local Environmental Plan
CSP	Community Strategic Plan	LGA	Local Government Area
EEO	Equal Employment Opportunity	OLG	Office of Local Government
GIPA	Government Information (Public Access) Act 2009	TRECC	Tamworth Regional Entertainment and Conference Centre

FINANCIAL REPORTS

PERIOD ENDED JUNE 30 2020

Tamworth Regional Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020

More than just a city. More than just one place.



Tamworth Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

More than just a city. More than just one place.



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	94
On the Financial Statements (Sect 417 [3])	97

Overview

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

437 Peel Street
TAMWORTH NSW 2340

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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.tamworth.nsw.gov.au.

General Purpose Financial Statements

for the year ended 30 June 2020

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

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


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


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

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

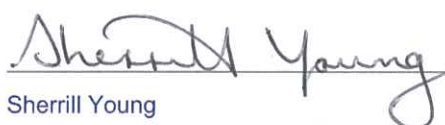
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 13 October 2020.


Col Murray
Mayor
13 October 2020


Phil Betts
Councillor
13 October 2020


Paul Bennett
General Manager
13 October 2020


Sherrill Young
Responsible Accounting Officer
13 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
69,548	Rates and annual charges	3a	70,745	68,498
35,753	User charges and fees	3b	36,834	44,559
4,757	Other revenues	3c	2,704	3,770
18,455	Grants and contributions provided for operating purposes	3d,3e	22,213	18,558
24,098	Grants and contributions provided for capital purposes	3d,3e	35,788	35,958
4,567	Interest and investment income	4	3,151	4,633
–	Fair value increment on investment properties	12	300	–
–	Rental income	15e	2,534	–
157,178	Total income from continuing operations		174,269	175,976
Expenses from continuing operations				
51,271	Employee benefits and on-costs	5a	48,558	46,609
4,650	Borrowing costs	5b	4,418	4,503
28,716	Materials and contracts	5c	33,303	34,958
33,714	Depreciation and amortisation	5d	36,076	33,390
9,839	Other expenses	5e	11,501	11,159
–	Net losses from the disposal of assets	6	2,776	6,175
–	Fair value decrement on investment properties	12	–	60
128,190	Total expenses from continuing operations		136,632	136,854
28,988	Operating result from continuing operations		37,637	39,122
28,988	Net operating result for the year		37,637	39,122
28,988	Net operating result attributable to council		37,613	39,067
–	Net operating result attributable to non-controlling interests		24	55
4,890	Net operating result for the year before grants and contributions provided for capital purposes		1,849	3,164

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		37,637	39,122
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	11(a)	190,296	42,351
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	11(a)	754	(754)
Revaluation surplus - Intangible Assets	13b	350	—
Total items which will not be reclassified subsequently to the operating result		191,400	41,597
Total other comprehensive income for the year		191,400	41,597
Total comprehensive income for the year		229,037	80,719
Total comprehensive income attributable to Council		229,013	80,664
Total comprehensive income attributable to non-controlling interests		24	55

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position
as at 30 June 2020

\$ '000	Notes	2020	Restated 2019 ²	Restated 2018 ²
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	36,508	13,875	4,957
Investments	7(b)	119,844	100,764	116,398
Receivables	8	16,889	17,924	19,154
Inventories	9a	16,607	1,229	1,096
Contract assets	14a	6,392	—	—
Other	9b	342	826	233
Current assets classified as 'held for sale'	10	214	2,017	5,513
Total current assets		196,796	136,635	147,351
Non-current assets				
Investments	7(b)	13,000	42,000	42,000
Receivables	8	402	389	380
Infrastructure, property, plant and equipment	11(a)	1,767,985	1,555,151	1,486,992
Investment property	12	30,175	29,875	8,410
Intangible Assets	13	2,871	2,111	2,097
Right of use assets	15a	2,853	—	—
Total non-current assets		1,817,286	1,629,526	1,539,879
Total assets		2,014,082	1,766,161	1,687,230
LIABILITIES				
Current liabilities				
Payables	16	14,773	12,540	10,317
Income received in advance	16	—	332	897
Contract liabilities	14b	4,223	—	—
Lease liabilities	15b	727	—	—
Borrowings	16	7,559	6,319	5,931
Provisions	17	10,700	9,880	9,604
Total current liabilities		37,982	29,071	26,749
Non-current liabilities				
Lease liabilities	15b	2,190	—	—
Borrowings	16	78,864	65,834	70,653
Provisions	17	8,709	9,504	8,795
Total non-current liabilities		89,763	75,338	79,448
Total liabilities		127,745	104,409	106,197
Net assets		1,886,337	1,661,752	1,581,033
EQUITY				
Accumulated surplus	18	1,211,645	1,178,134	1,139,067
Revaluation reserves	18	674,011	482,961	441,364
Council equity interest		1,885,656	1,661,095	1,580,431
Non-controlling equity interests	18	681	657	602
Total equity		1,886,337	1,661,752	1,581,033

(2) Restated refer to Note 18b

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

		as at 30/06/20					as at 30/06/19				
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Non-controlling interest	Total equity
\$ '000	Notes						Restated	Restated	Restated	Restated	Restated
Opening balance		1,148,629	482,961	1,631,590	657	1,632,247	1,109,562	441,364	1,550,926	602	1,551,528
Correction of prior period errors	18b	29,505	–	29,505	–	29,505	29,505	–	29,505	–	29,505
Changes due to AASB 1058 and AASB 15 adoption	18c-ii	(4,452)	–	(4,452)	–	(4,452)	–	–	–	–	–
Restated opening balance		1,173,682	482,961	1,656,643	657	1,657,300	1,139,067	441,364	1,580,431	602	1,581,033
Net operating result for the year		37,613	–	37,613	24	37,637	39,067	–	39,067	55	39,122
Net operating result for the period		37,613	–	37,613	24	37,637	39,067	–	39,067	55	39,122
Other comprehensive income											
– Gain (loss) on revaluation of IPP&E	11(a)	–	190,296	190,296	–	190,296	–	42,351	42,351	–	42,351
– Gain/(loss) on revaluation of intangible assets at fair value through other comprehensive income	13b	350	–	350	–	350	–	–	–	–	–
– Impairment (loss) reversal relating to IPP&E	11(a)	–	754	754	–	754	–	(754)	(754)	–	(754)
Other comprehensive income		350	191,050	191,400	–	191,400	–	41,597	41,597	–	41,597
Total comprehensive income		37,963	191,050	229,013	24	229,037	39,067	41,597	80,664	55	80,719
Equity – balance at end of the reporting period		1,211,645	674,011	1,885,656	681	1,886,337	1,178,134	482,961	1,661,095	657	1,661,752

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
69,548	Rates and annual charges		70,516	68,537
37,985	User charges and fees		40,388	47,870
4,567	Investment and interest revenue received		3,827	4,535
44,992	Grants and contributions		43,354	44,728
–	Bonds, deposits and retention amounts received		927	715
12,774	Other		9,081	10,648
Payments:				
(51,393)	Employee benefits and on-costs		(47,491)	(47,833)
(40,182)	Materials and contracts		(42,220)	(44,464)
(4,569)	Borrowing costs		(4,083)	(4,363)
–	Bonds, deposits and retention amounts refunded		(775)	(405)
(10,823)	Other		(12,835)	(10,388)
62,899	Net cash provided (or used in) operating activities	19b	60,689	69,580
Cash flows from investing activities				
Receipts:				
14,000	Sale of investment securities		46,954	57,970
–	Sale of infrastructure, property, plant and equipment		4,834	4,574
–	Deferred debtors receipts		2	1
Payments:				
–	Purchase of investment securities		(37,034)	(42,336)
–	Purchase of investment property		–	(20,000)
(80,777)	Purchase of infrastructure, property, plant and equipment		(65,934)	(56,369)
–	Purchase of intangible assets		(483)	(71)
(66,777)	Net cash provided (or used in) investing activities		(51,661)	(56,231)
Cash flows from financing activities				
Receipts:				
10,590	Proceeds from borrowings and advances		20,590	1,500
Payments:				
(6,657)	Repayment of borrowings and advances		(6,320)	(5,931)
–	Lease liabilities (principal repayments)		(665)	–
3,933	Net cash flow provided (used in) financing activities		13,605	(4,431)
55	Net increase/(decrease) in cash and cash equivalents		22,633	8,918
13,875	Plus: cash and cash equivalents – beginning of year	19a	13,875	4,957
13,930	Cash and cash equivalents – end of the year	19a	36,508	13,875
128,452	plus: Investments on hand – end of year	7(b)	132,844	142,764
142,382	Total cash, cash equivalents and investments		169,352	156,639

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Revenue from continuing operations	15
4	Interest and investment income	21
5	Expenses from continuing operations	22
6	Gain or loss from disposal of assets	26
7(a)	Cash and cash equivalents	27
7(b)	Investments	27
7(c)	Restricted cash, cash equivalents and investments	29
8	Receivables	31
9	Inventories and other assets	33
10	Non-current assets classified as held for sale	35
11(a)	Infrastructure, property, plant and equipment	36
11(b)	Infrastructure, property, plant and equipment – current year impairments	41
12	Investment properties	42
13	Intangible assets	43
14	Contract assets and liabilities	44
15	Leases	45
16	Payables and borrowings	49
17	Provisions	51
18	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	55
19	Statement of cash flow information	61
20	Interests in other entities	62
21	Commitments	64
22	Contingencies	65
23	Financial risk management	69
24	Material budget variations	73
25	Fair Value Measurement	75
26	Related party disclosures	81
27	Statement of developer contributions	82
28	Result by fund	86
29(a)	Statement of performance measures – consolidated results	89
29(b)	Statement of performance measures – by fund	90
Additional Council disclosures (unaudited)		
29(c)	Statement of performance measures – consolidated results (graphs)	91
30	Council information and contact details	93

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 13 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, 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.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 24 – Material budget variations

and are clearly marked.

(a) 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 and investment property.

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of investment properties, especially with regards to those where valuations have been made difficult due to Covid19 - refer Note 12
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 11
- (iii) estimated tip remediation provisions – refer Note 17
- (iv) employee benefit provisions – refer Note 17.

Council operations in particular the airport and entertainment venues have experienced a significant downturn in revenue due to Covid19. The assets associated with these operations are not considered to be impaired as they are valued at depreciable replacement cost, they are not linked to valuations methods dependant upon cash flows or income.

Significant judgements in applying the council's accounting policies

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service
- Domestic Waste Management
- Central Northern Regional Libraries

(b) The Trust Fund

Council does not maintain a separate and distinct Trust Fund in accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended). Separate and distinct cash funded liability accounts are maintained within Council's Consolidated Fund. These specific liability accounts take the place of trust accounts and are used to account for all money and assets 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.

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 services provided by volunteers in its income statement due to the cost of trying to reliably capture and assign a value to the many services volunteers in our community provide.

New accounting standards and interpretations issued 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 2020 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have an impact on the Council's future financial statements, financial position, financial performance or cash flows as Tamworth Regional Council has not entered into any Service Concession Arrangements.

AASB 1059 Service Concession Arrangements: Grantors

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators. Based on a review of Tamworth Regional Councils operations there will be no impact of AASB 1059 as there are no Service Concession Arrangements entered into.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 18.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 2(a). Council functions/activities – financial information

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Restated Total assets held (current and non-current)	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
A Region of Progressive leadership	2,308	2,935	9,112	11,393	(6,804)	(8,458)	263	608	16,320	14,101
A Spirit of Community	21,515	18,070	29,962	29,706	(8,447)	(11,636)	11,114	10,298	155,262	135,359
A Prosperous Region	4,805	2,844	7,150	5,966	(2,345)	(3,122)	1,338	541	68,144	56,224
An Accessible Region	28,923	32,449	37,852	38,710	(8,929)	(6,261)	13,216	12,043	954,599	775,845
A Region for the Future	69,053	72,545	52,556	51,079	16,497	21,466	864	2,409	819,757	784,632
General Purpose Income	47,665	47,133	–	–	47,665	47,133	10,861	10,524	–	–
Total functions and activities	174,269	175,976	136,632	136,854	37,637	39,122	37,656	36,423	2,014,082	1,766,161

Notes to the Financial Statements

for the year ended 30 June 2020

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

A Spirit of Community

- Provide high-quality open spaces, parks and reserves suitable and accessible to all
- Provide high-quality sporting facilities to meet the diverse needs of the community
- Provide high-quality specialised sporting facilities to drive sporting excellence for the region and state
- Meet social justice principles through the provision of accessible and inclusive high-quality, integrated community services that meet current and emerging needs
- Preserve and celebrate the character, heritage and culture of our city, towns and villages
- Provide accessible, functional, multi-purpose facilities and spaces suitable for cultural, recreational, learning and information services and activities
- Create safe environments to live, work and play
- Provide responsive, effective emergency management and emergency prevention services

A Prosperous Region

- Support and facilitate economic development and employment opportunities
- Market the Tamworth Region as a destination for living, working and leisure
- Provide quality and choice in education and vocation pathways including university options
- To establish rail, air, land connections to enable local, national and international trade

An Accessible Region

- To maintain the current levels of service across the regions transport infrastructure
- Improve connections with capital cities, other regions and within the region
- Improve and expand the region's public and community transport services
- Traffic management and traffic safety planning
- Facilitate access to state of the art technology and communications for all residents and businesses living in the region

A Region for the Future

- Sound asset management planning
- Protect our natural environment
- Encourage efficient use of resources to improve environmental sustainability

A Region of Progressive leadership

- Provide quality customer service
- Represent and advocate community needs
- Provide inclusive opportunities for the community to get actively involved in decision-making
- Transparency and accountability of government
- To be a leader in best practice for local government

General Purpose Income

- Income that cannot be directly attributed to a specific function

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	24,526	23,711
Farmland	1058 (1)	5,793	5,633
Mining	1058 (1)	18	18
Business	1058 (1)	5,871	5,711
Less: pensioner rebates (mandatory)		(890)	(900)
Rates levied to ratepayers		35,318	34,173
Pensioner rate subsidies received	1058 (1)	493	495
Total ordinary rates		35,811	34,668
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (2)	7,695	7,430
Stormwater management services	1058 (2)	605	601
Water supply services	1058 (2)	7,121	6,920
Sewerage services	1058 (2)	19,022	18,425
Waste management services (non-domestic)	1058 (2)	925	904
Less: pensioner rebates (mandatory)		(981)	(999)
Annual charges levied		34,387	33,281
Pensioner subsidies received:			
– Water	1058 (1)	198	199
– Sewerage	1058 (1)	181	182
– Domestic waste management	1058 (1)	168	168
Total annual charges		34,934	33,830
TOTAL RATES AND ANNUAL CHARGES		70,745	68,498

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

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

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

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

2019 accounting policy

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (2)	8,812	12,496
Sewerage services	15 (2)	3,081	2,831
Total specific user charges		11,893	15,327
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	1,304	1,480
Private works – section 67	15 (2)	431	1,117
Regulatory/ statutory fees	15 (1)	576	418
Total fees and charges – statutory/regulatory		2,311	3,015
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	3,924	5,032
Cemeteries	15 (1)	403	310
Community Services	15 (1)	357	372
Parking fees	15 (1)	318	419
RMS charges (state roads not controlled by Council)	15 (2)	6,088	7,335
Swimming centres	15 (1)	237	308
Country music festival	15 (1)	1,785	2,002
Hire charge council facilities	15 (1)	1,361	2,326
Sewerage services	15 (2)	1,061	1,159
Sporting facilities	15 (1)	370	487
Waste/recycling depot	15 (1)	6,293	5,948
Venue ticket sales	15 (1)	134	154
Other	15 (1)	299	365
Total fees and charges – other		22,630	26,217
TOTAL USER CHARGES AND FEES		36,834	44,559

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

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

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

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

2019 accounting policy

User charges and fees are recognised as revenue when the service has been provided.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – investment property		–	469
Rental income – other council properties (2019 only)		–	632
Fines	1058 (1)	205	258
Commissions and agency fees	1058 (1)	396	455
Insurance claims recoveries	1058 (1)	699	129
Sales – general	15 (1)	253	266
Antenna leases	15 (2)	367	286
Insurance rebate	1058 (1)	130	130
Consultancy services	15 (2)	407	628
Sponsorship income	15 (1)	14	33
Other	1058 (1)	147	198
Container Deposit Scheme	15 (1)	86	286
<u>TOTAL OTHER REVENUE</u>		<u>2,704</u>	<u>3,770</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when payment for the penalty is received.

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance	1058 (1)	5,272	5,166	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	5,590	5,358	–	–
Total general purpose		10,862	10,524	–	–
Specific purpose					
Water supplies	1058 (2)	–	–	1,450	–
Astronomy Centre	1058 (2)	–	–	559	122
Bushfire and emergency services	1058 (2)	593	316	1	24
CCTV Security	1058 (2)	–	–	169	526
Community care	1058 (2)	654	484	–	–
Disaster mitigation and rehabilitation ¹		–	(1)	–	–
Heritage and cultural	1058 (2)	376	356	6	–
Local Infrastructure Renewal Scheme	1058 (1)	65	80	–	–
Noxious weed control	1058 (1)	100	112	–	–
Transport (roads to recovery)	1058 (2)	1,190	1,515	–	–
Training	1058 (2)	21	34	–	–
Park Upgrades	1058 (2)	–	–	745	1,233
Stormwater	1058 (2)	–	–	171	–
Street lighting	1058 (1)	170	169	–	–
Shared Paths/Cycleways	1058 (2)	–	–	2,530	–
Northern Inland Centre of Sporting Excellence	1058 (2)	–	–	8,577	7,443
Transport (airport)	1058 (2)	–	–	635	3,359
Transport (other roads and bridges funding)	1058 (2)	3,978	404	5,309	6,233
Drought Communities Programme	1058 (2)	–	557	–	443
Truck Wash - Tamworth Regional Livestock Exchange	1058 (2)	–	369	–	–
Waste Facilities	1058 (2)	–	196	2	–
Other	1058 (2)	135	296	46	129
Organic Recycling Facility ¹	1058 (2)	–	–	(688)	1,500
Total specific purpose		7,282	4,887	19,512	21,012
Total grants		18,144	15,411	19,512	21,012
Grant revenue is attributable to:					
– Commonwealth funding		15,441	13,170	2,498	6,120
– State funding		2,676	2,226	16,914	14,830
– Other funding		27	15	100	62
		18,144	15,411	19,512	21,012

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

(1) Unspent grant funds returned

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	825	1,087
S 7.12 – fixed development consent levies		1058 (1)	–	–	388	437
S 64 – water supply contributions		1058 (1)	–	–	1,374	1,637
S 64 – sewerage service contributions		1058 (1)	–	–	490	601
Total developer contributions – cash			–	–	3,077	3,762
Total developer contributions ¹			–	–	3,077	3,762
Other contributions:						
Cash contributions						
Other councils – joint works/services		1058 (2)	640	638	–	–
RMS contributions (regional roads, block grant)		1058 (2)	3,128	2,398	–	–
Water supplies (excl. section 64 contributions)			–	–	–	10
Other		1058 (1)	25	28	25	12
Capital works		15 (2)	–	–	806	111
Sewage Services		1058 (1)	250	74	6	2
Donations		1058 (1)	26	9	–	–
Kerb and Gutter		1058 (2)	–	–	–	32
Total other contributions – cash			4,069	3,147	837	167
Non-cash contributions						
Dedications – subdivisions (other than by s7.11)		15 (1)	–	–	7,735	8,121
NSW State Government - 25 Fitzroy Street		15 (1)	–	–	–	1,280
NSW State Government - Crown Land		15 (1)	–	–	4,627	1,616
Total other contributions – non-cash			–	–	12,362	11,017
Total other contributions			4,069	3,147	13,199	11,184
Total contributions			4,069	3,147	16,276	14,946
TOTAL GRANTS AND CONTRIBUTIONS			22,213	18,558	35,788	35,958

(1) Total income differs to note 27 due to internal payments

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,
15 (2) indicates income recognised under AASB 15 “over time”,
1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while
1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Grant income under AASB 15

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

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

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

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

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
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(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

Unexpended at the close of the previous reporting period	2,497	1,535
Add: operating grants recognised as income in the current period but not yet spent	462	1,528
Less: operating grants recognised in a previous reporting period now spent	(1,206)	(566)
Unexpended and held as externally restricted assets (operating grants)	1,753	2,497

Capital grants

Unexpended at the close of the previous reporting period	3,265	2,090
Add: capital grants recognised as income in the current period but not yet spent	1,477	2,526
Less: capital grants recognised in a previous reporting period now spent	(1,847)	(1,351)
Unexpended and held as externally restricted assets (capital grants)	2,895	3,265

Contributions

Unexpended at the close of the previous reporting period	39,575	36,925
Add: contributions recognised as income in the current period but not yet spent	3,850	4,801
Less: contributions recognised in a previous reporting period now spent	(4,603)	(2,151)
Unexpended and held as externally restricted assets (contributions)	38,822	39,575

Note 4. Interest and investment income

\$ '000	2020	2019
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Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	329	331
– Cash and investments	2,822	4,302
Total Interest and investment income	3,151	4,633

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	268	274
General Council cash and investments	827	1,772

Restricted investments/funds – external:

Development contributions		
– Section 7.11	116	173
– Section 64	597	794
Water fund operations	566	699
Sewerage fund operations	777	921
Total interest and investment revenue	3,151	4,633

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	38,057	36,128
Employee leave entitlements (ELE)	7,826	7,312
Superannuation	4,278	4,168
Workers' compensation insurance	1,376	1,103
Fringe benefit tax (FBT)	173	177
Payroll tax	237	299
Other	386	307
Total employee costs	52,333	49,494
Less: capitalised costs	(3,775)	(2,885)
TOTAL EMPLOYEE COSTS EXPENSED	48,558	46,609
Number of 'full-time equivalent' employees (FTE) at year end	557	540

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 22 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		6	–
Interest on loans		4,088	4,355
Total interest bearing liability costs		4,094	4,355
Less: capitalised costs ¹		(10)	–
Total interest bearing liability costs expensed		4,084	4,355
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	17	334	148
Total other borrowing costs		334	148
TOTAL BORROWING COSTS EXPENSED		4,418	4,503

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred.

(1) Manilla Water Treatment Plant

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	23,671	24,990
Contractor and consultancy costs	9,291	8,122
Auditors remuneration ²	162	185
Legal expenses:		
Expenses from short-term leases (2020 only)	—	—
Expenses from leases of low value assets (2020 only)	86	—
Expenses from Peppercorn leases (2020 only)	—	—
– Legal expenses: planning and development	1	522
– Legal expenses: other	92	133
Variable lease expense relating to usage (2020 only)	—	—
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	—	1,006
Total materials and contracts	33,303	34,958
TOTAL MATERIALS AND CONTRACTS	33,303	34,958

Accounting policy for materials and contracts

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

Operating leases (2019 only)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Buildings	—	706
Office Equipment	—	300
	—	1,006

2. Auditor remuneration

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

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements	111	94
Other audit and assurance services – internal auditors	51	91
Remuneration for audit and other assurance services	162	185
Total remuneration of non NSW Auditor-General audit firms	162	185
Total Auditor remuneration	162	185

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		3,743	3,460
Office equipment		6	6
Furniture and fittings		362	396
Land improvements (depreciable)		469	476
Infrastructure:	11(a)		
– Buildings – non-specialised		1,127	1,209
– Buildings – specialised		264	264
– Other structures		1,056	1,629
– Roads		10,353	9,797
– Bridges		2,021	948
– Footpaths		485	369
– Stormwater drainage		2,582	2,371
– Water supply network		5,253	4,950
– Sewerage network		5,896	5,864
– Swimming pools		135	130
– Other open space/recreational assets		968	887
Right of use assets	15	729	–
Other assets:			
– Library books		293	243
– Other		165	164
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	17,11(a)	750	605
– Quarry assets	17,11(a)	7	7
Intangible assets	13	73	57
Total gross depreciation and amortisation costs		36,737	33,832
Less: capitalised costs		(661)	(442)
Total depreciation and amortisation costs		36,076	33,390
Impairment / revaluation decrement of IPP&E			
Infrastructure:	11(a)		
– Water supply network		(754)	754
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		(754)	754
Amounts taken through revaluation reserve	11(a)	754	(754)
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS		36,076	33,390

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

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 13 for intangible assets and Note 15 for right of use assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

Impairment of non-financial assets

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

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

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	418	533
Training costs (other than salaries and wages)	809	903
Travel expenses	593	597
Bad and doubtful debts	316	(226)
Contributions/levies to other levels of government	991	1,292
– Emergency services levy (includes FRNSW, SES, and RFS levies)	1,128	950
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	183	178
Councillors' expenses (incl. mayor) – other (excluding fees above)	118	146
Donations, contributions and assistance to other organisations (Section 356)	353	551
Electricity and heating	3,473	3,375
Insurance	1,709	1,590
Street lighting	679	626
Telephone and communications	549	503
Sustainability rebates	87	29
Other	51	69
Total other expenses	11,501	11,159
TOTAL OTHER EXPENSES	11,501	11,159

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		558	–
Less: carrying amount of property assets sold/written off		(370)	–
Net gain/(loss) on disposal		188	–
Plant and equipment			
	11(a)		
Proceeds from disposal – plant and equipment		1,276	1,659
Less: carrying amount of plant and equipment assets sold/written off		(1,459)	(1,781)
Net gain/(loss) on disposal		(183)	(122)
Infrastructure			
	11(a)		
Less: carrying amount of infrastructure assets sold/written off		(3,978)	(5,467)
Net gain/(loss) on disposal		(3,978)	(5,467)
Non-current assets classified as ‘held for sale’			
	10		
Proceeds from disposal – non-current assets ‘held for sale’		3,000	2,915
Less: carrying amount of ‘held for sale’ assets sold/written off		(1,803)	(3,501)
Net gain/(loss) on disposal		1,197	(586)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,776)	(6,175)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	36,508	13,875
Total cash and cash equivalents	36,508	13,875

Accounting policy for cash and cash equivalents

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.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
Financial assets at amortised cost	108,500	13,000	85,996	42,000
Financial assets at fair value through other comprehensive income	11,344	–	14,768	–
Total Investments	119,844	13,000	100,764	42,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	156,352	13,000	114,639	42,000
Financial assets / held to maturity (2018)				
Term deposits	108,500	13,000	85,996	42,000
Total	108,500	13,000	85,996	42,000
Financial assets at fair value through other comprehensive income				
Other financial assets	11,344	–	14,768	–
Total	11,344	–	14,768	–

	Fair value at 30/06/20	Dividend income recognised during 1/7/19 – 30/6/20
Financial assets designated as at fair value through other comprehensive income		
NSW Treasury Corporation IM Funds	11,344	73
Total	11,344	73

No strategic investments were disposed of during 2020, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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

Assets measured at amortised cost are financial assets where:

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

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

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

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

Fair value through other comprehensive income – equity instruments

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

These investments are carried at fair value normally any changes in fair value are recognised in other comprehensive income (financial asset reserve) and on disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss. Due to the immaterial movement in unit value the amount of \$1,888.65 decrement was offset against the dividend received for the TCorp Investment.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	156,352	13,000	114,639	42,000
attributable to:				
External restrictions	128,915	13,000	94,849	42,000
Internal restrictions	27,285	–	19,122	–
Unrestricted	152	–	668	–
	156,352	13,000	114,639	42,000

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	4,019	–
Specific purpose unexpended loans – general	525	865
Specific purpose unexpended loans – water	6,588	492
Specific purpose unexpended loans – sewer	1,664	1,664
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	629	–
	13,425	3,021

External restrictions – included in liabilities

External restrictions – other

Developer contributions – general	6,872	6,458
Developer contributions – water fund	18,674	20,459
Developer contributions – sewer fund	13,264	12,672
Specific purpose unexpended grants (recognised as revenue) – general fund	–	5,293
Specific purpose unexpended grants (recognised as revenue) – sewer fund	–	469
Water supplies	23,481	27,592
Sewerage services	45,475	41,000
Deposits, retentions and bonds	1,664	1,834
Domestic waste management	19,060	18,051

External restrictions – other

Total external restrictions

Internal restrictions

Airport	2,663	2,409
Asset management provisions	955	1,099
Car parking	946	720
Central business district	101	338
Central Northern Regional Library	600	495
Community care facilities	1,061	895
Cultural facilities	243	287
Developer contribution plans – prior need	1,841	1,563
Drainage levy	1,363	1,067
Economic affairs	106	(759)
Employee provisions	2,290	2,334
FAG (General purpose component)	3,311	3,180
FAG (Roads component)	4,084	4,386
Governance provisions	1,336	1,341
Internal loan from reserves - Cemetery Extension ¹	(1,565)	(1,625)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
Internal loan from reserves - Pilot Training Facility ¹	(10,000)	(20,000)
Internal loan from reserves – Drainage works ¹	(1,431)	(1,649)
Internal loan from reserves – Street light replacement ¹	(994)	(1,159)
Local works	425	714
Natural disasters provisions	328	150
On site sewer management	42	42
Parks and sporting facilities	650	1,957
Pilot Training Facility ¹	(1,040)	(331)
Plant replacement	6,046	5,820
Quarry remediation	312	289
Quarry renewal	154	154
Regional Development	1,609	1,990
Special Rate Variation Asset Renewal	3,754	4,237
Sustainability projects	167	154
Transport provisions	7,928	9,024
Total internal restrictions	27,285	19,122
TOTAL RESTRICTIONS	169,200	155,971

(1) Loan between discretionary General Fund internal reserves as approved by Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	4,720	402	2,641	389
Interest and extra charges	790	–	829	–
User charges and fees	7,996	–	9,472	–
Accrued revenues				
– Interest on investments	555	–	1,191	–
– Other income accruals	1,406	–	145	–
Net investment in finance lease	–	–	–	–
Deferred debtors	–	–	2	–
Government grants and subsidies	304	–	3,685	–
Net GST receivable	477	–	585	–
Insurance claim	889	–	249	–
Contributions	749	–	73	–
Other debtors	374	–	107	–
Total	18,260	402	18,979	389
Less: provision of impairment				
Rates and annual charges	(361)	–	(354)	–
Interest and extra charges	(155)	–	(154)	–
User charges and fees	(855)	–	(547)	–
Total provision for impairment – receivables	(1,371)	–	(1,055)	–
TOTAL NET RECEIVABLES	16,889	402	17,924	389

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,055	1,795
+ new provisions recognised during the year	336	118
– amounts already provided for and written off this year	–	(515)
– amounts provided for but recovered during the year	(20)	(343)
Balance at the end of the year	1,371	1,055

Accounting policy for receivables

Recognition and measurement

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

Receivables are recognised at fair value, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over one (1) year past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Tamworth Global Gateway Park Industrial Land	15,431	–	–	–
Stores and materials	1,176	–	1,229	–
TOTAL INVENTORIES	16,607	–	1,229	–

(b) Other assets

Prepayments	342	–	826	–
TOTAL OTHER ASSETS	342	–	826	–

(i) Other disclosures

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development				
Residential	–	–	–	–
Tamworth Global Gateway Park Industrial Land	15,431	–	–	–
Total real estate for resale	15,431	–	–	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	15,431	–	–	–
Development costs	–	–	–	–
Borrowing costs	–	–	–	–
Other holding costs	–	–	–	–
Other properties – book value	–	–	–	–
Total costs	15,431	–	–	–

Less: provision for under recovery

Total real estate for resale	15,431	–	–	–
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Movements:

Real estate assets at beginning of the year	–	–	–	–
– Purchases and other costs	–	–	–	–
– Transfers in from (out to) Note 11	15,431	–	–	–
– WDV of sales (expense)	–	–	–	–
– Transfer between current/non-current	–	–	–	–
– Other	–	–	–	–
Total real estate for resale	15,431	–	–	–

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

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

\$ '000	2020	2019
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

\$ '000	2020	2019
Tamworth Global Gateway Park Industrial Land	13,447	—
Other	—	—
	<u>13,447</u>	<u>—</u>

Accounting policy for inventories and other assets

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.

During the year the value of stores and materials was written down by \$25k due to obsolescence, the write off was authorised by Council on June 23, 2020, item number 9.4 resolution 175/20.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses. Council acquired the real estate for resale back on February 5, 2016. The land acquired was funded by an internal loan from Council's water and sewer funds. The interest expense of \$2.2M attributable to this loan from the time of draw down to June 30, 2020 has been expensed. Council will commence to capitalise interest associated with this development once it commences activities that are necessary to prepare the asset for its intended sale.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Non-current assets 'held for sale'				
Land	214	–	2,017	–
Total non-current assets 'held for sale'	214	–	2,017	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>				
	214	–	2,017	–

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

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	2,017	5,513
Less: carrying value of assets/operations sold	(1,803)	(3,501)
Balance still unsold after 12 months:	214	2,012
<u>Plus new transfers in:</u>		
– Development costs	–	5
Closing balance of 'held for sale' non-current assets and operations	214	2,017

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	42,163	–	42,163	15,352	31,892	–	–	–	(11,619)	–	–	77,787	–	77,787
Plant and equipment	49,076	(21,209)	27,867	4,074	1,384	(1,459)	(3,743)	–	(1,041)	–	–	49,854	(22,771)	27,083
Office equipment	164	(148)	16	–	–	–	(6)	–	–	–	–	164	(154)	10
Furniture and fittings	5,901	(4,045)	1,856	–	12	–	(362)	–	–	–	–	5,912	(4,407)	1,505
Land:														
– Operational land	100,675	–	100,675	–	3,353	(370)	–	–	–	(15,141)	3,760	92,278	–	92,278
– Community land	20,344	–	20,344	–	4,627	–	–	–	–	–	4,498	29,470	–	29,470
– Land under roads (post 30/6/08)	1,676	–	1,676	–	–	–	–	–	–	–	–	1,676	–	1,676
Land improvements – depreciable	13,199	(4,203)	8,996	31	59	–	(469)	–	149	–	–	13,035	(4,268)	8,767
Infrastructure:														
– Buildings – non-specialised	128,550	(39,451)	89,099	573	2,607	(145)	(1,127)	–	138	(290)	(125)	130,952	(40,223)	90,729
– Buildings – specialised	36,542	(4,146)	32,396	–	–	–	(264)	–	–	–	–	36,542	(4,409)	32,133
– Other structures	94,304	(67,272)	27,032	3	17	–	(1,056)	–	(351)	–	–	93,556	(67,912)	25,644
– Roads ²	569,445	(163,603)	405,842	–	–	(144)	(232)	–	(400,997)	–	–	6,837	(2,369)	4,468
– Bridges ²	125,597	(30,423)	95,174	823	–	(1,799)	(2,021)	–	4,188	–	108,843	316,844	(111,635)	205,209
– Footpaths ²	24,534	(9,465)	15,069	–	248	–	(485)	–	550	–	8,071	39,032	(15,579)	23,453
- Transport Ancillary	–	–	–	134	167	–	(235)	–	13,733	–	4,099	26,621	(8,722)	17,899
– Stormwater drainage	273,871	(83,156)	190,715	–	4,720	(19)	(2,582)	–	210	–	1,750	281,337	(86,544)	194,793
– Water supply network	422,766	(197,903)	224,863	254	717	(241)	(5,253)	754	2,277	–	2,098	429,452	(203,982)	225,470
– Sewerage network	336,056	(103,824)	232,232	47	1,181	(79)	(5,896)	–	1,053	–	2,152	341,405	(110,715)	230,690
– Swimming pools	11,530	(6,884)	4,646	132	3	–	(135)	–	(16)	–	–	11,617	(6,985)	4,632
– Other open space/recreational assets	35,220	(16,772)	18,448	11	326	(1)	(968)	–	244	–	–	35,742	(17,681)	18,061
- Kerb and Gutter	–	–	–	–	471	–	(562)	–	37,050	–	12,060	72,647	(23,628)	49,019
- Minor Culverts	–	–	–	–	–	–	(573)	–	22,408	–	42,759	79,675	(15,081)	64,594
- Causeways	–	–	–	140	39	(38)	(188)	–	7,513	–	331	15,203	(7,406)	7,797
- Roads Local Sealed	–	–	–	1,723	1,559	(716)	(5,126)	–	209,542	–	–	293,874	(86,892)	206,982
- Roads Local Unsealed	–	–	–	2,488	–	(561)	(1,979)	–	52,071	–	–	72,490	(20,471)	52,019
- Roads Regional Sealed	–	–	–	1,326	–	(199)	(1,222)	–	52,544	–	–	68,014	(15,565)	52,449
- Roads Regional Unsealed	–	–	–	–	–	–	(99)	–	4,231	–	–	4,946	(815)	4,131
- Carparks	–	–	–	–	–	(35)	(137)	–	5,069	–	–	7,867	(2,969)	4,898
Other assets:														
– Library books	2,237	(1,421)	816	–	293	–	(293)	–	–	–	–	2,530	(1,714)	816
– Art collection	3,782	–	3,782	–	–	–	–	–	–	–	–	3,783	–	3,783
– Other	6,670	(1,263)	5,407	–	101	–	(165)	–	(1)	–	–	6,765	(1,424)	5,341
Reinstatement, rehabilitation and restoration assets (refer Note 17):														

Notes to the Financial Statements
for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 9)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
– Tip assets	14,025	(8,107)	5,918	–	–	–	(750)	–	(825)	–	–	13,200	(8,857)	4,343
– Quarry assets	266	(147)	119	–	–	–	(7)	–	(56)	–	–	210	(154)	56
Total Infrastructure, property, plant and equipment	2,318,593	(763,442)	1,555,151	27,111	53,776	(5,806)	(35,935)	754	(1,936)	(15,431)	190,296	2,661,317	(893,332)	1,767,985

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

(2) Restated refer to Note 18b

Notes to the Financial Statements
for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	Adjustments and transfers	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	32,716	–	32,716	1,637	33,011	–	–	–	(25,202)	–	–	42,163	–	42,163
Plant and equipment	47,632	(20,672)	26,960	4,290	1,651	(1,695)	(3,460)	–	121	–	–	49,076	(21,209)	27,867
Office equipment	164	(142)	22	–	–	–	(6)	–	–	–	–	164	(148)	16
Furniture and fittings	5,877	(3,648)	2,229	–	23	–	(396)	–	–	–	–	5,901	(4,045)	1,856
Land:														
– Operational land	98,455	–	98,455	–	2,736	–	–	–	1,009	(1,525)	–	100,675	–	100,675
– Community land	18,723	–	18,723	–	1,620	–	–	–	–	–	–	20,344	–	20,344
– Land under roads (post 30/6/08)	1,204	–	1,204	–	453	–	–	–	–	–	19	1,676	–	1,676
Land improvements – depreciable	12,707	(3,737)	8,970	299	154	(5)	(476)	–	54	–	–	13,199	(4,203)	8,996
Infrastructure:														
– Buildings – non-specialised	125,637	(39,076)	86,561	1,015	2,450	(101)	(1,209)	–	383	–	–	128,550	(39,451)	89,099
– Buildings – specialised	36,543	(3,882)	32,661	–	–	–	(264)	–	–	–	–	36,542	(4,146)	32,396
– Other structures	93,865	(65,721)	28,144	10	534	(97)	(1,629)	–	70	–	–	94,304	(67,272)	27,032
– Roads ²	460,452	(119,510)	340,942	1,370	6,625	(3,522)	(9,797)	–	70,224	–	–	569,445	(163,603)	405,842
– Bridges ²	124,858	(29,762)	95,096	317	–	(285)	(948)	–	994	–	–	125,597	(30,423)	95,174
– Footpaths ²	24,207	(9,225)	14,982	11	479	(34)	(369)	–	–	–	–	24,534	(9,465)	15,069
– Stormwater drainage	321,430	(106,570)	214,860	–	4,144	(93)	(2,371)	–	(61,067)	–	35,242	273,871	(83,156)	190,715
– Water supply network	410,100	(189,669)	220,431	348	1,239	(343)	(4,950)	(754)	5,394	–	3,497	422,766	(197,903)	224,863
– Sewerage network	324,791	(97,199)	227,592	2,107	1,175	(1,025)	(5,864)	–	4,652	–	3,593	336,056	(103,824)	232,232
– Swimming pools	11,355	(6,724)	4,631	51	75	–	(130)	–	21	–	–	11,530	(6,884)	4,646
– Other open space/recreational assets	32,431	(15,926)	16,505	–	721	(48)	(887)	–	2,157	–	–	35,220	(16,772)	18,448
Other assets:														
– Library books	1,913	(1,178)	735	–	324	–	(243)	–	–	–	–	2,237	(1,421)	816
– Other	6,557	(1,100)	5,457	–	112	–	(164)	–	–	–	–	6,670	(1,263)	5,407
– Art collection	3,753	–	3,753	–	30	–	–	–	–	–	–	3,782	–	3,782
Reinstatement, rehabilitation and restoration assets (refer Note 17):														
– Tip assets	12,737	(7,502)	5,235	–	–	–	(605)	–	1,287	–	–	14,025	(8,107)	5,918
– Quarry assets	266	(139)	127	–	–	–	(7)	–	–	–	–	266	(147)	119
Total Infrastructure, property, plant and equipment	2,208,373	(721,382)	1,486,991	11,455	57,556	(7,248)	(33,775)	(754)	97	(1,525)	42,351	2,318,593	(763,442)	1,555,151

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

(2) Restated Refer to Note 18b

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 15.

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

Section 119 of the *Rural Fire Services Act 1997 (NSW)*, requires "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".

After consideration of all elements of control for accounting purposes however, Council is of the opinion that control lies with the Rural Fire Service and does not recognise any fire fighting equipment acquired from the fire fighting fund.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2020	2019
(i) Impairment losses recognised direct to equity (ARR):			
Water Infrastructure - storm damage to reservoir roof located at One Tree Hill	11(a)	–	754
Total impairment losses		–	754
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>		<u>–</u>	<u>754</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	30,175	29,875
Total owned investment property	30,175	29,875

Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	29,875	8,410
– Acquisitions	–	20,000
– Net gain/(loss) from fair value adjustments	300	(60)
– Transfers from/(to) owner occupied (Note 11)	–	1,525
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	30,175	29,875

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Properties that are under construction for future use as investment properties are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

Covid19

The 2020 valuations for all investment properties owned by Council were based on independent assessments made by Preston Rowe Paterson Registered Valuer no 186 with the exception of Council's Pilot Training Facility.

In the case of the pilot training facility it is unfeasible to substantiate a fair value due to Covid19. The facility was acquired with the intention of it being tenanted as a pilot training facility; a fair value based on lease arrangements of this nature is unobtainable at this time due to the global pandemic. Should the pandemic continue to restrict use of the property for its intended purpose, the site is made up of many components which are able to be leased out separately. For now Council is delaying entering into any long term leases for individual structures as this could impede any future lease arrangements for the facilities intended purpose.

The value adopted for 30 June 2020 is \$21,525M being the same as the value provided for the reporting period ending 30 June 2019. Council is of the belief that this valuation does not overstate the fair value of the complex due to:

- The flexibility of the site allows it to be broken up into smaller components and leased out those components being accommodation for 231, a large hangar, general aviation aircraft parking, residential accommodation and a multipurpose facility currently designed for educational purposes but could easily be used for office space.
- The facility covers a site of approximately 234,200m². Valuations show that land in this area is currently selling at prices ranging from \$55m² to 93.50m².
- The site is currently generating a reasonable return for a small portion of the facility being leased to the Department of Education

Users of these financial reports should adopt a higher degree of caution to this value than would normally be the case

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
(a) Software		
Opening values at 1 July		
Gross book value	644	573
Accumulated amortisation	(317)	(260)
Net book value – opening balance	327	313
Movements for the year		
– Purchases	48	71
– Amortisation charges	(73)	(57)
Closing values at 30 June		
Gross book value	692	644
Accumulated amortisation	(390)	(317)
Total software – net book value	302	327
(b) Water Licences		
(b) Water Licences		
Opening values at 1 July		
Gross book value	1,784	1,784
Net book value – opening balance	1,784	1,784
Movements for the year		
– Purchases	435	–
– Revaluation of Water Licences	350	–
Closing values at 30 June		
Gross book value	2,569	1,784
Total Water Licences – net book value	2,569	1,784
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	2,871	2,111

Accounting policy for intangible assets

IT development and software

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

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

Water Licences

Costs incurred in acquiring water licences (excluding town water licences) that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to water licences. As a tradeable item Water licences have been revalued at 31 March 2020 by Preston Rowe Paterson, Registered Valuer NSW No 186.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities

Note 14. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Revenue from Grants where Obligations satisfied		6,392	—
Total Contract assets		6,392	—

\$ '000	Notes	2020 Current	2020 Non-current
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	2,723	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,500	—
Total grants received in advance		4,223	—
Total contract liabilities		4,223	—

Notes

(i) Council has received funding for a number of projects including construction of an organic recycling facility, CCTV project, library redevelopment and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 and AASB 1058 being satisfied since the performance obligations are ongoing.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	2,723
Operating grants (received prior to performance obligation being satisfied)	1,500
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	4,223

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Contract assets and liabilities (continued)

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of 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.

Note 15. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has leases over buildings with information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases buildings for their Entertainment Venues and Tourism Promotion functions. The leases are between 5 and 7 years and they include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

The building leases contains an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Extension options

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

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

\$ '000	Buildings	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	3,582	3,582
Depreciation charge	(729)	(729)
RIGHT OF USE ASSETS	2,853	2,853

\$ '000	2020 Current	2020 Non-current
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	727	2,190
<u>TOTAL LEASE LIABILITIES</u>	<u>727</u>	<u>2,190</u>

(i) The maturity analysis

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	727	2,190	–	2,917	2,917

\$ '000	2020
---------	------

(c) Income Statement

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

Interest on lease liabilities	6
Depreciation of right of use assets	729
Expenses relating to low-value leases	86
	<u>821</u>

(d) Statement of Cash Flows

Total cash outflow for leases	672
	<u>672</u>

Leases at significantly below market value – concessionary / peppercorn leases

Council does not believe that it has many leases in place that are at significantly below market value and according are not individually material from a statement of financial position or performance perspective.

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

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. The right-of-use 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.

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer Note 12) and/or IPP&E (refer Note 11).

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

\$ '000	2020
(i) Operating lease income	
Council Properties	
Lease income - Investment Properties	1,857
Lease income - Other Property	677
Other lease income	
Total income relating to operating leases	2,534
(ii) Operating lease expenses	
Investment properties	
Direct operating expenses that generated rental income	1,797
Other Properties	
Other	514
Total expenses relating to operating leases	2,311

(iii) Maturity analysis of contractual lease income

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

< 1 year	801
1–2 years	535
2–3 years	492
3–4 years	358

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Leases (continued)

\$ '000	2020
4–5 years	322
> 5 years	1,326
Total undiscounted contractual lease income receivable	3,834

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	8,708	–	8,752	–
Accrued expenses:				
– Borrowings	157	–	156	–
– Salaries and wages	1,156	–	865	–
– Other expenditure accruals	138	–	243	–
Prepaid rates	1,856	–	–	–
Security bonds, deposits and retentions	1,718	–	1,566	–
Ticket monies held	83	–	257	–
Other	957	–	701	–
Total payables	14,773	–	12,540	–
Income received in advance (2019 only)				
Payments received in advance	–	–	332	–
Total income received in advance	–	–	332	–
Borrowings				
Loans – secured ¹	7,559	78,864	6,319	65,834
Total borrowings	7,559	78,864	6,319	65,834
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>22,332</u>	<u>78,864</u>	<u>19,191</u>	<u>65,834</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 23.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

\$ '000	2020	2019
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(a) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	1,203	1,096
Total payables and borrowings	1,203	1,096

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	72,153	14,270	–	–	–	–	86,423
Lease liabilities	–	(666)	–	–	–	3,583	2,917
TOTAL	72,153	13,604	–	–	–	3,583	89,340

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	76,584	(4,431)	–	–	–	–	72,153
TOTAL	76,584	(4,431)	–	–	–	–	72,153

\$ '000	2020	2019
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(c) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	620	620
Total financing arrangements	1,620	1,620

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	620	620
Total undrawn financing arrangements	1,620	1,620

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

Accounting policy for payables and borrowings

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

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

Payables

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Payables and borrowings (continued)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest 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. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Note 17. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	4,342	–	4,115	–
Long service leave	6,358	311	5,765	218
Sub-total – aggregate employee benefits	10,700	311	9,880	218
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	8,398	–	9,286
Sub-total – asset remediation/restoration	–	8,398	–	9,286
<u>TOTAL PROVISIONS</u>	<u>10,700</u>	<u>8,709</u>	<u>9,880</u>	<u>9,504</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,559	7,904
	8,559	7,904

(b) Description of and movements in provisions

\$ '000	ELE provisions		
	Annual leave	Long service leave	Total
2020			
At beginning of year	4,115	5,983	10,098
Additional provisions	3,090	1,773	4,863
Amounts used (payments)	(2,896)	(1,129)	(4,025)
Remeasurement effects	33	42	75
Total ELE provisions at end of year	4,342	6,669	11,011
2019			
At beginning of year	4,019	5,764	9,783
Additional provisions	2,978	1,191	4,169
Amounts used (payments)	(2,905)	(1,136)	(4,041)
Remeasurement effects	23	164	187
Total ELE provisions at end of year	4,115	5,983	10,098

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	9,286	9,286
Changes to provision:		
– Revised costs	(880)	(880)
Amounts used (payments)	(342)	(342)
Unwinding of discount	334	334
Total other provisions at end of year	8,398	8,398
2019		
At beginning of year	8,616	8,616
– Revised costs	1,287	1,287
Amounts used (payments)	(765)	(765)
Unwinding of discount	148	148
Total other provisions at end of year	9,286	9,286

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate council owned tips and quarries.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

Accounting policy for provisions

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 interest expense.

Employee benefits

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.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

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 costs are estimated on the basis of a closure plan. 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.

Rehabilitation

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Provisions (continued)

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, 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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Council has based its landfill rehabilitation provision on the use of Phytocapping rather than the EPS prescribed clay caps. Council is presently a trial site endorsed by the EPA to test Phytocapping effectiveness but the EPA has not given approval that this met EPA licence requirements; there is a risk if the EPA does not approve the technology that Council's provisions are understated. Any changes in this risk will be reflected in future financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

During 2019/20 Council staff undertook an extensive revaluation of roads infrastructure (ref Note 10) resulting in the capitalisation of existing assets not previously recognised; in correcting this omission adjustments totalling \$29.5M have been made to Accumulated Surplus and IPPE.

The errors identified have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to the accumulated surplus at that date. In aggregate the adjustments totalled \$29.5M.

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

Changes to the opening Statement of Financial Position at 1 July 2018

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant and equipment	1,457,487	29,505	1,486,992
Total assets	1,657,725	29,505	1,687,230
Accumulated Surplus	1,109,562	29,505	1,139,067
Total equity	1,551,528	29,505	1,581,033

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant and equipment	1,525,646	29,505	1,555,151
Total assets	1,736,656	29,505	1,766,161
Accumulated Surplus	1,148,629	29,505	1,178,134
Total equity	1,632,247	29,505	1,661,752

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees – Council Aquatic Facilities

Prior to adopting AASB 15, the Council recognised season entry fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the season period).

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items of contract assets, contract cost assets and contract liabilities have been created.
- Movement of income received in advance items from Payables to Contract Liabilities.

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	36,508	–	–	36,508	
Investments	119,844	–	–	119,844	
Receivables	16,889	6,392	–	23,281	
Inventories	16,607	–	–	16,607	
Contract assets	6,392	(6,392)	–	–	
Other	342	–	–	342	
Current assets classified as 'held for sale'	214	–	–	214	
Total current assets	196,796	–	–	196,796	
Current liabilities					
Payables	14,773	–	–	14,773	
Income received in advance	–	344	–	344	
Contract liabilities	4,223	(344)	(3,879)	–	
Lease liabilities	727	–	–	727	
Borrowings	7,559	–	–	7,559	
Provisions	10,700	–	–	10,700	
Total current liabilities	37,982	–	(3,879)	34,103	
Non-current assets					
Investments	13,000	–	–	13,000	
Receivables	402	–	–	402	
Infrastructure, property, plant and equipment	1,767,985	–	–	1,767,985	
Investment property	30,175	–	–	30,175	
Intangible assets	2,871	–	–	2,871	
Right of use assets	2,853	–	–	2,853	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
Total non-current assets	1,817,286	—	—	1,817,286	
Non-current liabilities					
Lease liabilities	2,190	—	—	2,190	
Borrowings	78,864	—	—	78,864	
Provisions	8,709	—	—	8,709	
Total Non-current liabilities	89,763	—	—	89,763	
Net assets	1,886,337	—	3,879	1,890,216	
Equity					
Accumulated surplus	1,211,645	—	3,879	1,215,524	
Revaluation reserves	674,011	—	—	674,011	
Council equity interest	1,885,656	—	3,879	1,889,535	
Non-controlling equity interests	681	—	—	681	
Total equity	1,886,337	—	3,879	1,890,216	

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Income from continuing operations					
Rates and annual charges	70,745	—	—	70,745	
User charges and fees	36,834	—	—	36,834	
Other revenues	2,704	—	—	2,704	
Grants and contributions provided for operating purposes	22,213	—	1,156	23,369	
Grants and contributions provided for capital purposes	35,788	—	2,723	38,511	
Interest and investment income	3,151	—	—	3,151	
Fair value increment on investment properties	300	—	—	300	
Rental income	2,534	—	—	2,534	
Total Income from continuing operations	174,269	—	3,879	178,148	
Expenses from continuing operations					
Employee benefits and on-costs	48,558	—	—	48,558	
Borrowing costs	4,418	—	—	4,418	
Materials and contracts	33,303	—	—	33,303	
Depreciation and amortisation	36,076	—	—	36,076	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Other expenses	11,501	—	—	11,501	
Net losses from the disposal of assets	2,776	—	—	2,776	
Total Expenses from continuing operations	136,632	—	—	136,632	
Total Operating result from continuing operations	37,637	—	3,879	41,516	
Net operating result for the year	37,637	—	3,879	41,516	
Total comprehensive income	229,037	—	3,879	232,916	

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	—	—	—
Total assets	1,766,161	—	1,766,161
Contract liabilities	—	4,452	4,452
Total liabilities	104,409	4,452	108,861
Accumulated surplus	—	(4,452)	(4,452)
Total equity	1,661,752	(4,452)	1,657,300

(iii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$3,583k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 1.87%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	—

Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases

Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	2,475
Add:	
Contracts not accounted for as operating lease commitments last year	1,108
Lease liabilities recognised at 1 July 2019	3,583

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	—	3,583	3,583
Total assets	1,776,161	3,583	1,779,744
Payables – accrued interest on leases (30/6/2019)	—	—	—
Leases	—	3,583	3,583
Total liabilities	104,409	3,583	107,992
Accumulated surplus	1,178,134	—	1,178,134
Total equity	1,671,752	—	1,671,752

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Statement of cash flow information

\$ '000	Notes	2020	2019
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(a) Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	7(a)	36,508	13,875
Balance as per the Statement of Cash Flows		36,508	13,875

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

Net operating result from Income Statement		37,637	39,122
Adjust for non-cash items:			
Depreciation and amortisation		36,076	33,390
Net losses/(gains) on disposal of assets		2,776	6,175
Non-cash capital grants and contributions		(12,362)	(11,017)
Adoption of AASB 15/1058		(4,452)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investment property		(300)	60
Unwinding of discount rates on reinstatement provisions		334	148
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		704	1,960
Increase/(decrease) in provision for impairment of receivables		316	(740)
Decrease/(increase) in inventories		53	(133)
Decrease/(increase) in other current assets		484	(593)
Decrease/(increase) in contract assets		(6,392)	–
Increase/(decrease) in payables		(44)	1,536
Increase/(decrease) in accrued interest payable		1	(8)
Increase/(decrease) in other accrued expenses payable		186	243
Increase/(decrease) in other liabilities		1,758	(113)
Increase/(decrease) in contract liabilities		4,223	–
Increase/(decrease) in provision for employee benefits		913	315
Increase/(decrease) in other provisions		(1,222)	(765)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		60,689	69,580

(c) Non-cash investing and financing activities

Other dedications		12,362	11,017
Total non-cash investing and financing activities		12,362	11,017

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities

Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Name of Operation/Entity	Principal activity
Central Northern Regional Libraries	Provision of library resources & services for its member Councils

Interests in Subsidiary \$ '000	Ownership 2020	Ownership 2019	Voting rights 2020	Voting rights 2019
Council's interest in Subsidiary	62%	62%	62%	62%
Non-controlling interest in Subsidiary	38%	38%	38%	38%

The nature and extent of significant restrictions relating to the Subsidiary

All of subsidiary funds are held in Councils bank account, use of these funds is governed by a budget set annually. Assets are predominantly library resources which are distributed and exchanged between members as and when required. No dividends or distributions are paid.

The nature of risks associated with Council's interests in the Subsidiary

Withdrawal of government grant funding would expose Council to a loss, however it is to be expected that member Councils would be notified in a timely manner to prevent this from happening.

Other disclosures

Councils financial support of the subsidiary will continue indefinitely into the future. The level of financial support is linked to the Councils average population numbers and available grant funding.

Reporting dates of Subsidiary

Reporting dates of the subsidiary are in line with that of Tamworth Regional Council.

Summarised financial information for the Subsidiary

\$ '000	2020	2019
Summarised statement of comprehensive income		
Revenue	1,626	1,633
Expenses	(1,563)	(1,490)
Profit for the period	63	143
Total comprehensive income	63	143
Non-controlling interest share - 38%	24	55
Summarised statement of financial position		
Current assets	614	508
Non-current assets	1,179	1,221
Total assets	1,793	1,729
Non-controlling interest share - 38%	681	657

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Interests in other entities (continued)

Summarised statement of cash flows

Cash flows from operating activities	105	(222)
Net increase (decrease) in cash and cash equivalents	105	(222)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Commitments

\$ '000	2020	2019
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Capital commitments (exclusive of GST)

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

Property, plant and equipment

Buildings	1,840	737
Cemetery Infrastructure	–	909
Information Technology Infrastructure	–	128
Other – Airport Infrastructure	121	–
Parks and Recreation	58	1,382
Plant and equipment	55	1,672
Road Construction	6,028	1,462
Waste Infrastructure	–	72
Water & Sewer Infrastructure	8,076	253
Total commitments	16,178	6,615

These expenditures are payable as follows:

Within the next year	16,178	6,615
Total payable	16,178	6,615

Sources for funding of capital commitments:

Externally restricted reserves	1,904	756
Future grants and contributions	7,072	2,371
Internally restricted reserves	857	3,308
Section 64 funds/reserves	172	–
Unexpended loans	6,173	180
Total sources of funding	16,178	6,615

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to fund the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$ 690,797.10 The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 30 June 2019, and covers the period ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$333,999.96. Council's expected contribution to the plan for the next annual reporting period is \$648,385.16.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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

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

Investment return	5.75% 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 APRA.

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

(iv) Bank Guarantees

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, as at reporting date these amounts are:

Tamworth Rugby Club Inc. Drawn February 2008, for \$300,000. Balance as at 30/6/2020 is \$159,601.43

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

At June 30, 2020 Councils guarantee is limited to \$159,601.43

Tamworth Gymnastics Club. Drawn in 2019/20 Financial year. Balance as at 30/6/2020 is \$121,186.04
Councils guarantee is limited to \$130,000.00

Council does not expect to incur any loss from these guarantees.

(v) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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.

(iii) Investigation and potential remediation

During the 2019-2020 financial year the NSW Environmental Protection Authority (EPA) issued Tamworth Regional Council with a Proposed Preliminary Investigation Order to commence an investigation and possible remediation of two potentially contaminated land sites.

The investigation has not commenced with Council preparing to call tenders for the investigation works. There are no known costs associated with the investigation and potential remediation of the land as at 30 June 2020.

(iv) Over extraction of water investigation

During the reporting period, it was identified that Tamworth Regional Council had exceeded the permitted allocation of water from four (4) of the six (6) Drift Wells located on Scott Road Tamworth, owned by Tamworth Regional Council. An investigation was conducted by the Natural Resource Access Regulator (NRAR) into the over extraction of water allocated for use by Council. The investigation concluded that Council had breached Section 60C(2) of the Water Management Act 2000 on two (2) occasions and was subsequently issued with two (2) penalty notices totalling \$3,000 for these breaches.

In accordance with the requirements of the relevant legislation and regulations, Council has approved the purchase of water on the temporary market in the 2020-2021 water year to fill the deficit caused by the over extraction in 2019-2020 as well as allowing Council to source further water in the short term. The cost of this purchase has been estimated to be \$17,500 for 350 megalitres of water. The purchase of this water does not influence the penalties that arose from the investigation.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Contingencies (continued)

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	36,508	13,875	36,508	13,875
Receivables	17,291	18,313	17,291	18,313
Investments				
– 'Financial assets at amortised cost'	121,500	127,996	121,500	127,996
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income'	11,344	14,768	11,344	14,768
Contract Assets	6,392	–	6,392	–
Total financial assets	193,035	174,952	193,035	174,952
Financial liabilities				
Payables	14,773	12,540	14,773	12,540
Loans/advances	86,423	72,153	86,423	72,153
Lease liabilities	2,917	–	2,917	–
Contract Liabilities	4,223	–	4,223	–
Total financial liabilities	108,336	84,693	108,336	84,693

Fair value is determined as follows:

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

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

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	1,628	1,628	1,628	1,628
2019				
Possible impact of a 1% movement in interest rates	1,597	1,597	1,597	1,597

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	3,663	655	473	331	5,122
2019						
Gross carrying amount	–	1,791	490	426	323	3,030

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	8,885	274	2,013	474	1,894	13,540
Expected loss rate (%) ¹	0.00%	0.00%	2.00%	3.00%	50.50%	7.47%
ECL provision	–	–	40	14	956	1,010
2019						
Gross carrying amount	12,914	944	363	226	1,891	16,338
Expected loss rate (%) ¹	0.00%	0.00%	3.86%	9.29%	35.22%	4.29%
ECL provision	–	–	14	21	666	701

(1) The ECL provision differs to the amount shown in Note 8 Receivables, due to an impairment provision for rates receivables, the land parcels allowed for are likely to recoup less than the outstanding property debt due to size, accessibility, and location.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Financial risk management (continued)

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk – 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 maintaining an adequate cash buffer.

Overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. 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.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	1,718	11,199	–	–	12,917	12,917
Loans and advances	4.90%	–	11,683	44,087	55,117	110,887	86,423
Total financial liabilities		1,718	22,882	44,087	55,117	123,804	99,340
2019							
Trade/other payables	0.00%	1,566	10,974	–	–	12,540	12,540
Loans and advances	5.76%	–	10,411	39,672	46,636	96,719	72,153
Total financial liabilities		1,566	21,385	39,672	46,636	109,259	84,693

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 25 June 2019 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
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REVENUES

Rates and annual charges	69,548	70,745	1,197	2% F
User charges and fees	35,753	36,834	1,081	3% F
Other revenues	4,757	2,704	(2,053)	(43)% U

The unfavourable budget variation is due to the reclassification of rental income from other revenues to its own line item in the income statement. This \$2,534 movement is offset by funds received for an insurance claim of \$699k in relation to a reservoir at One Tree Hill.

Operating grants and contributions	18,455	22,213	3,758	20% F
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At the time of budget preparation it is difficult to know what one off grant applications Council will receive a favourable outcome for during the year, as a result there is usually always a significant budget variation in this area. During the year Council was successful in receiving grant funding in the following areas for which there was not a budget allowance. An extra \$3.0M for transport infrastructure, \$200k for drought relief funding, childcare grant funds were up by \$143k when compared to budget, as was emergency funding up by \$202k.

Capital grants and contributions	24,098	35,788	11,690	49% F
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Council does not budget for the non-cash developer infrastructure dedications which make up \$7.7M of the (\$11.6M F) improvement on budget; likewise there was a dedication of land in the way of Crown Land which totalled \$4.6M.

Interest and investment revenue	4,567	3,151	(1,416)	(31)% U
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When preparing the 19/20 budget for interest and investment revenue an estimated interest rate of 2.5% was used, the average return for the year on Council's investments was 1.8% this combined with a 47k (U) result for interest on overdue rates has resulted in the lower than budgeted result for interest and investment revenue.

EXPENSES

Employee benefits and on-costs	51,271	48,558	2,713	5% F
Borrowing costs	4,650	4,418	232	5% F
Materials and contracts	28,716	33,303	(4,587)	(16)% U

The largest contributor to the materials and contracts variance was the increased volume (\$2.1M) of operational expenditure for private works carried out for the RMS. Other factors which contributed to this variance include expenditure on the Country Road Roundabout \$400k, an additional \$200k on sport and recreational projects, \$200k on organisational development, \$271k on repairing storm damage and a contribution of \$108k to Jewry St lighting. In addition Council also had a favourable budget variance with regards to operational grants and contributions across many projects which also contributed to the variance in materials and contracts.

Depreciation and amortisation	33,714	36,076	(2,362)	(7)% U
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Other expenses	9,839	11,501	(1,662)	(17)% U
The reclassification of the expenditure line item "Training - other than wages" - \$976k from Employee Costs (Note 5a) to Other Expenses (Note 5e) as per the Local Government Code of Accounting Practice and Financial Reporting is the main reason for this budget variation. Other contributing factors include additional expenditure of \$400k in the area of electricity and heating, \$152k on Emergency Service Levies and \$123k in sustainability rebates.				
Net losses from disposal of assets	–	2,776	(2,776)	∞ U
Due to the uncertainty of this activity Council does not budget for the disposal of assets.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	62,899	60,689	(2,210)	(4)% U
Cash flows from investing activities	(66,777)	(51,661)	15,116	(23)% F
The favourable variance is due to proceeds from the sale of Property Plant and Equipment (\$4.8F) which Council does not budget for and lowr than budgeted capital expenditure especially in the water area which had a forecasted capital expenditure of \$27M but completed only \$16M, there was similarly reductions in capital expenditure in other areas of Council.				
Cash flows from financing activities	3,933	13,605	9,672	246% F
This is due to loans for the pilot training facility scheduled for draw down in 18/19 not being drawn until 19/20.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Investment property

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

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

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

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

		Fair value measurement hierarchy				
2020	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total Restated (1)
Investment property						
468-472 Peel Street		31/03/20	–	4,700	–	4,700
474 Peel Street		31/03/20	–	1,650	–	1,650
561 Peel Street		31/03/20	–	1,150	–	1,150
218 Peel Street		31/03/20	–	1,150	–	1,150
Pilot Training Facility	12	17/01/18	–	–	21,525	21,525
Total investment property			–	8,650	21,525	30,175
Infrastructure, property, plant and equipment						
Plant and equipment		30/06/20	–	–	27,083	27,083
Office equipment		30/06/20	–	–	10	10
Furniture and fittings		30/06/20	–	–	1,505	1,505
Land – operational		31/01/18	–	–	92,278	92,278
Land under roads (post 30/6/08)		30/06/20	–	–	1,676	1,676
Land improvements – depreciable		30/06/20	–	–	8,767	8,767
Buildings		31/01/18	–	–	122,862	122,862
Other structures		30/06/20	–	–	48,337	48,337
Roads and Carparks ¹	18b	30/06/15	–	–	324,947	324,947
Bridges and Other Transport Infrastructure ¹	18b	01/01/20	–	–	367,971	367,971
Stormwater drainage		01/01/19	–	–	194,793	194,793
Water supply network		31/03/18	–	–	225,470	225,470
Sewerage network		31/03/18	–	–	230,690	230,690
Library books		30/06/20	–	–	816	816
Art collection		30/06/14	–	–	3,783	3,783
Other assets		30/06/20	–	–	5,341	5,341
Land – community		30/06/20	–	–	29,470	29,470
Total infrastructure, property, plant and equipment			–	–	1,685,799	1,685,799

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2020	Notes	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total Restated (1)
Non-current assets classified as 'held for sale'						
Land		30/06/20	–	214	–	214
Total NCA's classified as 'held for sale'			–	214	–	214

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total Restated (1)
Investment property						
468-472 Peel Street		31/03/19	–	4,600	–	4,600
474 Peel Street		31/03/19	–	1,600	–	1,600
561 Peel Street		31/03/19	–	1,050	–	1,050
218 Peel Street		31/03/19	–	1,100	–	1,100
Pilot Training Facility	12	17/01/18	–	–	21,525	21,525
Total investment property			–	8,350	21,525	29,875

Infrastructure, property, plant and equipment

Plant and equipment		30/06/19	–	–	27,867	27,867
Office equipment		30/06/19	–	–	16	16
Furniture and fittings		30/06/19	–	–	1,856	1,856
Land – operational		31/01/18	–	–	100,675	100,675
Land under roads (post 30/6/08)		30/06/19	–	–	1,676	1,676
Land improvements – depreciable		30/06/19	–	–	8,996	8,996
Buildings		31/01/18	–	–	121,495	121,495
Other structures		30/06/19	–	–	50,126	50,126
Roads and Carparks ¹	18b	30/06/15	–	–	516,085	516,085
Bridges and Other Transport Infrastructure ¹	18b		–	–	–	–
Stormwater drainage		01/01/19	–	–	190,715	190,715
Water supply network		31/03/18	–	–	224,863	224,863
Sewerage network		31/03/18	–	–	232,232	232,232
Library books		30/06/19	–	–	816	816
Art collection		30/06/14	–	–	3,782	3,782
Other assets		30/06/19	–	–	5,407	5,407
Land – community		30/06/16	–	–	20,344	20,344
Total infrastructure, property, plant and equipment			–	–	1,506,951	1,506,951

Non-current assets classified as 'held for sale'

Land		30/06/19	–	2,017	–	2,017
Total NCA's classified as 'held for sale'			–	2,017	–	2,017

(1) Roads and Carparks values restated - refer Note 18b

Note that capital WIP is not included above since it is carried at cost.

(2) Transfers between level 1 and level 2 fair value hierarchies

Summary

Council identifies at the end of the reporting period what if any transfers between the different levels of the hierarchies have occurred. During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurement.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

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

Investment property

Investment properties (other than the Pilot Training Facility) were valued using Level 2 inputs as at March 31, 2020 Preston Rowe Paterson, registered valuer NSW No 186. Observable inputs used in determining the valuation include net rentals in order to provide a rate per m2 this value was then used in conjunction with sales of comparable properties. Unobservable inputs include a limited number of sales evidence on the open market.

In the case of the pilot training facility it is unfeasible to substantiate a fair value due to Covid 19. The facility was acquired with the intention of it being tenanted as a pilot training facility; a fair value based on lease arrangements of this nature is unobtainable at this time due to the global pandemic. The value adopted for 30 June 2020 is \$21,525M and is unchanged from June 30, 2019.

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

Infrastructure, property, plant and equipment (IPP&E)

Plant & Equipment, Office Equipment, Furniture & Fittings, Land Improvements, Heritage, Library, Other

All of the above asset categories are valued at cost but are disclosed at fair value in the notes, as such no observable or unobservable inputs were used in determining fair value. This is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. As such valuation has been deemed to be made using Level 3 inputs.

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

Operational Land

Operational land values were obtained via external valuation using Preston Rowe Paterson, registered valuer NSW No 186. Valuations are as at 31 January, 2018. Observable inputs used in determining the highest and best use valuation include planning and other development constraints and land dimensions. Unobservable inputs used include the potential for alternative uses along with market prices for similar properties when available for an active and liquid market. As there is no active market for identical land products valuation has been made using Level 3 inputs.

Valuations are carried out every five years unless significant movement in similar markets would suggest that a valuation needs to be conducted sooner.

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

Community Land

Community land is valued in accordance with the Local government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 25, Appendix E; as such community land has been valued using the NSW Valuer General's valuations. For this reason Council is unable to provide neither observable nor unobservable valuation techniques and valuation is being reported at Level 3.

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

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

Land Under Roads

Councils recognised land under roads have had Fair Value derived using the Englobo methodology. Using this method there are no observable inputs and the only unobservable input is that of the average site value for each council on a \$ per m2. This average site value is determined using values from NSW Valuer General valuations.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Changes in the NSW Valuer General's valuations will result in a higher or lower fair value measurement.

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

Buildings – Specialised and Non Specialised

Non-specialised and specialised buildings were valued as at January 31, 2018 using external valuer B C Sharrock, registered valuer NSW No 186. Given that there is no observable market for identical buildings valuation was made using Level 3 inputs. When available valuation has been made using sales of comparable properties, if there were no sales of comparable properties then Fair value was ascertained using the depreciable replacement cost of the various buildings.

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

Other Structures

Other structures have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. Valuations are undertaken by suitably qualified Council staff from the relevant functional areas. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the Local Government Code of Accounting Practice and Financial Reporting used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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

Roads, Bridges, Footpaths and Stormwater Drainage

Council's transport infrastructure assets are grouped into various classes, and where necessary further broken down into components. For example roads are broken down into various components including kerb and gutter, wearing course, structure and earthworks. All valuations for these asset classes were undertaken using Council engineers and industry consultants. Valuations were derived using unit rates. These unit rates were calculated for the various asset components using costs from recent works carried out across the Tamworth Regional Council area where possible and Rawlinson's Construction Handbook Edition 32 2014 where recent local costs were not available. Sampling was conducted in various locations to assess asset condition and this information was then extrapolated to determine the fair value of asset components using the depreciated cost method. Fair value was determined using Level 3 valuation inputs for this asset class.

Bridges, Footpaths, Kerb & Gutter, Minor Culverts, Causeways and Transport Ancillary assets were revalued in-house during the 2019/20 reporting period. Stormwater assets were revalued during the 2018/19 reporting period. There has been no change to the valuation process during the reporting period.

Water and Sewer Networks

The water and sewer network of Council is also broken down into components where necessary by Councils engineering staff who conduct the valuation of these assets in house. Sampling of the condition of assets is taken using cameras and site inspections. The results of this condition assessment is used in conjunction with unit rates taken from the NSW Reference Rates Manual as published by the Office of Water to determine the depreciated replacement cost of the various assets that make up these two networks. For those items not covered by the NSW Reference Rates Manual the historical cost is indexed every year by the annual index rate which is also included in the NSW Reference Rates Manual.

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

Art Collection

Tamworth Regional Council's art collection had fair value determined using an insurance valuation as at June 30, 2014. The valuation was carried out by external valuer Helen Maxwell who is an approved valuer of Art, Australian Government Cultural Gifts and Cultural Bequests. This method of ascertaining fair valuation is in accordance with Appendix I of Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No 22. Given that there are observable or unobservable inputs the fair value has been derived using Level 3.

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

Other Open Space/Recreational Assets

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

Other Open Space and recreational assets have been valued using the depreciated replacement cost approach where it has been economical to do so taking into account a range of factors including condition, location and construction material. Valuations are undertaken by suitably qualified Council staff from the relevant functional areas. For assets where the cost of valuing the asset exceeds the benefit or the asset value is immaterial in relation to the whole asset class Council has as per the 2016 Local Government Code of Accounting Practice and Financial Reporting Appendix E used the depreciated historical cost as a representation of fair value. All assets within this class have been valued using Level 3 valuation inputs.

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

(4) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

\$ '000	Level 3 asset class Restated
2019	
Opening balance	1,448,914
Transfers from/(to) another asset class	22,487
Purchases (GBV)	34,364
Disposals (WDV)	(7,248)
Depreciation and impairment	(33,917)
FV gains – other comprehensive income	42,351
Closing balance	1,506,951
2020	
Opening balance	1,506,951
Transfers from/(to) another asset class	(1,231)
Purchases (GBV)	33,647
Disposals (WDV)	(5,807)
Depreciation and impairment	(35,177)
FV gains – other comprehensive income	187,416
Closing balance	1,685,799

c. 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.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & Equipment	Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life Residual Value
Office Equipment	Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life
Furniture & Fittings	Depreciated Historical Cost	<ul style="list-style-type: none"> Gross Replacement Cost Remaining useful life
Land Operational	External Valuation	<ul style="list-style-type: none"> Land Value Land zoning Sales of comparable properties
Land Community	NSW Valuer General Valuations	<ul style="list-style-type: none"> Land Value
Land Under Roads	Englobo Method	<ul style="list-style-type: none"> Land Value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Land Improvements	Depreciated Replacement Cost	• Gross Replacement Cost
	Depreciated Historical Cost	• Remaining Useful Life
Buildings	External Valuation	• Gross Replacement Cost
		• Remaining Useful Life
		• Residual Value
		• Sale of Comparable Properties
Other Structures	Depreciated Replacement Cost	• Gross Replacement Cost
	Depreciated Historical Cost	• Remaining Useful Life
		• Residual Value
Roads, Bridges, Footpaths	Depreciated Replacement Cost	• Gross Replacement Cost
		• Remaining Useful Life
Stormwater Drainage	Depreciated Replacement Cost	• Gross Replacement Cost
		• Remaining Useful Life
Water Network	Depreciated Replacement Cost	• Gross Replacement Cost
		• Remaining Useful Life
Sewer Network	Depreciated Replacement Cost	• Gross Replacement Cost
		• Remaining Useful Life
Other Assets	Depreciated Replacement Cost	• Gross Replacement Cost
		• Remaining Useful Life
Art Collections	External Valuation	• Insurance valuation
Library Books	Depreciated Historical Cost	• Gross Replacement Cost
		• Remaining Useful Life

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,656	1,724
Post-employment benefits	166	172
Other long-term benefits	19	66
Termination benefits	11	70
Total	1,852	2,032

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Employee expenses for close family members of KMP	1	19	—	Local Government Award	—	—
2019						
Employee expenses for close family members of KMP	1	53	—	Local Government Award	—	—

1 There is currently 1 close family member of council's KMP employed by council under the relevant state award on an arm's length basis.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Statement of developer contributions

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.

Summary of contributions and levies

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20
	Opening Balance	Cash	Non-cash				Held as restricted asset
Roads	1,744	355	—	31	(231)	—	1,899
Parking	219	—	—	4	—	—	223
Open space	148	48	—	2	(2)	—	196
Community facilities	122	12	—	2	(49)	—	87
Rural Fire Service	279	3	—	4	—	—	286
Studies	151	2	—	3	—	—	156
Garbage Disposal – Nundle	4	—	—	—	—	—	4
Mines & Extractive Industry – Parry	626	114	—	11	—	—	751
Rural Traffic Generating – Parry	3	—	—	—	—	—	3
Cycleways	101	5	—	2	—	—	108
Tamworth Regional S94 Direct Plan	1,514	289	—	27	(217)	—	1,613
Tamworth Regional S94 Indirect Plan	1,450	388	—	26	(416)	—	1,448
S7.11 contributions – under a plan	6,361	1,216	—	112	(915)	—	6,774
Total S7.11 and S7.12 revenue under plans	6,361	1,216	—	112	(915)	—	6,774
S7.11 not under plans	95	—	—	2	—	—	97
S7.4 planning agreements	2	—	—	—	—	—	2
S64 contributions	33,131	1,892	—	597	(3,683)	—	31,937
Total contributions ¹	39,589	3,108	—	711	(4,598)	—	38,810

(1) Total contributions received differs to note 3f due to internal transactions

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset
S7.11 Contributions – under a plan							
CONTRIBUTION PLAN							
Parking	219	–	–	4	–	–	223
Garbage Disposal – Nundle	4	–	–	–	–	–	4
Mines & Extractive Industry – Parry	626	114	–	11	–	–	751
Rural Traffic Generating – Parry	3	–	–	–	–	–	3
Tamworth Regional S7.11 Indirect Plan	1,450	388	–	26	(416)	–	1,448
Total	2,302	502	–	41	(416)	–	2,429
CONTRIBUTION PLAN – ROADS							
Roads – Hills Plain East	3	–	–	–	–	–	3
Roads – Manilla	14	–	–	–	–	–	14
Roads – Parry	231	4	–	4	–	–	239
Roads – Tamworth Urban	604	38	–	11	(190)	–	463
Hills Plains Roads	892	313	–	16	(41)	–	1,180
Total	1,744	355	–	31	(231)	–	1,899
CONTRIBUTION PLAN – OPEN SPACE							
Drainage Hills Plains	5	–	–	–	–	–	5
Open Space – Manilla – Active	2	–	–	–	(2)	–	–
Open Space – Tamworth	2	–	–	–	–	–	2
Open Space – Tamworth Urban	77	26	–	1	–	–	104
Hills Plains Open Space & Recreation	62	22	–	1	–	–	85
Total	148	48	–	2	(2)	–	196
CONTRIBUTION PLAN – COMMUNITY FACILITIES							
Community Facilities – Hills Plain	34	–	–	1	(8)	–	27
Community Facilities – Tamworth	9	7	–	–	–	–	16
Community Facilities – Tamworth Urban	79	5	–	1	(41)	–	44
Total	122	12	–	2	(49)	–	87
CONTRIBUTION PLAN – RURAL FIRE SERVICE							
Rural Fire Service – Barraba	20	–	–	–	–	–	20

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
\$ '000	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	
		Cash	Non-cash					
Rural Fire Service – Manilla	7	–	–	–	–	–	7	
Rural Fire Service – Nundle	10	–	–	–	–	–	10	
Rural Fire Service – Parry	242	3	–	4	–	–	249	
Total	279	3	–	4	–	–	286	
CONTRIBUTION PLAN – STUDIES								
Studies – Hills Plain East	33	–	–	1	–	–	34	
Studies – Tamworth Urban	118	2	–	2	–	–	122	
Total	151	2	–	3	–	–	156	
CONTRIBUTION PLAN – CYCLEWAYS								
Tamworth Urban Cycleway	89	3	–	2	–	–	94	
Cycleways – Tamworth	12	2	–	–	–	–	14	
Total	101	5	–	2	–	–	108	
CONTRIBUTION PLAN – TAMWORTH REGIONAL S7.11 DIRECT PLAN								
Tamworth Regional (Roads)	1,001	221	–	18	(217)	–	1,023	
Tamworth Regional (Open Space & Rec)	401	49	–	7	–	–	457	
Tamworth Regional (Plan Preparation)	112	19	–	2	–	–	133	
Total	1,514	289	–	27	(217)	–	1,613	

S7.11 Contributions – not under a plan

Payments Arising From Developer Consents

Drainage	63	–	–	1	–	–	64
Roads	99	–	–	2	–	–	101
Subdivision Works	(67)	–	–	(1)	–	–	(68)
Total	95	–	–	2	–	–	97

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27. Statement of developer contributions (continued)

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset
S7.4 planning agreements							
S7.4 planning agreements							
S7.4 Planning Agreements	2	–	–	–	–	–	2
Total	2	–	–	–	–	–	2
 S64 contributions							
S64 contributions							
Water	20,459	1,390	–	369	(3,544)	–	18,674
Sewer	12,672	502	–	228	(139)	–	13,263
Total	33,131	1,892	–	597	(3,683)	–	31,937

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	44,451	7,248	19,047
User charges and fees	22,769	9,818	4,249
Interest and investment revenue	890	1,095	1,166
Other revenues	1,690	946	68
Grants and contributions provided for operating purposes	21,965	–	249
Grants and contributions provided for capital purposes	31,137	3,277	1,374
Fair value increment on investment property	300	–	–
Rental income	2,534	–	–
Total income from continuing operations	125,736	22,384	26,153
Expenses from continuing operations			
Employee benefits and on-costs	44,088	2,619	1,851
Borrowing costs	1,610	549	2,259
Materials and contracts	17,068	10,485	5,754
Depreciation and amortisation	24,798	5,320	5,958
Other expenses	8,814	1,752	935
Net losses from the disposal of assets	2,456	241	79
Total expenses from continuing operations	98,834	20,966	16,836
Operating result from continuing operations	26,902	1,418	9,317
Net operating result for the year	26,902	1,418	9,317
Net operating result attributable to each council fund	26,878	1,418	9,317
Net operating result attributable to non-controlling interests	24	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(4,235)	(1,859)	7,943

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	31,082	200	5,226
Investments	23,910	44,810	51,124
Receivables	11,736	3,228	1,925
Inventories	16,607	–	–
Contract assets	6,392	–	–
Other	324	9	9
Non-current assets classified as 'held for sale'	214	–	–
Total current assets	90,265	48,247	58,284
Non-current assets			
Investments	4,585	3,733	4,682
Receivables	402	8,000	8,000
Infrastructure, property, plant and equipment	1,265,101	250,170	252,714
Investment property	30,175	–	–
Intangible assets	302	1,183	1,386
Right of use assets	2,853	–	–
Total non-current assets	1,303,418	263,086	266,782
TOTAL ASSETS	1,393,683	311,333	325,066
LIABILITIES			
Current liabilities			
Payables	13,008	1,361	404
Contract liabilities	4,223	–	–
Lease liabilities	727	–	–
Borrowings	3,605	1,195	2,759
Provisions	10,700	–	–
Total current liabilities	32,263	2,556	3,163
Non-current liabilities			
Lease liabilities	2,190	–	–
Borrowings	46,282	18,585	29,997
Provisions	8,709	–	–
Total non-current liabilities	57,181	18,585	29,997
TOTAL LIABILITIES	89,444	21,141	33,160
Net assets	1,304,239	290,192	291,906
EQUITY			
Accumulated surplus	825,061	185,072	201,512
Revaluation reserves	478,497	105,120	90,394
Council equity interest	1,303,558	290,192	291,906
Non-controlling interests	681	–	–
Total equity	1,304,239	290,192	291,906

NB. All amounts disclosed above are gross – that is, they include 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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans 1	Land Acquisition
Borrower (by purpose)	General - land acquisition
Lender (by purpose)	Water/Sewer
Date of minister's approval	04/08/2016
Date raised	01/03/2016
Term (years)	5
Dates of maturity	28/02/2021
Rate of interest	3.0%
Amount originally raised	16,000,000
Total repaid during year (interest only)	320,000
Principal outstanding at end of year	16,000,000

(1) For additional information regarding the purpose of this loan refer to item 9.1 of the business papers for the council meeting held 8/9/20 which are available from council's website.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,325	3.13%	6.71%	5.62%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	138,181				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	115,968	66.66%	69.02%	77.10%	>60.00%
Total continuing operating revenue ¹	173,969				
3. Unrestricted current ratio					
Current assets less all external restrictions	49,263	2.76x	2.43x	3.86x	>1.50x
Current liabilities less specific purpose liabilities	17,853				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	44,819	3.93x	4.53x	4.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,403				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding ³	5,396	7.25%	4.64%	4.82%	<10.00%
Rates, annual and extra charges collectible	74,425				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	158,008	16.58	15.01	15.44	>3.00
Monthly payments from cash flow of operating and financing activities	9,532	mths	mths	mths	mths

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

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

(3) Previous years numerator includes prepaid rates, (ref note 3(a) accounting policy). If the prepayments of \$1.8M for 19/20 had been included the ratio for this year would have been 4.7%

Notes to the Financial Statements
for the year ended 30 June 2020

Note 29(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators ¹		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1.87)%	0.66%	(9.73)%	9.88%	32.06%	27.01%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	57.67%	60.25%	85.36%	88.01%	93.79%	92.34%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.76x	2.43x	18.88x	23.60x	18.43x	15.19x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.94x	3.37x	6.94x	13.14x	6.95x	6.01x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding ²	7.34%	3.29%	7.76%	7.53%	6.82%	6.62%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.45	5.37	35.89	36.99	54.36	48.50	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) Decrease in income for water usage charges due to drought is negatively impacting on some ratios

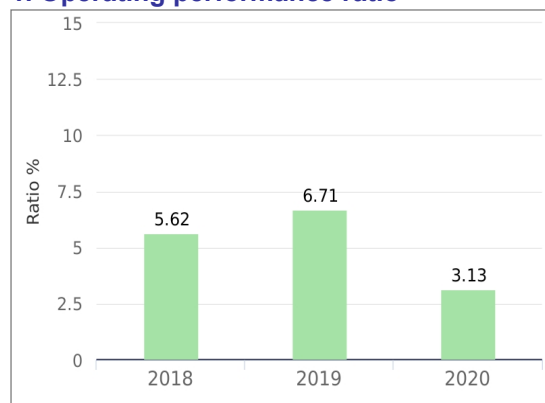
(2) Previous years the numerator included receivables with a credit balance, if applicable credit balance of \$1.8M had been included in this year the ratio would have been 3.49%

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.13%

The deterioration of this ratio is due to the impact of the drought on Council's user fees and charges with a decline in water supply income of \$3.4M, despite this the ratio still compares favourably to the industry benchmark.

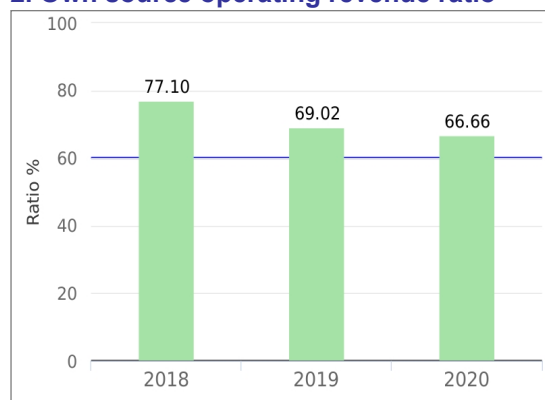
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 66.66%

This ratio remains steady and well above the industry minimum of 60%. This reflects a responsible revenue policy and application of rates, fees and charges.

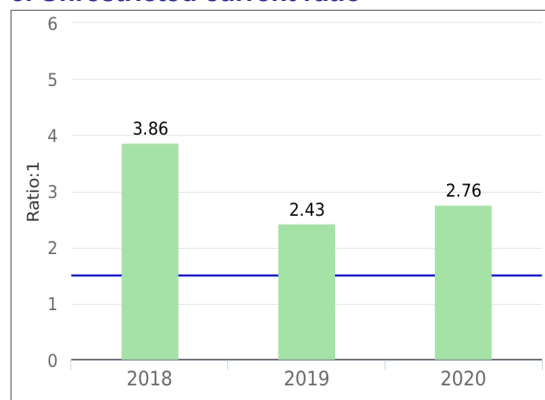
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 2.76x

This ratio remains healthy and well above the industry minimum of 1.5%.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

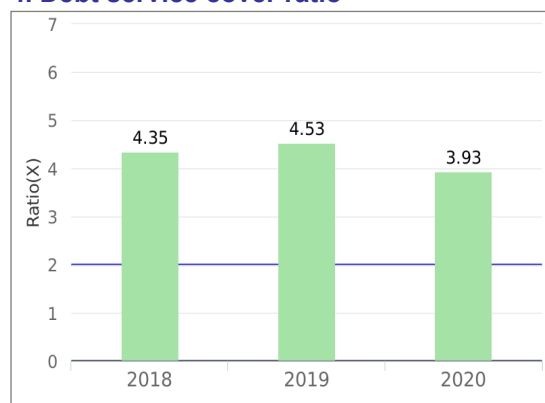
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29(c). Statement of performance measures – consolidated results (graphs)

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 2019/20 result

2019/20 ratio 3.93x

An increase in loans has resulted in a corresponding increase in loan servicing costs. The ratio still remains well above the benchmark with borrowing levels maintained at sustainable levels.

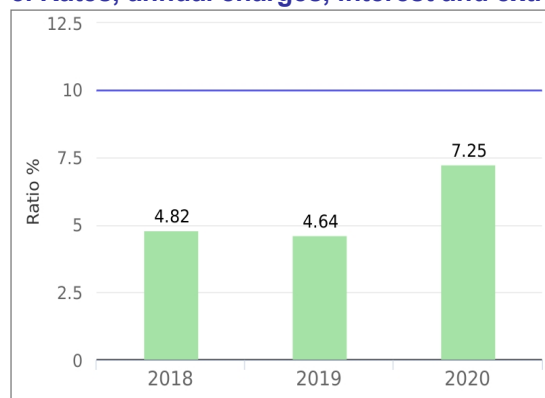
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2019/20 result

2019/20 ratio 7.25%

This ratio has increased due to a change in accounting standards which now require any accounts with a credit balance classified as a receivable to be separately recorded as a liability. (ref Note 16); the impact of including this credit balance was a reduction in the numerator of this ratio. For comparability purposes the credit balance referred to for 19/20 was \$1.8M if this figure had been included this ratio would have been 4.7%.

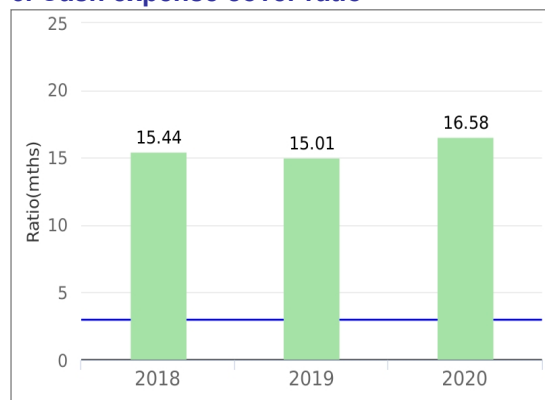
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 16.58 mths

This ratio is well above the industry minimum. This is due to a range of factors including Council's success in obtaining grant funding, and the accumulation of reserves for future renewals.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30. Council information and contact details

Principal place of business:

437 Peel Street
TAMWORTH NSW 2340

Contact details

Mailing Address:

PO Box 555
TAMWORTH NSW 2340

Opening hours:

Council Office Hours
8:30am - 5:00pm - Monday to Friday

Branch Office Hours

Monday to Friday (except Public Holidays)

Barraba: 8.30am to 12.00pm and 1.00pm to 4.30pm

Manilla: 8.30am to 4.30pm

Nundle: 8.30am to 12.00pm and 1.00pm to 4.30pm

Telephone: 02 6767 5555

Internet: www.tamworth.nsw.gov.au

Email: trc@tamworth.nsw.gov.au

Officers

General Manager

Paul Bennett

Responsible Accounting Officer

Sherrill Young

Auditors

Auditor-General NSW

GPO Box 12

Sydney NSW 2001

Elected members

Mayor

Col Murray

Phil Betts, Deputy Mayor

Charles Impey, Councillor

Glenn Inglis, Councillor

Jim Maxwell, Councillor

Mark Rodda, Councillor

Helen Tickle, Councillor

Russell Webb, Councillor

Juanita Wilson, Councillor

Other information

ABN: 52 631 074 450



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Tamworth Regional Council

To the Councillors of Tamworth Regional Council

Opinion

I have audited the accompanying financial statements of Tamworth 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 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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 audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2020 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 24 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 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 November 2020
SYDNEY



Cr Col Murray
Mayor
Tamworth Regional Council
PO Box 555
TAMWORTH NSW 2340

Contact: Chris Harper
Phone no: 02 925 7374
Our ref: D2025643/1792

6 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Tamworth Regional Council**

I have audited the general purpose financial statements (GPFS) of Tamworth Regional Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	70.7	68.5	↑ 3.2
Grants and contributions revenue	58.0	54.5	↑ 6.4
Operating result from continuing operations	37.6	39.1	↓ 3.8
Net operating result before capital grants and contributions	1.8	3.2	↓ 43.8

The Council's operating result from continuing operations (\$37.6 million including depreciation and amortisation expense of \$36.1 million) was \$1.5 million lower than the 2018–19 result. This is mainly due to:

- \$7.7 million decrease in user charges and fees related to water supply services (due to the drought) and the aerodrome and entertainment facilities (due to COVID-19 restrictions)
- \$2.7 million increase in depreciation and amortisation expense due to the revaluation carried out in 2019-20.

Offset by:

- \$2.2 million increase in rates and annual charges revenue due mainly to the normal rate peg allowance increases
- \$3.6 million increase in grants and contributions for operational purposes due to additional funds received from the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) for specific roads and bridges projects
- \$3.4 million decrease in loss on disposal of non-current assets due to a reduction in disposals of infrastructure assets.

The net operating result before capital grants and contributions of \$1.8 million was \$1.4 million lower than the 2018–19 result. This is due to the same factors as the reduction in operating result from continuing operations.

Rates and annual charges revenue (\$70.7 million) increased by \$2.2 million (3.2 per cent) in 2019–20 due mainly from the normal rate peg allowance increases in the year.

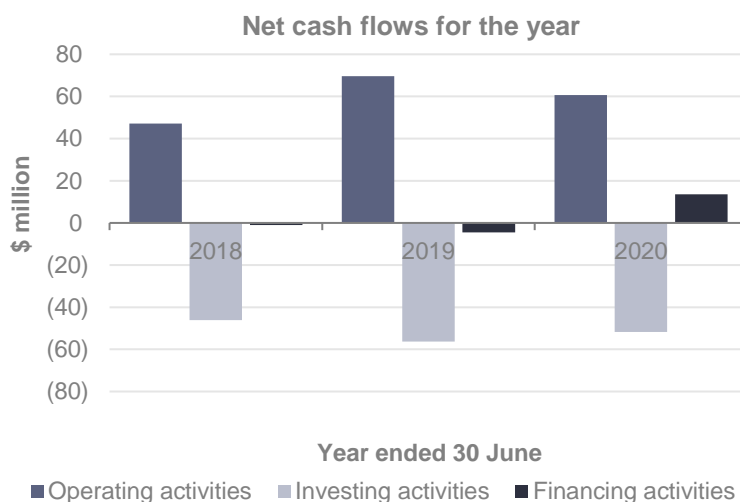
Grants and contributions revenue (\$58.0 million) increased by \$3.5 million (6.4 per cent) in 2019–20 due to additional funding received from DITRDC for specific roads and bridges projects.

STATEMENT OF CASH FLOWS

Cash from operations decreased by \$8.9 million due to a reduction in cash inflows from user charges and fees.

Cash outflows from investing activities decreased by \$4.6 million due to lower capital expenditure on IPPE and a net return of funds from investments.

Cash from financing activities increased by \$18.0 million due to new borrowings in the current year for the Manilla Water Supply and the Pilot Training Facility, offset by debt repayments.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	141.9	136.8	<ul style="list-style-type: none"> Major external restrictions include water, sewer and domestic waste operations as well as grants for specific purposes, unexpended loans and developer contributions. The main increase related to unexpended loan funding received for the Manilla Water Supply. Major internal restrictions include the financial assistance grant instalment received in advance, employee provisions, asset renewal and plant replacement reserves. The main increase related to a reduction in the internal borrowing from internal restrictions for the Pilot Training Facility. Council secured external borrowings to assist with funding the acquisition of this asset during the year.
Internal restrictions	27.3	19.1	
Unrestricted	0.2	0.7	
Cash and investments	169.4	156.6	

PERFORMANCE

Performance measures

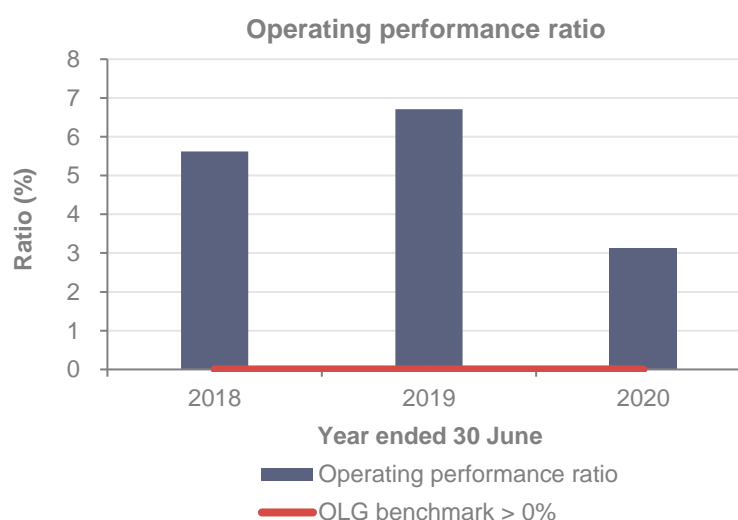
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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.

Council exceeded the OLG benchmark for the current reporting period.

Council's operating performance ratio declined compared to 2018-19 due to increased depreciation on bridge assets and a reduction in user charges and fees revenue due to COVID-19.

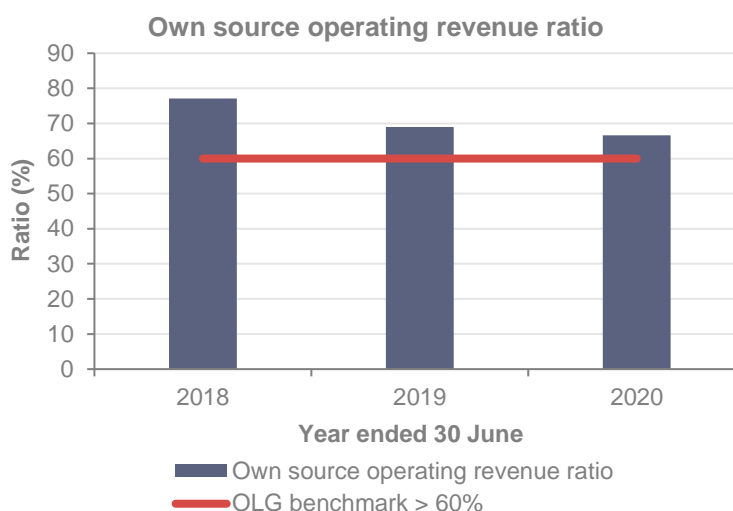


Own source operating revenue ratio

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.

Council met the OLG benchmark for the current reporting period.

The own source operating revenue ratio has decreased compared to the 2018–19 year due to increases to capital contributions in the current year.

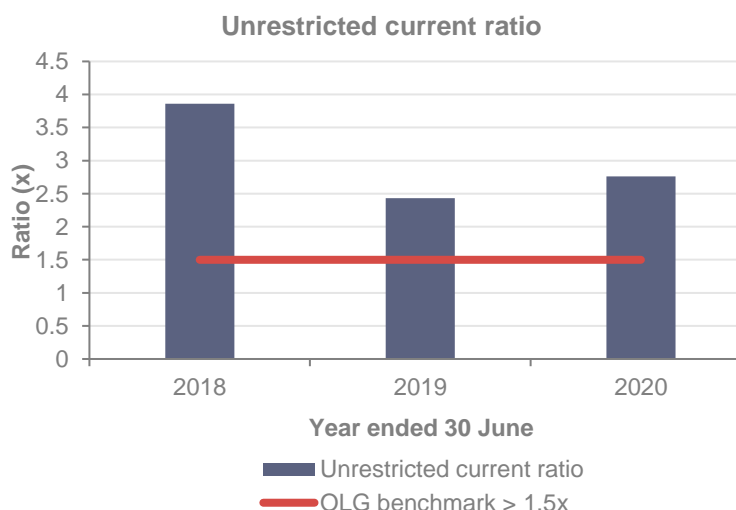


Unrestricted current ratio

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 met the OLG benchmark for the current reporting period.

The increase in the unrestricted current ratio is due to Council transferring non-current assets into land inventory during the year and initial recognition of contract assets.

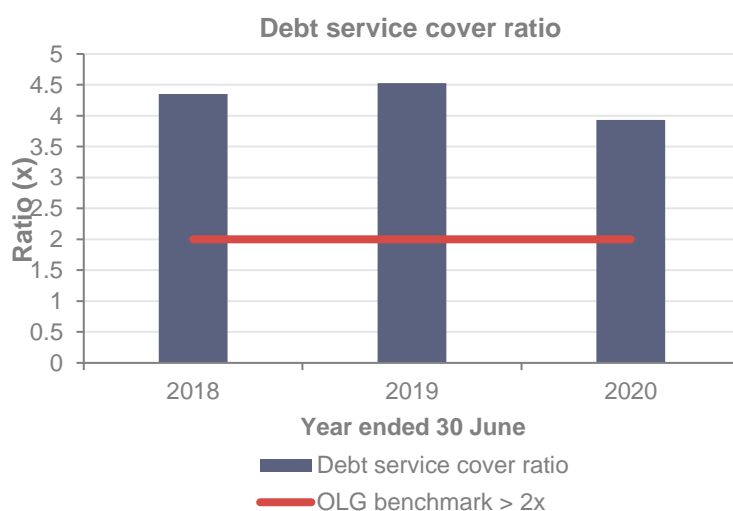


Debt service cover ratio

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 current reporting period.

The debt service cover ratio has decreased compared to 2018-19 due to Council entering into new loans during the year.

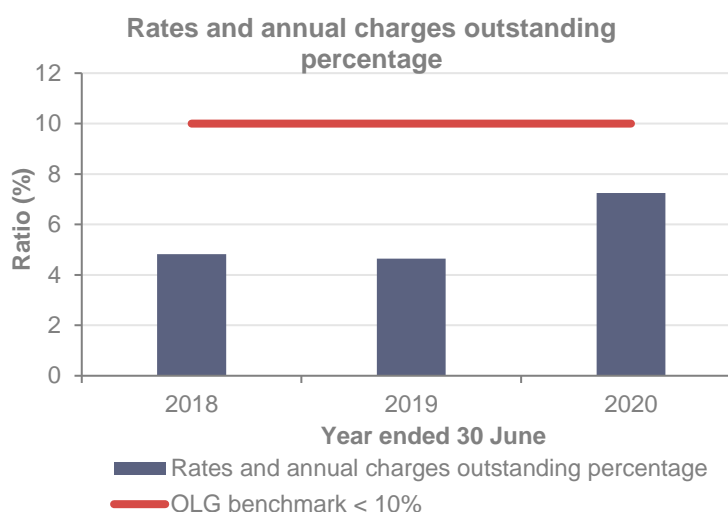


Rates and annual charges outstanding percentage

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

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

Council's rates and annual charges outstanding ratio has increased compared to 2018-19 due to concessions on repayment terms due to COVID-19.

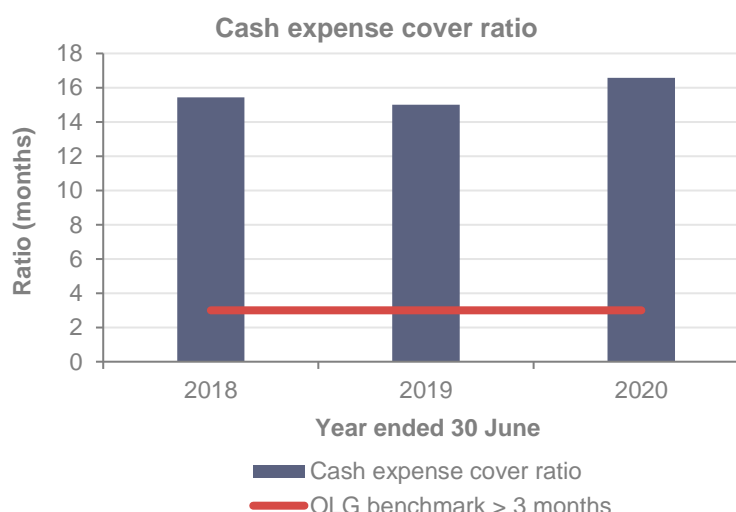


Cash expense cover ratio

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 current reporting period.

The cash expense cover ratio has increased compared to 2018-19 due to unspent loan funds at year end.



Infrastructure, property, plant and equipment renewals

Infrastructure, Property, Plant and Equipment (IPPE) renewal expenditure was \$27.1 million. This increased by \$15.6 million compared to 2018-19 due to Council increasing its renewal works in accordance with its infrastructure management plans. Renewal expenditure was below depreciation for the year by \$8.8 million.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019-20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and

amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$4.5 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards in relation to first time recognition of contract liabilities.

The Council disclosed the impact of adopting the new Revenue Standards in Note 18.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

There was no material impact on the financial statements for the 2019-20 year.

Legislative compliance

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

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



Chris Harper
Director, Financial Audit
Delegate of the Auditor-General for New South Wales

cc: Mr Paul Bennett, General Manager
Mr Andrew Fletcher, Chair of the Audit, Risk and Improvement Committee
Sherrill Young, Finance Manager
Jim Betts, Secretary of the Department of Planning, Industry and Environment
Mr Paul Cornall, Principal, Forsyths

Tamworth Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

More than just a city. More than just one place.



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Airport	6
Income Statement – Waste	7
Income Statement – Pilot Training Facility	8
Statement of Financial Position – Water Supply Business Activity	9
Statement of Financial Position – Sewerage Business Activity	10
Statement of Financial Position – Airport	11
Statement of Financial Position – Waste	12
Statement of Financial Position – Pilot Training Facility	13
Note 1 – Significant Accounting Policies	14
Auditor's Report on Special Purpose Financial Statements	18

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

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).

Special Purpose Financial Statements

for the year ended 30 June 2020

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 13 October 2020.



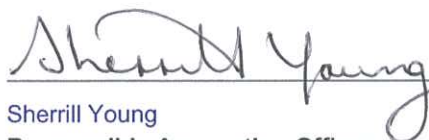
Col Murray
Mayor
13 October 2020



Phil Betts
Councillor
13 October 2020



Paul Bennett
General Manager
13 October 2020



Sherrill Young
Responsible Accounting Officer
13 October 2020

Income Statement – Water Supply Business Activity for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	7,248	6,819
User charges	9,587	13,701
Fees	231	197
Interest	1,095	1,465
Grants and contributions provided for non-capital purposes	–	199
Other income	946	382
Total income from continuing operations	19,107	22,763
Expenses from continuing operations		
Employee benefits and on-costs	2,619	2,572
Borrowing costs	549	591
Materials and contracts	10,485	9,455
Depreciation, amortisation and impairment	5,320	5,081
Water purchase charges	726	1,046
Loss on sale of assets	241	343
Calculated taxation equivalents	125	103
Debt guarantee fee (if applicable)	74	52
Other expenses	1,026	1,425
Total expenses from continuing operations	21,165	20,668
Surplus (deficit) from continuing operations before capital amounts	(2,058)	2,095
Grants and contributions provided for capital purposes	3,277	2,874
Surplus (deficit) from continuing operations after capital amounts	1,219	4,969
Surplus (deficit) from all operations before tax	1,219	4,969
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(576)
SURPLUS (DEFICIT) AFTER TAX	1,219	4,393
Plus accumulated surplus	183,568	178,511
Revaluation of Intangible Assets	155	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	125	103
– Debt guarantee fees	74	52
– Corporate taxation equivalent	–	576
Less:		
– Tax equivalent dividend paid	(69)	(67)
Closing accumulated surplus	185,072	183,568
Return on capital %	(0.6)%	1.1%
Subsidy from Council	3,710	443
Calculation of dividend payable:		
Surplus (deficit) after tax	1,219	4,393
Less: capital grants and contributions (excluding developer contributions)	(3,277)	(751)
Surplus for dividend calculation purposes	–	3,642
Potential dividend calculated from surplus	–	1,821

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	19,047	18,244
User charges	3,105	2,857
Liquid trade waste charges	1,061	1,159
Fees	83	76
Interest	1,166	1,510
Grants and contributions provided for non-capital purposes	249	255
Other income	68	88
Total income from continuing operations	24,779	24,189
Expenses from continuing operations		
Employee benefits and on-costs	1,851	1,827
Borrowing costs	2,259	2,402
Materials and contracts	5,754	5,633
Depreciation, amortisation and impairment	5,958	5,921
Loss on sale of assets	79	1,025
Calculated taxation equivalents	284	245
Debt guarantee fee (if applicable)	170	183
Other expenses	935	848
Total expenses from continuing operations	17,290	18,084
Surplus (deficit) from continuing operations before capital amounts	7,489	6,105
Grants and contributions provided for capital purposes	1,374	1,730
Surplus (deficit) from continuing operations after capital amounts	8,863	7,835
Surplus (deficit) from all operations before tax	8,863	7,835
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,059)	(1,679)
SURPLUS (DEFICIT) AFTER TAX	6,804	6,156
Plus accumulated surplus	192,137	183,935
AASB15/AASB1058 Adjustment	(73)	–
Revaluation of Intangible Assets	195	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	284	245
– Debt guarantee fees	170	183
– Corporate taxation equivalent	2,059	1,679
Less:		
– Tax equivalent dividend paid	(64)	(61)
Closing accumulated surplus	201,512	192,137
Return on capital %	3.9%	3.4%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	6,804	6,156
Less: capital grants and contributions (excluding developer contributions)	(1,374)	(86)
Surplus for dividend calculation purposes	5,430	6,070
Potential dividend calculated from surplus	2,715	3,035

Income Statement – Airport
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Fees	4,092	5,130
Other income	68	32
Total income from continuing operations	4,160	5,162
Expenses from continuing operations		
Employee benefits and on-costs	667	744
Borrowing costs	128	134
Materials and contracts	2,334	2,494
Depreciation, amortisation and impairment	1,071	1,580
Calculated taxation equivalents	239	–
Debt guarantee fee (if applicable)	13	14
Other expenses	592	186
Total expenses from continuing operations	5,044	5,152
Surplus (deficit) from continuing operations before capital amounts	(884)	10
Grants and contributions provided for capital purposes	635	3,381
Surplus (deficit) from continuing operations after capital amounts	(249)	3,391
Surplus (deficit) from all operations before tax	(249)	3,391
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(3)
SURPLUS (DEFICIT) AFTER TAX	(249)	3,388
Plus accumulated surplus	25,917	22,512
AASB15/AASB1058 Adjustment	(99)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	239	–
– Debt guarantee fees	13	14
– Corporate taxation equivalent	–	3
Closing accumulated surplus	25,821	25,917
Return on capital %	(1.5)%	0.3%
Subsidy from Council	1,198	524

Income Statement – Waste
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Access charges	8,576	8,112
Fees	6,687	6,364
Grants and contributions provided for non-capital purposes	9	371
Container Deposit Scheme	86	286
Other income	66	19
Total income from continuing operations	15,424	15,152
Expenses from continuing operations		
Employee benefits and on-costs	1,711	1,574
Borrowing costs	320	140
Materials and contracts	10,635	9,723
Depreciation, amortisation and impairment	1,326	1,028
Loss on sale of assets	–	102
Calculated taxation equivalents	39	–
Other expenses	125	121
Total expenses from continuing operations	14,156	12,688
Surplus (deficit) from continuing operations before capital amounts	1,268	2,464
Grants and contributions provided for capital purposes	(685)	1,500
Surplus (deficit) from continuing operations after capital amounts	583	3,964
Surplus (deficit) from all operations before tax	583	3,964
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(349)	(678)
SURPLUS (DEFICIT) AFTER TAX	234	3,286
Plus accumulated surplus	21,569	17,605
AASB15/AASB1058 Adjustment	(1,989)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	39	–
– Corporate taxation equivalent	349	678
Closing accumulated surplus	20,202	21,569
Return on capital %	8.0%	12.7%

Income Statement – Pilot Training Facility
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Rental Income	1,485	–
Total income from continuing operations	1,485	–
Expenses from continuing operations		
Employee benefits and on-costs	46	–
Borrowing costs	399	208
Materials and contracts	1,471	117
Debt guarantee fee (if applicable)	75	–
Other expenses	280	6
Total expenses from continuing operations	2,271	331
Surplus (deficit) from continuing operations before capital amounts	(786)	(331)
Surplus (deficit) from continuing operations after capital amounts	(786)	(331)
Surplus (deficit) from all operations before tax	(786)	(331)
SURPLUS (DEFICIT) AFTER TAX	(786)	(331)
Plus accumulated surplus	(331)	–
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	75	–
Closing accumulated surplus	(1,042)	(331)
Subsidy from Council	387	123

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	200	5,511
Investments	44,810	30,095
Receivables	3,228	2,007
Other	9	10
Total current assets	48,247	37,623
Non-current assets		
Investments	3,733	12,937
Receivables	8,000	8,000
Infrastructure, property, plant and equipment	250,170	237,038
Intangible assets	1,183	1,022
Total non-current assets	263,086	258,997
TOTAL ASSETS	311,333	296,620
LIABILITIES		
Current liabilities		
Payables	1,361	787
Borrowings	1,195	807
Total current liabilities	2,556	1,594
Non-current liabilities		
Borrowings	18,585	9,190
Total non-current liabilities	18,585	9,190
TOTAL LIABILITIES	21,141	10,784
NET ASSETS	290,192	285,836
EQUITY		
Accumulated surplus	185,072	183,568
Revaluation reserves	105,120	102,268
TOTAL EQUITY	290,192	285,836

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	5,226	8,851
Investments	51,124	32,015
Receivables	1,925	1,588
Other	9	10
Total current assets	58,284	42,464
Non-current assets		
Investments	4,682	14,939
Receivables	8,000	8,000
Infrastructure, property, plant and equipment	252,714	249,765
Intangible assets	1,386	762
Total non-current assets	266,782	273,466
TOTAL ASSETS	325,066	315,930
LIABILITIES		
Current liabilities		
Payables	404	210
Borrowings	2,759	2,585
Total current liabilities	3,163	2,795
Non-current liabilities		
Borrowings	29,997	32,756
Total non-current liabilities	29,997	32,756
TOTAL LIABILITIES	33,160	35,551
NET ASSETS	291,906	280,379
EQUITY		
Accumulated surplus	201,512	192,137
Revaluation reserves	90,394	88,242
TOTAL EQUITY	291,906	280,379

Statement of Financial Position – Airport

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Contract assets	1,061	–
Investments	885	376
Receivables	1,696	2,558
Other	2	2
Total current assets	3,644	2,936
Non-current assets		
Infrastructure, property, plant and equipment	50,229	50,633
Investment property	1,525	1,525
Total non-current assets	51,754	52,158
TOTAL ASSETS	55,398	55,094
LIABILITIES		
Current liabilities		
Contract liabilities	122	–
Payables	545	109
Borrowings	166	158
Total current liabilities	833	267
Non-current liabilities		
Borrowings	2,430	2,596
Total non-current liabilities	2,430	2,596
TOTAL LIABILITIES	3,263	2,863
NET ASSETS	52,135	52,231
EQUITY		
Accumulated surplus	25,821	25,917
Revaluation reserves	26,314	26,314
TOTAL EQUITY	52,135	52,231

Statement of Financial Position – Waste
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Investments	17,968	14,450
Receivables	1,891	1,604
Total current assets	19,859	16,054
Non-current assets		
Investments	1,463	4,840
Infrastructure, property, plant and equipment	19,959	20,521
Total non-current assets	21,422	25,361
TOTAL ASSETS	41,281	41,415
LIABILITIES		
Current liabilities		
Contract liabilities	2,099	–
Payables	235	249
Total current liabilities	2,334	249
Non-current liabilities		
Provisions	8,030	8,878
Total non-current liabilities	8,030	8,878
TOTAL LIABILITIES	10,364	9,127
NET ASSETS	30,917	32,288
EQUITY		
Accumulated surplus	20,202	21,569
Revaluation reserves	10,715	10,719
TOTAL EQUITY	30,917	32,288

Statement of Financial Position – Pilot Training Facility

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Investment property	20,000	20,000
Total non-current assets	20,000	20,000
TOTAL ASSETS	20,000	20,000
LIABILITIES		
Current liabilities		
Payables	270	–
Borrowings - External	667	–
Monies Owed to General Fund	772	331
Total current liabilities	1,709	331
Non-current liabilities		
Borrowings - Internal ¹	10,000	20,000
Borrowings - External	9,333	–
Total non-current liabilities	19,333	20,000
TOTAL LIABILITIES	21,042	20,331
NET ASSETS	(1,042)	(331)
EQUITY		
Retained earnings	(1,042)	(331)
TOTAL EQUITY	(1,042)	(331)

(1) Internal loan from General Fund internal restrictions

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. 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 2093 (NSW), the *Local Government (General) Regulation 2005*, 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, current values 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, return 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)

1. Tamworth Regional Council Combined Water Supplies

Maintain water infrastructure assets and supply water to the area of Tamworth Regional Council.

2. Tamworth Regional Council Combined Sewerage Service

Maintain and operate sewerage reticulation and treatment system servicing the area of Tamworth Regional Council.

3. Tamworth Regional Airport

Maintain and operate the Tamworth Regional Airport facility.

4. Tamworth Regional Council Waste Management

Maintain and operate waste facilities and services within the Tamworth Regional Council area.

5. Tamworth Regional Pilot Training Facility

Maintain and operate the Tamworth Regional Pilot Training Facility

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Category 2

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

NONE

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Department of Industry (DoI) - Water, the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

In accordance with the Department of Industry (DoI) – 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 DoI – 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 DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face ‘true’ commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council’s borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, ‘subsidies disclosed’ (in relation to National Competition Policy) represents the difference between revenue generated from ‘rate of return’ pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) 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’.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective 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 0.88% at 30/6/20.

(iv) 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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – 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 Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Tamworth Regional Council

To the Councillors of Tamworth Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Tamworth 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 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Airport
- Waste
- Pilot Training Facility.

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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 Note 1 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 2020 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 Note 1 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 'CHarper', with a long horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 November 2020
SYDNEY

Tamworth Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2020

More than just a city. More than just one place.



Special Schedules

for the year ended 30 June 2020

Contents

Page

Special Schedules

Permissible income for general rates

3

Report on Infrastructure Assets - Values

7

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	37,073	35,870
Plus or minus adjustments ²	b	240	207
Notional general income	c = a + b	37,313	36,077
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	970	974
Sub-total	k = (c + g + h + i + j)	38,283	37,051
Plus (or minus) last year's carry forward total	l	—	13
Less valuation objections claimed in the previous year	m	—	9
Sub-total	n = (l + m)	—	22
Total permissible income	o = k + n	38,283	37,073
Less notional general income yield	p	38,323	37,073
Catch-up or (excess) result	q = o - p	(40)	—
Adjustment Due to Conservation Agreements		—	—
Carry forward to next year ⁶	t = q + r + s	(40)	—

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.
- (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 Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Tamworth Regional Council

To the Councillors of Tamworth Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Tamworth Regional Council (the Council) for the year ending 30 June 2021.

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 – update number 28 (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 2020 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 2020.

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.

A handwritten signature in black ink, appearing to read 'CHarper', with a long, sweeping horizontal stroke extending to the right.

Chris Harper
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000									
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	1,154	1,550	90,729	130,952	25.0%	38.0%	15.0%	17.0%	5.0%
	Buildings – specialised	–	–	376	365	32,133	36,542	90.0%	10.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,530	1,915	122,862	167,494	39.2%	31.9%	11.7%	13.3%	3.9%
Other structures	Other structures	–	–	1,026	991	25,644	93,556	17.0%	13.0%	69.0%	1.0%	0.0%
	Sub-total	–	–	1,026	991	25,644	93,556	17.0%	13.0%	69.0%	1.0%	0.0%
Roads	Sealed roads	–	–	3,500	3,144	259,431	361,888	55.0%	17.0%	11.0%	9.0%	8.0%
	Unsealed roads	–	–	4,852	5,469	56,150	77,436	26.0%	8.0%	9.0%	55.0%	2.0%
	Bridges	–	–	439	190	205,209	316,844	46.0%	48.0%	3.0%	0.0%	3.0%
	Footpaths	–	–	449	410	23,453	39,032	51.0%	17.0%	22.0%	6.0%	4.0%
	Other road assets	–	–	1,218	1,533	148,675	208,850	67.0%	27.0%	1.0%	1.0%	4.0%
	Sub-total	–	–	10,458	10,746	692,918	1,004,050	52.3%	28.2%	6.7%	7.9%	5.0%
Water supply network	Water supply network	2,317	2,317	5,546	4,817	225,470	429,452	25.0%	50.0%	20.0%	5.0%	0.0%
	Sub-total	2,317	2,317	5,546	4,817	225,470	429,452	25.0%	50.0%	20.0%	5.0%	0.0%
Sewerage network	Sewerage network	4,625	4,625	3,749	1,719	230,690	341,405	58.0%	19.0%	19.0%	4.0%	0.0%
	Sub-total	4,625	4,625	3,749	1,719	230,690	341,405	58.0%	19.0%	19.0%	4.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	529	392	194,793	281,337	58.0%	36.0%	1.0%	5.0%	0.0%
	Sub-total	–	–	529	392	194,793	281,337	58.0%	36.0%	1.0%	5.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	254	389	4,632	11,617	1.0%	8.0%	21.0%	32.0%	38.0%
	Open Space Assets	–	–	3,863	3,760	18,061	35,742	40.0%	32.0%	21.0%	7.0%	0.0%
	Sub-total	–	–	4,117	4,149	22,693	47,359	30.4%	26.1%	21.0%	13.1%	9.3%
TOTAL - ALL ASSETS		6,942	6,942	26,955	24,729	1,515,070	2,364,653	46.1%	31.4%	13.3%	6.7%	2.6%

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

Infrastructure asset condition assessment 'key'

1 Excellent/very good No work required (normal maintenance)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ^{1,3}					
Asset renewals ²	7,654	26.05%	17.93%	33.06%	>=100.00%
Depreciation, amortisation and impairment	29,386				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	6,942	0.66%	0.54%	0.62%	<2.00%
Net carrying amount of infrastructure assets	1,055,282				
Asset maintenance ratio					
Actual asset maintenance	24,729	91.74%	89.41%	91.91%	>100.00%
Required asset maintenance	26,955				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	6,942	0.29%	0.35%	0.41%	
Gross replacement cost	2,364,653				

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

(1) Excludes Work In Progress (WIP)

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

(3) If Work In Progress is included the Buildings and Infrastructure Renewals Ratio for 2020 would have been: Consolidated 67.38%, General 85.54%, Water 31.33% and Sewer 36.42%

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ^{1, 3}							
Asset renewals ²	38.72%	15.76%	5.65%	6.10%	0.80%	35.93%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	0.00%	0.00%	1.03%	1.08%	2.00%	2.04%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	103.02%	98.25%	86.86%	82.17%	45.85%	53.73%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.00%	0.00%	0.54%	0.57%	1.35%	1.41%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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

(3) If Work In Progress is included the Buildings and Infrastructure Renewals Ratio for 2020 would have been: Consolidated 67.38%, General 85.54%, Water 31.33% and Sewer 36.42%

